

Financial Statements of

B.C. ADVANTAGE FUNDS (VCC) LTD.

Years ended December 31, 2009 and 2008

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

B.C. Advantage Funds (VCC) Ltd.:
Advantage Venture Fund
Advantage Growth Fund
Advantage Structured Fund I
Advantage Structured Fund II
Advantage Structured Fund III
Advantage Structured Fund IV
(collectively, the Funds)

The accompanying financial statements of the Funds have been prepared by the Fund Manager, Lions Capital Corp. The Fund Manager is responsible for the preparation and presentation of the Funds' financial statements and for the development of internal controls over the financial reporting process.

The Board of Directors of B.C. Advantage Funds (VCC) Ltd. is responsible for reviewing and approving the financial statements and for overseeing the Fund Manager's performance of its financial reporting responsibilities. The Board of Directors has approved the accompanying financial statements of the Funds.

KPMG LLP, the external auditors of the Funds, was appointed by the Board of Directors. As explained in their auditors' report, KPMG LLP has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their auditors' report follows.

Lions Capital Corp.

"Frank Holler"

Chief Executive Officer

"Tanner Philp"

Chief Financial Officer

March 12, 2010



KPMG LLP
Chartered Accountants
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Canada

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AUDITORS' REPORT TO THE SHAREHOLDERS

B.C. Advantage Funds (VCC) Ltd.:
Advantage Venture Fund
Advantage Growth Fund
Advantage Structured Fund I
Advantage Structured Fund II
Advantage Structured Fund III
Advantage Structured Fund IV
(collectively, the Funds)

We have audited the statements of investment portfolio of the Funds as at December 31, 2009, their statements of net assets as at December 31, 2009 and 2008, and their statements of operations, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Fund Manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Fund Manager, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the investment portfolios of the Funds as at December 31, 2009, their net assets as at December 31, 2009 and 2008, and the results of their operations, changes in their net assets and their cash flows for the years then ended, all in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada
March 12, 2010

ADVANTAGE VENTURE FUND

Statements of Net Assets

December 31, 2009 and 2008

	2009	2008
Assets		
Venture investments, at fair value	\$ 41,721,918	\$ 34,088,238
Cash and cash equivalents	4,046,840	5,866,301
Restricted cash (note 5)	2,825,643	2,323,197
Total assets	48,594,401	42,277,736
Liabilities		
Accounts payable and accrued liabilities	81,593	57,258
Inter-fund payable (note 11(b))	-	24,725
Due to related parties (note 12)	316,044	407,953
Accrued equity participation (note 10(c))	132,849	26,929
Total liabilities	530,486	516,865
Net assets , representing shareholders' equity	\$ 48,063,915	\$ 41,760,871
Number of common shares outstanding (note 10)	6,554,382	6,171,536
Net assets per common share (note 10(d))	\$ 7.33	\$ 6.77

Commitments (notes 10(c) and 13)
Contingency (note 14)

See accompanying notes to financial statements.

On behalf of the Board of Directors:

"Frank Holler" _____ Director

"Avtar Dhillon" _____ Director

ADVANTAGE VENTURE FUND

Statements of Operations

Years ended December 31, 2009 and 2008

	2009	2008
Investment income:		
Interest	\$ 61,723	\$ 747,878
Other income	-	468
	<u>61,723</u>	<u>748,346</u>
Expenses (notes 4 and 12):		
Management fees	1,316,161	1,362,200
Administration	326,075	344,968
Trailer fees	232,437	246,234
Transfer agency fees	98,579	98,119
Audit, tax and advisory fees	71,813	77,278
Directors' fees and expenses	46,444	55,123
Legal fees	24,579	63,282
Shareholder communications	10,532	53,806
Equity participation (note 10(c))	-	40,884
	<u>2,126,620</u>	<u>2,341,894</u>
Net investment loss	(2,064,897)	(1,593,548)
Realized gain (loss) on sale of venture investments (see below)	(301,765)	198,981
Change in unrealized appreciation (depreciation) of venture investments	6,209,048	(11,036,437)
Change in equity participation accrued on unrealized gains (note 10(c))	-	39,656
Income (loss) from operations before income taxes	3,842,386	(12,391,348)
Income tax (recovery) (note 11(c))	-	(28,404)
Income (loss) from operations	<u>\$ 3,842,386</u>	<u>\$(12,362,944)</u>
Income (loss) from operations per common share	<u>\$ 0.60</u>	<u>\$ (2.12)</u>
Realized gain on sale of venture investments:		
Proceeds from sale of venture investments	\$ 1,978,857	\$ 204,419
Cost of venture investments sold:		
Venture investments at cost, beginning of year	41,859,359	27,594,580
Purchase of investments, during the year	3,913,044	14,270,217
Venture investments at cost, end of year	(43,491,781)	(41,859,359)
	<u>2,280,622</u>	<u>5,438</u>
Realized gain (loss) on sale of venture investments	<u>\$ (301,765)</u>	<u>\$ 198,981</u>

See accompanying notes to financial statements.

ADVANTAGE VENTURE FUND

Statements of Changes in Net Assets

Years ended December 31, 2009 and 2008

	2009	2008
Net assets, beginning of year	\$ 41,760,871	\$ 46,750,955
Income (loss) from operations	3,842,386	(12,362,944)
Capital transactions (note 10):		
Issuance of common shares	2,657,050	2,839,097
Share issue costs including sales commissions	(357,123)	(424,138)
Redemption of common shares	(231,287)	(35,778)
Advantage Life Science Fund I share exchange (note 6)	392,018	-
Issued for Advantage Technology Fund Shares (note 7)	-	4,993,679
	2,460,658	7,372,860
Increase (decrease) in net assets	6,303,044	(4,990,084)
Net assets, end of year	\$ 48,063,915	\$ 41,760,871

See accompanying notes to financial statements.

ADVANTAGE VENTURE FUND

Statements of Cash Flows

Years ended December 31, 2009 and 2008

	2009	2008
Cash provided by (used in):		
Operations:		
Income (loss) from operations	\$ 3,842,386	\$(12,362,944)
Realized loss (gain) on sale of venture investment	301,765	(198,981)
Change in unrealized (appreciation) depreciation of venture investments	(6,209,048)	11,036,437
Change in equity participation accrued on unrealized gains	-	(39,656)
Net change in non-cash operating accounts	(115,470)	(245,459)
	(2,180,367)	(1,810,603)
Investments:		
Proceeds from sale of venture investments	1,978,857	204,419
Purchase of venture investments	(3,490,667)	(11,667,073)
Restricted cash	(502,446)	3,296,501
Cash acquired upon exchange of Advantage Technology Fund shares (note 7)	-	2,271,825
Cash acquired upon exchange of Advantage Life Science Fund I shares (note 6)	306,522	-
	(1,707,734)	(5,894,328)
Financing (note 10):		
Issuance of common shares	2,657,050	2,839,097
Share issue costs including sales commissions	(357,123)	(424,138)
Redemption of common shares	(231,287)	(35,778)
	2,068,640	2,379,181
Decrease in cash and cash equivalents	(1,819,461)	(5,325,750)
Cash and cash equivalents, beginning of year	5,866,301	11,192,051
Cash and cash equivalents, end of year	\$ 4,046,840	\$ 5,866,301

See accompanying notes to financial statements.

ADVANTAGE VENTURE FUND

Statement of Investment Portfolio

December 31, 2009

	Cost	Fair value	Unrealized gain or (loss)	Percentage of total portfolio at fair value
Publicly-traded investments:				
Allon Therapeutics Inc. 4,024,095 common shares	\$ 4,000,300	\$ 1,267,590	\$ (2,732,710)	3%
Monexa Technologies Corp. (formerly IP Applications Corp.) 1,111,110 common shares	500,000	138,889	(361,111)	-
MetroBridge Network Corp. 239,370 common shares	500,000	92,157	(407,843)	-
Neovasc Inc. 147,916 common shares	1,050,000	53,250	(996,750)	-
Protox Therapeutics Inc. 10,966,610 common shares	5,517,194	9,102,286	3,585,092	22
Tekmira Pharmaceuticals Inc. 281,316 common shares	178,459	258,811	80,352	1
Urodynamix Technologies Ltd. 26,665,000 common shares	2,999,800	666,625	(2,333,175)	2
Vigil Health Solutions Inc. 8,266,667 common shares	574,684	206,667	(368,017)	-
Voice Mobility International Inc. 991,000 common shares	594,600	74,325	(520,275)	-
Total publicly-traded investments	15,915,037	11,860,600	(4,054,437)	28
Privately-held investments:				
Aphrodite Therapeutics Inc. 1,022,000 common shares	-	-	-	-
Aquinox Pharmaceuticals Inc. 5,485,958 preferred shares	3,230,223	3,285,529	55,306	8
Celeres Systems Inc. 2,153,548 common shares	-	-	-	-
Secured debt, non-interest bearing	800,000	-	(800,000)	-
Conasys Consumer Assurance Systems Inc. 4,182,755 common shares	650,000	650,000	-	2
Contech Inc. 16,662,150 common shares	2,600,000	5,339,035	2,739,035	12
Convertible debt, secured, non-interest bearing, repayable upon default	1,000,000	1,000,000	-	2
Contigo Systems Inc. 4,930,967 preferred shares	2,077,173	2,077,173	-	5
Galeforce Solutions Inc. 1,184,372 preferred shares	1,148,956	568,499	(580,457)	1
Convertible debt, secured, bearing interest at 12% per annum, repayable March 24, 2010	60,700	60,700	-	-
Inimex Pharmaceuticals Inc. 561,656 preferred shares	1,610,749	1,466,442	(144,307)	4
Methylation Sciences Inc. 1,395,000 common shares	1,395,000	1,395,000	-	3
Total carried forward	14,572,801	15,842,378	1,269,577	37

ADVANTAGE VENTURE FUND

Statement of Investment Portfolio (continued)

December 31, 2008

	Cost	Fair value	Unrealized gain or (loss)	Percentage of total portfolio at fair value
Privately-held investments (continued):				
Total brought forward	\$ 14,572,801	\$ 15,842,378	\$ 1,269,577	37%
Mobidia Technology Inc.				
3,655,209 preferred shares	4,020,731	4,020,731	-	10
215,848 common shares	-	237,432	237,432	1
NxtGen Emission Controls Inc.				
6,497,259 preferred shares	3,840,151	3,897,231	57,080	9
488,238 common shares	-	292,943	292,943	1
Paradigm Environmental Technologies Inc.				
77,400 common shares	250,000	212,850	(37,150)	1
Recombo Inc.				
1,923,461 common shares	250,050	634,742	384,692	2
Sensific Technologies Inc.				
200,000 common shares	100,000	-	(100,000)	-
Sirius Genomics Inc.				
2,200,000 common shares	1,850,000	2,130,000	280,000	5
Vectis Technologies Inc.				
500,000 common shares	100,000	-	(100,000)	-
Zeugma Systems Inc.				
3,301,454 preferred shares	2,593,011	2,593,011	-	6
Total privately-held investments	27,576,744	29,861,318	2,284,574	72
Total investment portfolio	\$ 43,491,781	\$ 41,721,918	\$ (1,769,863)	100%

See accompanying notes to financial statements.

ADVANTAGE GROWTH FUND

Statements of Net Assets

December 31, 2009 and 2008 (note 8)

	2009	2008
Assets		
Venture investments, at fair value	\$ 9,720,376	\$ 6,485,450
Cash and cash equivalents	117,111	3,396,215
Restricted cash (note 5)	2,244,939	1,752,939
	<u>\$ 12,082,426</u>	<u>\$ 11,634,604</u>
Liabilities		
Due to related parties (note 12)	\$ 93,656	\$ 150,496
Accounts payable and accrued liabilities	8,425	7,692
Inter-fund payable (note 11(b))	-	8,293
Total liabilities	102,081	166,481
Net assets , representing shareholders' equity	<u>\$ 11,980,345</u>	<u>\$ 11,468,123</u>
Number of common shares outstanding (note 10)	2,908,225	2,613,281
Net assets per common share (note 10(d))	<u>\$ 4.12</u>	<u>\$ 4.39</u>

Commitments (notes 10(c) and 13)

Contingency (note 14)

See accompanying notes to financial statements.

On behalf of the Board of Directors:

"Frank Holler" Director

"Avtar Dhillon" Director

ADVANTAGE GROWTH FUND

Statements of Operations

Years ended December 31, 2009 and 2008 (note 8)

	2009	Period from August 8, 2008 to December 31, 2008
Investment income:		
Interest	\$ 34,570	\$ 54,951
Expenses (notes 4 and 12):		
Management fees	394,118	166,796
Administration	90,654	43,921
Trailer fees	34,543	17,303
Transfer agency fees	29,947	10,488
Audit, tax and advisory fees	28,621	18,698
Directors' fees and expenses	12,145	7,517
Legal fees	7,097	10,470
Shareholder communications	3,205	2,583
	<u>600,330</u>	<u>277,776</u>
Net investment loss	(565,760)	(222,825)
Realized gain on sale of venture investments (see below)	-	34,399
Change in unrealized appreciation (depreciation) of venture investments	(265,074)	(4,289,200)
Loss from operations before income taxes	(830,834)	(4,477,626)
Income tax (recovery) (note 11(c))	-	(8,484)
Loss from operations	<u>\$ (830,834)</u>	<u>\$ (4,469,142)</u>
Loss from operations per common share	<u>\$ (0.29)</u>	<u>\$ (1.73)</u>
Realized gain on sale of venture investments:		
Proceeds from sale of venture investments	\$ -	\$ 34,399
Cost of venture investments sold:		
Venture investments at cost, beginning of year	10,774,650	-
Venture investments acquired upon amalgamation (note 8)	-	9,274,650
Purchase of investments, during the year	3,500,000	1,500,000
Venture investments at cost, end of year	<u>(14,274,650)</u>	<u>(10,774,650)</u>
	-	-
Realized gain on sale of venture investments	<u>\$ -</u>	<u>\$ 34,399</u>

See accompanying notes to financial statements.

ADVANTAGE GROWTH FUND

Statement of Changes in Net Assets

Years ended December 31, 2009 and 2008 (note 8)

	2009	Period from August 8, 2008 to December 31, 2008
Net assets, beginning of year	\$ 11,468,123	\$ -
Loss from operations	(830,834)	(4,469,142)
Capital transactions (note 10):		
Issuance of common shares	1,566,613	199,413
Share issue costs including sales commissions	(195,485)	(78,042)
Issuance of common shares upon amalgamation (note 8)	-	15,820,784
Redemption of common shares	(28,072)	(4,890)
	1,343,056	15,937,265
Increase in net assets	512,222	11,468,123
Net assets, end of year	\$ 11,980,345	\$ 11,468,123

See accompanying notes to financial statements.

ADVANTAGE GROWTH FUND

Statement of Cash Flows

	2009	Period from August 8, 2008 to December 31, 2008 (note 8)
Cash provided by (used in):		
Operations:		
Loss from operations	\$ (830,834)	\$ (4,469,142)
Realized gain on sale on venture investments	-	(34,399)
Change in unrealized depreciation of venture investments	265,074	4,289,200
Net change in non-cash operating accounts	(64,400)	32,371
	(630,160)	(181,970)
Investments:		
Proceeds from sale of venture investments	-	34,399
Purchase of venture investments	(3,500,000)	(1,500,000)
Restricted cash	(492,000)	735,881
Cash acquired upon amalgamation (note 8)	-	4,191,424
	(3,992,000)	3,461,704
Financing (note 10):		
Issuance of common shares	1,566,613	199,413
Share issuance costs including sales commissions	(195,485)	(78,042)
Redemption of common shares	(28,072)	(4,890)
	1,343,056	116,481
Increase (decrease) in cash and cash equivalents	(3,279,104)	3,396,215
Cash and cash equivalents, beginning of year	3,396,215	-
Cash and cash equivalents, end of year	\$ 117,111	\$ 3,396,215

See accompanying notes to financial statements.

ADVANTAGE GROWTH FUND

Statement of Investment Portfolio

December 31, 2009 (note 8)

	Historical Cost	Fair value	Unrealized gain or (loss)	Percentage of total portfolio at fair value
Publicly-traded investments:				
Allon Therapeutics Inc. 3,556,333 common shares	\$ 3,546,150	\$ 1,120,245	\$ (2,425,905)	12%
CombinatoRx Inc. (formerly Neuromed Technologies Ltd.) 431,064 common shares	1,926,399	362,439	(1,563,960)	4
Neovasc Inc. 131,250 common shares	750,000	47,250	(702,750)	-
Protox Therapeutics Inc. 4,714,286 common shares	2,650,000	3,912,857	1,262,857	41
Urodynamix Technologies Ltd. 25,000,000 common shares	2,000,000	625,000	(1,375,000)	6
Total publicly-traded investments	10,872,549	6,067,791	(4,804,758)	63
Privately-held investments:				
Aphrodite Therapeutics Inc. 378,000 common shares	-	-	-	-
Chromos Investment Corp. 701,785 preferred shares	-	51,060	51,060	1
Inimex Pharmaceuticals Inc. 190,172 preferred shares	496,525	496,525	-	5
In Motion Technology Inc. 2,830,189 preferred shares	1,500,000	1,500,000	-	15
Methylation Sciences Inc. 105,000 common shares	105,000	105,000	-	1
Redlen Technologies Inc. 4,615,385 preferred shares	1,500,000	1,500,000	-	15
Total privately-held investments	3,601,525	3,652,585	51,060	37
Total investment portfolio	\$14,474,074	\$ 9,720,376	\$(4,753,698)	100%
Total investment portfolio for the determination of unrealized gain or (loss) as presented on the statement of operations (note 8)	\$14,274,650	\$ 9,720,376	\$(4,554,274)	-

See accompanying notes to financial statements.

ADVANTAGE STRUCTURED FUND I

Statements of Net Assets

December 31, 2009 (note 9)

Assets

Venture investments, at fair value	\$	675,000
Cash and cash equivalents		171,549
Restricted cash (note 5)		372,029
	\$	1,218,578

Liabilities

Accounts payable and accrued liabilities	\$	689
Due to related parties (note 12)		38,013
		38,702

Net assets , representing shareholders' equity	\$	1,179,876
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Number of common shares outstanding (note 10)		146,206
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Net assets per common share (note 10(d))	\$	8.07
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Commitments (notes 10(c) and 13)
Contingency (note 14)

See accompanying notes to financial statements.

On behalf of the Board of Directors:

"Frank Holler" _____ Director

"Avtar Dhillon" _____ Director

ADVANTAGE STRUCTURED FUND I

Statements of Operations

Period from July 20, 2009 to December 31, 2009

Investment income:		
Interest	\$	319
Expenses (notes 4 and 12):		
Audit, tax and advisory fees		10,527
Management fees		10,440
Fund administration		1,908
Trailer fees		702
Transfer agency fees		332
Directors' fees and expenses		251
Legal fees		11
		<hr/> 24,171
Net investment loss		(23,852)
Change in unrealized appreciation (depreciation) of venture investments		(125,000)
Loss from operations	\$	<hr/> (148,852)
Loss from operations per common share	\$	<hr/> (1.72)

See accompanying notes to financial statements.

ADVANTAGE STRUCTURED FUND I

Statements of Changes in Net Assets

Period from July 20, 2009 to December 31, 2009

Net assets, beginning of period	\$	-
Loss from operations		(148,852)
Capital transactions (note 10):		
Issuance of common shares		1,451,300
Share issue costs including sales commissions		(122,572)
		<hr/>
		1,328,728
Increase in net assets		1,179,876
Net assets, end of period	\$	<hr/> 1,179,876 <hr/>

See accompanying notes to financial statements.

ADVANTAGE STRUCTURED FUND I

Statements of Cash Flows

Period from July 20, 2009 to December 31, 2009

Cash provided by (used in):

Operations:

Loss from operations	\$ (148,852)
Change in unrealized appreciation of venture investments	125,000
Net change in non-cash operating accounts	<u>38,702</u>
	14,850

Investments:

Purchase of venture investments	(800,000)
Restricted cash	<u>(372,029)</u>
	(1,172,029)

Financing (note 10):

Issuance of common shares	1,451,300
Share issuance costs including sales commissions	<u>(122,572)</u>
	1,328,728

Increase in cash and cash equivalents	171,549
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Cash and cash equivalents, beginning of period	-
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Cash and cash equivalents, end of period	<u>\$ 171,549</u>
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See accompanying notes to financial statements.

ADVANTAGE STRUCTURED FUND I

Statements of Investment Portfolio

December 31, 2009 (note 9)

	Cost	Fair value	Unrealized gain or (loss)	Percentage of total portfolio at fair value
Publicly-traded investments:				
Urodynamix Technologies Ltd. 5,000,000 common shares	\$ 250,000	\$ 125,000	\$ (125,000)	19%
Total publicly-traded investments	250,000	125,000	(125,000)	19
Privately-held investments:				
In Motion Technology Inc. 471,699 preferred shares	250,000	250,000	-	37
Redlen Technologies Inc. 923,077 preferred shares	300,000	300,000	-	44
Total privately-held investments	550,000	550,000	-	81
Total investment portfolio	\$ 800,000	\$ 675,000	\$ (125,000)	100%

See accompanying notes to financial statements.

ADVANTAGE STRUCTURED FUND II

Statements of Net Assets

December 31, 2009 (note 9)

Assets

Venture investments, at fair value	\$	450,000
Cash and cash equivalents		246,006
Restricted cash (note 5)		88,519
	\$	784,525

Liabilities

Accounts payable and accrued liabilities	\$	168
Due to related parties (note 12)		23,637
	\$	23,805

Net assets , representing shareholders' equity	\$	760,720
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Number of common shares outstanding (note 10)		86,005
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Net assets per common share (note 10(d))	\$	8.85
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Commitments (notes 10(c) and 13)
Contingency (note 14)

See accompanying notes to financial statements.

On behalf of the Board of Directors:

"Frank Holler" _____ Director

"Avtar Dhillon" _____ Director

ADVANTAGE STRUCTURED FUND II

Statements of Operations

Period from July 20, 2009 to December 31, 2009

Investment income:		
Interest	\$	118
Expenses (notes 4 and 12):		
Audit, tax and advisory fees		10,366
Management fees		4,377
Fund administration		1,485
Trailer fees		227
		<hr/>
		16,455
Net investment loss		(16,337)
Change in unrealized appreciation (depreciation) of venture investments		-
Loss from operations	\$	(16,337)
Loss from operations per common share	\$	(0.41)

See accompanying notes to financial statements.

ADVANTAGE STRUCTURED FUND II

Statements of Changes in Net Assets

Period from July 20, 2009 to December 31, 2009

Net assets, beginning of period	\$ -
Loss from operations	(16,337)
Capital transactions (note 10):	
Issuance of common shares	853,681
Share issue costs including sales commissions	(76,624)
	<hr/> 777,057
Increase in net assets	760,720
Net assets, end of period	<hr/> \$ 760,720

See accompanying notes to financial statements.

ADVANTAGE STRUCTURED FUND II

Statements of Cash Flows

Period from July 20, 2009 to December 31, 2009

Cash provided by (used in):

Operations:

Loss from operations	\$ (16,337)
<u>Net change in non-cash operating accounts</u>	<u>23,805</u>
	7,468

Investments:

Purchase of venture investments	(450,000)
<u>Restricted cash</u>	<u>(88,519)</u>
	(538,519)

Financing (note 10):

Issuance of common shares	853,681
<u>Share issuance costs including sales commissions</u>	<u>(76,624)</u>
	777,057

Increase in cash and cash equivalents	246,006
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Cash and cash equivalents, beginning of period	-
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<u>Cash and cash equivalents, end of period</u>	<u>\$ 246,006</u>
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See accompanying notes to financial statements.

ADVANTAGE STRUCTURED FUND II

Statements of Investment Portfolio

December 31, 2009 (note 9)

	Cost	Fair value	Unrealized gain or (loss)	Percentage of total portfolio at fair value
Privately-held investments:				
In Motion Technology Inc. 471,698 preferred shares	\$ 250,000	\$ 250,000	\$ -	56%
Redlen Technologies Inc. 615,384 preferred shares	200,000	200,000	-	44
Total privately-held investments	450,000	450,000	-	100%
Total investment portfolio	\$ 450,000	\$ 450,000	\$ -	100%

See accompanying notes to financial statements.

ADVANTAGE STRUCTURED FUND III

Statements of Net Assets

December 31, 2009 (note 9)

Assets

Cash and cash equivalents	\$ 10
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Liabilities

Due to related parties	-
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Net assets, representing shareholders' equity	\$ 10
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Number of common shares outstanding	1
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Net assets per common share	\$ 10
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See accompanying notes to financial statements.

On behalf of the Board of Directors:

“Frank Holler” _____ Director

“Avtar Dhillon” _____ Director

ADVANTAGE STRUCTURED FUND IV

Statements of Net Assets

December 31, 2009 (note 9)

Assets

Cash and cash equivalents	\$ 10
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Liabilities

Due to related parties	-
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Net assets , representing shareholders' equity	\$ 10
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Number of common shares outstanding	1
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Net assets per common share	\$ 10
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See accompanying notes to financial statements.

On behalf of the Board of Directors:

“Frank Holler” _____ Director

“Avtar Dhillon” _____ Director

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

1. Organization:

B.C. Advantage Funds (VCC) Ltd. (the Company) was incorporated under the Company Act of British Columbia on October 1, 2002 and is registered as a venture capital corporation (VCC) under the Small Business Venture Capital Act (the SBVCA). The Company is a venture capital business that focuses its investment activities on early stage technology and life sciences companies that are eligible under the SBVCA.

The Company is comprised of six distinct investment funds: the Advantage Venture Fund, the Advantage Growth Fund, formerly named the Pender NDI Life Sciences Fund (VCC) Inc., D.B.A. Advantage Life Science Fund II, the Advantage Structured Fund I, the Advantage Structured Fund II, the Advantage Structured Fund III and the Advantage Structured Fund IV (collectively, the Funds). As of December 31, 2009, with the exception of the Structured Fund III and the Structured Fund IV, all the Funds are active. Since the Structured Fund III and the Structured Fund IV are not active, they are not referred to in the following notes. The Advantage Venture Fund, the Advantage Structured Fund I and the Advantage Structured Fund II invest in emerging technology, clean-tech and life science companies. The Advantage Growth Fund invests in emerging technology, clean-tech and life science companies, including companies that have growing revenues, are profitable or approaching profitability and are likely to provide liquidity within a three to five years time frame. The Company may add additional investment funds in the future.

Investors' funds are invested directly in common shares of one or some combination of the Funds. The various classes of common shares rank equally and are identical in all respects, save and except for the net assets ascribed to each class of common shares.

The Funds are managed by Lions Capital Corp. (the Fund Manager), in accordance with the terms of a management agreement dated May 1, 2003, as amended October 31, 2003, September 30, 2006, April 1, 2007, August 8, 2008, June 5, 2009 and July 8, 2009 (the Management Agreement).

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), and specifically Accounting Guideline 18, *Investment Companies*.

(b) Venture investments:

Venture investments are recorded at estimated fair value. Fair value is the value that would be agreed upon between knowledgeable and willing parties dealing at arm's length without constraint. Investment transactions are accounted for on a trade date basis. The resulting gains or losses on such transactions are recorded in operations at that time, and are determined based on the average cost of the respective investment. Changes in unrealized appreciation or depreciation of investments are also recorded in results of operations.

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

2. Significant accounting policies (continued):

(b) Venture investments (continued):

(i) Publicly-traded:

The fair values of the Funds' investments in portfolio companies that have quoted market values and that are publicly-traded on a recognized stock exchange are based on the closing bid quotations at the date of the financial statements.

(ii) Privately-owned:

The fair values of the Funds' investments in portfolio companies for which no published market exists are recorded at estimated fair values. Fair values of these investments are determined on the basis of the expected realizable value of the investments if they were disposed of in an orderly manner over a reasonable period of time.

Investments are initially recorded at cost until either there is a substantial arm's length transaction or there is objective evidence that establishes a different fair value. Where there is evidence of a decline in value of an investment as indicated by an assessment of the financial condition of an investee, the carrying value of the investment is adjusted to the estimated realizable value. For investments in more mature companies, fair value may be determined through the use of established valuation models.

The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties, and the resulting values may differ from values that would have been determined had a ready market existed for the investments. These differences could be material.

(c) Cash and cash equivalents:

Cash and cash equivalents consists of cash and highly liquid short-term interest-bearing securities with maturity dates of less than 90 days at inception.

(d) Sales commissions and share issue costs:

Sales commissions and other costs directly related to the issuing of common shares are recorded as a reduction in net assets when the shares are issued.

(e) Income taxes:

Income taxes are accounted for under the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. The effect on future income tax assets and liabilities of a change in tax rates is recognized in operations in the period that enactment or substantive enactment occurs.

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

2. Significant accounting policies (continued):

(e) Income taxes (continued):

The Company files an income tax return that encompasses all Funds. Income taxes recorded within each Fund's financial statements are determined on an individual Fund basis as if each Fund were filing a separate income tax return. Where a Fund utilizes tax deductions of another Fund, the transfer of these tax deductions is reflected in each Fund's statement of operations within income tax expense or recovery, as appropriate, and in each Fund's statement of net assets as an inter-fund receivable or payable.

(f) Stock-based compensation:

The Company has issued equity participation shares to its Fund Manager. Value is accreted to these equity participation shares when certain performance conditions are met. The value accreted to equity participation shares is accounted for by the Funds as stock-based compensation and expensed in the respective Fund's statement of operations and recorded as accrued equity participation in the related statement of net assets. However, the equity participation is actually payable only when all performance conditions (see note 10(c)) have been met and the accreted value is therefore realizable by the Fund Manager. To the extent that unrealized gains are not ultimately realized, the related equity participation accrual will be adjusted.

(g) Per common share values:

(i) Net assets for financial reporting purposes:

Net assets per common share is calculated based on the number of common shares outstanding at the year end. Income (loss) from operations per common share is calculated based on the weighted-average number of common shares outstanding during the year.

(ii) Net asset value:

Net asset value (NAV) for purposes of transacting share subscriptions and redemptions adjusts net assets for financial reporting purposes to reflect publicly-traded investments at last sale price rather than closing bid price, consistent with the investment industry and as allowed by Canadian Securities Administrators. NAV is also adjusted for unamortized deferred sales commissions and share issuance costs as disclosed in note 10(d).

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

2. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Fund Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Significant areas requiring the use of management estimates include estimations of the fair value of investments and assessments of the financial condition of investees that might indicate a change in value of a particular investee. Assumptions underlying investment valuations are limited by the availability of reliable data and the uncertainty of predictions concerning future events. Accordingly, by their nature, investment valuations include a subjective element. Financial results as determined by actual events could differ from those estimates and assumptions, and the difference could be material.

3. Changes in accounting standards:

(a) Significant accounting changes:

(i) Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*:

In June 2009, the CICA issued amendments to Section 3862 – *Financial Instruments – Disclosures* to expand the disclosures required in respect of fair value measurements recognized in financial statements. These standards are applicable for annual financial statements in the years ending after September 30, 2009. As a result, the Company has implemented these standards in the financial statements for the year ended December 31, 2009. By adopting these standards, there is no impact on the valuation of financial instruments but will result in enhanced and increased level of disclosure.

(b) Future accounting changes:

(i) International Financial Reporting Standards:

In February 2008, the Canadian Accounting Standards Board announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. As a publicly accountable enterprise, the Company will be required to prepare December 31, 2011 financial statements, including comparative information for 2010, in compliance with IFRS.

The Company is currently assessing the potential impact of the transition to IFRS on its financial statements, disclosures and broader financial reporting systems and controls. This includes analyzing the various elections available upon adoption and assessment of the potential impact of the conversion effort on systems, internal controls over financial reporting, disclosure controls and business activities.

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

4. Fees and expenses:

In accordance with the Management Agreement, the Fund Manager is entitled to receive management fees equal to 2.75% per annum of the net asset value of the respective Fund, calculated and paid monthly. Also in accordance with the Management Agreement, separate from the management fee, the Funds reimburse the Fund Manager for expenses incurred by the Fund Manager in connection with its obligations pursuant to the Management Agreement.

Expenses that are the direct responsibility of the Funds include fund administration costs, transfer agency fees, shareholder communications, directors' fees and expenses, accounting fees, audit fees, tax preparation and advisory fees, legal fees, valuation fees, brokerage commissions related to investments, and other miscellaneous costs related to the operations of the Funds.

5. Restricted cash:

Pursuant to the requirements of the SBVCA, a VCC that does not have 80% of its raised equity capital invested in eligible businesses is required to maintain an investment protection account in an amount equal to 30% of the funds raised. As investments in eligible businesses are subsequently made, a drawdown from the investment protection account, equal to 37.5% of the investment amount, is available subject to the consent of the administrator of the SBVCA. At such time as a Fund is fully invested in eligible businesses it will have no balance in its investment protection account.

6. Advantage Life Science Fund I:

On July 29, 2004, the Board of Directors of the Company approved a resolution authorizing a plan of arrangement with Qwest Emerging Biotech (VCC) Fund Ltd. (Qwest), pursuant to which all of the issued and outstanding common shares of Qwest were exchanged for the Company's Advantage Life Science Fund I (at the time named the Life Science Venture Fund) common shares. This plan of arrangement was completed on January 5, 2005, on which date the Company acquired 100 percent of the net assets of Qwest, and exchanged the outstanding common shares of Qwest for Advantage Life Science Fund I common shares. The results of Qwest's operations have been included in the financial statements since that date, up to the financial statements for the year ending December 31, 2008. Qwest was a VCC fund that invested in early stage life sciences companies that were eligible under the SBVCA.

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

6. Advantage Life Science Fund I (continued):

Effective April 9, 2009, all Advantage Life Science Fund I shares were exchanged for Advantage Venture Fund common shares based on the relative net asset values per common share of the Advantage Venture Fund and the Advantage Life Science Fund I as of the aforementioned date.. Each Advantage Life Science Fund I common share was exchanged for 1.5992 Advantage Venture Fund shares resulting in the issuance of 54,763 Advantage Venture Fund shares. The aggregate consideration received for the issuance of 54,763 Advantage Venture Fund shares was \$392,018 based on the net asset value per common share of the Advantage Life Science Fund I at the time of exchange. See note 10(d) for a discussion of net asset values. The transfer was approved by resolution of the Company's Board of Directors. The results of the Advantage Life Science Fund I have been included in the financial statements of the Advantage Venture Fund since April 9, 2009.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of exchange:

Venture investments at fair value	\$	214,586
Cash		306,522
Accounts payable		(23,170)
Accrued equity participation		(105,920)
<hr/>		
Net asset value	\$	392,018

7. Advantage Technology Fund:

Effective June 5, 2008, all Advantage Technology Fund common shares were exchanged for Advantage Venture Fund common shares. Based on the relative net asset values per common share of the Advantage Venture Fund and the Advantage Technology Fund as at May 30, 2008, each Advantage Technology Fund common share was exchanged for 1.0956 Advantage Venture Fund shares resulting in the issuance of 555,150 Advantage Venture Fund shares. The aggregate consideration received for the issuance of 555,150 Advantage Venture Fund shares was \$5,051,978 based on the net asset value per common share of the Advantage Technology Fund at the time of exchange. See note 10(d) for a discussion of net asset values. The transfer was approved by resolution of the Company's Board of Directors.

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

7. Advantage Technology Fund (continued):

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of exchange:

Venture investments at fair value	\$ 2,572,704
Cash	2,271,825
Restricted cash	235,627
Accounts payable	(19,892)
Accrued equity participation	(66,585)
<hr/>	
Net assets	4,993,679
Unamortized share issue costs	58,299
<hr/>	
Net asset value	\$ 5,051,978

8. Advantage Growth Fund:

On June 25, 2008, shareholders of both the Company and Pender NDI Life Sciences Fund (VCC) Inc., doing business as Advantage Life Science Fund II (ALSFII), approved the amalgamation of ALSFII into the Company. Effective August 8, 2008, the Company and ALSFII amalgamated, continuing under the name of the Company. The results of ALSFII's operations have been included in these financial statements since that date. Existing funds in the Company, ALSFII, continue to be standalone funds within the Company, and as a result, there were no impact on net assets or net asset value per share of the respective Funds.

Aggregate net assets assumed of \$15,820,784 was determined based on the fair value of the net assets of ALSFII at the time of the amalgamation in accordance with GAAP. The following table summarizes the fair value of the assets acquired and the liabilities assumed at the date of amalgamation:

Venture Investments	\$ 9,274,650
Cash	4,191,424
Restricted cash	2,488,820
Accounts receivable	3,385
Accounts payable and accrued liabilities	(137,495)
<hr/>	
GAAP net assets	\$ 15,820,784

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

8. Advantage Growth Fund (continued):

The amalgamation is accounted for in accordance with CICA 1582, Business Combinations. As such, the assets and liabilities of the ALSFII were transferred to the Company at the fair value of those assets and liabilities at the amalgamation date. Such fair value is the basis on which changes in unrealized appreciation and depreciation of venture investments is determined in the statement of operations, as required under GAAP, and as reported in the table below.

Specifically, cost in accordance with GAAP following the amalgamation is equal to the fair value at the date of amalgamation, which differs from the historical cost amount originally paid for each investment prior to the amalgamation as presented in the Statement of Investment Portfolio.

	Cost	Fair value	Unrealized gain or (loss)	Percentage of total portfolio at fair value
Publicly-traded investments:				
Allon Therapeutics Inc. 3,556,333 common shares	\$ 3,556,333	\$ 1,120,245	\$ (2,436,088)	12%
CombinatoRX Inc. (formerly Neuromed Technologies Ltd.) 431,064 common shares	1,926,399	362,439	(1,563,960)	4
Neovasc Inc. 131,250 common shares	173,250	47,250	(126,000)	-
Protox Therapeutics Inc. 4,714,286 common shares	3,017,143	3,912,857	895,714	41
Urodynamix Technologies Ltd. 25,000,000 common shares	2,000,000	625,000	(1,375,000)	6
Total publicly-traded investments	10,673,125	6,067,791	(4,605,334)	63%
Privately-held investments:				
Aphrodite Therapeutics Inc. 378,000 common shares	\$ -	\$ -	\$ -	-%
Chromos Investment Corp. 701,785 preferred shares	-	51,060	51,060	1
Inimex Pharmaceuticals Inc. 190,172 preferred shares	496,525	496,525	-	5
In-Motion Technology Inc. 2,830,189 preferred shares	1,500,000	1,500,000	-	15
Methylation Sciences Inc. 105,000 preferred shares	105,000	105,000	-	1
Redlen Technologies Inc. 4,615,385 preferred shares	1,500,000	1,500,000	-	15
Total privately-held investments	3,601,525	3,652,585	51,060	37
Total investment portfolio	\$ 14,274,650	\$ 9,720,376	\$ (4,554,274)	100%

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

8. Advantage Growth Fund (continued):

Prior to the amalgamation described above, the Fund Manager also managed ALSFII. In accordance with the ALSFII management agreement dated November 20, 2007, for the purpose of calculating performance threshold criteria and the Fund Manager's equity participation, the fair values of Advantage Growth Fund's venture investments at November 20, 2007 are the basis for this determination and are disclosed in note 10(c).

On November 5, 2008, the Company's Board of Directors passed a resolution to broaden the investment mandate of ALSF II to include emerging technology, clean technology and industrial companies as well as life science companies, including companies that have growing revenues, are profitable or approaching profitability and are likely to provide liquidity within a three to five year time frame. Previously ALSF II was limited to investing in emerging life science companies. To reflect the broader mandate, the name of ALSF II has been changed to the Advantage Growth Fund.

9. Advantage Structured Funds:

On July 20, 2009 the Company received a prospectus with the British Columbia Securities Commission to qualify for distributing shares of the Advantage Venture Fund, the Advantage Growth Fund, and four newly created funds named the Advantage Structured Fund I, the Advantage Structured Fund II, the Advantage Structured Fund III, and the Advantage Structured Fund IV (collectively, the "Advantage Structured Funds"). The Structured Funds did not exist as of December 31, 2008. To date, no shares of the Advantage Structured Fund III or the Advantage Structured Fund IV have been issued to the public.

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

10. Share capital:

(a) Authorized:

19,000,000,000 common shares divided into 19 classes of common shares; each class having an authorized share capital of 1,000,000,000 common shares

1,000,000,000 equity participating shares

(b) Issued:

The following table summarizes the issued capital of the Funds:

	Advantage Venture Fund		Advantage Growth Fund		Advantage Structured Fund I		Advantage Structured Fund II	
	Common shares	Equity participation shares	Common shares	Equity participation shares	Common shares	Equity participation shares	Common shares	Equity participation shares
Balance, December 31, 2007	5,299,900	3,000,000	-	-	-	-	-	-
Issued for cash	320,550	-	38,531	-	-	-	-	-
Issued on amalgamation (note 8)	-	-	2,575,500	-	-	-	-	-
Redeemed	(4,064)	-	(750)	-	-	-	-	-
Issued for Advantage Technology Fund shares (note 7)	555,150	-	-	-	-	-	-	-
Equity participation shares issued upon Advantage Technology Fund common share conversion (note 7)	-	1,500,000	-	-	-	-	-	-
Balance, December 31, 2008	6,171,536	4,500,000	2,613,281	-	-	-	-	-
Issued for cash	359,620	-	300,512	-	146,206	-	86,005	-
Redeemed	(31,537)	-	(5,568)	-	-	-	-	-
Issued for Advantage Life Science I Fund shares (note 6)	54,763	-	-	-	-	-	-	-
Equity participation shares issued upon Advantage Life Science I Fund common share conversion (note 6)	-	1,500,000	-	-	-	-	-	-
Balance, December 31, 2009	6,554,382	6,000,000	2,908,225	-	146,206	-	86,005	-

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

10. Share capital (continued):

(c) Equity participation:

The Company has issued equity participation shares to its Fund Manager for a nominal amount. Pursuant to the Management Agreement, the Fund Manager has agreed that the equity participation shares will not be transferred, sold, exchanged or paid a dividend until an individual venture investment in the respective Fund has returned all of the capital plus a compound rate of return on investment exceeding 10% per year, and the total realized gains, unrealized gains and net investment income from the portfolio of venture investments of the respective Fund have generated a compound rate of return exceeding 8% per year. The value that may be earned by the Fund Manager is 20% of the amount of a realized gain (before income taxes) on an investment. Equity participation shares that have accreted value may be sold or converted to common shares of the respective Fund. Alternatively, the accreted value may be paid as a dividend to the Fund Manager.

Advantage Venture Fund:

(i) Equity participation paid:

In June 2008, all Advantage Technology Fund common shares were exchanged for Advantage Venture Fund common shares (see note 7) and based on the net asset values of the Advantage Technology Fund as at May 30, 2008, the performance criteria for the equity participation shares were met and its investments in Brightside Technologies Inc. (Brightside), Parasun Technologies Inc. (Parasun) and Recombo Inc. (Recombo) had achieved a compound rate of return exceeding 10% per year. As such, \$66,585 of equity participation was accrued at that time. During 2008, the Advantage Venture Fund received a payment of \$204,419 for the remaining interest in Brightside and Parasun. As such, dividends were paid to the Fund Manager in 2008 on the equity participation shares equal to \$40,884, of which \$39,656 was accrued in the Advantage Technology Fund prior to the share exchange. For the period ended December 31, 2009, no equity participation has been paid.

(ii) Equity participation accrued:

For the year ended December 31, 2009, the Fund has a remaining accrued equity participation of \$132,849 resulting from the Advantage Technology Fund and the Advantage Life Science Fund I common share conversion. This equity participation will be paid when the Fund's investment in Recombo and Protox Therapeutics Inc. (Protox) have been sold to an arm's length party.

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

10. Share capital (continued):

(c) Equity participation (continued):

Advantage Venture Fund (continued):

(ii) Equity participation accrued (continued):

In April 2009, all Advantage Life Science Fund I common shares were exchanged for Advantage Venture Fund common shares (see note 6) and based on the net asset value of the Advantage Life Science Fund I as at April 9, 2009, the performance criteria for the equity participation shares were met and its investment in Prottox had achieved a compound rate of return exceeding 10% per year. As such, \$3,513 of equity participation was accrued at that time. In addition, the Advantage Life Science Fund I had previously accrued an equity participation amount of \$102,407 resulting from the partial sale of its investments in Prottox to the Advantage Venture Fund. Equity participation totaling \$105,920 has been recorded as payable, but will not be paid until the Fund's investment in Prottox has been sold to an arm's length party.

For the year ended December 31, 2009, the Advantage Venture Fund has sold its investment in OncoGenex Pharmaceuticals Inc. for a realized gain of \$460,498, which had achieved an internal rate of return exceeding 10% per year. However, the total realized gains, unrealized gains and net investment income from the Advantage Venture Fund's portfolio of venture investments have not generated a compound rate of return exceeding 8% per year. Accordingly, the Advantage Venture Fund did not accrue any equity participation amount in the current year. This equity participation amount of \$100,637 will be accrued and paid if the total realized gains, unrealized gains, and investment income from the Fund's portfolio of venture investments exceeds a compound rate of return of 8% per year in the future.

Advantage Growth Fund:

Effective October 1, 2007, the Fund Manager acquired the management agreement for the Advantage Growth Fund from its previous manager, Pender Fund Capital Management Ltd., and entered into a new management agreement dated November 20, 2007, which replaced the previous management agreement dated July 1, 2004. As of October 1, 2007, the Fund Manager became responsible for all day-to-day operations of the Fund.

Pursuant to the management agreement dated November 20, 2007, the Fund Manager is entitled to equity participation if the investment objective and the exchangeability objective are met. For the purposes of calculating performance threshold criteria and the Fund Manager's equity participation, the fair values of Advantage Growth Fund's venture investments at November 20, 2007 (the "Start Date") are used.

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

10. Share capital (continued):

(c) Equity participation (continued):

The fair values of the Advantage Growth Fund's original venture investments at the Start Date that are still held by the Fund, are as follows:

Allon Therapeutics Inc. 3,080,000 common shares	\$ 2,618,000
Neovasc Inc. (formerly "Medical Ventures Corp.") 131,250 common shares	196,875
CombinatoRX Inc. (formerly "Neuromed Technologies Ltd.") 431,064 common shares	1,926,399
Protox Therapeutics Inc. 4,000,000 common shares	3,800,000
	<hr/> \$ 8,541,274 <hr/>

Advantage Structured Fund I:

For the period ended December 31, 2009, no equity participation has been accrued or paid.

Advantage Structured Fund II:

For the period ended December 31, 2009, no equity participation has been accrued or paid.

(d) Net assets and net asset value per common share:

Subscriptions and redemptions of the Advantage Venture Fund and the Advantage Growth Fund are transacted at the NAV per common share of the respective Fund. NAV is a non-GAAP financial measure that is comprised of the net assets as determined under GAAP plus any unamortized sales commissions and share issue costs, plus, commencing January 1, 2007, an adjustment to revalue publicly-traded investments using last sale prices rather than closing bid quotations. Because NAV per share is a non-GAAP financial measure that does not have any standardized meaning prescribed by GAAP, it may not be comparable to similar measures presented by other funds.

The price of a common share of both Advantage Structured Fund I and the Advantage Structured Fund II is \$10.00 until the Board of Directors, in its sole discretion, determines a different NAV per common share. Thereafter, the pricing of a common share will be determined by the respective fund's NAV per common share.

The following are reconciliations of net assets and net assets per common share determined in accordance with GAAP to net asset value and net asset value per common share:

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

10. Share capital (continued):

(d) Net assets and net asset value per common share (continued):

	Advantage Venture Fund		Advantage Growth Fund		Advantage Structured Fund I	Advantage Structured Fund II
	2009	2008	2009	2008	2009	2009
Net assets per statements of net assets	\$ 48,063,915	\$ 41,760,871	\$ 11,980,345	\$ 11,468,123	\$ 1,179,876	\$ 760,720
Add:						
Unamortized deferred sales commissions and share issuance costs ⁽¹⁾	1,536,562	1,999,171	863,235	1,216,481	117,567	74,313
Adjustment from bid quotations to last sale prices, net of contingent equity allocation	424,114	447,899	249,085	291,644	25,001	-
	1,960,676	2,447,070	1,112,320	1,508,125	142,568	74,313
Net asset value	\$ 50,024,591	\$ 44,207,941	\$ 13,092,665	\$ 12,976,248	\$ 1,322,444	\$ 835,033
Common shares outstanding at year end (note 10(b))	6,554,382	6,171,536	2,908,225	2,613,281	146,206	86,005
GAAP net assets per common share	\$ 7.33	\$ 6.77	\$ 4.12	\$ 4.39	\$ 8.07	\$ 8.85
Net asset value per common share	\$ 7.63	\$ 7.16	\$ 4.50	\$ 4.97	\$ 9.05	\$ 9.71

(1) Deferred sales commissions and share issuance costs are amortized on a straight-line basis over the minimum expected holding period of the related shares of five years.

In accordance with the Company's prospectus, subscriptions and redemptions are transacted weekly by the Funds at the net asset value per share calculated on Friday of the respective week. As the last transaction date for subscriptions and redemptions for 2009 was December 31, 2009, the net asset values per common share at which shares were actually transacted differs from those presented above, which are also at December 31, 2009, due to the recording of certain tax, accounting and valuation adjustments for GAAP purposes as outlined in the Funds' prospectus.

(e) Distribution of realized gains:

Advantage Venture Fund:

For the years ended December 31, 2009 and 2008, no distributions were paid out of the Advantage Venture Fund.

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

10. Share capital (continued):

(e) Distribution of realized gains (continued):

Advantage Growth Fund

For the years ended December 31, 2009 and 2008, no distributions were paid out of the Advantage Growth Fund.

Advantage Structured Fund I

For the period ended December 31, 2009, no distributions were paid out of the Advantage Structured Fund I.

Advantage Structured Fund II

For the period ended December 31, 2009, no distributions were paid out of the Advantage Structured Fund II.

11. Income taxes:

(a) The components of future income tax balances are as follows:

	Advantage Venture Fund		Advantage Growth Fund		Advantage Structured Fund I	Advantage Structured Fund II	
	2009	2008	2009	2008	2009	2009	2009
Future income tax assets related to:							
Tax loss carry forwards	\$ 4,332,516	\$ 2,887,713	\$ 2,509,241	\$ 2,084,410	\$ 21,620	-	\$ 14,153
Share issuance costs	544,148	696,034	296,631	381,145	43,832	-	27,401
Equity participation	-	12,037	-	-	-	-	-
Unrealized losses on venture investments	286,075	1,666,596	1,062,452	1,003,207 ⁽¹⁾	27,938	-	-
	5,162,739	5,262,380	3,868,324	3,468,762	93,390	-	41,554
Future income tax liabilities related to:							
Unrealized gains on venture investments	-	-	-	-	-	-	-
Valuation allowance	(5,162,739)	(5,262,380)	(3,868,324)	(3,468,762)	(93,390)	-	(41,554)
Net future income tax asset (liability)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Unrealized gains and losses on venture investments for the Advantage Growth Fund are based on the adjusted cost basis for tax (denoted as historical cost) in the Advantage Growth Fund's Statement of Investment Portfolio.

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

11. Income taxes (continued):

- (b) The table below reflects the amount of tax benefit related to deductions that were transferred between Funds during the year and the unsettled balance in each Fund at December 31. The tax deductions transferred between Funds have been tax affected at the overall tax rate of the Company.

	Advantage Venture Fund		Advantage Growth Fund		Advantage Structured Fund I		Advantage Structured Fund II	
	2009	2008	2009	2008	2009	2009	2009	2009
Current tax benefit (cost) related to Inter-fund transfer (receipt) of tax deductions	\$ -	\$ 28,404	\$ -	\$ 8,484	\$ -		\$ -	\$ -
Inter-fund receivable (payable) at December 31	\$ -	\$ (24,725)	\$ -	\$ (8,293)	\$ -		\$ -	\$ -

- (c) The provision for income taxes shown in each Fund's statement of operations is different than that obtained by applying statutory tax rates to the income (loss) from operations before income taxes for the following reasons:

	Advantage Venture Fund		Advantage Growth Fund		Advantage Structured Fund I		Advantage Structured Fund II	
	2009	2008	2009	2008	2009	2009	2009	2009
Combined federal and provincial statutory income tax rate	45.7%	46.2%	45.7%	46.2%		45.7%		45.7%
Income tax expense (recovery) calculated at statutory income tax rates	\$ 1,755,970	\$ (5,724,803)	\$ (379,691)	\$ (2,068,663)		\$ (68,205)		\$ (7,466)
Adjustments resulting from:								
Share issue costs in equity	(163,205)	(195,952)	(89,337)	(462,776)		(56,015)		(35,017)
Equity participation in accounting income	-	567	-	-		-		-
Non-taxable portion of realized and unrealized (gains) losses	(1,339,825)	2,546,744	60,569	1,341,971		28,563		-
Effects of rate changes	-	200,386	-	116,401		-		-
Accounting cost to tax cost on realized gains	(19,978)	-	-	-		-		-
Other – Unrealized losses eliminated on wind-up	-	(231,798)	-	-		-		-
Non-taxable portion of Inter-fund transfers	-	145,214	-	-		-		-
Losses transferred from predecessor funds	-	(12,441)	-	(2,404,180)		-		-
Change in future income tax valuation allowance	(99,641)	3,039,928	399,562	3,468,763		93,390		41,554
Expired non-capital losses	-	203,751	-	-		-		-
Other	(133,321)	-	8,896	-		2,267		929
Actual income tax expense (recovery)	\$ -	\$ (28,404)	\$ -	\$ (8,484)	\$ -		\$ -	\$ (14,469)

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

11. Income taxes (continued):

- (d) The Funds have non-capital loss carryforwards available for utilization against taxable income in future years. If not utilized, these non-capital loss carryforwards will expire as follows:

	Advantage Venture Fund	Advantage Growth Fund	Advantage Structured Fund I	Advantage Structured Fund II
2012	\$ 1,161,215	\$ 24,685	\$ -	\$ -
2013	658,546	130,817	-	-
2014	17,449	770,258	-	-
2025	804,705	642,335	-	-
2026	1,594,656	837,439	-	-
2027	1,619,251	591,722	-	-
2028	902,055	353,467	-	-
2029	2,761,811	950,314	48,366	31,662
Total	\$ 9,519,688	\$ 4,301,037	\$ 48,366	\$ 31,662

The Advantage Venture and the Advantage Growth Fund have an allowable capital loss carry forward of \$172,740 and \$1,312,387, respectively.

12. Related party transactions:

In addition to the related party transactions as described in the tables below, the Funds also incur interfund receivables and payables on the transfer of tax deductions between the Funds as described in note 10(b), and certain Funds accrue and/or pay equity participation to the Fund Manager as described in note 10(c).

The Fund Manager pays certain expenses on behalf of the Funds and is subsequently reimbursed by the Funds. See note 4 for additional discussion.

The following tables summarize the Funds' related party transactions:

Advantage Venture Fund	Year ended December 31,		Amount payable as at December 31,	
	2009	2008	2009	2008
Fund Manager ⁽¹⁾				
Management fees	\$ 1,316,161	\$ 1,362,200	\$ 237,241	\$ 215,139
Reimbursement of administration expenses	680,338	838,958	78,803	192,814
Total related party expenses	\$ 1,996,499	\$ 2,201,158	\$ 316,044	\$ 407,953
Due to related parties				

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

12. Related party transactions (continued):

Advantage Growth Fund	Year ended December 31,		Amount payable as at December 31,	
	2009	2008	2009	2008
Fund Manager ⁽¹⁾				
Management fees	\$ 394,118	\$ 166,796	\$ 65,335	\$ 63,620
Reimbursement of administration expenses	245,766	149,330	28,321	86,876
Total related party expenses	\$ 639,884	\$ 316,126		
Due to related parties			\$ 93,656	\$ 150,496

Advantage Structured Fund I (note 9)	Year ended December 31,		Amount payable as at December 31,	
	2009		2009	
Fund Manager ⁽¹⁾				
Management fees		\$ 10,440		\$ 5,945
Reimbursement of administration expenses		57,149		32,068
Total related party expenses		\$ 67,589		
Due to related parties				\$ 38,013

Advantage Structured Fund II (note 9)	Year ended December 31,		Amount payable as at December 31,	
	2009		2009	
Fund Manager ⁽¹⁾				
Management fees		\$ 4,378		\$ 2,941
Reimbursement of administration expenses		37,800		20,696
Total related party expenses		\$ 42,178		
Due to related parties				\$ 23,637

⁽¹⁾ Certain officers of the Company have an ownership interest in the Fund Manager.

Inter-Fund Sale of Investments:

The Board of Directors of the Company approved resolutions authorizing the Advantage Venture Fund to acquire certain investments from the Advantage Life Science Fund I on March 20, 2008 and October 28, 2008. The purchases were completed, on a pro-rata basis, from the existing investment portfolio at the fair value of each investment held by the Advantage Life Science Fund I. The Advantage Life Science Fund I received gross proceeds of \$1,184,684 and a net realized gain of \$154,402 based on historical costs of the investments. As the performance criteria for equity participation shares were met, a total equity participation amount of \$102,407 has been accrued in the Advantage Life Science Fund I, but will not be paid until the investments purchased by the Advantage Venture Fund have been sold to an arm's length party as discussed further in note 10(c).

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

13. Commitment:

The Company has an Investment Administration Agreement with the Investment Administration Solution Inc. to provide certain transfer agency and back office administration services. The agreement specifies a minimum fee per month of \$10,750 (plus GST thereon) for three years, which commenced January 1, 2010. The Funds' minimum future payment in accordance with this agreement for 2010 is \$387,000.

14. Contingency:

As a VCC, the Company has to comply with the legislative requirements of the SBVCA, including investing appropriately in eligible businesses and maintaining certain levels of investment for at least five years. The Company has a contingent liability to repay the tax credits granted to its shareholders by the Government of British Columbia if it does not comply with these requirements. Subsequent to December 31, 2009, the Company was requested by the Investment Capital Branch to repay tax credits totaling \$562,500 relating to an investment made in 2008. However, in accordance with the terms of the related investment agreement in which the investee company provided certain representations and indemnities to the Company, the investee company has agreed to reimburse the Company for this amount through issuance of additional shares with a fair value of \$562,500, such that there is no affect on the net assets of the Company. As at December 31, 2009, management is not aware of any other circumstances where the Company is not in compliance with the requirements of the SBVCA.

15. Fair values of financial assets and liabilities:

The Funds' venture investments are carried at fair value. The fair values of other financial instruments (cash and cash equivalents, restricted cash, inter-fund balances, accounts payable and accrued liabilities and due to related parties) are considered by the Fund Manager to approximate their carrying values due to their short-term nature.

The following table shows a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Company's investments. The hierarchy of inputs is summarized below:

- Quoted prices (unadjusted) in active markets (Level 1)
- Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. prices) or indirectly (i.e. derived from prices) (Level 2)
- Inputs that are not based on observable market data (unobservable inputs) (Level 3)

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

15. Fair values of financial assets and liabilities (continued):

The following is a summary of the inputs used as of December 31, 2009 in valuing the respective Fund's investments carried at fair values:

Advantage Venture Fund

	Level 1	Level 2	Level 3	Total
Listed Equities				
Common Shares	\$ 11,860,600			\$ 11,860,600
Unlisted Equities				
Common Shares			\$10,892,002	10,892,002
Preferred Shares			17,908,616	17,908,616
Interest Bearing Securities				
Convertible Debentures			1,060,700	1,060,700
	\$ 11,860,600	\$ -	\$29,861,318	\$ 41,721,918

The following is a summary of the inputs used as of December 31, 2009 in valuing the Fund's investments carried at fair values (continued):

Advantage Growth Fund

	Level 1	Level 2	Level 3	Total
Listed Equities				
Common Shares	\$ 6,067,791	-	-	\$ 6,067,791
Unlisted Equities				
Common Shares		-	\$ 105,000	105,000
Preferred Shares		-	3,547,585	3,547,585
	\$ 6,067,791	\$ -	\$ 3,652,585	\$ 9,720,376

Advantage Structured Fund I

	Level 1	Level 2	Level 3	Total
Listed Equities				
Common Shares	\$ 125,000	-	-	\$ 125,000
Unlisted Equities				
Preferred Shares		-	\$ 550,000	550,000
	\$ 125,000	\$ -	\$ 550,000	\$ 675,000

Advantage Structured Fund II

	Level 1	Level 2	Level 3	Total
Unlisted Equities				
Preferred Shares	\$ -	\$ -	\$ 450,000	\$ 450,000
	\$ -	\$ -	\$ 450,000	\$ 450,000

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

15. Fair values of financial assets and liabilities (continued):

The following table shows a reconciliation of all movements in the fair value of the Fund's investments within Level 3 during the year:

	Advantage Venture Fund	Advantage Growth Fund	Advantage Structured Fund I	Advantage Structured Fund II
Opening Balance	\$ 27,198,050	\$ 2,578,984	\$ -	\$ -
Gains and Losses	(77,400)	(1,563,960)	-	-
Purchases	2,740,668	3,000,000	550,000	450,000
Transferred into Level 1	-	362,439	-	-
Closing Balance	\$ 29,861,318	\$ 3,652,585	\$ 550,000	\$ 450,000

16. Financial instruments:

(a) Overview:

In the normal course of operations, each Fund has exposure to credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risk). The Fund Manager has overall responsibility for the establishment and oversight of the Funds' risk management framework.

(b) Credit risk:

Credit risk is the risk associated with the inability of a third party to fulfill payment obligations. The Funds may invest in convertible debt securities of portfolio investees from time-to-time. Typically, the Funds expect these investments to be converted to equity investments within eighteen months of investment. As the Funds invest in early stage companies which generally have a limited history of operations and revenues, if any, in the event that the Funds do not convert their debt investments into equity securities, it is possible that the investee company would be unable to meet its obligations pursuant to the Funds' debt investment. Such exposure to credit risk is managed by the Fund Manager in conjunction with its overall investment evaluation and monitoring processes.

The maturity of each Fund's debt investments is disclosed in the respective Fund's Statement of Investment Portfolio. Such debt investments represent the main concentration of credit risk for the respective Fund, and, accordingly, represent the maximum credit risk exposure of the respective Fund.

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

16. Financial instruments (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Funds will not be able to meet financial obligations as they fall due. The Funds' shares are redeemable on demand, subject to minimum holding periods as described in the Funds' prospectuses. The Funds' ability to meet these share redemptions and other financial obligations depends on the ability to sell their investments in portfolio companies. As the Funds invest in early stage technology and life science companies which generally have a limited history of operations and revenue, if any, the success of its investments is not assured. There is no assurance that any portfolio company will be able to successfully complete its development plan or sustain operations over the short term or an extended period. The Funds manage liquidity risk by becoming actively involved in their portfolio companies and continually monitoring the value of their investments.

(d) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risk: currency risk, interest rate risk and other price risk. Such market risk exposures are managed by the Fund Manager in conjunction with its overall investment evaluation and monitoring processes.

(i) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Funds are not currently exposed to currency risk.

(ii) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Funds' primary interest rate risk relates to the investment of cash and cash equivalents and restricted cash. The Funds may hold also convertible debt securities of portfolio investees from time to time which the Funds expect to be converted into equity investments within eighteen months of investment. On this basis, the fair value of these investments is derived primarily from the fair value of the underlying equity of the portfolio investee. As such, the Funds do not have any significant exposure to interest rate risk.

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

16. Financial instruments (continued):

(d) Market risk (continued):

(iii) Other price risk:

Other price risk is the risk that the market value of the Funds' equity investments will fluctuate in response to specific company developments and prospects as well as changes in economic conditions (other than those arising from currency or interest rate risk).

The Funds' investments are concentrated within the technology and life science industries. Further, the Funds investments are concentrated geographically within the Province of British Columbia. The investments are generally in early stage companies with a limited history of operations and revenues, and the fair value of these investments fluctuates primarily in response to specific company developments, rather than in response to general market conditions.

Because of these factors, sensitivity analysis that would measure the impact on the Funds' net assets from changes in the general level of market prices has not been provided as the Fund Manager believes this information would not be meaningful. Given the early development stage of the Funds' investments, there is the risk that a specific investments fair value may be reduced to nil. The Fund Manager moderates this risk through careful selection and diversification of investments within the limits of the Funds' investment objectives and strategy.

The process of estimating the fair value of venture investments for which there is no published market is inevitably based on inherent uncertainties and on techniques and assumptions that emphasize qualitative over quantitative information and analysis. As such, there is no applicable quantitative basis to estimate the potential effect of changing the assumptions to reasonably possible alternative assumptions on the estimated fair value of the venture investment portfolio.

17. Capital management:

The objective of the Advantage Venture Fund, the Advantage Growth Fund, the Advantage Structured Fund I, and the Advantage Structured Fund II is to raise equity capital and to invest it in investments that meet the Funds' investment criteria. The Funds' capital structure consists only of proceeds from share issuance, net of share issue costs including sales commissions. The Funds may make adjustments to their capital structure in light of economic conditions and the risk characteristics of its investments. As described in note 5, all Funds are subject to placing 30% of their capital raised into an investment protection account under the SBVCA. As of December 31, 2009 and 2008, the Funds were in compliance with this restriction. Common shares of the Funds are generally only redeemable after five years from the date the proceeds are invested in eligible businesses. Management also has the ability to suspend redemptions in specific situations, including where the Board of Directors determines, in its sole discretion, that the redemption should not proceed.

B.C. ADVANTAGE FUNDS (VCC) LTD.

Notes to Financial Statements

Years ended December 31, 2009 and 2008

18. Review of privately-owned venture investments:

Annually, the Funds obtain a review by an independent Chartered Business Valuator of the aggregate estimated fair value of the Funds' venture investments for which no public market exists, calculated in accordance with the Funds' internal valuation policies and with the principles outlined in the Funds' prospectus.

The scope of the review by the Chartered Business Valuator consists mainly of a review of working papers and investment files prepared on behalf of the Funds by the Fund Manager, consideration of the appropriateness of the valuation methodology employed by the Funds and an assessment of the reasonableness of assumptions and conclusions. Based on the scope of the review, the Chartered Business Valuator provides an opinion to the Audit and Valuation Committee of the Funds as to the reasonableness of the aggregate estimated fair value of the Funds' privately-owned investments.