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WELCOME FROM THE CEO



Welcome to issue 12 of the Investor's Advantage Newsletter. This summer has proven to be a very active one and we are gearing up for what promises to be an even busier second half to our fundraising year.

Foremost among the activities and developments described in this edition is that the Advantage Venture Fund is enjoying its most successful fundraising year to date. This is an encouraging continuation of the momentum we carried at the end of our last fund raising year, where we twice applied for and received additional tax credit allocations from the Provincial government to keep pace with increasing demand. We've already sold more than half of our current tax credit allocation and, at this pace, we anticipate another sellout year.

We've also seen exciting new developments on the investment front, with the Advantage Venture fund having made its single largest investment into Aquinox Pharmaceuticals - a new Vancouver based therapeutics company. The Advantage Venture Fund also made a further investment in Urodynamix Technologies through the exercise of share purchase warrants received from a previous financing. Both Aquinox and Urodynamix are profiled in this issue.

In this issue we also take a closer look at Advantage's environmental consciousness, both from an operational and from an investment opportunity perspective. Maintaining the environment and our quality of life is increasingly important to the public, our governments and to investors. Accordingly, we've dedicated nearly half of this issue to examining Advantage's commitment to environmentally friendly practices and to highlighting Advantage's support of cleaner, more natural alternative technologies and innovations being developed right here at home. Advantage already has strong representation of clean technology in its investment portfolio and is continuously seeking new opportunities in the "CleanTech" space.

Finally, in order to help support all of these important activities, Advantage's fund manager has added a full time analyst starting in September. This analyst, Brendan Payne (profiled later in this issue), comes to us from the Westlink Technology Commercialization Internship program, where we continue to be active participants. We are pleased to welcome Brendan to our growing organization.

Frank Holler
CEO, BC Advantage Funds

FUND RAISING UPDATE - STRONG START



The Advantage Venture Fund is having its fastest fund raising year since inception, having already raised well over \$5 million of our \$10 million allocation.

CLEANTECH

Clean technology is a term used to encompass the myriad of inventions aimed at reducing our impact on the environment. This field includes technologies designed to increase energy efficiency, reduce emissions, improve yields and, in general, improve our contact with the environment. Technology development and investing in this field has seen a dramatic rise in recent periods due to increasing awareness of global warming, deforestation and other environmental concerns.

When people think of Advantage and clean technology, they generally think first of the investments we've made in companies such as NxtGen Emission Controls, which develops hydrogen-based catalytic systems for reducing engine emissions, or Phero Tech, which uses non-toxic pheromone technology to protect our forests from the Mountain Pine Beetle. However, direct investment in clean technology companies is not the only way by which we are positively impacting the environment. As a firm, we also employ the philosophy of waste reduction, re-use and recycling which has become part of many of our personal lives. As such, we have undertaken a number of initiatives to reduce our impact on the environment. This Newsletter, for example, is now being printed on recycled paper. The following is a summary of some of our environmental initiatives:

Investments – we are invested in a number of clean technology companies that will hopefully one day have a profound effect on our lives and the environment. We are actively seeking additional clean technology investments. A summary of some of our clean technology investments is provided below.

Paperless Filing – as you can imagine, an investment firm like ours has the potential to generate huge volumes of "administrative" paper. When we close an investment, the typical set of closing documents can stack as high as two feet off the ground. As such, we've implemented a paperless filing system to minimize the amount of paper used. Whenever possible, we receive all documents in electronic format and we recently procured tablet PC's for our team so that all note and memo files can be done in electronic format only.

Environmentally Friendly Vendors – wherever possible, we employ vendors that utilize environmental best practices. For example, we use Novex couriers who are a leader in innovating and applying environmental best practices. Our ordering is done online and not a single piece of paper is ever printed. In addition, Novex utilizes a fleet of hybrid vehicles that have a reduced impact on the environment.

Email Distribution – wherever possible, we make our regulatory and marketing materials available online or via email so as to reduce both our use of paper and energy to deliver these materials and the cost to our shareholders of doing so. To this end, we actively encourage our shareholders to sign up for email →

PORTFOLIO UPDATES*

CLEANTECH CONT'D

distribution of our materials, including this Newsletter. Email distribution sign up is available on our website at www.bcadvantagefunds.com.

We believe that each of us has an obligation to protect the environment and we are proud of the initiatives we have undertaken to reduce our environmental footprint. We also invest in and foster clean technology inventions that will hopefully one day greatly reduce our global community's impact on the environment.

NXTGEN



a Vancouver based, emission control company developing a hydrogen based system for removing nitrogen oxide (NOx) and particulate matter from diesel engine exhaust, while improving fuel efficiency and reducing engine maintenance costs.

PARADIGM



a Vancouver based, company that has developed MicroSludge®, a patented technology to aid in the processing of wastewater at municipal sewage treatment plants and at industrial facilities.

PHEROTECH



a Vancouver-based, life science company offering a unique combination of high-technology products for non-toxic pest management in home and garden, forestry, landscape, agriculture, and commercial applications.



Tanner Philp is our CFO and one of our Fund Managers. He is a Chartered Accountant with experience in fund management and financing early stage companies. Tanner recently was awarded the Early Achievement award by the Institute of Chartered Accounts of British Columbia.

AQUINOX



The Advantage Venture Fund has made its single largest investment in Aquinox Pharmaceuticals as part of the company's recent \$15 million Series A financing. Aquinox is an emerging therapeutics company headed up by David Main, formerly of QLT and Inex, and based on technology from UBC and the BC Cancer Agency.

The principals of Aquinox are experts in a new drug target named SHIP, which has been shown to be an important negative regulator of the PI3 kinase pathway. This pathway has been shown to be important in the uncontrolled growth of cancer, specifically in blood cancers. By increasing SHIP activity, and more specifically a subtype of SHIP known as SHIP1, Aquinox believes it can down-regulate the PI3 kinase activity and curb cancer growth. This pathway is also important for inflammation.

Advantage sees tremendous promise in this new technology and is further reassured by the strong management team and investment syndicate that has assembled to take this technology forward. Other investors in the financings were Ventures West Capital, Johnson & Johnson Development Corp. and Baker Brothers Investments.

URODYNAMIX



UroDynamix is nearing commercialization of its innovative and non-invasive bladder monitor ("URO-NIRS") designed to diagnose bladder dysfunction and urinary incontinence in men and women. The company's technology uses near infrared spectroscopy, a well established tool for other applications, to observe bloodflow in the bladder and surrounding tissues.

UroDynamix recently signed a worldwide distribution agreement with Laborie Medical Corp to market this new technology to hospitals. Laborie is the world leader in urodynamics systems in acute care and is in the process of integrating UroDynamix's URO-NIRS technology directly into its existing systems. Under the terms of the agreement, Laborie will pay an upfront licensing fee, milestone payments, guarantee minimum sales quantities, and finance individual clinical trials to be carried out by UroDynamix in North America, South America, Middle East and Asia territories as part of Laborie's sales and marketing commitment in each region.

The Advantage Venture Fund recently exercised its remaining warrants in UroDynamix to invest a further \$666,600 into the company. In all, UroDynamix raised approximately \$2.8 million through the exercise of 94% of the warrants. UroDynamix currently has \$3.8 million in cash to apply towards its commercialization programs.

NEW ANALYST



Lions Capital Corp., the fund manager of BC Advantage Funds, is pleased to welcome Brendan Payne to its team as a full time analyst starting this fall.

Brendan is already familiar with Advantage as he has been with the organization for the last eight months through his participation in the Westlink Technology Commercialization Internship Program (www.westlink.ca).

Brendan holds an Honours BSc. in Genetics from UBC and has worked with several of BC's leading biotechnology companies including Xenon Pharmaceuticals, StemCell Technologies and Allon Therapeutics. When not working, Brendan spends his time running, biking and entertaining his two month old son David. Brendan can be reached at bpayne@lionscapital.com or by telephone at 604.688.6877, ext. 20.

ABOUT ADVANTAGE

Advantage is a life sciences and technology fund that offers everyone in BC the opportunity to participate in returns from some of our Province's most promising emerging technology and life science companies. Investors receive a 30% refundable tax credit from the BC Government on investments of up to \$200,000 per year.

** Information on our portfolio companies is provided to us by the companies. This information should not be considered as a representation by Advantage of the particulars or prospects of those companies.*

FOR MORE INFORMATION

For more information about BC Advantage Funds, contact your Investment Advisor or:

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Please read our Prospectus and consult your investment and other advisors before investing.

PLEASE VISIT OUR WEBSITE AT WWW.BCADVANTAGEFUNDS.COM