

Aegis Value Fund, Inc.

Semi-Annual Report

February 28, 2006

Shareholders' Letter

April 13, 2006

To the shareholders of the Aegis Value Fund:

We are pleased to present the Aegis Value Fund's semi-annual report for the six months ended February 28, 2006.

We take this opportunity to provide a brief overview of the objectives and strategy of the Fund.

The Aegis Value Fund seeks to achieve long-term, above market returns while minimizing risk of capital loss. Our strategy is to invest in well-researched, small-cap equities trading at a fraction of their intrinsic worth. We believe the equity markets are often inefficient, and we are contrarian, bottom-up stock selectors. We generally buy stocks trading at low price-to-book and price-to-earnings ratios, a segment of the market where academic research shows historical returns to be significantly higher than the overall market. We look for indications of strong corporate governance and ethical stewardship as evidenced by high insider ownership, proper use of corporate profits including bargain-priced share repurchases, and appropriate executive salary and options levels. We tend to purchase companies when they are misunderstood, out of favor, or neglected, and hold these companies until share prices reach our estimates of intrinsic value.

Since inception of the Aegis Value Fund on May 15, 1998, performance has been strong relative to benchmark indices. The Fund has posted a cumulative gain of 200.5 percent through April 13, 2006, compared to cumulative gains of 121.4 percent in our primary small-cap benchmark, the Russell 2000 Value Index. During this period, the Russell 2000 Index of small-cap stocks posted cumulative gains of 75.8 percent, and the S&P 500 posted cumulative gains of 31.3 percent.*

For the six months ended February 28, 2006, the Aegis Value Fund posted a gain of 8.7 percent, versus a gain of 8.8 percent for the Russell 2000 Value Index. The Russell 2000 Index returned 10.2 percent, while the S&P 500 Index returned 5.9 percent.

** - Aegis Value Fund's one-year, three year, five year, and since inception (5/15/1998) average annual returns for the period ending March 31, 2006 are 11.2%, 22.0%, 16.1%, and 15.2% respectively. Returns include reinvestment of dividends and capital gains. Russell 2000 Value Index one-year, three-year, five-year, and since inception (AVALX-5/15/1998) average annual returns for the period ending March 31, 2006 are 23.8%, 30.7%, 16.2%, and 10.9%. All historical performance returns shown in this shareholders' letter for the Aegis Value Fund Inc. are pre-tax returns. This report does not constitute an offer or solicitation of any transaction in any securities. The Aegis Value Fund is offered by prospectus only.*

Our relative performance versus the Russell 2000 Value Index has been impacted by the decision to maintain a defensive cash position in the Fund during a time of rising stock values. Another significant factor in recent relative performance has been the Fund's relatively low level of investment in energy-related stocks. Generally, energy-related stocks have boosted index performance in recent periods.

We look forward to serving as your investment partner in the coming year.

Aegis Financial Corporation
Scott L. Barbee, CFA
Managing Director, Portfolio Manager

Investors are advised to consider the fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus contains this and other information about the Aegis Value Fund. For a prospectus and more complete information, including charges and expenses, please call us at 1-800-528-3780, or visit our website at www.aegisvaluefund.com where an online prospectus is provided. The prospectus should be read carefully before investing.

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please call us at 1-800-528-3780 to obtain performance data current to the most recent month-end.

Disclosure of Fund Expenses (Unaudited)

As a shareholder of the Fund, you incur ongoing costs, including management fees and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with ongoing costs of investing in other mutual funds. The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire semi-annual period, September 1, 2005 - February 28, 2006.

Actual expenses

The table below provides information about actual account values and actual expenses.

Fund	<u>Actual</u>		Expenses Paid During Period ²	<u>Hypothetical</u> (5% annual return before expenses)	
	Beginning Account Value (09/01/2005)	Ending Account Value (02/28/2006) ¹		Ending Account Value (02/28/2006)	Expenses Paid During Period ²
Aegis Value Fund	\$1,000.00	\$1,086.89	\$7.30	\$1,017.80	\$7.05

¹ The actual ending account value is based on the actual total return of the Fund for the period September 1, 2005 to February 28, 2006 after actual expenses and will differ from the hypothetical ending account value which is based on the Fund's actual expense ratio and a hypothetical annual return of 5% before expenses. The actual cumulative return at net asset value for the period September 1, 2005 to February 28, 2006 was 8.69%.

² Expenses are equal to the Fund's annualized expense ratio (1.41%) multiplied by the average account value over the period, multiplied by 181/365 (to reflect the period between 09/01/2005 and 02/28/2006)

See performance data disclosure on pages 1-2.

You may use the information in this table, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the table under the heading entitled "Actual Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

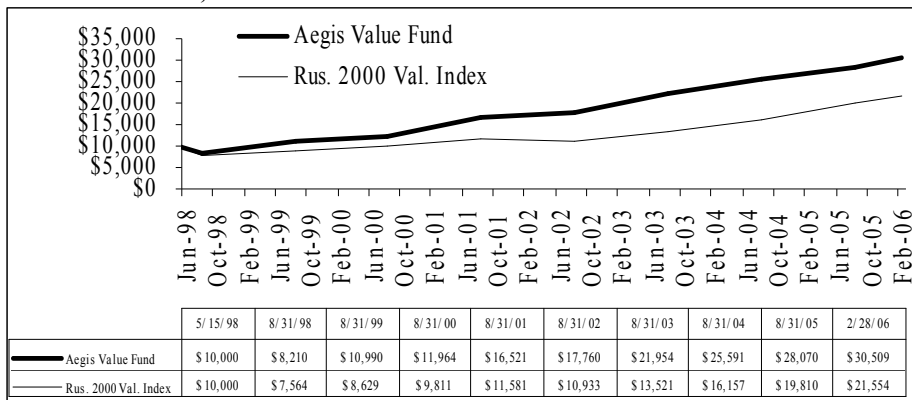
Hypothetical example for comparison purposes

The table above also provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypo-

thetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only. The Fund is a pure no-load fund and does not charge any sales charges (loads), distribution or service fees, or redemption fees.

Key statistics

Results of a \$10,000 Investment



Average Annual Total Returns (As of February 28, 2006)

	<u>AVALX</u>	<u>Rus. 2000 Val.</u>
Trailing 5 Year	15.7%	14.8%
Trailing 3 Year	22.3%	29.1%
Trailing 1 Year	10.5%	15.6%
Since inception (May 15, 1998)	15.4%	10.4%

See performance data disclosures on pages 1-2

Industry Breakdown

	% of the Fund's assets
Common Stocks	
Finance and Real Estate	16.7%
Agriculture	13.9%
Transportation	10.0%
Industrial Cyclicals	8.2%
Retail and Entertainment	7.6%
Basic Materials	5.5%
Technology	4.5%
Energy & Natural Resources	4.1%
Textiles and Apparel	2.5%
Consumer Non-Durables	2.5%
Capital Goods	1.6%
Consumer Durables	1.2%
Wholesale and Distribution	0.6%
Healthcare	0.1%
Commercial Services	0.0%
Preferred Stocks	0.0%
Warrants	0.2%
Cash and Short-Term Investment	<u>20.8%</u>
Total Assets	100.0%

Aegis Value Fund, Inc.
Schedule of Portfolio Investments
February 28, 2006
(Unaudited)

<u>Common Stock - 79.0%</u>	<u>Shares</u>	<u>Market Value</u>
<u>Industrial Cyclicals - 8.2%</u>		
Allied Defense Group, Inc.*	223,600	\$5,120,440
American Pacific Corp.* (1)	670,534	3,842,160
Ampco-Pittsburgh Corporation	12,800	259,968
International Aluminum Corp.	32,300	1,275,850
Pope & Talbot, Inc.*	415,500	3,145,335
Quipp, Inc. (1)	78,300	841,725
Ryerson Inc.	456,100	11,511,964
Superior Industries International Inc.	625,600	<u>13,481,680</u>
		<u>39,479,122</u>
<u>Wholesale and Distribution - 0.6%</u>		
Advanced Marketing Services Inc.*	78,300	313,200
John B. Sanfilippo & Son Inc.*	170,056	<u>2,482,818</u>
		<u>2,796,018</u>
<u>Finance and Real Estate - 16.7%</u>		
Acceptance Insurance Companies, Inc.*	229,400	574
BKF Capital Group*	111,200	1,490,080
Boykin Lodging Company *	100,000	1,278,000
California First National Bank Corp. (1)	577,892	7,801,542
Ceres Group, Inc.*	11,457	61,982
Lodgian Inc.*	158,300	1,985,082
Medallion Financial Corp.	250,140	3,036,700
Meristar Hospitality Inc.*	111,300	1,147,503
MI Developments Inc.	123,000	4,175,850
The MIIX Group Inc.* (1)	720,000	8,280
PMA Capital Corp. Class A* (1)	2,784,719	26,788,997
Prospect Energy Corp.	296,218	4,899,446
PXRE Group Ltd.*	857,300	2,914,820
Quanta Capital Holdings Ltd.*	133,604	621,259
SCPIE Holdings, Inc.* (1)	733,500	16,679,790
Specialty Underwriters' Alliance.*	161,389	1,015,121
SWS Group Inc.	170,600	4,157,522
Winthrop Realty Trust	557,676	<u>3,000,297</u>
		<u>81,062,843</u>

See page 8 for explanation of footnotes

Aegis Value Fund, Inc.
Schedule of Portfolio Investments
February 28, 2006
(Unaudited)

<u>Common Stock - Continued</u>	<u>Shares</u>	<u>Market Value</u>
<u>Textiles and Apparel - 2.5%</u>		
Delta Apparel, Inc.	342,000	\$5,301,000
Delta Woodside Industries* (1)	428,700	132,897
Quaker Fabric Corporation * (1)	1,600,000	4,528,000
Tandy Brands Accessories	182,743	<u>1,975,452</u>
		<u>11,937,349</u>
<u>Transportation - 10.0%</u>		
Air France ADR.*	436,700	10,153,275
Exide Technologies*	600,000	2,490,000
International Shipholding Corp.*	95,700	1,491,963
Mair Holdings, Inc.* (1)	1,210,922	6,187,811
National RV Holdings*	431,600	2,796,768
Sea Containers Ltd. - Class A* (1)	1,928,500	<u>25,359,775</u>
		<u>48,479,592</u>
<u>Energy & Natural Resources - 4.1%</u>		
Avista Corporation	24,490	480,004
PNM Resources, Inc.	255,000	6,311,250
Reliant Energy Inc. *	690,300	7,013,448
USEC Inc.	497,250	<u>6,185,790</u>
		<u>19,990,492</u>
<u>Commercial Services - 0.0%</u>		
LQ Corporation*	52,115	<u>92,504</u>
		<u>92,504</u>
<u>Agriculture - 13.9%</u>		
Alliance One International Inc. (1)	6,971,400	31,022,730
CF Industries Holdings, Inc.*	533,700	9,403,794
Imperial Sugar (1)	1,030,583	<u>27,001,275</u>
		<u>67,427,799</u>

See page 8 for explanation of footnotes

Aegis Value Fund, Inc.
Schedule of Portfolio Investments
February 28, 2006
(Unaudited)

<u>Common Stock - Continued</u>	<u>Shares</u>	<u>Market Value</u>
<u>Consumer Durables - 1.2%</u>		
Bassett Furniture Industries, Inc.	306,654	<u>\$5,915,356</u> 5,915,356
<u>Technology - 4.5%</u>		
Audiovox Corporation - Class A*	1,024,295	13,080,247
IDT Corporation*	10,000	118,300
IDT Corporation - Class B*	86,000	1,022,540
Integrated Telecom Express Inc.* (2)	308,300	30,830
Pemstar Inc.* (1)	3,136,155	7,338,603
Technology Solutions Company*	41,429	<u>336,403</u> <u>21,926,923</u>
<u>Retail and Entertainment - 7.6%</u>		
Books-A-Million Inc. (1)	974,778	11,248,938
Bowl America Inc. - Class A	9,481	134,156
Dillard's Inc. Class A.	603,400	14,885,878
Duckwall-ALCO Stores, Inc.*	140,100	3,398,826
Luby's, Inc.*	203,867	3,039,657
Marsh Supermarkets, Inc. - Class B	238,209	1,862,794
Nathan's Famous, Inc.*	132,400	1,621,900
Village Super Market Inc.	9,330	<u>497,364</u> <u>36,689,513</u>
<u>Basic Materials - 5.5%</u>		
Adams Resources and Energy Inc.	38,700	1,017,423
Olympic Steel Inc.	473,907	12,492,189
Northern Orion Resources Inc.*	28,000	103,320
Royal Group Technologies*	1,108,100	10,859,380
Terra Industries Inc.*	272,500	<u>1,932,025</u> <u>26,404,337</u>
<u>Capital Goods - 1.6%</u>		
Dominion Homes Inc.* (1)	820,000	<u>7,872,000</u> 7,872,000
<u>Consumer Non-Durables - 2.5%</u>		
CPAC, Inc. (1)	306,998	1,246,412
Enesco Group* (1)	1,473,300	2,755,071
Head N.V.* (1)	1,881,000	7,317,090
National Presto Industries, Inc.	15,000	<u>656,250</u> <u>11,974,823</u>

See page 8 for explanation of footnotes

Aegis Value Fund, Inc.
Schedule of Portfolio Investments
February 28, 2006
(Unaudited)

<u>Common Stock - Continued</u>	<u>Shares</u>	<u>Market Value</u>
<u>Healthcare - 0.1%</u>		
OCA Inc.*	1,514,400	<u>\$575,472</u>
		<u>575,472</u>
Total Common Stocks - (Cost \$334,611,834)		<u>382,624,142</u>
<u>Preferred Stocks - 0.0%</u>		
Glenborough Realty Trust 7.75% Convertible Preferred	5,260	<u>131,816</u>
Total Preferred Stocks - (Cost \$99,694)		<u>131,816</u>
<u>Warrants - 0.2%</u>		
Air France ADW*	397,000	<u>837,670</u>
Total Warrants - (Cost \$627,260)		<u>837,670</u>
<u>Short-Term Investments - 14.4%</u>		
U.S. Treasury Bill due 03/02/06	<u>\$30,000,000</u>	<u>29,996,526</u>
U.S. Treasury Bill due 03/09/06	20,000,000	19,981,044
U.S. Treasury Bill due 03/16/06	10,000,000	9,982,090
U.S. Treasury Bill due 03/30/06	10,000,000	<u>9,966,074</u>
Total Short-Term Investments - (Cost \$69,925,734)		<u>69,925,734</u>
Total Investments - 93.6% (Cost \$405,264,522) #		<u>453,519,362</u>
Other Assets and Liabilities 6.4%		<u>30,789,014</u>
Net Assets - 100.0%		<u>\$484,308,376</u>

* Non-income producing securities

Aggregate cost for tax purposes of \$405,264,522

(1) Affiliated Company - see Note 6

(2) Company is in liquidation and security is being fair valued by the Fund Board of Directors.

See accompanying notes to the financial statements

Aegis Value Fund, Inc.
Statement of Assets and Liabilities
February 28, 2006
(Unaudited)

Assets

Investments in unaffiliated companies/securities at market value (cost \$257,837,944)	\$289,664,192
Investments in affiliated companies at market value (cost \$171,544,503)	<u>187,973,095</u>
Total investments at market value (cost \$429,382,448)	477,637,288
Cash	2,993,101
Receivable for fund shares sold	51,820
Receivable for investment securities sold	5,518,196
Interest and dividends receivable	<u>220,262</u>
Total assets	<u>486,420,666</u>

Liabilities

Payable for investment securities purchased	495,521
Payable for fund shares redeemed	1,079,460
Accrued expenses	<u>537,309</u>
Total liabilities	<u>2,112,290</u>

<i>Net assets</i> (26,983,229 shares of \$0.001 par value capital stock outstanding; 100,000,000 shares authorized)	<u>\$484,308,376</u>
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Net assets consist of:

Capital stock at par value	\$26,983
Paid-in capital	369,217,145
Undistributed net investment income	4,659,098
Accumulated net realized gain	62,150,310
Net unrealized appreciation	<u>48,254,840</u>

<i>Net assets</i>	<u>\$484,308,376</u>
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<i>Net asset value per share</i>	<u>\$17.95</u>
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See accompanying notes to the financial statements

Aegis Value Fund, Inc.
Statement of Operations
For Six Months Ended February 28, 2006
(Unaudited)

Investment Income

Dividends from unaffiliated companies *	\$1,480,939
Dividends from affiliated companies	3,060,250
Interest	<u>2,449,976</u>
Total income	<u>6,991,165</u>

Expenses

Investment advisory fees	3,222,830
Transfer agency and administration fees	417,023
Registration fees	18,590
Custody fees	28,490
Printing and postage costs	27,124
Legal and accounting fees	38,900
Directors fees	5,337
Insurance and other	<u>31,536</u>
Gross expenses	3,789,832
Less: fees paid indirectly	(7,114)
Net expenses	<u>3,782,718</u>

Net investment income 3,208,448

Realized and unrealized gain on investments

Net realized gain on investments - unaffiliated companies	64,979,705
Net realized gain on investments - affiliated companies	2,067,609
Change in unrealized appreciation of investments for the period	<u>(32,983,225)</u>

Net realized and unrealized gain on investments 34,064,089

Net increase in net assets resulting from operations \$37,272,537

*Net of foreign tax withholdings of \$6,089

See accompanying notes to the financial statements

Aegis Value Fund, Inc.
Statement of Changes in Net Assets
For Six Months Ended February 28, 2006
And Fiscal Year Ended August 31, 2005
(Unaudited)

	Six months ended	Year ended
	<u>February 28, 2006</u>	<u>August 31, 2005</u>
<i>Increase in net assets from operations</i>		
Net investment income (loss)	\$3,208,448	\$2,918,408
Net realized gain on investments	67,047,314	49,307,579
Change in unrealized appreciation	<u>(32,983,225)</u>	<u>17,107,138</u>
Net increase in net assets resulting from operations	<u>37,272,537</u>	<u>69,333,125</u>
<i>Distributions</i>		
Investment income - net	(5,250,475)	0
Realized capital gains	<u>(46,148,914)</u>	<u>(37,826,835)</u>
Total distributions	<u>(51,399,388)</u>	<u>(37,826,835)</u>
<i>Capital share transactions*</i>		
Subscriptions	21,999,579	225,375,283
Distributions reinvested	47,217,395	34,350,915
Redemptions	<u>(246,678,936)</u>	<u>(317,572,328)</u>
Total capital share transactions	<u>(177,461,962)</u>	<u>(57,846,130)</u>
Total increase (decrease) in net assets	(191,588,814)	(26,339,840)
<i>Net assets at beginning of period</i>	<u>675,897,190</u>	<u>702,237,030</u>
<i>Net assets at end of period (including undistributed net investment income of \$4,659,098 and \$2,918,408, respectively)</i>	<u>\$484,308,376</u>	<u>\$675,897,190</u>
<i>*Share information</i>		
Subscriptions	1,241,094	12,438,936
Distributions reinvested	2,844,421	1,916,700
Redemptions	<u>(13,904,412)</u>	<u>(17,553,910)</u>
Net increase (decrease)	<u>(9,818,897)</u>	<u>(3,198,274)</u>
See accompanying notes to the financial statements		

Aegis Value Fund, Inc.
Financial Highlights
For Six Months Ended February 28, 2006
And Fiscal Year Ended August 31, 2005
(Unaudited)

The table below sets forth the financial data for a share of the Fund outstanding throughout each period presented:

	<u>Six months ended</u> <u>February 28, 2006</u>	<u>Year ended</u> <u>August 31, 2005</u>
<i>Per share data:</i>		
Net asset value - beginning of period	\$18.37	\$17.56
Income from investment operations-		
Net investment income	0.12	0.08
Net realized and unrealized gain on investments	<u>1.32</u>	<u>1.60</u>
Total from investment operations	<u>1.44</u>	<u>1.68</u>
Less distributions declared to shareholders		
Net investment income	(0.19)	0.00
Net realized capital gains	<u>(1.67)</u>	<u>(0.87)</u>
Total distributions	<u>(1.86)</u>	<u>(0.87)</u>
Net asset value - end of period	<u>\$17.95</u>	<u>\$18.37</u>
Total investment return	8.7%	9.7%
Ratios (to average net assets)/supplemental data:		
Expenses after reimbursement/recoupment and fees paid indirectly (1)	1.40%	1.42%
Expenses before reimbursement/recoupment and fees paid indirectly	1.41%	1.41%
Net investment income (loss)	1.20%	0.39%
Portfolio turnover	17%	29%
Net assets at end of year (000's)	\$484,308	\$675,897

¹ Ratio after expense reimbursement/recoupment, before fees paid indirectly, is 1.41% in 2005.

See accompanying notes to the financial statements

Aegis Value Fund, Inc.
Notes to Financial Statements
February 28, 2006

1. The Organization

Aegis Value Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940 as a diversified open-end management company. The Fund was incorporated October 22, 1997 in the State of Maryland and commenced operations May 15, 1998. The Fund's principal investment goal is to seek long-term capital appreciation by investing primarily in common stocks that are believed to be significantly undervalued relative to the market based on a company's book value, revenues, or cash flow. Refer to a current Prospectus for additional information about the Fund.

2. Summary of Significant Accounting Policies

Security valuation. Investments in securities traded on a national securities exchange (or reported on the NASDAQ National Market) are stated at the last reported sales price or a market's official close price on the day of valuation; other securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price, or the average of bid and ask price for NASDAQ National Market securities. Short-term notes are stated at amortized cost, which is equivalent to value. Restricted securities and other securities for which market quotations are not readily available are valued at fair value as determined by the Advisor under the supervision of the Board of Directors. The valuation assigned to fair valued securities for purposes of calculating the Fund's NAV may differ from the security's most recent closing market price and from the prices used by other mutual funds to calculate their NAVs.

Federal income taxes. The Fund's policy is to continue to comply with the requirements of the Internal Revenue Code that are applicable to regulated investment companies and to distribute all its taxable income to shareholders. Therefore, no federal income tax provision is required.

Expenses paid indirectly. Credits earned on temporarily uninvested cash balances at the custodian are used to reduce the Fund's custody charges. Custody expense in the statement of operations is presented before the reduction for credits, which were \$7,114 for six months ended February 28, 2006.

Distributions to shareholders. Distributions to Fund shareholders, which are determined in accordance with income tax regulations, are recorded on the ex-dividend date. Distributions of net investment income, if any, are made at least annually. Net realized gains from investment transactions, if any, will be distributed to shareholders at least annually.

Use of estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported

Aegis Value Fund, Inc.
Notes to Financial Statements
February 28, 2006

2. Summary of Significant Accounting Policies (continued)

amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Other. The Fund records security transactions based on the trade date. Dividend income is recognized on the ex-dividend date, and interest income is recognized on the accrual basis and includes accretion of discounts and amortization of premiums. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.

In the normal course of business, the Fund enters into contracts that contain a variety of representations, which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. However, based on experience, the Fund expects the risk of loss to be remote.

3. Advisory Fees and Other Transactions with Affiliates

The Fund entered into an investment management and advisory services agreement (the "Agreement") with Aegis Financial Corporation, (the "Advisor") that provides for fees to be computed at an annual rate of 1.20% of the Fund's average daily net assets. The Agreement provides for an expense reimbursement from the Advisor if the Fund's expenses, exclusive of taxes, interest, fees incurred in acquiring or disposing of portfolio securities, and extraordinary expenses, exceed 1.50% of the Fund's average daily net assets. The Agreement shall remain in force through March 31, 2007. Either party may terminate the Agreement anytime upon sixty (60) days written notice to the other party. During the six months ended February 28, 2006, there were no Advisor reimbursements.

As part of the expense limitation agreement, the Fund has agreed to repay the Advisor for amounts waived or reimbursed by the Advisor provided that such repayment does not cause the Fund's expenses, exclusive of taxes, interest, fees incurred in acquiring or disposing of portfolio securities, and extraordinary expenses, to exceed 1.50% and the repayment is made within three years after the year in which the Advisor incurred the expense. The Advisor recaptured previously reimbursed amounts of \$59,322 during the year ended August 31, 2005. There are no remaining allowable recapturable amounts as of that date.

The Fund has an agreement with BGB Fund Services, Inc. to provide fund accounting, administration, transfer agency and shareholder services to the Fund for a fee of 0.25% on Fund assets up to \$200 million and 0.10% on Fund assets in excess of \$200 million.

Aegis Value Fund, Inc.
Notes to Financial Statements
February 28, 2006

3. Advisory Fees and Other Transactions with Affiliates (continued)

BGB Securities, Inc., a registered broker/dealer, executes portfolio transactions on behalf of the Fund. Brokerage commissions paid to BGB Securities amounted to \$42,560 for the six months ended February 28, 2006.

Certain officers and directors of the Fund are also officers and directors of the Advisor, BGB Fund Services, Inc. and BGB Securities, Inc. The Fund pays each director not affiliated with the Advisor fees in cash or Fund shares of \$1,000 for each attended board meeting and \$500 for each attended committee meeting.

4. Investment Transactions

Purchases and sales of investment securities were \$32,317,118 and \$118,485,079, respectively, for six months ended February 28, 2006. The specific identification method is used to determine tax cost basis when calculating realized gains and losses.

5. Distributions to Shareholders and Tax Components of Net Assets

The tax character of distributions paid during the tax years ended August 31, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Distribution paid from:		
Ordinary income	\$ 3,913,122	\$ 2,164,116
Long-term capital gain	<u>33,913,713</u>	<u>8,926,977</u>
	<u>\$ 37,826,835</u>	<u>\$ 11,091,093</u>

For the tax year ended August 31, 2005, the components of net assets on a tax basis were as follows:

Undistributed ordinary income	\$4,407,057
Undistributed long-term gain	39,763,262
Unrealized appreciation	119,009,805
Unrealized depreciation	(37,771,465)
Shares of capital stock	<u>550,488,531</u>
Total	<u>\$675,897,190</u>

Temporary book/tax differences are a result of differing treatments of short-term capital gains.

Aegis Value Fund, Inc.
Notes to Financial Statements
February 28, 2006

6. Investments in Affiliated Companies

An affiliated company is a company in which the Fund has ownership of at least 5% of the voting securities. Companies which are affiliates of the Fund at year-end are noted in the Fund's schedule of portfolio investments. Transactions during the period with companies which are or were affiliates are as follows:

	Value Beginning of Period	Purchases	Sales Proceeds	Dividend Income	Value End of Period
Alliance One International Inc.	\$25,595,600	\$2,056,406	-	\$194,943	\$31,022,730
American Pacific Corp.	4,204,248	-	-	-	3,842,160
Books-A-Million, Inc.	9,450,480	477,103	-	48,739	11,248,938
California First National Bank Corp.	7,801,542	-	-	115,578	7,801,542
CPAC, Inc.	1,458,241	-	-	21,490	1,246,412
Delta Woodside Industries	325,812	-	-	-	132,897
Dominion Homes, Inc.	13,944,000	203,544	-	-	7,872,000
Enesco Group	1,887,768	538,634	-	-	2,755,071
Head N.V.	5,868,720	-	-	-	7,317,090
Imperial Sugar	14,278,250	77,935	-	2,675,585	27,001,275
MAIR Holdings Inc.	9,017,053	1,258,944	-	-	6,187,811
MIIX Group Inc.	9,720	-	-	-	8,280
Pemstar Inc.	3,261,601	-	-	-	7,338,603
PMA Capital Corp. Cl. A	23,532,582	900,037	-	-	26,788,997
Quaker Fabric Corp.	5,152,000	-	-	-	4,528,000
Quipp, Inc.	959,175	-	-	3,915	841,725
SCPIE Holdings	13,708,500	-	5,217,433	-	16,679,790
Sea Containers LTD-Cl A.	<u>18,402,120</u>	<u>2,329,816</u>	-	-	<u>25,359,775</u>
Total	<u>\$158,857,411</u>	<u>\$7,842,419</u>	<u>\$5,217,433</u>	<u>\$3,060,250</u>	<u>\$187,973,095</u>

Aegis Value Fund, Inc.
Fund Directors and Secretary (Unaudited)
February 28, 2006

Fund Directors

<u>Name, Age and Address</u>	<u>Position</u>	<u>Business Experience and Directorships During the Past 5 Years</u>
William S. Berno* (52) 1100 North Glebe Road Suite 1040 Arlington, Virginia 22201	President, Director	President and Managing Director of Aegis Financial Corporation since 1994; President and Trustee of the Aegis Funds since 2003; President and Director of the Fund since 1997.
Scott L. Barbee * (34) 1100 North Glebe Road Suite 1040 Arlington, Virginia 22201	Treasurer, Director	Treasurer and Managing Director of Aegis Financial Corporation since 1997; Treasurer and Trustee of the Aegis Funds since 2003; Treasurer and Director of the Fund since 1997.
Edward P. Faberman (59) Wiley Rein & Fielding LLP 1776 K Street N.W. Washington, DC 20006	Director	Attorney with the firm of Wiley Rein & Fielding LLP since 2005; Attorney with the firm of Ungaretti & Harris 1996-2005; Trustee of the Aegis Funds since 2003; Director of the Fund since 1997.
David A. Giannini (52) 30 Rockefeller Plaza Suite 4250 New York, NY 10112	Director	Institutional equity sales and research with Scarsdale Equities since 2006. Institutional equity sales and research with Sanders Morris Harris, 1997-2006. Trustee of the Aegis Funds since 2006; Director of the Fund since 2006.
Albert P. Lindemann III (43) 201 N. Tryon St. Suite 2680 Charlotte, North Carolina 28202	Director	President and founder of Redan Capital Partners (real estate investments) since 2006. Real estate analyst with Faison Enterprises, 2000-2006; Trustee of the Aegis Funds since 2003; Director of the Fund since 2000
Eskander Matta (35) Wells Fargo & Co. 550 California Street 2 nd Floor San Francisco, California 94111	Director	Senior VP of Enterprise Internet Services, Wells Fargo & Co. since 2002; Director of Strategic Consulting with Cordiant Communications, 2001-2002; Director of Strategic Consulting Organic, Inc. 1999-2001; Trustee of the Aegis Funds since 2003; Director of the Fund since 1997.
Fund Officers		
Paul Gambal* (46) 1100 North Glebe Road Suite 1040 Arlington, Virginia 22201	Secretary	Chairman, Secretary and Managing Director of Aegis Financial Corporation since 1994; Secretary of the Aegis Funds since 2003; Secretary of the Fund since 1997
Skyler S. Showell* (31) 1100 North Glebe Road Suite 1040 Arlington, Virginia 22201	Chief Compliance Officer	Compliance Officer of Aegis Financial Corporation since 2003; Compliance Consultant, 2002-2003; Law Student, 2001; Chief Compliance Officer of the Fund since 2004.

Aegis Value Fund, Inc.
Other Information (Unaudited)
February 28, 2006

* Indicates persons who are affiliated with Aegis Financial Corporation, the Fund's investment advisor, and are therefore considered to be "interested persons" under the Investment Company Act of 1940, Section (2)(a).

The Fund's Statement of Additional Information includes additional information about Fund directors and is available, without charge, by calling the Fund's toll-free phone number, (800) 528-3780.

Shareholder Tax Information:

Certain tax information regarding the Fund is required to be provided to shareholders based upon the Fund's income and distributions for the taxable year ended August 31, 2005. The information and distributions reported herein may differ from information and distributions taxable to the shareholders for the calendar year ended December 31, 2004.

During the fiscal year ended August 31, 2005, the Fund paid distributions per share of \$0.09 and \$0.78 for ordinary income and long-term capital gains, respectively. During the fiscal year ended August 31, 2005, the Fund paid distributions from ordinary income and long-term capital gain of \$3,913,122 and \$33,913,713, respectively.

Fund Holdings:

The complete schedules of Fund holdings for the second and fourth quarters of each fiscal year are contained in the Fund's semi-annual and annual shareholder reports, respectively. The Fund files complete schedules of Fund holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q within 60 days after the end of the period. Copies of the Fund's Form N-Q are available without charge, upon request, by contacting the Fund at 1-800-528-3780 and on the SEC's website at <http://www.sec.gov>. You may also review and copy Form N-Q at the SEC's Public Reference Room in Washington, D.C. For more information about the operation of the Public Reference Room, please call the SEC at 1-800-SEC-0330.

Code of Ethics:

The Fund has adopted a code of ethics applicable to its principal executive officer and principal financial officer. A copy of this code is available without charge, by calling the Fund at 800-528-3780.

Proxy Voting:

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available without charge, by calling the Fund at 800-528-3780. Information regarding how the Fund voted proxies, if any, relating to portfolio securities during the most recent 12-month period ended June 30, 2005 is available upon request, without charge, by calling 800-528-3780. The Fund's proxy voting policies and procedures and voting record are also available on the Commission's website at <http://www.sec.gov>.

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Board of Directors

Scott L. Barbee
William S. Berno
Edward P. Faberman
David A. Giannini
Albert P. Lindemann III
Eskander Matta

Officers

William S. Berno, President
Scott L. Barbee, Treasurer
Paul Gambal, Secretary
Skyler S. Showell, Chief Compliance Officer

Investment Advisor

Aegis Financial Corporation
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Arlington, Virginia 22201

Custodian

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