



CWF

Canadian World Fund  
Limited

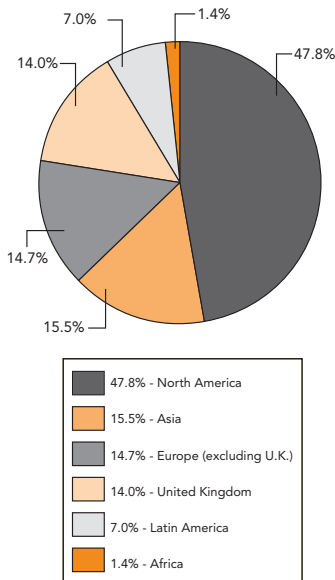


## CORPORATE PROFILE

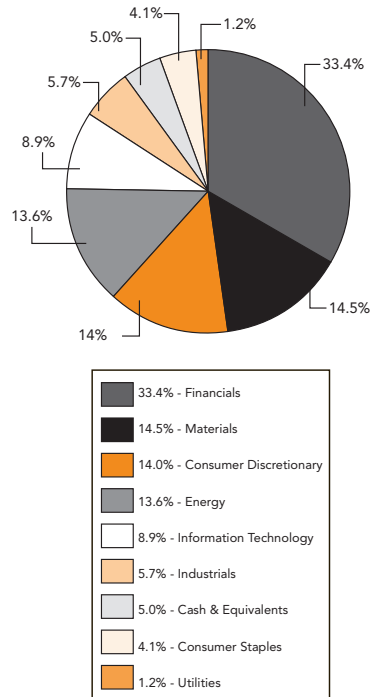
**Canadian World Fund Limited (CWF)** is a closed-end equity fund that endeavors to provide superior long-term returns by investing globally in securities of primarily publicly traded growth companies. The Company principally utilizes a bottom-up investment style in an effort to achieve this objective. The Company does not employ currency hedging as the portfolio is well diversified and influenced by many currencies, including the Canadian dollar, which is the currency of the company.

CWF has been managed since its 1994 inception by Morgan Meighen & Associates Limited (website: [www.mmmainvestments.com](http://www.mmmainvestments.com)).

**Geographic Allocation of Portfolio - June 30, 2007**



**Sector Allocation of Portfolio - June 30, 2007**



*Certain financial information contained in this report, including investment growth rates, rates of return and other such statistical information are historical values; past performance is no assurance or indicator of future returns. Share prices, net asset values and investment returns will fluctuate. Stated historical returns assume the reinvestment of all distributions. Such financial information does not reflect any broker commissions, transaction costs or such other fees and expenses which may have been applicable nor income taxes payable by any shareholder, which would have the effect of reducing such historical returns. Stated returns for periods greater than one year are compound average annual rates of return. Further information concerning risk can be found in the Management Report of Fund Performance in the Company's most recent Annual Report to Shareholders.*

*The Company is an investment fund, and as such, this Interim Report to Shareholders carries a variety of information concerning stocks and other investments, all for informational purposes only. The reader should assume that the Company and all individuals and entities (including the Manager and members of its staff) who have contributed to this publication may have a conflict of interest. Readers should therefore not rely solely on this Report in evaluating whether or not to buy or sell securities discussed herein.*

## LETTER TO SHAREHOLDERS

For Canadian World Fund (CWF) the completion of a one-for-one rights issue in the second quarter moved the net asset value per share (NAV) down by approximately 7.2% but brought several benefits. Assets have expanded with the portfolio rising 52.3% to \$60,033,000. This improved the economics; distributed more shares among long-term and new investors; and, hopefully, raised the public profile of one of few listed global funds available on North American exchanges.

The performance of the portfolio excluding the new cash was ahead of the market. Calculated on that basis at the half year, at June 30, 2007 the NAV return would have been in excess of 7% vs. -0.8% for the benchmark, the Morgan Stanley All Country World Index converted to Canadian dollars - fittingly ahead for the 2006 top performing closed-end equities fund in Canada.

By June 30 most of the new cash had been put to work in keeping with our policy of being fully invested at all times. Our portfolio team worked to rebalance many existing holdings and to apply cash to new ideas that could bode well for the future.

Limiting the effect of an even more extended local currency advance, the portfolio was well invested in Canadian quoted securities, particularly in the resource sector.

Our investment team has for many years had the capability needed for finding and researching global investment ideas in both developed and emerging markets, their main objective being to capture high growth anywhere it might be obtained.

For the newly expanded Canadian World Fund portfolio, the basic policy is to continue to strive for excellence in one big world.

Vanessa L. Morgan  
*Chairman*

Jonathan A. Morgan  
*President & CEO*

## INVESTMENT COMMENTARY

As the rights issue increased portfolio assets by about 50% early in June, we moved quickly to attempt to restore and overtake portfolio performance achieved before the arrival of new cash. Prior to the arrival of approximately \$19 million in new cash a majority of CWF's top positions ranged from about 2.2% to 2.6% of the total portfolio.

Reweightings holdings in the U.S. we added to Apple Inc., Google Inc., Freeport-McMoRan Copper & Gold Inc., World Energy Solutions, Inc. and Winnebago Industries, Inc. In Russia, we added to LUKOIL and in Poland the NASDAQ-listed beverages firm CEDC.

In a new round of shares issued, we increased our holdings in Orca Exploration Group inc. This company, previously named EastCoast Energy, is a promising successor to our former top holding Pan-Ocean Energy, which was sold out to Addax Petroleum Corporation. The same quality management team is building an integrated gas business in Tanzania, also planning a return to West Africa and contemplating a start-up or acquisition onshore in Africa.

We bought Homburg Invest Inc., a Halifax, Nova Scotia based high yield and high growth property company with holdings in Canada and several European countries. It is listed in Toronto but better known under its Euronext listing.

In Asia, we bought PT Bumi Resources Tbk, a major Indonesian thermal coal producer exporting to China and Top Glove Corporation BHD, a world leading surgical glove maker based in Malaysia.

Our big buy in the U.K., Iimia Investment Group Plc, is a company in the early days of building a financial services group. Expanding our considerable range of securities and commodities exchanges are Investment Tech Group, Inc. and Nymex Holdings Inc., both in the U.S. This was followed by a purchase in Financial Technologies of India, a dynamic growth company building several commodities platforms and investing in Asian exchanges.

## MOLY AND GAS

In the resources sector in Canada, we bought Roca Mines Inc., a near-term start-up in molybdenum production. For British Columbia, one of the world’s great mining provinces, this is the first mine to be given a permit in 10 years! No wonder metals prices are on fire.

We joined the excitement over Bayou Bend Petroleum Ltd. which has high impact natural gas prospects in shallow waters offshore Louisiana and Texas, in the wake of the big companies that have moved deeper into the Gulf. The region has a history of finds of up to four trillion cubic feet equivalent. Bayou Bend has a very busy schedule ahead.

## LOOKING FOR FIZZ!

Looking further back, in the first quarter report we published news of our IPO investment in commodity risk management firm FCStone Group. Our cost was US\$ 27.50. This new stock related to key areas such as grain, ethanol and energy has recently traded above \$60.

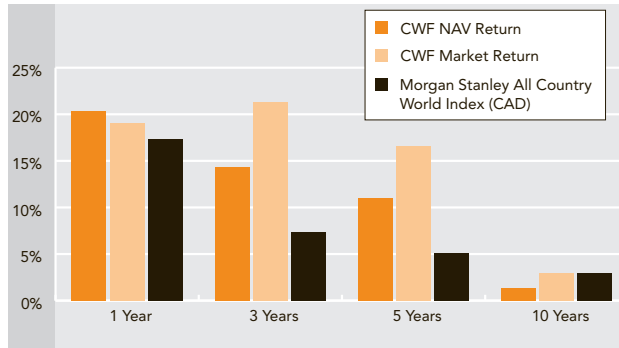
We would hope to do as well with Bayou Bend and with a recent U.S. purchase, Jones Soda Co. U.S. dollar weakness makes short- to medium-term gains desirable for a fund that reports in Canadian dollars. This one might just have the necessary fizz! Jones is a premium niche soda firm run by a Canadian in Seattle. The stock dropped to the \$15 level from over \$30 on a short-term earnings miss and withdrawal from Starbucks in the U.S., actually a tiny revenue source. Jones is a cane sugar, low sodium eco pop with consumer-submitted photo shots on its labels, clever marketing plans and a high retail price. Since purchase, it has struck an agreement to use a Japanese substance valued for its ability to increase mental focus.

On behalf of the Manager,

Michael A. Smedley  
CEO and Chief Portfolio Officer

Alex Sulzer  
Vice-President

Compound Annual Returns for the Periods Ending June 30, 2007



# MANAGEMENT REPORT OF FUND PERFORMANCE

## MANAGEMENT DISCUSSION OF FUND PERFORMANCE

### RESULTS OF OPERATIONS

#### Performance

Canadian World Fund's (CWF or the Company) net asset value per share (NAV) at June 30, 2007 was \$7.48, down from \$7.94 at year-end 2006. The net asset value per share calculated according to generally accepted accounting principals (GAAP NAV) at June 30, 2007 was \$7.45 [See Adoption of New Accounting Standards below]. The NAV return for the six-month period ending June 30, 2007, was -5.8%, which reflects the dilutive effect of a one-for-one rights offering that closed on June 7, 2007. This compared with a total return of -0.8% for the benchmark Morgan Stanley All Country World Free Index (MSCI ACWI) expressed in Canadian dollars.

Management fees and interest, the Company's key expenses, increased by 39.7% from the same period in 2006 to \$422,000, driven largely by an increase in portfolio values and the average amount of borrowings in 2007. The Company's net assets increased to \$53.6 million from \$32.6 million at the end of 2006, primarily as a result of the rights offering.

Canadian World Fund has a credit facility for investment leverage purposes of \$5.0 million comprising bankers' acceptances and term loans, with interest at a quoted one-year rate or based on the prime bankers' acceptance rate. It must comply with specified covenants during the terms of the loans. The bank indebtedness had a combined weighted average rate of 4.90% per annum and is repayable on various maturity dates in 2007 and 2008. During the first six months of 2007, Canadian World Fund utilized between \$3.5 and \$5.0 million of its revolving credit facility. As at June 30, 2007, the outstanding borrowing represented 6.5% of net assets.

### RECENT DEVELOPMENTS

#### Rights Offering

On April 19, 2007, the Company announced its intention to proceed with a one-for-one rights offering as Management and the Board of Directors believed that a capital expansion was in the best interests of the Company. The primary benefits that were anticipated were a larger asset base over

which to spread fixed costs, better scale to build presently held and prospective global opportunities and increased awareness and liquidity in the Company's common shares.

Under the terms of the final short form prospectus that was filed on April 27, 2007, each shareholder of record of the Company on May 8, 2007 received one right for each common share held, with each right entitling the holder to purchase one common share at the price of \$6.25 until 4:00 p.m. (Toronto time) on June 5, 2007. Holders of rights were also entitled to subscribe pro rata for additional common shares, if available, that were not subscribed for initially, on or before the expiry date.

As a result of the offering, 3,088,741 shares were issued for net proceeds of \$18,718,000 (net of costs associated with the offering of \$587,000).

#### Adoption of New Accounting Standards

On April 1, 2005, The Canadian Institute of Chartered Accountants, which establishes Canadian generally accepted accounting principles (GAAP) for financial reporting purposes, issued Section 3855, "Financial Instruments - Recognition and Measurement." This section, which came into effect on October 1, 2006, applies to the Company's fiscal year ending December 31, 2007.

Section 3855 requires that the fair value of financial instruments which are traded in active markets be measured based on the bid price for the securities. Previously, fair value for Canadian GAAP was based on the last traded price for the day, when available. In 2007, this change impacts the reported value of the Company's investments as reported in the interim and annual financial statements. However, Canadian securities regulatory authorities have granted relief on an interim basis, for investment funds complying with Section 3855, for purposes of the Company's regular net asset value calculation. The relief is for a period of up to one year ending September 30, 2007. Canadian securities regulators have since proposed a permanent solution which is currently in the comment period.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of investments, be recorded as an expense in the statement of

operations. Prior to 2007, the practice was to add these expenses to the cost of securities purchased or to deduct them from the proceeds of sale. There are no tax implications and no impact on the net asset value of the Company in using either of these methods.

In accordance with the relief granted by the Canadian securities regulatory authorities, a reconciliation between the regular net asset value calculation (NAV) and the net asset value calculated in accordance with Section 3855 of an investment fund (GAAP NAV) is required to be disclosed in the financial statements for financial reporting periods in the one year period ending September 30, 2007.

## RELATED PARTY TRANSACTIONS

The Company is managed by Morgan Meighen & Associates Limited (MMA), a company under common control with CWF.

MMA provides continuing advice and investment management services, as well as administration, financial reporting and other ancillary services required by a publicly listed company. For more details concerning the services that are provided by MMA and the management fee that is charged to the Company, see “Management Fees”.

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Company and are intended to help you understand the Company’s financial performance for the six months ended June 30, 2007 and the prior five financial years. This information is derived from the Company’s audited annual financial statements and interim unaudited financial statements.

### The Company’s Net Asset Value (NAV) per Share <sup>(1)</sup>

	Six months ended					
	June 30, 2007	2006	2005	2004	2003	2002
<b>Net asset value, beginning of the period <sup>(4)</sup></b>	\$ 7.92	\$ 5.75	\$ 5.49	\$ 4.79	\$ 3.82	\$ 4.63
<b>Increase (decrease) from operations:</b>						
Total revenue	0.06	0.10	0.10	0.10	0.10	0.12
Total expenses	(0.13)	(0.22)	(0.19)	(0.17)	(0.13)	(0.14)
Income tax recovery	0.02	0.04	-	-	-	-
Realized gains (losses) for the period	0.17	0.44	0.64	0.81	(0.26)	(0.53)
Unrealized gains (losses) for the period	0.45	1.83	(0.29)	(0.04)	1.26	(0.26)
Transaction costs <sup>(2)</sup>	(0.02)	-	-	-	-	-
<b>Total increase (decrease) from operations:</b>	<b>0.55</b>	<b>2.19</b>	<b>0.26</b>	<b>0.70</b>	<b>0.97</b>	<b>(0.81)</b>
<b>Net asset value, end of period <sup>(3)(4)</sup></b>	<b>\$ 7.45</b>	<b>\$ 7.94</b>	<b>\$ 5.75</b>	<b>\$ 5.49</b>	<b>\$ 4.79</b>	<b>\$ 3.82</b>

(1) Net asset value is based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted-average number of shares outstanding over the period.

(2) Transaction costs were included in the purchase cost/sale proceeds prior to 2007.

(3) This is not a reconciliation of the beginning and ending net asset value per share.

(4) The net asset value at the beginning and at the end of the period for 2007 are shown as the GAAP NAV. The NAV is shown for all prior periods as it was originally reported.

The impact of the adoption of Section 3855 on the net asset value per share of the Company as at June 30, 2007 is as follows:

	NAV	Section 3855 Adjustment	NAV
	\$ 7.48	\$ (0.03)	\$ 7.45

## Ratios and Supplemental Data

	Six months ended					
	June 30, 2007	2006	2005	2004	2003	2002
Net assets (000's) <sup>(1)(2)</sup>	\$ 53,550	\$ 32,553	\$ 23,574	\$ 22,526	\$ 19,639	\$ 15,673
Number of shares outstanding <sup>(1)</sup>	7,190,091	4,101,350	4,101,350	4,101,350	4,101,350	4,101,350
Management expense ratio <sup>(3)(7)</sup>	3.34%	3.31%	3.51%	3.33%	3.44%	3.33%
Management expense ratio excluding leverage costs <sup>(4)(5)</sup>	2.75%	2.65%	2.89%	2.70%	2.70%	2.60%
Portfolio turnover rate <sup>(5)</sup>	11.21%	30.88%	67.45%	72.22%	79.48%	65.75%
Trading expense ratio <sup>(6)(7)</sup>	0.22%	0.24%	0.58%	0.66%	0.70%	0.53%
Closing market price <sup>(1)</sup>	\$ 6.24	\$ 6.45	\$ 4.35	\$ 4.00	\$ 3.60	\$ 2.63

(1) This information is provided as at the end of the financial period shown.

(2) Net assets at June 30, 2007 are shown as GAAP net assets. Net assets are shown for all prior periods as it was originally reported.

(3) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the period.

(4) Leverage costs reflect interest on bank borrowings.

(5) The Company's portfolio turnover rate indicates how actively the Company's portfolio adviser manages its portfolio investments. For example, a portfolio turnover of 100% would be equivalent to the Company buying and selling all of the securities in its portfolio once in the course of a year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

(7) Ratios for the six months ended June 30, 2007 have been annualized.

## MANAGEMENT FEES

The Company pays a management fee that is calculated monthly at 1.5% per annum of the net asset value, excluding a deduction for income tax liabilities. The Company's management fees were used by MMA to pay costs for managing the portfolio and making investment decisions, as well as the provision of administrative services including making brokerage arrangements for the purchase and sale of securities, calculating the net asset value of the Company, preparing financial statements and all required regulatory filings and assisting in fund promotion activities. The officers of the Company are remunerated by MMA in their capacity as directors and/or officers of MMA and receive no compensation from CWF.

## PAST PERFORMANCE

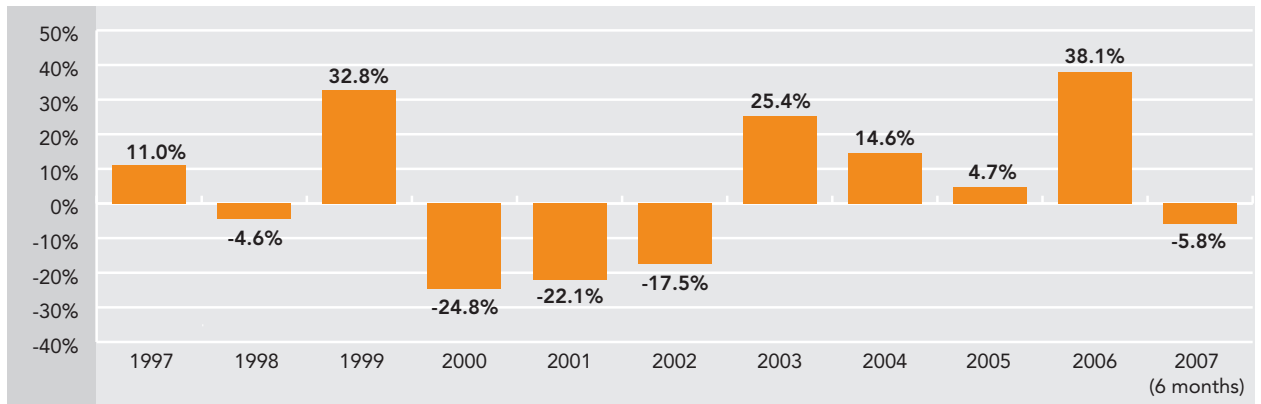
The performance information does not take into account broker commissions or other fees that would have reduced returns or performance. How the Company has performed in the past does not necessarily indicate how it will perform in the future.

## YEAR-BY-YEAR RETURNS

The following bar charts show the Company’s performance for each of the years shown, as well as, interim performance for the six months ended June 30, 2007, and illustrates how the Company’s performance has changed from year to year. The bar charts show, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.

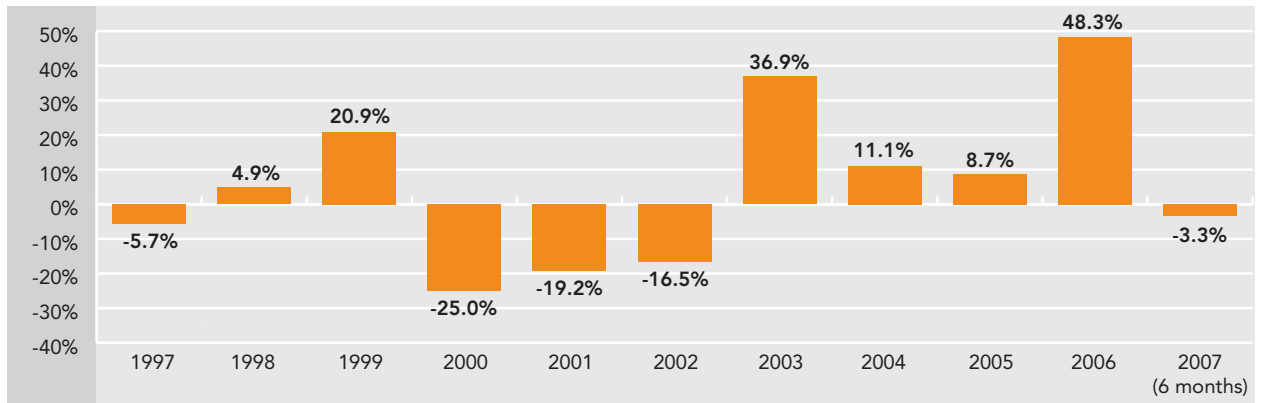
The bar chart below illustrates CWF’s net asset value per share return. All net asset value returns are calculated based on the NAVs (as opposed to the GAAP NAVs).

### Net Asset Value Return



The bar chart below illustrates CWF’s market return.

### Market Value Return



## SUMMARY OF INVESTMENT PORTFOLIO

as at June 30, 2007

The following Net Asset Value data has all been presented using the NAV (as opposed to the GAAP NAV).

### Top 25 Holdings

Issuer	Country	Sector**	% of Net Assets*	% of Investment Portfolio
Cash	Canada	Cash & Cash Equivalents	5.6	5.0
Iimia Investment Group Plc	U.K.	Financials	2.6	2.3
Apple Inc.	U.S.A.	Information Technology	2.4	2.2
AmRest Holdings N.V.	Netherlands	Consumer Discretionary	2.3	2.0
Bayou Bend Petroleum Ltd.	Canada	Energy	2.2	2.0
Google Inc.	U.S.A.	Information Technology	2.1	1.9
Autonomy Corporation plc	U.K.	Information Technology	2.0	1.8
NYMEX Holdings Inc.	U.S.A.	Financials	2.0	1.8
Equinox Minerals Limited	Canada	Materials	1.9	1.7
Sberbank	Russia	Financials	1.9	1.7
Oslo Bors Holding ASA	Norway	Financials	1.9	1.7
CAE Inc.	Canada	Industrials	1.8	1.7
Lojas Renner S.A.	Brazil	Consumer Discretionary	1.8	1.6
Mahindra & Mahindra Limited	India	Industrials	1.8	1.6
FCStone Group, Inc.	U.S.A.	Financials	1.7	1.5
HDFC Bank Ltd.	India	Financials	1.7	1.5
Freeport-McMoRan Copper & Gold, Inc.	U.S.A.	Materials	1.6	1.5
Grupo Financiero Banorte S.A.B. de C.V.	Mexico	Financials	1.6	1.5
Grupo Mexico, S.A. de C.V.	Mexico	Materials	1.6	1.5
Alcoa Inc.	U.S.A.	Materials	1.6	1.4
Financial Technologies (India) Limited	India	Financials	1.6	1.4
Orca Exploration Group Inc.	Tanzania	Energy	1.6	1.4
SARE Holding, S.A. de C.V.	Mexico	Financials	1.5	1.3
Chariot Resources Limited	Canada	Materials	1.5	1.3
Petrominerales Ltd.	Canada	Energy	1.5	1.3
			49.8*	44.6
Total Net Assets* (\$000's)				\$ 53,776
Total Investment Portfolio (\$000's)				\$ 60,033

\* Total Net Assets represents Total Investment Portfolio adjusted for leverage in the form of bank indebtedness (\$3.5 million), other assets and other liabilities. Total Investment Portfolio includes a payable on securities purchased, net of a receivable on securities sold, of \$223,000.

\*\* Using the Global Industry Classification Standard developed by Morgan Stanley Capital International and Standard & Poor's.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Company. The most recent quarterly portfolio disclosure may be obtained by visiting the Manager's web site at [www.mminvestments.com](http://www.mminvestments.com), by calling 416-366-2931 (Toll Free: 1-866-443-6097), or by writing to the Company at 110 Yonge Street, Suite 1601, Toronto, Ontario, Canada, M5C 1T4.

**SUMMARY OF INVESTMENT PORTFOLIO (CONTINUED)**

as at June 30, 2007

The following Net Asset Value data has all been presented using the NAV (as opposed to the GAAP NAV).

Sector Allocation**	Geographic Allocation				
	% of Net Assets*	% of Investment Portfolio		% of Net Assets*	% of Investment Portfolio
Financials	37.3	33.4	North America	53.4	47.8
Materials	16.2	14.5	Asia	17.4	15.5
Consumer Discretionary	15.8	14.0	Europe (excluding U.K.)	16.4	14.7
Energy	15.2	13.6	United Kingdom	15.7	14.0
Information Technology	10.0	8.9	Latin America	7.8	7.0
Industrials	6.3	5.7	Africa	1.6	1.4
Cash & Cash Equivalents	5.6	5.0			
Consumer Staples	4.6	4.1			
Utilities	1.3	1.2			

\* Total Net Assets represents Total Investment Portfolio adjusted for leverage in the form of bank indebtedness (\$3.5 million), other assets and other liabilities. Total Investment Portfolio includes a payable on securities purchased, net of a receivable on securities sold, of \$223,000.

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**INTERIM FINANCIAL STATEMENTS**

June 30, 2007

**The auditors of the Company have not reviewed these interim financial statements.**

Shareholders of the Company appoint an independent auditor to audit the Company's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Company's interim financial statements, this must be disclosed in an accompanying notice.

## STATEMENTS OF NET ASSETS

*As at June 30, 2007 and December 31, 2006*  
*(in thousands of dollars, except per share amounts)*

	June 30, 2007 Unaudited \$	December 31, 2006 Audited \$
<b>Assets</b>		
Investments at market value (cost - \$42,733; 2006 - \$26,348) (note 1)	56,987	38,298
Cash	2,994	658
Receivable for securities sold	109	-
Dividends receivable	52	22
Income taxes recoverable	2	-
	60,144	38,978
<b>Liabilities</b>		
Bank indebtedness (note 2)	3,500	4,101
Payable for securities purchased	332	-
Accounts payable and accrued liabilities	206	100
Income taxes payable	-	66
Future income taxes on unrealized gain on investments	2,556	2,158
	6,594	6,425
	53,550	32,553
<b>Net Assets</b>		
<b>Shareholders' Equity</b>		
Capital stock (note 3)	39,225	20,507
Unrealized gain on investments, net of future income taxes	11,698	9,792
Retained earnings (note 4)	2,627	2,254
	53,550	32,553
<b>Number of shares outstanding</b> (note 3)	7,190,091	4,101,350
<b>Net asset value per share</b> (notes 1 and 8)	7.45	7.94

## STATEMENTS OF OPERATIONS

*For the six months ended June 30 (Unaudited)*  
*(in thousands of dollars, except per share amounts)*

	2007 \$	2006 \$
<b>Investment income</b>		
Dividends	321	287
Interest	6	4
	327	291
Withholding taxes on foreign dividends	(24)	(17)
	303	274
<b>Expenses</b>		
Management fees	315	220
Interest	107	82
Directors' fees and expenses	47	31
Custodial fees	41	28
Listing and regulatory	33	24
Securityholder reporting costs	16	26
Legal fees	16	8
Audit fees	12	12
Investor relations	6	3
Capital taxes	2	-
Other	11	5
	606	439
<b>Net investment loss before income taxes</b>	(303)	(165)
<b>Income tax recovery</b> (note 5)	83	-
<b>Net investment loss</b>	(220)	(165)
<b>Realized and unrealized gains on investments</b> (note 5)		
Net realized gain on investments, net of income taxes of \$153 (2006 - nil)	753	1,141
Change in unrealized gain on investments, net of future income taxes of \$439 (2006 - \$394)	2,014	946
Transaction costs on purchase and sale of investments (note 1)	(78)	-
<b>Net gain on investments</b>	2,689	2,087
<b>Increase in net assets resulting from operations for the period</b>	2,469	1,922
<b>Increase in net assets resulting from operations per share</b>	0.55	0.47
(based on 4,510,907 (2006 - 4,101,350) weighted-average shares outstanding during the period (note 3))		

## STATEMENTS OF CHANGES IN NET ASSETS

<i>For the six months ended June 30 (Unaudited)</i> <i>(in thousands of dollars)</i>	<b>2007</b> \$	<b>2006</b> \$
<b>Increase in net assets resulting from operations for the period</b>	2,469	1,922
<b>Common shares issued on subscription of rights (note 3)</b>	18,718	-
<b>Increase in net assets during the period</b>	21,187	1,922
<b>Net assets, beginning of period (note 1)</b>	32,363	23,574
<b>Net assets, end of period</b>	53,550	25,496

## STATEMENTS OF CASH FLOWS

<i>For the six months ended June 30 (Unaudited)</i> <i>(in thousands of dollars)</i>	<b>2007</b> \$	<b>2006</b> \$
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net investment loss	(220)	(165)
Purchases of investments	(21,238)	(4,494)
Proceeds of disposition of investments	5,677	5,166
Transaction costs on purchase and sale of investments (note 1)	(78)	-
Net change in non-cash balances related to operations	231	(919)
Income tax provision included in net realized gain on investments	(153)	-
	(15,781)	(412)
<b>Financing activities</b>		
Increase (decrease) in bank indebtedness	(601)	17
Common shares issued on subscription of rights (note 3)	18,718	-
	18,117	17
<b>Net increase (decrease) in cash during the period (note 6)</b>	2,336	(395)
<b>Cash, beginning of period</b>	658	1,014
<b>Cash, end of period</b>	2,994	619

# STATEMENT OF INVESTMENT PORTFOLIO

June 30, 2007

Number or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>			
<b>AFRICA (1.4%)</b>			
58,814	Orca Exploration Group Inc., B	625	835
<b>TOTAL AFRICA</b>		<b>625</b>	<b>835</b>
<b>ASIA (15.5%)</b>			
238,000	Alok Industries Limited (India)	490	360
14,000	Britannia Industries Ltd. (India)	324	578
34,000	Cheung Kong (Holdings) Limited, (China/Hong Kong)	518	473
10,800	Financial Technologies (India) Limited (India)	757	853
10,000	HDFC Bank Ltd., ADR (India)	579	896
50,000	Indiabulls Financial Services Limited (India)	97	767
50,000	Indiabulls Real Estate Limited (India)	76	544
1,640,000	Italian-Thai Development Public Company Limited, Foreign Reg (Thailand)	610	327
50,000	Mahindra & Mahindra Limited (India)	407	943
120,000	Nagarjuna Construction Company Ltd. (India)	363	560
40,200	Pantaloon Retail (India) Limited (India)	311	517
2,750,000	PT Bumi Resources Tbk (Indonesia)	630	730
30,500	Siam Cement Public Company Limited, Foreign Reg. (Thailand)	208	270
800,000	Singamas Container Holdings Limited (China/Hong Kong)	683	568
231,000	Top Glove Corporation BHD (Malaysia)	635	580
20,000	Wipro Limited, ADR (India)	292	330
<b>TOTAL ASIA</b>		<b>6,980</b>	<b>9,296</b>
<b>EUROPE (28.7%)</b>			
<b>Europe Excluding United Kingdom</b>			
21,999	AmRest Holdings N.V. (Netherlands)	399	1,188
6,500	Bolsas y Mercados Espanoles (Spain)	353	406
18,000	Central European Distribution Corporation (Poland)	445	662
240,000	Engel East Europe N.V. (Netherlands)	553	614
20,000	IMAREX NOS ASA (Norway)	352	388
4,200	KBC Ancora (Belgium)	462	518
8,800	LUKOil, ADR (Russia)	791	712
19,000	OMX AB (Sweden)	587	605
2,800	Orco Property Group S.A. (Luxembourg)	208	472
39,000	Oslo Bors Holding ASA (Norway)	207	1,010
250	Sberbank (Russia)	512	1,033
10,555,000	Uralsvazinform (Russia)	596	685
15,000	X5 Retail Group N.V., GDR (Russia)	285	467
<b>Total Europe (Excluding United Kingdom) (14.7%)</b>		<b>5,750</b>	<b>8,760</b>

Number or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>			
<b>United Kingdom</b>			
70,000	Autonomy Corporation plc	475	1,075
70,000	Blinkx Plc	67	65
75,000	Detica Group plc	261	616
41,000	Hochschild Mining plc	337	290
50,000	Hobny plc	300	272
250,000	Iimia Investment Group Plc	1,387	1,360
200,000	IP Group PLC	399	631
21,803	London Stock Exchange Group plc	588	630
158,500	M&C Saatchi	516	527
75,000	Numis Corporation Plc	170	500
50,000	Petrofac Limited	460	479
735,000	PLUS Markets Group plc	480	431
230,000	Serica Energy PLC	317	511
112,500	The Stanley Gibbons Group Limited	116	557
75,000	Topps Tiles Plc	294	364
<b>Total United Kingdom (14.0%)</b>		<b>6,167</b>	<b>8,308</b>
<b>TOTAL EUROPE</b>		<b>11,917</b>	<b>17,068</b>
<b>LATIN AMERICA (7.0%)</b>			
85,000	Brascan Residential Properties S.A. (Brazil)	739	704
180,000	Grupo Financiero Banorte, S.A.B. de C.V. (Mexico)	300	875
135,000	Grupo Mexico S.A. de C.V., B (Mexico)	281	875
47,500	Lojas Renner S.A. (Brazil)	360	935
456,000	SARE Holding, S.A. de C.V., B (Mexico)	326	796
<b>TOTAL LATIN AMERICA</b>		<b>2,006</b>	<b>4,185</b>
<b>NORTH AMERICA (42.8%)</b>			
<b>Canada</b>			
15,000	Aber Diamond Corporation	677	610
500,000	Bayou Bend Petroleum Ltd.	1,178	1,160
19,500	Bourse de Montréal Inc.	591	759
300,000	BrazAlta Resources Corp.	425	366
70,000	CAE Inc.	978	995
700,000	Chariot Resources Limited	230	791
30,000	Energy Metals Corporation	422	465
300,000	Equinox Minerals Limited	264	1,032
123,800	Homburg Invest Inc., subscription receipts 8/13/2007	650	651
400,000	International Nickel Ventures Corporation	482	580
15,000	InterOil Corporation	487	303
30,000	Logibec Groupe Informatique Ltd.	411	615
32,120	Lundin Mining Corporation	150	413

June 30, 2007

Number or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>			
<b>Canada (continued)</b>			
23,200	March Networks Corporation	399	253
150,000	Nautilus Minerals Inc.	748	779
7,000	Niko Resources Ltd.	303	679
120,000	Petrominerales Ltd.	452	778
90,000	Plutonic Power Corporation	616	681
200,000	Roca Mines Inc.	621	572
50,000	Skye Resources Inc.	451	775
400,000	Stratic Energy Corporation	481	448
150,000	Ur-Energy, Inc.	663	666
<b>Total Canada (24.0%)</b>		<b>11,679</b>	<b>14,371</b>

<b>United States</b>			
20,000	Alcoa Inc	888	861
10,000	Apple Inc.	784	1,298
15,000	FCStone Group, Inc.	487	912
10,000	Freeport-McMoRan Copper & Gold Inc.	798	881
2,000	Google Inc., A	842	1,113
7,000	Harley-Davidson, Inc.	471	444
50,000	Idaho General Mines, Inc.	241	336
10,000	Investment Technology Group, Inc.	461	460
50,000	Jones Soda Co.	839	745
8,000	NYMEX Holdings Inc.	1,117	1,065
4,000	NYSE Euronext	310	313
10,000	Sorthebys	212	489
25,000	The Blackstone Group LP	841	778
76,000	U.S. Gold Corporation	304	445
20,000	Winnebago Industries, Inc.	629	627
300,000	World Energy Solutions, Inc.	405	465
<b>Total United States (18.8%)</b>		<b>9,629</b>	<b>11,232</b>
<b>TOTAL NORTH AMERICA</b>		<b>21,308</b>	<b>25,603</b>

TRANSACTION COSTS (note 1)	(103)	-
<b>TOTAL INVESTMENTS (95.4%)</b>	<b>42,733</b>	<b>56,987</b>
CASH & CASH EQUIVALENTS (5.0%)	2,994	2,994
RECEIVABLES ON SECURITIES SOLD, NET OF PAYABLE ON SECURITIES PURCHASED (-0.4%)	(223)	(223)
<b>INVESTMENT PORTFOLIO (100.0%)</b>	<b>45,504</b>	<b>59,758</b>

Percentage amounts in brackets represent market value as a percentage of the Investment Portfolio.

Number or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>			
<b>RECONCILIATION OF INVESTMENT PORTFOLIO TO NET ASSETS:</b>			
INVESTMENT PORTFOLIO (111.59%)			59,758
BANK INDEBTEDNESS (-6.55%)			(3,500)
FUTURE INCOME TAXES ON UNREALIZED GAIN ON INVESTMENTS (-4.77%)			(2,556)
OTHER ASSETS AND LIABILITIES, NET (-0.27%)			(152)
<b>NET ASSETS (100.0%)</b>			<b>53,550</b>

Percentage amounts in brackets represent market value as a percentage of Net Assets.

# NOTES TO FINANCIAL STATEMENTS

*For the six months ended June 30, 2007 (Unaudited)*

These unaudited interim financial statements do not include all of the disclosures contained in the audited financial statements and accordingly, should be read in conjunction with the December 31, 2006 audited financial statements which are available on SEDAR or from the Company.

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of these unaudited interim financial statements conform to those presented in the Company's December 31, 2006 audited financial statements except for the adoption of new accounting standards as described below.

### Adoption of new accounting standards

On April 1, 2005, The Canadian Institute of Chartered Accountants, which establishes Canadian generally accepted accounting principles (GAAP) for financial reporting purposes, issued Section 3855, "Financial Instruments - Recognition and Measurement." This section, which came into effect on October 1, 2006, applies to the Company's fiscal year ending December 31, 2007.

Section 3855 requires that the fair value of financial instruments which are traded in active markets be measured based on the bid price for the securities. Previously, fair value for Canadian GAAP was based on the last traded price for the day, when available. In 2007, this change impacts the reported value of the Company's investments as reported in the interim and annual financial statements. However, Canadian securities regulatory authorities have granted relief on an interim basis, for investment funds complying with Section 3855, for purposes of the Company's regular net asset value calculation. The relief is for a period of up to one year ending September 30, 2007. Canadian securities regulators have since proposed a permanent solution which is currently in the comment period.

Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of investments, be recorded as an expense in the statement of operations. Prior to 2007, the practice was to add these expenses to the cost of securities purchased or to deduct them from the proceeds of sale. There are no tax implications and no impact on the net asset value of the Company in using either of these methods.

In accordance with the relief granted by the Canadian securities regulatory authorities, a reconciliation between the regular net asset value calculation ("NAV") and the net asset value calculated in accordance with Section 3855 of an investment fund ("GAAP NAV") is required to be disclosed in the financial statements for financial reporting periods in the one year period ending September 30, 2007. Refer to note 8 for such reconciliation for the period ended June 30, 2007. The provisions of Section 3855 have been applied retroactively without restatement of prior periods. Accordingly, the opening net asset value in the Statements of Changes in Net Assets has been adjusted from \$32,553,000 to \$32,363,000 and the opening retained earnings balance in note 4 for the fiscal period ended June 30, 2007 has been adjusted from \$2,254,000 to \$2,172,000.

## 2 BANK INDEBTEDNESS

The Company has a revolving demand credit facility of \$5.0 million comprising term loans, subject to specified covenants, with interest based on the prime bankers' acceptance rate. The bank indebtedness has a combined weighted-average interest rate of 4.90% per annum as at June 30, 2007 (2006 - 4.95% per annum) and is repayable on various maturity dates in 2007 and 2008.

During the first six months of 2007, the Company utilized between \$3.5 and \$5.0 million (2006 - \$4.1 million) of its revolving credit facility.

### 3 CAPITAL STOCK

Changes in the number of common shares of the Company outstanding for the six months ended June 30 were as follows:

	2007		2006	
	Number of shares	Amount \$ <i>(in thousands of dollars)</i>	Number of shares	Amount \$ <i>(in thousands of dollars)</i>
Balance - beginning of period	4,101,350	20,507	4,101,350	20,507
Subscription of rights	3,088,741	18,718	-	-
Balance - end of period	7,190,091	39,225	4,101,350	20,507

A one-for-one rights offering that was originally announced by the Company on April 19, 2007 closed on June 7, 2007. Under the terms of the final short form prospectus that was filed on April 27, 2007, each shareholder of record of the Company on May 8, 2007 received one right for each common share held, with each right entitling the holder to purchase one common share at the price of \$6.25 until 4:00 p.m. (Toronto time) on June 5, 2007. Holders of rights were also entitled to subscribe pro rata for additional common shares, if available, that were not subscribed for initially, on or before the expiry date.

As a result of the offering, 3,088,741 shares were issued for net proceeds of \$18,718,000 (net of costs associated with the offering of \$587,000).

The weighted-average number of common shares outstanding for the six months ended June 30, 2007 was 4,510,907 (2006 - 4,101,350).

### 4 RETAINED EARNINGS

The changes in retained earnings for the period were as follows:

<i>(in thousands of dollars)</i>	2007 \$	2006 \$
Retained earnings, beginning of period (note 1)	2,172	792
Net investment loss	(220)	(165)
Net realized gain on investments	753	1,141
Transaction costs on purchase and sale of investments (note 1)	(78)	-
Retained earnings, end of period	2,627	1,768

## 5 TAXATION

The Company, as a public corporation, is subject to income taxes on its income and realized gain on investments at the rates of approximately 36% (2006 - 36%) and 18% (2006 - 18%), respectively. The effective tax rate for future income taxes is approximately 18% (2006 - 18%).

The Company is also subject to a special tax of up to 33-1/3% of taxable dividends received from corporations resident in Canada. This special tax is refundable on payment of taxable dividends to shareholders at a rate of \$1 for each \$3 of such dividends paid. The Company has refundable dividend tax on hand of approximately \$10,000 as at June 30, 2007 (2006 - \$10,000).

## 6 SUPPLEMENTAL CASH FLOW INFORMATION

Included in the net increase (decrease) in cash during the period are the following:

<i>(in thousands of dollars)</i>	2007 \$	2006 \$
Interest paid	107	82
Income taxes paid - net	47	-

## 7 BROKERAGE COMMISSIONS PAID ON INVESTMENT TRANSACTIONS

Total brokerage commissions paid on investment transactions for the six months ended June 30, 2007 were \$78,000 (2006 - \$66,000).

## 8 RECONCILIATION OF NET ASSET VALUE

The impact of the adoption of Section 3855 on the net asset value of the Company as at June 30, 2007 is as follows:

*(in thousands of dollars, except per share amounts)*

Net Assets	Section 3855 Adjustment	GAAP Net Assets	NAV	GAAP NAV
53,776	(226)	53,550	7.48	7.45

