



CGI

Canadian General Investments,
Limited

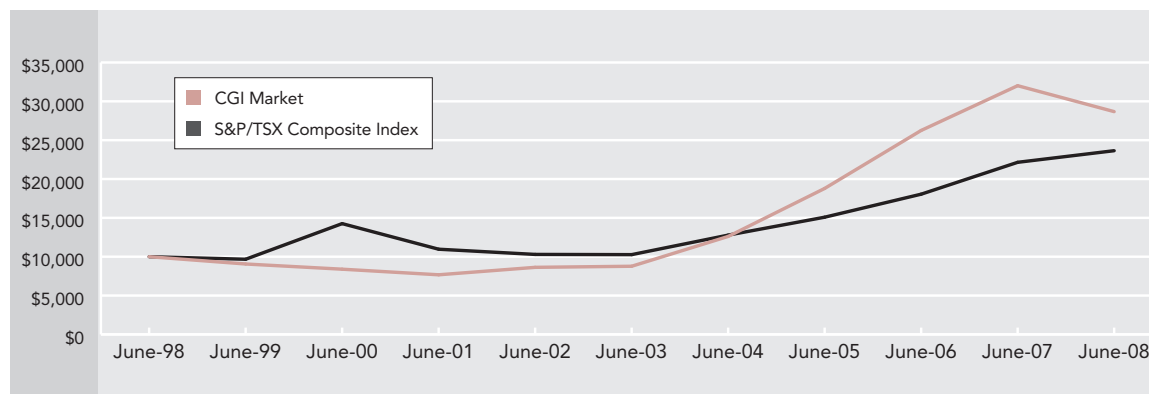


CORPORATE PROFILE

Canadian General Investments, Limited (CGI) is a closed-end equity fund focussed on medium to long-term investments in Canadian corporations. It strives, through prudent security selection, timely recognition of capital gains and appropriate income generating instruments, to provide better than average returns to investors.

CGI was established in 1930 and has been managed since 1956 by Morgan Meighen & Associates Limited (website: www.mmainvestments.com).

Growth of a \$10,000 Investment – 10 years to June 30, 2008



The graph above is presented to illustrate the benefit of a long-term investment in CGI's common shares. A \$10,000 investment in CGI common shares would have grown to over \$28,000 over the 10-year period ended June 30, 2008. This equates to a compound annual average growth rate of 11.1%. By comparison, a \$10,000 investment in the benchmark S&P/TSX Composite Index would have grown to nearly \$24,000 or a compound average annual growth rate of 9.0%.

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

GENERAL COMMENTARY

Canadian General Investments, Limited's (CGI) net asset value per share (NAV) rose 8.1% in the second quarter of 2008 on a total return basis. This lagged the 9.1% total return posted by the benchmark S&P/TSX Composite Index. CGI's market return lagged both its NAV and its benchmark, posting 7.4% for the quarter, as the movement in NAV and the market price resulted in a slight widening of the discount.

These positive returns were very welcome after the sharp declines of the first quarter, but also serve to highlight the extreme volatility of the market currently. For the six months ended June 30, both CGI's NAV return and market return, although improved, remain negative, -6.5% and -15.0%, respectively, versus the Index which was up 6.0% year-to-date.

INDEPENDENT REVIEW COMMITTEE FOR INVESTMENT FUNDS

As mentioned in the 2007 Annual Report to shareholders, an Independent Review Committee ("IRC") was constituted in compliance with National Instrument 81-107 (NI 81-107), for the three closed-end funds (the "Funds") managed by Morgan Meighen & Associates Limited. The initial members of each of the Fund's IRC was comprised of the same three individuals. In the second quarter of 2008, such initial members of the IRC of each of the Funds unanimously determined that it would be beneficial for the composition of each Fund's IRC to be comprised of the same individuals who serve as independent members of the Board of Directors of the corresponding Fund. As a result, effective June 30, 2008, a restructuring of each Fund's IRC occurred resulting in the members of CGI's IRC to be as follows: James F. Billett, James G. Cook, R. Neil Raymond and Richard O'C. Whittall.

OUTLOOK

We view any market rebounds cautiously and expect only minimal growth in the Canadian economy for the balance of the year, but are hopeful that the current financial crisis, now almost a year old, will be largely resolved before the year is finished.

Vanessa L. Morgan
Chairman

Jonathan A. Morgan
President & CEO

INVESTMENT COMMENTARY

THE YEAR OF THE FAD

Turmoil rather than trend continues to be the way of markets. After racing up 7.1% in May, CGI's net asset value per share plunged 2.7% in June. The turmoil that started mid-2007 has reduced CGI's previously exceptional 3-year annualized return to 15.8%, just slightly exceeded by the 16.2% for the S&P/TSX.

Disorder has ruled over the market through to the completion, denying any kind of fundamental change. Banking and housing sector woes have dragged on and extended the resultant tightening of credit. Recession is here or tiresomely still predicted. Rising inflation is getting a push from a still soaring oil price and higher workplace and material costs are widely impacting business performance.

The Year of the Rat, at best, looks like the Year of the Fad: agriculture, fertilizers, infrastructure, iron ore, solar energy, coal, oil and gas. This has helped to keep the Canadian market in positive territory up to the July decline.

Potash Corporation of Saskatchewan and roughly a dozen more stocks represent around 30% to 50% of the daily influence on the 300 share benchmark Index. CGI holds most of these, but not in the weightings needed to match Index moves and that is the main reason for underperformance. It is somewhat reminiscent of the power of Nortel during the explosive tech market around a decade ago.

Hard to analyze, but weighing on the market and the economy, is the anti-fossil fuel movement and its effects. This crusade has many aspects: dedicating agricultural land to subsidized ethanol fuel generation; carbon trading, capping and taxing; wind, geothermal and solar alternatives; U.S. lobbying against Canada's oilsands industry. No matter how laudable, these are new and, in some instances, might be unsettling distractions and adding costs to business.

FOCUS ON ENERGY

At CGI, our pragmatic efforts continue to be devoted to getting ahead without taking too much risk. The TSX Energy Index has shown appreciation of 24.3% for the year to date at June 30. We are maintaining focus on this sector, at the same time as taking out some profit. For example, we are giving attention to stocks involved in enhanced recovery through improved technology, as

LETTER TO SHAREHOLDERS – CONTINUED

in rock fracturing and horizontal drilling, and to developers moving to abundant untapped gas reserves in shale deposits across North America. In this connection, and for its extensive spread of assets and its intention to separate oil and gas into two companies, we have added to EnCana Corporation. EnCana is another of those major influences in the daily swings in the benchmark index.

Mainly shale play-oriented, we have bought Celtic Exploration Ltd., Gastem Inc., Talisman Energy and Phoenix Technology Income Fund. The latter is timely for its horizontal drilling services. We started into the theme in the first quarter with Birchcliff Energy Ltd. This stock had appreciated 77.2% by June 30. That is the kind of performance we like.

Calfrac Well Services Ltd. was another recent purchase in the energy services sector. It has become a more international company in recent times and has started moving to prominence in several North American shale plays. We started to buy Angle Energy Inc., a high performance private company in western Canada, on its first day of trading in the public market on June 30.

We moved late into the coal rally, buying the Canadian blue chip, Fording Canadian Coal Trust and small positions in the minor coal producers and developers Hillsborough Resources Limited and Nemi Northern Energy & Mining Inc. They have several developments including a combined 30% holding in Anglo American's coal producer in Canada. Hillsborough has since announced strong contract pricing and sales with Vitrol SA, the major Swiss-based energy trader, and also Hillsborough's largest shareholder.

OTHER SECTORS OF NOTE

A purchase late in the quarter, joining our agriculture-related stocks, was Hemisphere GPS Inc. of Calgary, a rare pure play. Its global positioning systems attract us particularly for their sales into the booming farm sector, where planting accuracy measured in centimeters means better productivity. The farm sector is in an uncommon era of prosperity and cash flows are being stimulated by rising food and ethanol demands.

Briefly on metals: The Mining sector has required patience of late, but is still essentially in development mode, with just a few publicly listed domestic companies throwing off big cash flows. One is Hudbay Minerals Inc., which set up CGI's only mine take-over situation in the latest quarter, with its agreed offer for Skye Resources Inc.

As the quarter drew toward its close, uranium pricing and associated stocks started to stir and we look forward optimistically to a resurgence in the sector in the second half of 2008.

In the Financials sector, good events have been rare, but Loring Ward International Ltd. has received competing offers that moved our profit in the stock to the one million dollar level. In a new investment in the sector, we subscribed to Sprott Inc. on its initial placing and have added to this high performance, resource oriented investment manager since the public launch.

If there is a dominant market theme in the months ahead, we expect it to be mining, energy – or both. We also expect to seek special situations. Shareholders will see that the portfolio holds Nortel once again and, shortly after quarter end, we also returned to Molson Coors Brewing Company. The brewer has experienced several years of progress since the original merger and now has formed a joint venture with the Miller segment of SABMiller. This has established a North American operation taking 30% of the North American market so long dominated by Anheuser-Busch Cos. Inc.

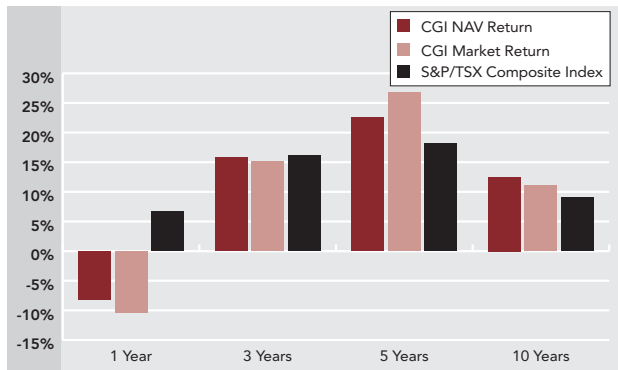
In these somewhat stressful market conditions, a steadily progressive brewing industry investment seems like a good move.

On behalf of the Manager,

Michael A. Smedley
CEO and Chief Portfolio Officer

D. Greg Eckel
Senior Vice-President

Compound Annual Returns for the
Periods Ending June 30, 2008



MANAGEMENT REPORT OF FUND PERFORMANCE

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

RESULTS OF OPERATIONS

Performance

CGI's net asset value per share (NAV) at June 30, 2008 was \$29.73, down from the NAV of \$31.94 at year end 2007. The NAV return, with dividends reinvested, for the six month period to June 30, 2008 was -6.5%, compared with a 6.0% total return for the benchmark S&P/TSX Composite Index (S&P/TSX). CGI's net asset value at June 30, 2008 was \$620,264,000, representing a 6.9% decrease from the \$666,323,000 at the end of 2007.

The sector weightings in CGI's portfolio were adjusted during the first six months of 2008. Primarily, the Energy weighting increased 5.7% to 25.6% and Financials decreased 3.1% to 18.2%. Negative performance resulted during the period as the Fund was overweight in the poor performing Consumer Discretionary and Industrials sectors and underweight in the high performing Energy sector, vis-à-vis the benchmark. The Consumer Discretionary, Industrials and Energy sub-indices of the S&P/TSX posted total returns for the period of -23.5%, 1.6% and 24.3%, respectively.

The table below illustrates the weightings of the five largest sectors in CGI's portfolio as at June 30, 2008, compared with year end 2007, and with the S&P/TSX. The weightings provided for CGI represent the market value of each industrial sector as a percentage of the total investment portfolio.

Sector Weightings

Sector	CGI		S&P/TSX	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
Energy	25.6%	19.9%	32.8%	27.9%
Materials	22.1%	21.2%	20.4%	16.9%
Financials	18.2%	21.3%	24.9%	29.6%
Industrials	11.7%	12.7%	5.0%	5.4%
Consumer Discretionary	6.4%	8.1%	3.5%	5.0%

Investment income, which is comprised mainly of dividends and interest and other income, was \$9,384,000 for the first six months of 2008, up 41.9% from 2007. The increase was primarily due to a special dividend of \$2.1 million, received from BPO Properties Ltd. Dividends on preference shares and management fees are the largest expenses of the Company. The dividends on preference shares for the first six months of 2008 were identical to 2007, as no changes were made to the preference shares issued. The 11.6% decrease in management fees to \$4,211,000 was due to the decrease in portfolio values.

Taxation

As a corporate entity, CGI is subject to tax on its taxable income – primarily on realized gains on the sale of investments – at an effective rate of approximately 21%. As a result of its investment corporation status under Canadian tax law, CGI can recover taxes paid or payable on its realized taxable capital gains through the payment of capital gains dividends to shareholders. To the extent that taxes paid or payable on taxable income in a year are greater than taxes recovered on the payment of capital gains dividends, there will be a negative impact on net assets of the fund. For the six months to June 30, 2008, there was a net cost related to tax of \$307,000. Taxes paid or payable on realized taxable capital gains may be recovered through the payment of capital gains dividends in future years. At June 30, 2008, the Company had refundable capital gains tax of approximately \$31 million, which is refundable upon payment of capital gains dividends of approximately \$147 million.

RECENT DEVELOPMENTS

Adoption of New Accounting Standards

On January 1, 2008, the Company adopted CICA Handbook Section 3862, “Financial Instruments – Disclosures” and Section 3863, “Financial Instruments – Presentation”. These new standards replaced Section 3861, “Financial Instruments - Disclosure and Presentation”, revising and enhancing the Company’s disclosure requirements, and carrying forward unchanged its presentation requirements. The new disclosure standards place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Company manages those risks. Although the standards impact the Company’s disclosures provided, they do not affect the Company’s net assets.

Changeover to International Financial Reporting Standards

The Canadian Accounting Standards Board recently confirmed January 1, 2011 as the date International Financial Reporting Standards (IFRS) will replace current Canadian standards and interpretations as Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises, which includes investment funds. Management is in the process of developing a changeover plan, which will include identifying differences between the Company’s current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on the net assets or net asset value of the Company.

Independent Review Committee

National Instrument 81-107 (NI 81-107), implemented November 1, 2007, requires the existence of an Independent Review Committee (the “IRC”) to provide oversight of potential conflicts of interest in the management of funds. Although primarily targeting open-end mutual funds, NI 81-107 also applies to the three closed-end funds (the “Funds”) managed by Morgan Meighen & Associates Limited. The initial members of each of the Funds IRC was comprised of the same three individuals (Messrs. Lunan, Pugh and Raymond). In the second quarter of 2008, such initial members of the IRC of each of the Funds unanimously determined that it

would be beneficial for the composition of each Fund’s IRC to be comprised of the same individuals who serve as independent members of the Board of Directors of the corresponding Fund. As a result, effective June 30, 2008, a restructuring of each Fund’s IRC occurred resulting in the members of CGI’s IRC to be as follows: James F. Billett, James G. Cook, R. Neil Raymond and Richard O’C. Whittall.

RELATED PARTY TRANSACTIONS

The Company is managed by Morgan Meighen & Associates Limited (MMA), a company under common control with CGI. 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, 2008 and the prior five financial years. Per share data is derived from the Company's audited annual financial statements and unaudited interim financial statements. The net assets per share presented in the financial statements differs from the Company's daily net asset value due to differences in valuation techniques as described in the notes to the financial statements. Ratios and supplemental data are derived from the Company's net asset value.

The Company's Net Assets per Share ⁽¹⁾

	Six months ended June 30, 2008	2007	2006	2005	2004	2003
Net assets – basic, beginning of period	\$ 31.77	\$ 31.58	\$ 28.59	\$ 23.22	\$ 19.00	\$ 13.41
Increase (decrease) from operations:						
Total revenue	0.45	0.67	0.75	0.75	0.79	0.48
Total expenses	(0.48)	(1.01)	(0.98)	(0.75)	(0.67)	(0.42)
Realized gains for the period	0.26	4.01	4.60	3.65	2.20	1.01
Unrealized gains (losses) for the period	(2.32)	(1.24)	4.07	3.53	3.06	5.23
Transaction costs ⁽²⁾	(0.02)	(0.08)	-	-	-	-
Total increase (decrease) from operations	(2.11)	2.35	8.44	7.18	5.38	6.30
Dividends paid to common shareholders:						
Taxable dividends	(0.12)	(0.24)	(0.24)	(0.24)	(0.24)	(0.24)
Capital gains dividends	-	(1.36)	(1.26)	(1.00)	(0.60)	(0.36)
Total dividends ⁽³⁾	(0.12)	(1.60)	(1.50)	(1.24)	(0.84)	(0.60)
Income taxes recoverable on dividends from net realized gain on investments	-	0.29	0.26	0.21	0.12	0.07
Net decrease (increase) in refundable dividend tax on hand	-	-	0.04	(0.01)	(0.03)	-
Increase in refundable income taxes on net realized gain on investments	(0.01)	(0.45)	(0.83)	(0.64)	(0.36)	(0.14)
Warrants repurchased	-	-	(3.26)	(0.06)	(0.05)	(0.04)
Net assets – basic, end of period ⁽⁴⁾	\$ 29.53	\$ 31.77	\$ 31.72	\$ 28.59	\$ 23.22	\$ 19.00
Net assets – diluted, end of period ⁽⁵⁾	\$ 29.53	\$ 31.77	\$ 31.33	\$ 25.37	\$ 20.71	\$ 17.10

(1) Net assets and dividends are 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 financial period.

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

(3) Dividends were paid in cash.

(4) This is not a reconciliation of the beginning and ending net assets per share.

(5) Reflects the potential exercise of the Company's outstanding warrants, which expired on July 3, 2007.

MANAGEMENT REPORT OF FUND PERFORMANCE – CONTINUED

Ratios and Supplemental Data

	Six months ended					
	June 30, 2008	2007	2006	2005	2004	2003
Net asset value (000's) ⁽¹⁾	\$ 620,264	\$ 666,323	\$ 653,128	\$ 588,146	\$ 475,976	\$ 389,324
Number of shares outstanding ⁽¹⁾	20,861,141	20,861,141	20,591,159	20,573,940	20,499,638	20,488,160
Management expense ratio ⁽²⁾⁽⁶⁾	3.28%	3.04%	3.24%	2.88%	3.31%	2.75%
Management expense ratio excluding leverage costs ⁽²⁾⁽³⁾⁽⁶⁾	1.56%	1.53%	1.65%	1.53%	1.59%	1.44%
Portfolio turnover rate ⁽⁴⁾	12.36%	36.68%	40.08%	47.07%	41.68%	56.33%
Trading expense ratio ⁽⁵⁾⁽⁶⁾	0.16%	0.23%	0.24%	0.26%	0.26%	0.39%
Net asset value per share – basic, end of period	\$ 29.73	\$ 31.94	\$ 31.72	\$ 28.59	\$ 23.22	\$ 19.00
Net asset value per share – diluted, end of period	\$ 29.73	\$ 31.94	\$ 31.33	\$ 25.37	\$ 20.71	\$ 17.10
Closing market price ⁽¹⁾	\$ 23.95	\$ 28.30	\$ 27.40	\$ 23.20	\$ 15.44	\$ 12.70

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

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(3) Leverage costs include dividends on preference shares and amortization of deferred financing charge.

(4) The Company's portfolio turnover rate indicates how actively the Manager manages the Company's portfolio investments. A portfolio turnover of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the 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.

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

(6) Ratios for the six months ended June 30, 2008 have been annualized.

MANAGEMENT FEES

The Company pays a management fee that is calculated and paid monthly at 1% per annum of the market value of CGI's investments adjusted for cash, portfolio accounts receivable and portfolio accounts payable. 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, maintaining financial and corporate records, preparing financial statements and all required regulatory filings and assisting in 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 CGI.

PAST PERFORMANCE

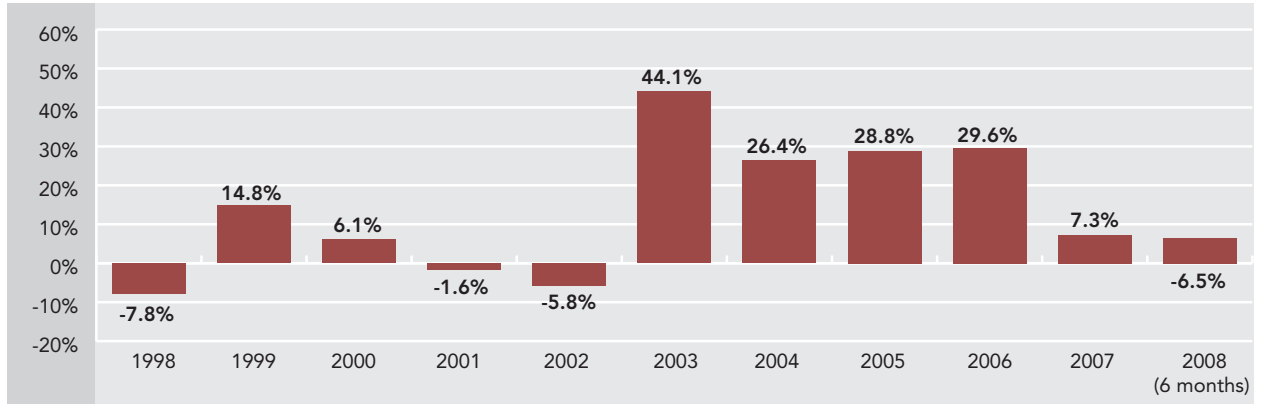
The performance information shown assumes that all dividends paid by CGI to common shareholders were reinvested in additional common shares of the Company. The performance information does not take into account broker commissions or other fees potentially payable by holders of the Company's shares that could 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, 2008, and illustrate 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 year would have grown or decreased by the last day of each financial period.

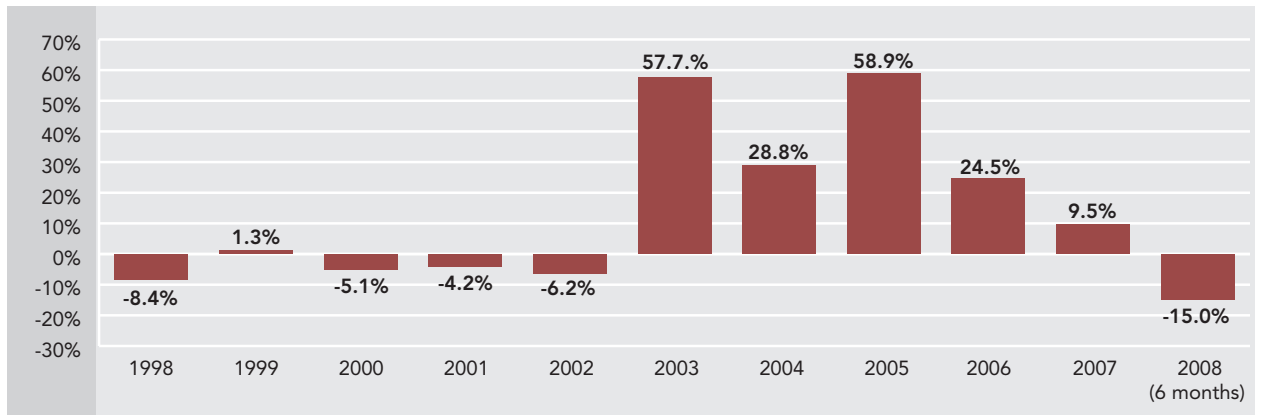
The bar chart below illustrates CGI's diluted net asset value per share return, with dividends reinvested at net asset value per share.

Net Asset Value Return



The bar chart below illustrates CGI's market return, with dividends reinvested at the market price.

Market Value Return



SUMMARY OF INVESTMENT PORTFOLIO*As at June 30, 2008***Top 25 Holdings**

Issuer (all Canada-based)	Sector	% of Net Asset Value*	% of Investment Portfolio
Research In Motion Limited	Information Technology	5.9	4.5
Labrador Iron Ore Royalty Income Fund	Materials	3.5	2.6
Cameco Corporation	Energy	3.4	2.5
Rogers Communications Inc.	Telecommunication Services	3.2	2.4
TMX Group Inc.	Financials	3.1	2.3
Urbana Corporation	Financials	2.5	1.9
Enbridge Inc.	Energy	2.5	1.9
BPO Properties Ltd.	Financials	2.4	1.8
Algoma Central Corporation	Industrials	2.3	1.8
Ritchie Bros. Auctioneers Incorporated	Industrials	2.3	1.8
Russel Metals Inc.	Industrials	2.1	1.6
BMTC Group Inc.	Consumer Discretionary	2.1	1.6
Husky Energy Inc.	Energy	2.1	1.6
Canadian Western Bank	Financials	2.1	1.6
TransCanada Corporation	Energy	1.9	1.5
Addax Petroleum Corporation	Energy	1.8	1.4
Canadian Natural Resources Limited	Energy	1.8	1.4
Thompson Creek Metals Company Inc.	Materials	1.7	1.3
Agrium Inc.	Materials	1.7	1.3
Economic Investment Trust Limited	Financials	1.6	1.2
Gerdau Ameristeel Corporation	Materials	1.6	1.2
Franco-Nevada Corporation	Materials	1.6	1.2
EnCana Corporation	Energy	1.6	1.2
Viterra, Inc.	Consumer Staples	1.6	1.2
FNX Mining Company Inc.	Materials	1.6	1.2
		58.0*	44.0
Total Net Asset Value* (\$000's)			\$ 620,264
Total Investment Portfolio* (\$000's)			\$ 817,485

* Total Net Asset Value represents Total Investment Portfolio adjusted for leverage in the form of preference shares (\$210 million), other assets and other liabilities. The Total Investment Portfolio includes a payable on securities purchased, net of a receivable on securities sold, of \$3.1 million.

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.mmainvestments.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, 2008

Sector Allocation	Asset Allocation				
	% of Net Asset Value*	% of Investment Portfolio		% of Net Asset Value*	% of Investment Portfolio
Energy	33.7	25.6	Canadian Equities & Income Trusts	125.4	95.2
Materials	29.1	22.1	Foreign Equities	3.1	2.4
Financials	23.9	18.2	Preferred Shares	1.4	1.1
Industrials	15.4	11.7	Cash & Cash Equivalents	1.3	1.0
Consumer Discretionary	8.5	6.4	Limited Partnerships	1.1	0.8
Information Technology	8.1	6.1			
Telecommunication Services	5.3	4.0			
Consumer Staples	3.9	3.0			
Utilities	2.1	1.6			
Cash & Cash Equivalents	1.3	1.0			
Health Care	1.0	0.8			

* Total Net Asset Value represents Total Investment Portfolio adjusted for leverage in the form of preference shares (\$210 million), other assets and other liabilities. The Total Investment Portfolio includes a payable on securities purchased, net of a receivable on securities sold, of \$3.1 million.

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INTERIM FINANCIAL STATEMENTS

June 30, 2008

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

<i>As at June 30, 2008 and December 31, 2007</i> <i>(in thousands of dollars, except per share amounts)</i>	June 30, 2008 Unaudited \$	December 31, 2007 Audited \$
Assets		
Investments at market value (cost - \$540,416; 2007 - \$536,356)	808,461	852,770
Cash	7,873	12,330
Receivable on securities sold	4,273	-
Interest and dividends receivable	1,452	1,711
Income taxes recoverable	11,718	12,011
Deferred financing charge	1,036	1,435
	834,813	880,257
Liabilities		
Payable for securities purchased	7,387	6,054
Accounts payable and accrued liabilities	1,031	1,004
Accrued dividends on preference shares	396	423
Preference shares	210,000	210,000
	218,814	217,481
	615,999	662,776
Net Assets		
Shareholders' Equity		
Common shares	128,568	128,568
Unrealized gain on investments	268,045	316,414
Retained earnings (note 3)	219,386	217,794
	615,999	662,776
Number of common shares outstanding	20,861,141	20,861,141
Net assets per common share (note 9)	29.53	31.77

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF OPERATIONS

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

	2008	2007
	\$	\$
Investment income		
Dividends	7,567	5,446
Interest and other	1,477	766
Securities lending revenue (note 7)	340	401
	9,384	6,613
Expenses		
Dividends on preference shares	4,800	4,800
Management fees	4,211	4,764
Amortization of deferred financing charge	399	399
Listing and regulatory	129	132
Capital taxes	107	94
Directors' fees and expenses	71	62
Investor relations	49	59
Custodial fees	37	50
Audit fees	22	23
Security holder reporting costs	20	21
Independent review committee fees and expenses	9	-
Legal fees	8	8
Other	31	44
	9,893	10,456
Net investment loss	(509)	(3,843)
Realized and unrealized gains (losses) on investments		
Net realized gain on investments	5,400	50,491
Change in unrealized gain on investments	(48,369)	24,492
Transaction costs on purchase and sale of investments	(489)	(1,025)
Net gain (loss) on investments	(43,458)	73,958
Increase (decrease) in net assets resulting from operations for the period	(43,967)	70,115
Increase (decrease) in net assets resulting from operations per common share (based on weighted-average number of common shares outstanding during the period (note 2))		
Basic	(2.11)	3.41
Diluted	(2.11)	3.36

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN NET ASSETS

For the six months ended June 30 (Unaudited)
(in thousands of dollars)

	2008	2007
	\$	\$
Increase (decrease) in net assets resulting from operations for the period	(43,967)	70,115
Dividends to common shareholders	(2,503)	(2,471)
Increase in refundable income taxes on net realized gain on investments (note 4)	(307)	(8,773)
	(2,810)	(11,244)
Increase (decrease) in net assets during the period	(46,777)	58,871
Net assets, beginning of period	662,776	650,229
Net assets, end of period	615,999	709,100

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the six months ended June 30 (Unaudited)
(in thousands of dollars)

	2008	2007
	\$	\$
Cash provided by (used in):		
Operating activities		
Net investment loss	(509)	(3,843)
Amortization of deferred financing charge	399	399
Proceeds on sale of investments	101,084	200,956
Purchase of investments	(99,744)	(187,111)
Transaction costs on purchase and sale of investments	(489)	(1,025)
Net change in non-cash balances related to operations	(2,388)	5,345
	(1,647)	14,721
Financing activities		
Dividend paid to common shareholders	(2,503)	(2,471)
Increase in refundable income taxes on net realized gain on investments	(307)	(8,773)
	(2,810)	(11,244)
Net increase (decrease) in cash during the period (note 6)	(4,457)	3,477
Cash, beginning of period	12,330	3,809
Cash, end of period	7,873	7,286

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INVESTMENT PORTFOLIO

As at June 30, 2008

Number or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>			
CONSUMER DISCRETIONARY (6.3%)			
Hotels, Restaurants, & Leisure			
244,200	Tim Hortons Inc.	7,707	7,126
Media			
50,000	Cogeco Cable Inc., SV	2,053	1,845
60,400	COGECO Inc., SV	2,254	1,875
450,000	Shaw Communications Inc., B NV	6,450	9,369
Multiline Retail			
100,000	Canadian Tire Corporation, Limited, A NV	5,933	5,288
Specialty Retail			
740,200	BMTC Group Inc., A SV	4,451	12,406
154,200	Cervus LP, units	2,455	3,789
489,300	Hemisphere GPS Inc.	1,987	2,114
288,800	Le Chateau Inc., A SV	4,195	3,570
Textiles, Apparel & Luxury Goods			
160,000	Gildan Activewear Inc.	4,301	4,155
TOTAL CONSUMER DISCRETIONARY		41,786	51,537

CONSUMER STAPLES (3.0%)			
Beverages			
254,000	Corby Distilleries Limited, A	3,176	4,521
267,600	Corby Distilleries Limited, B NV	4,220	4,268
Food & Staples Retailing			
100,000	Shoppers Drug Mart Corporation	2,328	5,589
Food Products			
700,000	Viterra, Inc.	8,016	9,786
TOTAL CONSUMER STAPLES		17,740	24,164

ENERGY (25.6%)			
Energy Equipment & Services			
100,000	Calfrac Well Services Ltd.	3,198	3,213
215,700	Phoenix Technology Income Fund, units	3,398	3,833
230,800	ShawCor Ltd., A	6,864	8,309
Oil, Gas & Consumable Fuels			
230,500	Addax Petroleum Corporation	6,825	11,331
265,000	AltaGas Income Trust, units	3,115	6,784
168,800	Angle Energy Inc.	1,432	1,436
3,361,700	Bayou Bend Petroleum Ltd.	5,651	1,782
280,000	Birchcliff Energy Ltd.	2,433	4,309
475,000	Cameco Corporation	3,669	20,762
112,500	Canadian Natural Resources Limited	2,451	11,345
80,000	Celtic Exploration Ltd.	1,218	1,581

Number or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>			
Oil, Gas & Consumable Fuels (continued)			
153,500	Crescent Point Energy Trust, units	3,661	6,188
1,007,672	Denison Mines Corporation	4,725	8,978
350,000	Enbridge Inc.	7,203	15,411
105,000	EnCana Corporation	8,051	9,803
1,500,000	Gastem Inc.	4,238	3,570
390,000	Hathor Exploration Limited	1,044	979
898,000	Heritage Oil Corporation	3,934	7,121
750,000	Hillsborough Resources Limited	1,464	1,110
270,000	Husky Energy Inc.	2,524	13,087
89,200	InterOil Corporation	2,662	2,613
75,000	Niko Resources Ltd.	2,546	7,331
437,500	Oilexco Incorporated	5,858	8,514
950,000	Oilsands Quest Inc.	4,666	6,290
250,000	Oilsands Quest Inc., warrants 12/05/2009	332	509
390,000	Orca Exploration Group Inc., B	5,183	3,276
171,250	Petrobank Energy and Resources Ltd.	3,791	9,069
613,900	Serica Energy PLC	1,387	1,056
120,000	Suncor Energy Inc.	5,073	7,104
150,000	Talisman Energy Inc.	3,540	3,375
306,000	TransCanada Corporation	7,884	12,075
600,000	UEX Corporation	4,338	2,676
630,600	UTS Energy Corporation	2,234	3,752
TOTAL ENERGY		126,592	208,572

FINANCIALS (18.2%)			
Commercial Banks			
515,400	Canadian Western Bank	5,568	12,756
120,000	Laurentian Bank of Canada	4,730	5,033
75,000	Royal Bank of Canada	3,409	3,411
Diversified Financial Services			
225,000	Ceres Global AG Corp.	2,488	2,246
225,000	Ceres Global AG Corp., warrants 12/21/2010	473	225
400,000	Sprott Inc.	3,943	3,960
452,056	TMX Group Inc.	10,505	18,995
3,329,855	Urbana Corporation, A NV	15,617	9,590
2,070,319	Urbana Corporation, A NV (restricted 03/07/2009)	8,882	5,631
Insurance			
10,200	E-L Financial Corporation Limited	3,739	5,508
Real Estate Management & Development			
283,300	BPO Properties Ltd.	7,928	14,590
287,175	Brookfield Asset Management Inc., A LV	3,117	9,505
136,687	Brookfield Infrastructure Partners L.P.	2,786	2,715
333,919	First Capital Realty Inc.	5,291	7,931
1,400,000	Homburg Invest Inc., A SV	7,350	5,334
266,900	Melcor Developments Ltd.	4,504	3,483

The accompanying notes are an integral part of these financial statements.

As at June 30, 2008

Number or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>			
Thriffs & Mortgage Finance			
200,000	Home Capital Group Inc.	2,296	7,900
Capital Markets			
121,900	Economic Investment Trust Limited	6,104	10,210
401,800	GMP Capital Trust, units	7,442	6,377
408,000	Guardian Capital Group Limited, A NV	1,458	3,154
205,370	Loring Ward International Ltd.	2,401	3,389
Real Estate Investment Trusts			
300,000	RioCan Real Estate Investment Trust, units	5,068	5,940
TOTAL FINANCIALS		115,099	147,883
HEALTH CARE (0.8%)			
Biotechnology			
162,400	Atrium Innovations Inc.	3,397	2,594
Pharmaceuticals			
400,000	Cardiome Pharma Corp.	3,711	3,556
TOTAL HEALTH CARE		7,108	6,150
INDUSTRIALS (11.0%)			
Aerospace & Defense			
850,000	Bombardier Inc., B SV	4,123	6,298
Airlines			
909,000	Discovery Air Inc., A	1,832	818
200,000	Transat A.T. Inc., A	5,460	4,012
Building Products			
236,300	Waterfurnace Renewable Energy Inc.	3,180	6,146
Construction & Engineering			
458,000	Aecon Group Inc.	6,693	7,383
169,100	GENIVAR Income Fund, units	4,512	4,143
166,000	Stantec Inc.	2,488	4,348
Electrical Equipment			
425,000	5N Plus Inc.	2,146	4,599
Machinery			
250,000	GLV Inc., A	3,233	3,397
Marine			
106,100	Algoma Central Corporation	8,166	13,926
2,008,200	Horizon North Logistics Inc.	7,662	6,627
Trading Companies & Distributors			
522,000	Ritchie Bros. Auctioneers Incorporated	5,903	14,425
440,000	Russel Metals Inc.	3,805	13,288
TOTAL INDUSTRIALS		59,203	89,410

Number or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>			
INFORMATION TECHNOLOGY (6.1%)			
Communications Equipment			
191,100	DragonWave Inc.	1,398	965
200,000	Nortel Networks Corporation	2,046	1,666
305,000	Research In Motion Limited	7,159	36,356
Computers & Peripherals			
34,000	Apple Inc.	6,126	5,799
Internet Software & Services			
2,604,600	Kaboose Inc.	3,690	2,344
Semiconductors & Semiconductor Equipment			
900,000	Enablence Technologies Inc.	2,514	1,395
Software			
136,000	Absolute Software Corporation	2,459	1,418
TOTAL INFORMATION TECHNOLOGY		25,392	49,943
MATERIALS (21.7%)			
Chemicals			
95,000	Agrium Inc.	4,438	10,410
1,677,060	Phoscan Chemical Corp.	2,502	3,253
40,000	Potash Corporation of Saskatchewan, Inc.	2,735	9,338
Metals & Mining			
95,000	Agnico-Eagle Mines Limited	3,578	7,267
324,900	Athabasca Potash Inc.	2,526	2,485
255,000	Bear Creek Mining Corporation	1,769	1,262
13,759,500	Campbell Resources Inc.	1,936	1,376
795,900	Canadian Orebodies, Inc.	154	175
1,770,000	Chariot Resources Limited	622	1,664
100,000	Cia Vale Do Rio Doce, ADR	1,556	3,645
1,800,000	Equinox Minerals Limited	3,532	7,992
400,000	FNX Mining Company Inc.	5,568	9,640
40,000	Fording Canadian Coal Trust, units	3,467	3,880
375,000	Franco-Nevada Corporation	6,965	9,221
100,000	Franco-Nevada Corporation, warrants 03/13/2012	491	550
300,000	Fronteer Development Group Inc.	3,466	1,533
512,000	Gerdau Ameristeel Corporation	2,685	10,086
600,000	HudBay Minerals Inc.	4,585	8,484
148,700	Imperial Metals Corporation	2,567	1,273
45,000	Inmet Mining Corporation	1,798	3,037
387,700	Labrador Iron Ore Royalty Income Fund, units	5,605	21,595
599,760	Lundin Mining Corporation	4,330	3,725
750,000	NEMI Northern Energy & Mining Inc., A	1,329	1,200
250,000	Noront Resources Ltd.	1,421	740

The accompanying notes are an integral part of these financial statements.

STATEMENT OF INVESTMENT PORTFOLIO – CONTINUED

As at June 30, 2008

Number or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>			
Metals & Mining (continued)			
200,000	North American Palladium Ltd.	1,495	1,100
119,900	NovaGold Resources Inc.	1,006	911
5,000,000	Peak Gold Ltd.	4,498	3,800
2,500,000	Peak Gold Ltd., warrants 04/03/2012	929	350
100,000	Silver Standard Resources Inc.	2,784	2,908
125,000	Silver Wheaton Corp.	2,197	1,875
581,000	Skye Resources Inc.	4,155	4,973
1,273,300	Taseko Mines Limited	5,059	6,647
63,400	Teck Cominco Limited, A MV	2,382	3,217
100,000	Teck Cominco Limited, B SV	3,945	4,894
335,000	Thompson Creek Metals Company Inc.	2,854	6,640
336,500	Thompson Creek Metals Company Inc., warrants 10/23/2011	934	4,088
259,900	Yamana Gold Inc.	3,032	4,374
Paper & Forest Products			
150,000	Sino-Forest Corporation	3,090	2,677
116,700	Stella-Jones Inc.	5,103	3,793
TOTAL MATERIALS		113,088	176,078
TELECOMMUNICATION SERVICES (4.0%)			
Diversified Telecommunication Services			
100,000	BCE Inc.	3,619	3,555
125,000	Manitoba Telecom Services Inc.	5,077	5,000
100,000	TELUS Corporation	1,552	4,287
Wireless Telecommunication Services			
500,000	Rogers Communications Inc., B NV	6,616	19,780
TOTAL TELECOMMUNICATION SERVICES		16,864	32,622
UTILITIES (1.6%)			
Electric Utilities			
330,000	Fortis Inc.	8,727	8,963
Independent Power Producers & Energy Traders			
100,000	Canadian Utilities Limited, A NV	1,171	4,400
TOTAL UTILITIES		9,898	13,225

Number or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>			
PREFERRED SHARES (1.1%)			
264,100	Bombardier Inc., Series B	5,160	5,034
150,000	Xstrata Canada Corporation, Series 3	3,743	3,705
TOTAL PREFERRED SHARES		8,903	8,739
TRANSACTION COSTS		(1,257)	-
TOTAL INVESTMENTS (99.4%)		540,416	808,461
NET PAYABLE ON SECURITIES PURCHASED (-0.4%)		(3,114)	(3,114)
CASH & CASH EQUIVALENTS (1.0%)		7,873	7,873
INVESTMENT PORTFOLIO (100%)		545,175	813,220
LV:	limited voting		
NV:	non-voting		
MV:	multiple voting		
SV:	subordinate voting		
Percentage amounts in brackets represent market value as a percentage of the Investment Portfolio.			
RECONCILIATION OF INVESTMENT PORTFOLIO TO NET ASSETS:			
INVESTMENT PORTFOLIO (132.0%)			813,220
PREFERENCE SHARES (-34.1%)			(210,000)
OTHER ASSETS AND LIABILITIES, NET (2.1%)			12,779
NET ASSETS (100.0%)			615,999
Percentage amounts in brackets represent market value as a percentage of Net Assets.			

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

For the six months ended June 30, 2008 (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, 2007 audited financial statements which are available on www.sedar.com 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, 2007 audited financial statements except for the adoption of new accounting standards as described below.

Adoption of new accounting standards

On January 1, 2008, the Company adopted CICA Handbook Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation". These new standards replaced Section 3861, "Financial Instruments - Disclosure and Presentation", revising and enhancing the Company's disclosure requirements, and carrying forward unchanged its presentation requirements. The new disclosure standards place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Company manages those risks. Although the standards impact the Company's disclosures provided, they do not affect the Company's net assets.

Refer to note 5 for the new disclosures relating to these new standards.

2 CAPITAL STOCK

Weighted-average number of common shares outstanding

	2008	2007
Basic	20,861,141	20,591,159
Diluted		
Weighted-average number of common shares outstanding	20,861,141	20,591,159
Potential issuance of common shares from exercise of warrants	-	292,156
Assumed purchase of common shares	-	(27,912)
	20,861,141	20,855,403

3 RETAINED EARNINGS

The changes in retained earnings for the six months ended June 30 were as follows:

	2008	2007
(in thousands of dollars)	\$	\$
Retained earnings, beginning of period	217,794	180,201
Net realized gain on investments, net of transaction costs	4,911	50,491
Transaction costs on purchase and sale of investments	-	(1,025)
Net investment loss	(509)	(3,843)
Dividends paid from net investment income	(2,503)	(2,471)
Increase in refundable income taxes on net realized gain on investments (note 4)	(307)	(8,773)
Retained earnings, end of period	219,386	214,580

4 TAXATION

The Company qualifies as an investment corporation under Section 130 of the Income Tax Act (Canada) (the Act) and, as such, is subject to a reduced rate of income tax on its net investment income other than dividends received from taxable Canadian corporations. The Company's provision for income taxes during the period is determined as follows:

<i>(in thousands of dollars)</i>	2008	2007
	\$	\$
Provision for income taxes on net investment income		
Recovery of income taxes based on combined Canadian federal and provincial income tax rates	(184)	(1,388)
Increase (decrease) in income taxes resulting from:		
Dividends from taxable Canadian companies	(2,569)	(1,941)
Dividends on preference shares	1,734	1,734
Income tax rate differential for investment corporations	(165)	(261)
Other	-	221
Recovery of income taxes	(1,184)	(1,635)
Applied to reduce refundable income taxes on net realized gain on investments	1,184	1,635
Provision for income taxes	-	-
Refundable income taxes on net realized gain on investments		
Income taxes based on combined Canadian federal and provincial income tax rates	1,950	18,327
Increase (decrease) in income taxes resulting from:		
Non-taxable portion of realized net taxable capital gains	(975)	(9,119)
Differences arising from use of different cost bases for income tax and accounting purposes and other items	306	(194)
Income tax rate differential for investment corporations	210	1,484
Recovery applied from investment income	(1,184)	(1,635)
Increase in refundable income taxes on net realized gain on investments	307	8,773

Income taxes are paid by the Company on net capital gains realized at the rate of approximately 21%. These income taxes are recoverable by the Company as long as it continues to qualify as an investment corporation. The Company has refundable capital gains taxes of approximately \$31,000,000 as at June 30, 2008 which are refundable upon payment of capital gains dividends of approximately \$147,000,000. This potential recovery has not been recorded by the Company.

The Company is also subject to a special tax of 33 1/3% on taxable dividends received from corporations resident in Canada. This special tax is refundable on payment of taxable dividends to shareholders at the rate of \$1 for each \$3 of such dividends paid. The Company has no refundable dividend tax on hand as at June 30, 2008.

5 FINANCIAL INSTRUMENT RISK

The Company is a closed-end equity fund focussed on medium to long-term investments in primarily Canadian corporations. Its objective is to provide better than average returns to investors through prudent security selection, timely recognition of capital gains and appropriate income generating instruments. The Company may invest in foreign securities that are typically not expected to exceed 15% of the portfolio's market value.

In the normal course of operations, the Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (defined as interest rate risk, currency risk and other price risk). In general, the portfolio manager, Morgan Meighen & Associates Limited (the Manager) seeks to minimize the potential adverse effects of these risks on the Company's performance by employing professional, experienced portfolio managers, by daily monitoring of the Company's positions and market events, and by diversifying the investment portfolio within the policies and guidelines set by the Board of Directors of the Company, in a manner consistent with the investment objective. Pursuant to the Manager's bottom-up selection mandate, security selection is the primary criteria for managing risk. In order to mitigate risk, depending on conditions, the Manager considers other criteria such as asset class, country, industry and currency.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's main exposure to credit risk consists of investments in debt instruments, including bonds and preferred shares, as well as amounts due from brokers. The market value of debt instruments includes consideration of the credit worthiness of the debt issuer. The carrying amount of investments as presented on the Statement of Investment Portfolio represents the maximum credit risk exposure as at June 30, 2008. This also applies to other assets, as these have a short term to settlement. As at June 30, 2008, the Company had no significant investments in debt instruments.

All transactions in securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the Company's custodian has received payment. Payment is made on a purchase once the securities have been received by the Company's custodian. The trade will fail if either party fails to meet its obligation.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

As the Company is a publicly traded, closed-end investment fund with a fixed number of common shares outstanding, unlike an open-ended mutual fund, it is not exposed to the liquidity risk associated with daily cash redemptions of securities. However, as part of a leverage strategy, the Company currently has three series of Class A preference shares outstanding: Series 1 for \$60 million with a redemption date of October 5, 2008, Series 2 for \$75 million with a redemption date of March 15, 2014 and Series 3 for \$75 million with a redemption date of June 15, 2016.

Liquidity risk is managed by investing the majority of the Company's assets in investments that are traded in an active market and which can be readily disposed of and by retaining sufficient cash and cash equivalent positions to maintain liquidity. Restricted securities are identified in the Statement of Investment Portfolio and represent 0.9% of net assets at June 30, 2008. Leverage decisions, whether in the form of bank borrowings or bond or preference share issues from Treasury, are at the discretion of the Company's Board of Directors.

Market risk

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Although the Company may invest in interest-bearing financial instruments, the substantial majority of the Company's financial assets and liabilities are non-interest bearing or have short maturities. As a result, the Company is not subject to significant amounts of risk on its investments due to fluctuations in the prevailing levels of market interest rates.

As at June 30, 2008, the Company had no significant investments in debt instruments.

The Company's three series of Class A preference shares outstanding all have fixed coupon rates. While they, themselves are not subject to interest rate risk, any new issues, whether or not in connection with the redemption date of an existing series, will be subject to the prevailing interest rate environment at that time.

Currency risk:

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Company's reporting currency. The Company is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. Securities trading in foreign markets are also exposed to currency risk as the price in local terms in the foreign market is converted to Canadian dollars to determine fair value. The Company's policy is not to enter into any hedging arrangements.

As at June 30, 2008, the Company had a 2.4% weighting in foreign securities and therefore did not have significant exposure to currency risk.

Other price risk:

Other price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to an individual investment or its issuer or by factors affecting all similar instruments traded in a market or market segment. All securities present a risk of loss of capital. The Manager moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy and by maintaining a well diversified portfolio. The maximum risk resulting from financial instruments is equivalent to their fair value. The Company's equity and debt (if any) instruments are susceptible to other price risk arising from uncertainty about future prices of the instruments.

The Statement of Investment Portfolio groups the securities by industry sector.

As at June 30, 2008, a 5% increase or decrease in market prices in the investment portfolio, with all other variables held constant, would have resulted in the net assets of the Company increasing or decreasing, respectively, by approximately \$40,423,000.

Sensitivity analyses are provided for information purposes only. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

6 SUPPLEMENTAL CASH FLOW INFORMATION

Included in the net increase in cash during the period are the following:

<i>(in thousands of dollars)</i>	2008 \$	2007 \$
Preference share dividends and interest paid	4,826	4,833
Income taxes paid - net	44	8,538

7 SECURITIES LENDING

The Company has loaned securities with a market value of \$150,779,000 as at June 30, 2008 and the custodian held collateral of \$159,178,000.

8 SOFT DOLLARS

The portion of total brokerage commissions that was used to pay for goods and services through soft dollar (the amount ascertained to have been paid to dealers for goods and services other than order execution) arrangements for the six months ended June 30, 2008 was \$4,000.

9 RECONCILIATION OF NAV

In accordance with the relief granted by the Canadian Securities Administrators to investment funds complying with CICA Section 3855, a reconciliation of the Company's net asset value per share (NAV) and net assets per share, calculated in accordance with Canadian generally accepted accounting principles is required. For investments that are traded in an active market, Section 3855 requires that bid prices be used in the fair value of instruments, rather than the use of the last traded price, as currently used for the purpose of determining NAV. This change accounts for the difference between NAV and net assets.

The impact of Section 3855 on the NAV as at June 30, 2008 is as follows:

NAV \$	Section 3855 Adjustment \$	Net Assets Per Share \$
29.73	(0.20)	29.53

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