

Semi-Annual Management Report of Fund Performance

**B.C. ADVANTAGE FUNDS (VCC) LTD.
ADVANTAGE VENTURE FUND**

Six months ended June 30, 2009

This annual management report of fund performance contains financial highlights of the B.C. Advantage Funds (VCC) Ltd. Advantage Venture Fund (the "Fund"). You may contact us by calling 604-688-6877, by writing us at 1280 - 885 West Georgia Street, Vancouver, BC, V6C 3E8 or by visiting our website at www.bcadvantagefunds.com to request a copy, at no cost to you, of the Fund's financial statements, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure. You may also obtain a copy of the Fund's financial statements at www.sedar.com.

ADVANTAGE VENTURE FUND

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Management Discussion of Fund Performance

Investment Objectives and Strategies

The Fund invests in a diversified portfolio of emerging life science and technology companies with the objective of providing long-term capital appreciation to investors.

The Fund is actively raising new capital and investing this capital in emerging life science and technology companies. Investors receive a 30% refundable tax credit at the time of investment. The companies in which the Fund invests must be eligible businesses in accordance with the B.C. Small Business Venture Capital Act (SBVCA). In general, this means companies based in B.C. that have less than 100 employees and carry on a business activity as specified in the SBVCA.

The Fund's strategy for achieving its objective is to invest in early stage biotech, information technology and industrial technology companies. The Fund invests in companies with superior technology, large market opportunities and experienced management. Portfolio companies include private and public companies, as well as companies from the start-up stage through to revenue. Where appropriate, the Fund seeks to build and mentor management in emerging companies to enhance shareholder value.

Risk

An investment in the Fund is highly speculative and carries significant risk. An investment in the Fund is a long-term investment. Over the six months ended June 30, 2009, no material or significant changes occurred that affected the overall risk level associated with the Fund.

The risks of investing in the Fund include a relatively large proportion of private company investments and early-stage concentration. A significant portion of the Fund's investments are in private companies, for which no ready market exists. Valuation of private companies for which no published market exists is subject to inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments.

Impact of market conditions

The recent credit crisis and global economic downturn had impacted and are expected to continue to impact operating conditions for companies in all sectors and, at least in the near-term, valuations of all companies. The Fund invests in a life science and technology companies in British Columbia. These companies are normally subject to a great degree of risk and, in order to achieve their business objectives, generally have capital requirements in excess of their available resources. Typically in times of market turmoil, companies with smaller capitalizations have a tendency to show greater volatility, which is also the case in market recoveries. The Fund Manager is working closely with the majority of its portfolio investments, including both publicly-traded and privately-held investments, in an effect to ensure their viability and ultimate success so as to provide long-term capital appreciation to the investors.

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Management Discussion of Fund Performance (continued)

Impact of market conditions (continued)

The Fund relies on the allocation of tax credits provided to investors by the administrator of the SBVCA to raise new funds. Issuance of tax credits is discretionary and cannot be guaranteed. In June 2009, BC Advantage Funds (VCC) Ltd. ("Advantage") was advised by the administrator of the SBVCA that its tax credit allocation for 2009 and future years has been changed. Previously, Advantage had a multi-year equity authorization of \$20 million annually of which \$13 million was assigned to the Fund. The administrator of the SBVCA has now advised Advantage that it will have a multi-year allocation of \$10 million annually which is shared by all funds within Advantage. The administrator of SBVCA has also advised Advantage that it has the opportunity, along with other retail VCC funds, to access an addition \$16 million pool on a "first come, first served" basis after it has sold out its \$10 million allocation. If the Fund either cannot raise additional funds or contravenes the SBVCA and has to repay tax credits, it may impair the Fund's ability to carry on business and meet its investment objectives.

There is no market for the Fund's shares, and no market is expected to develop. Investors will not, typically, be able to dispose of their investment other than by way of redemption. In accordance with the SBVCA, investments in portfolio companies must be held for at least five years. As such, an investor's redemption of the Fund's shares is prohibited for at least five years from the date the Fund invests in eligible companies in accordance with the SBVCA. Practically speaking, investors will not be able to redeem their investment for six to seven years from the date they invested in the Fund.

Results of Operations

Investment Activity

During the six months ended June 30, 2009, the Fund completed investment of \$2.99 million in 4 existing venture investments, and disposed 1 venture investment with a total cost of \$1.38 million, for which the Fund received proceeds of \$1.84 million and a net gain of \$0.46 million. As at June 30, 2009 the fair value of the Fund's portfolio investments represented 84% of the net assets of the Fund, while cash and other net assets represented 16% of net assets.

The following table summarizes changes in the composition of the Fund's investment portfolio in comparison to the prior fiscal year:

| | June 30 2009 | December 31 2008 |
|---------------------------------|-----------------|---------------------|
| Venture Investments, Cost | \$ 43,897,181 | \$ 41,859,359 |
| Venture Investments, Fair Value | 38,923,311 | 34,088,238 |
| Number of Venture Investments: | 26 | 27 |
| Private | 17 | 17 |
| Public | 9 | 10 |
| Life Science | 11 | 12 |
| Technology | 15 | 15 |

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Management Discussion of Fund Performance (continued)

Results of Operations (continued)

Investment Activity (continued)

Fair value of investments:

Of the fair value of the Fund's investments, \$23.05 million or 59% are life science companies and \$15.87 million or 41% are technology companies. Of the fair value of the Fund's investments, \$29.44 million or 75% are private companies and \$9.48 million or 25% are public companies.

Number of investments:

Of the number of the Fund's investments, 42% are life science companies and 58% are technology companies. Of the number of the Fund's investments, 65% are private companies and 35% are public companies.

Investment Performance

During the six months ended June 30, 2009, the Fund's net asset value per share (NAVPS) increased by \$0.36. The increase in NAVPS was principally due to an increase in the unrealized gain on venture investments, which was partially offset by operating costs incurred by the Fund in excess of investment income (see section entitled "Financial Highlights").

The Fund's management expense ratio (MER) was 5.49% for six months ended June 30, 2009 compared to 5.80% for fiscal 2008. MER is based on the total expenses incurred by the Fund inclusive of management fees, all operating costs, and share issuance costs related to marketing and subscription of shares for the stated period. The MER for the semi-annual period is an annualized amount.

Recent Developments

The Fund is managed by Lions Capital Corp. (the Fund Manager). Consistent with prior periods, the Fund invests in a diversified portfolio of emerging life science and technology companies with the objective of providing long-term capital appreciation to investors. The Fund Manager has maintained the Fund's strategy of investing early in companies with superior technology.

Amalgamation with Pender NDI Life Sciences (VCC) Inc.:

On August 8, 2008, Pender NDI Life Sciences Fund (VCC) Inc., doing business as Advantage Life Science Fund II ("ASLFII") and the Company were amalgamated into one fund company. This amalgamation was approved by the shareholders of ALSFII and the Company on June 25, 2008. The combined fund company will be comprised of the Advantage Venture Fund and the Advantage Growth Fund, formerly Pender NDI Life Sciences Fund (VCC) Inc., doing business as ALSFII. ALSFII and the Company were both VCC fund companies managed by the Fund Manager. The amalgamation streamlined operations and reduced or eliminated certain operating costs for both funds. This is expected to reduce the management expense ratio of all funds and increase their net asset values, thereby resulting in greater returns to investors. For additional information, please see the Joint Information Circular dated May 22, 2008.

ADVANTAGE VENTURE FUND

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Management Discussion of Fund Performance (continued)

Recent Developments (continued)

Advantage Technology Fund:

Effective June 5, 2008, all existing Advantage Technology Fund common shares were exchanged for Advantage Venture Fund common shares. Based on the relative pricing net asset values 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 555,110 Advantage Venture Fund shares. The aggregate consideration received for the issuance of 555,110 Advantage Venture Fund shares was \$5,051,978 based on the pricing net assets of the Advantage Technology Fund at the time of exchange. The transfer was approved by resolution of the Fund's Board of Directors. Additional information is disclosed in note 7 of the Fund's financial statements for the six months ended June 30, 2009. The results of the Advantage Technology Fund's operations have been included in these financial statements since the date of exchange.

Advantage Life Science Fund I:

Effective April 16, 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 as at April 9, 2009, each Advantage Life Science Fund I common shares 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. Additional information is disclosed in note 6 of the Fund's financial statements for the six months ended June 30, 2009. The transfer was approved by resolution of the Company's Board of Directors. Additional information is disclosed in note 6 of the Fund's financial statements for the six months ended June 30, 2009. The results of the Advantage Life Science Fund I's operations have been included in these financial statements since the date of exchange.

On July 20, 2009 the Company receipted a prospectus with the British Columbia Securities Commission to qualify for distribution shares of the Advantage Venture Fund, the Advantage Growth Fund, as well as four newly 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"). To date \$273,500 of the Advantage Structured Fund I shares and \$125,300 of the Advantage Structured Fund II shares have been issued. No shares of the Advantage Structured Fund III or the Advantage Structured Fund IV have been issued.

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Management Discussion of Fund Performance (continued)

Recent Developments (continued)

Accounting Policy Changes:

The Canadian Institute of Chartered Accountants ("CICA") has issued Section 3862, Financial Instruments – Disclosures, Section 3863, Financial Instruments – Presentation, and Section 1535, Capital Disclosures.

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments enhance existing disclosure and presentation of the nature and scope of the risks associated with financial instruments as well as the way these risks are managed. These standards were adopted by the Fund effective January 1, 2008 and have no impact on the recognition or measurement of financial instruments.

Section 1535, Capital Disclosures, requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies, and processes for managing capital. This standard was adopted by the Fund effective January 1, 2008 and has no impact on the recognition or measurement of any financial statement items.

Future accounting changes:

International Financial Reporting Standards:

In February 2008, the Canadian Accounting Standards Board announced that Canadian Generally Accepted Accounting Principles (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.

Related party transactions

In accordance with the management agreement between the Fund and the Fund Manager, the Fund Manager receives management fees equal to 2.75% of the net asset value of the Fund, calculated and paid monthly. Also in accordance with the management agreement, separate from the management fee, the Fund reimburses the Fund Manager for expenses incurred by the Fund Manager in connection with its obligations pursuant to the management agreement. The Fund Manager may also earn an equity participation amount based on the realized gains and cumulative performance of the Fund. To date, no equity participation amounts have been earned by the Fund Manager.

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Management Discussion of Fund Performance (continued)

Related party transactions (continued)

Related party transactions are disclosed in note 11 of the Fund's financial statements for the six months ended June 30, 2009.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past four and half years. This information is derived from the Fund's unaudited semi-annual and audited annual financial statements. The Fund commenced operations on October 1, 2002.

The Fund's Net Asset Value per Share⁽³⁾

| | June 30 2009 | 2008 | 2007 | 2006 | 2005 |
|----------------------------------------------------------|-----------------|---------|---------|---------|---------|
| Net asset value, beginning of year | \$ 6.77 | \$ 8.82 | \$ 7.95 | \$ 8.46 | \$ 8.57 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | 0.01 | 0.13 | 0.13 | 0.16 | 0.14 |
| Total expenses ⁽²⁾ | (0.17) | (0.39) | (0.39) | (0.31) | (0.32) |
| Realized gain for the period | 0.07 | 0.03 | - | - | - |
| Unrealized gain (loss) for the period | 0.47 | (1.90) | 0.93 | (0.41) | 0.16 |
| Total increase (decrease) from operations ⁽¹⁾ | 0.38 | (2.13) | 0.67 | (0.56) | (0.02) |
| Net asset value, end of period ⁽¹⁾ | \$ 7.13 | \$ 6.77 | \$ 8.82 | \$ 7.95 | \$ 8.46 |

⁽¹⁾ Net asset value is based on the actual number of shares outstanding as at December 31 in the year shown or June 30, 2009. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

⁽²⁾ Total expenses in 2009 include an income tax recovery of \$0.00 (2008 - \$0.00) per share. For additional information see the Fund's interim financial statements.

⁽³⁾ Net asset value per share is presented in accordance with Canadian generally accepted accounting principles (GAAP). Subscriptions and redemptions of common shares of the Fund are transacted at the Pricing Net Asset Value per Share of the Fund. The Pricing Net Asset Value per Share, which is a non-GAAP measure, is described in detail in the Fund's prospectus and is reconciled in note 9(d) of the Fund's financial statements for the six months ended June 30, 2009.

Ratios and Supplemental Data

| | June 30 2009 | 2008 | 2007 | 2006 | 2005 |
|---------------------------------------------|-----------------|-----------|-----------|-----------|-----------|
| Net asset value (000's) ⁽¹⁾ | 46,165 | \$ 41,760 | \$ 46,751 | \$ 27,421 | \$ 20,286 |
| Number of shares outstanding ⁽¹⁾ | 6,477,353 | 6,171,536 | 5,299,900 | 3,449,738 | 2,397,335 |
| MER ⁽²⁾ | 5.49% | 5.80% | 8.20% | 8.36% | 9.06% |

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Financial Highlights (continued)

Ratios and Supplemental Data (continued)

- (1) This information is provided as at December 31 of the year shown or June 30, 2009.
- (2) Management expense ratio is based on the total expenses incurred by the Fund inclusive of management fees, all operating costs and share issuance costs related to marketing and subscription of shares for the stated year, but excluding income taxes, and is expressed as an annualized percentage of the weighted average net assets during the year.

Portfolio turnover information has not been provided as the Fund invests in venture stage companies which, on average, are held for five to seven years. Similarly, a trading expense ratio has not been provided as the Fund neither engages in active trading, nor purchases securities in the secondary market.

Management Fees

The Fund pays management fees of 2.75% of the net asset value of the Fund, calculated and paid monthly. In consideration for these management fees, the Fund Manager provides day to day management over the Fund and the Fund's venture investment portfolio, including sourcing and administration of all venture investments. The Fund Manager may also earn an equity participation amount based on realized gains and cumulative performance of the Fund. Additional information regarding equity participation is disclosed in note 9(c) of the Fund's financial statements for the six months ended June 30, 2009.

Past Performance

The Fund's returns are not guaranteed, the values of its shares change frequently and past performance may not be repeated nor can it be used as an indicator of future performance.

Year by Year Returns

The chart below reflects the Fund's annual performance from January 1, 2004 to December 31, 2008 and for the semi-annual period ended June 30, 2009 and illustrates how the Fund's performance has changed from year to year. The chart shows in percentage terms how an investment made on the first day of each fiscal year would have increased or decreased by the last day of each period.

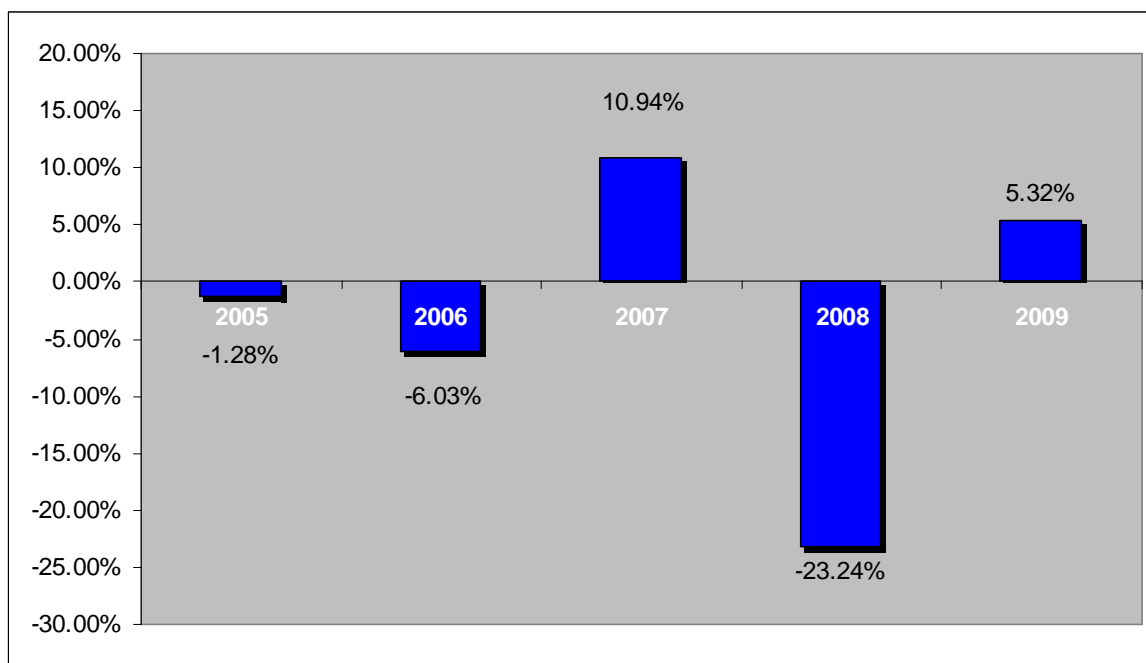
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Past Performance (continued)

Year by Year Returns (continued)



Summary of Investment Portfolio

The following tables summarize the Fund's investment portfolio as at June 30, 2009. This is a summary only and may change due to portfolio activity in the Fund. A quarterly update is available on request.

| | Fair value | Percentage of total net assets |
|-----------------------------------------------|---------------|--------------------------------|
| Life Science companies | \$ 23,051,619 | 50% |
| Technology companies | 15,871,692 | 34 |
| Total Venture Investments | 38,923,311 | 84 |
| Cash and Cash Equivalents and Restricted Cash | 7,673,752 | 17 |
| Other Assets less Liabilities | (431,771) | (1) |
| Net Asset Value at June 30, 2009 | \$ 46,165,292 | 100% |

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Summary of Investment Portfolio (continued)

| | Percentage of total net assets |
|------------------------------------------|--------------------------------------|
| Private: | |
| Aphrodite Therapeutics Inc. | -% |
| Aquinox Pharmaceuticals Inc. | 7 |
| Celeres Systems Inc. | - |
| Conasys Consumer Assurance Systems Inc. | 1 |
| Contech Inc. | 14 |
| Contigo Systems Inc. | 4 |
| Galeforce Solutions Inc. | 1 |
| Inimex Pharmaceuticals Inc. | 3 |
| Methylation Sciences Inc. | 3 |
| Mobidia Inc. | 8 |
| NxtGen Emission Controls Inc. | 9 |
| Paradigm Environmental Technologies Inc. | 1 |
| Recombo Inc. | 1 |
| Sensific Technologies Inc. | - |
| Sirius Genomics Inc. | 5 |
| Vectis Technologies Inc. | - |
| Zeugma Systems Inc. | 6 |
| Public: | |
| Allon Therapeutics Inc. | 4 |
| IP Applications Corp. | - |
| MetroBridge Networks International Inc. | - |
| Neovasc Inc. | - |
| Protox Therapeutics Inc. | 9 |
| Tekmira Pharmaceuticals Inc. | 1 |
| Urodynamix Technologies Ltd. | 5 |
| Vigil Health Solutions Inc. | - |
| Voice Mobility International Inc. | 2 |
| <hr/> Total Venture Investments | <hr/> 84% |