

MALACHITE AGGRESSIVE PREFERRED FUND

Semi-Annual Report
June 30, 2004
(unaudited)

General

Malachite Aggressive Preferred Fund (MAPF) is a “mutual fund in Ontario”, as defined in The Securities Act, R.S.O. 1990, Chapter S.5, as amended (the “Act”), subsection 1(1). The investment objective of the fund is to achieve a long-term capital growth in addition to a high level of after tax income through investments primarily in preferred shares and preferred securities listed on The Toronto Stock Exchange.

Hymas Investment Management Inc. is the Investment Manager and trustee of the fund. The fund is offered as an investment via a Master Declaration of Trust (for the Malachite Funds in general) and an associated Fund Regulation (for the fund itself). Subscribers must meet the definition of “exempt investor” as defined by the Ontario Securities Commission; details are available from the Manager/Trustee.

Further information is available on the website of the Manager/Trustee, www.himinvest.com.

Performance Review

MAPF commenced operations on March 30, 2001, with an initial subscription from James Hymas, president of the Manager/Trustee. Results since inception have been very gratifying:

Period	MAPF Total Return*	NB-50 Total Return
Previous 12 months	+20.40%	+4.26%
Last two years (annualized)	+13.56%	+6.11%
Last three years (annualized)	+14.18%	+5.12%
Total since inception	+54.05%	+14.30%

**MAPF total returns include reinvestment of dividends and are after fund expenses but prior to management fees. They are shown for illustrative purposes only and future returns are not assured.*

Sincerely,
HYMAS INVESTMENT MANAGEMENT INC.

James Hymas
President
jiHymas@himinvest.com

SIGNIFICANT ACCOUNTING POLICIES

Portfolio Valuation

Investments are stated at market value. For securities held long, this value is usually determined by the last bid price on the Toronto Stock Exchange on the Valuation Date: further details are contained in the Master Declaration of Trust.

Investment Transactions and Investment Income

Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date.

Tax Status

It is the intention of the Trustee that sufficient income and net realized capital gains of the fund will be payable to unitholders in each taxation year so that the fund will not be liable for tax under Part I of the Tax Act.

Organization Costs

Costs incurred in the organization of the fund will be amortized over a period of 60 months from the date of recognition. Costs will be recognized within 12 months of the commencement of fund operations.

Declaration of Trust

Further details of fund valuation are contained in the Master Declaration of Trust, available on application to the Manager/Trustee.

Portfolio of Investments

Shares	Security	Book Value	Market Value	Percent of Portfolio (at market)
200	Brascan Corporation Cl 'A' Pr Series 2 (BNN.PR.B)	3,856	4,650	0.8%
100	Magna International Inc. 8.65% Pr Securities (MG.PR.A)	2,644	2,515	0.4%
200	Maritime Life Assurance Co. 6.10% Pr Ser '3' (MMF.PR.C)	5,314	5,292	0.9%
2300	Great-West Lifeco Inc. Pr Series 'F' (GWO.PR.F)	60,243	59,570	10.5%
200	Canadian General Investments Ltd. 4.65% Pr 2 (CGI.PR.B)	5,131	5,200	0.9%
2800	Canadian Utilities Ltd. 2nd Pr Ser 'X' (CU.PR.B)	73,284	71,456	12.6%
1700	Transcanada Pipelines Ltd. 1st Pr 'Y' (TCA.PR.Y)	83,175	83,725	14.7%
3000	Brascan Corporation Cl 'A' Pr Series 12 (BNN.PR.J)	75,747	75,420	13.3%
1000	Canadian Imperial Bank Series '15' Pr (CM.PR.M)	26,029	26,000	4.6%
1000	Dividend 15 Split Corp. Pr (DFN.PR.A)	10,379	10,450	1.8%
5200	Financial 15 Split Corp. Pr (FTN.PR.A)	54,215	53,664	9.4%
2000	Great-West Lifeco Inc. Pr Series 'E' (GWO.PR.X)	52,598	53,340	9.4%
1900	Premium Income Corporation Pr (PIC.PR.A)	30,362	30,989	5.4%
1000	Sun Life Assurance Co. Of Cda Cl 'E' Pr Ser 1 (SLA.PR.E)	26,379	26,350	4.6%
1800	Westcoast Energy Inc. 5.50% 1st Pr Series "7" (W.PR.H)	43,763	43,740	7.7%
1600	World Financial Split Corp. Pr (WFS.PR.A)	16,590	16,560	2.9%
	Total (May not add precisely due to rounding)	569,711	568,921	100.00%

Balance Sheet

Assets	
Investments at Market Value	568,921
Cash	0
Dividends Due	1,862
Due From Dealers	39,470
Deferred Organization Cost	560
Total Gross Assets (after rounding)	610,813
Liabilities	
Margin Borrowing	13,660
Accounts Payable	8,265
Accrued Expenses	788
Due to Dealers	60,367
Total Gross Liabilities	83,080
Net Assets	
Paid-in Capital	465,910
Retained Earnings (Loss)	0
Net Realized Gain (Loss) on Investments	62,614
Net Unrealized Gain (Loss) on Investments	(791)
Allowance for Coupon Receipts (note)	0
Total Net Assets	610,813

Units Issued and Outstanding: 45,861.2287

Net Asset Value Per Unit: \$11.5072

Statement of Operations

Investment Income	
Dividends	15,607
Interest	(122)
Total Investment Income	15,485
Expenses	
Amortization of Organization Cost	160
Legal & Audit	3,000
Expenses covered by HIMI	(1,845)
Total Expenses	1,315
Net Investment Income	14,170
Net Realized Gain (Loss) on Investments	62,614
Allowance for Coupon Receipts (note)	
Change in Unrealized Gain (Loss) on Investments	(52,812)
Net Increase (Decrease) in net assets resulting from operations	23,972

Statement of Changes in Net Assets

Net Increase (Decrease) in net assets resulting from operations	23,972
Net Increase (Decrease) in net assets resulting from Distributions from Income	(14,170)
Net Increase (Decrease) in net assets resulting from issue of units	9,538
Total Increase (Decrease) in net assets	19,340
Net Assets, Beginning of Period	508,393
Net Assets, End of Period (after rounding)	527,733

Notes

Trading Volume

Cost of securities Purchased	3,614,594
Securities Sold, at cost	3,465,550
Securities received as subscriptions in kind	0