



British Columbia Discovery Fund (VCC) Inc.
Interim Financial Statements
(Unaudited – prepared by management)

March 31, 2004

NOTICE – These interim financial statements have not been reviewed by an auditor.

British Columbia Discovery Fund (VCC) Inc.

Statements of Financial Position

(Unaudited – prepared by management)

	March 31, 2004	December 31, 2003
ASSETS		
Venture investments, at estimated fair value	\$ 1,929,711	\$ 995,372
Marketable securities, at market value (note 3)	13,013,509	6,787,473
Cash	527,169	619,427
Accounts receivable and other assets	-	7,655
Total Assets	15,470,389	8,409,927
LIABILITIES		
Accounts payable and accrued liabilities	57,571	105,105
Due to related parties (note 4)	48,671	21,975
Total Liabilities	106,242	127,080
Net Assets	15,364,147	8,282,847
SHAREHOLDERS' EQUITY		
Share capital (note 5)	15,840,404	8,542,700
Deficit	(482,966)	(339,225)
Unrealized appreciation of venture investments	6,709	79,372
Total Shareholders' Equity	\$ 15,364,147	\$ 8,282,847
Common shares outstanding	1,776,621	968,660
Net Asset Value per Common Share	\$ 8.65	\$ 8.55

See accompanying notes

On behalf of the Board of Directors:

"Harry Jaako"
Director

"John McEwen"
Director

British Columbia Discovery Fund (VCC) Inc.

Statements of Operations and Deficit

(Unaudited – prepared by management)

For the three months ended	March 31, 2004	March 31, 2003
REVENUE		
Interest from marketable securities	\$ 63,717	\$ -
	63,717	-
EXPENSES		
Administration fees	24,410	-
Directors' fees	6,908	-
Management fees	111,239	-
Marketing and shareholder communication	43,191	-
Operating expenses	4,207	-
Pre-operating costs (note 2)	-	31,008
Professional fees	17,503	-
Total expenses	207,458	31,008
Loss for the Period	(143,741)	(31,008)
Decrease in unrealized appreciation of venture investments	(72,663)	-
Total Results of Operations for the Period	(216,404)	(31,008)
Deficit, beginning of the period	(339,225)	(62,722)
Loss for the period	(143,741)	(31,008)
Deficit, end of the period	(482,966)	(93,730)
Per Common Share (based on weighted average number of shares outstanding)		
Loss for the period	(0.13)	(1.06)
Unrealized appreciation of venture investments	(0.07)	(0.00)
Total Results of Operations for the Period	\$ (0.20)	\$ (1.06)

See accompanying notes

British Columbia Discovery Fund (VCC) Inc.

Statements of Changes in Net Assets

(Unaudited – prepared by management)

For the three months ended	March 31, 2004	March 31, 2003
Net Assets, beginning of the period	\$ 8,282,847	\$ 42,318
Operating Activities		
Total results of operations for the period	(216,404)	(31,008)
Capital Transactions		
Proceeds from issuance of common shares (note 5)	7,832,305	383,801
Less: Share issue costs including sales commissions (note 5)	(534,601)	(148,458)
	7,297,704	235,343
Increase in net assets for the period	7,081,300	204,335
Net Assets, end of the period	15,364,147	246,653
Unrealized Appreciation of Venture Investments		
Balance, beginning of the period	79,372	-
Net decrease for the period	(72,663)	-
Balance, end of the period	\$ 6,709	\$ -

See accompanying notes

British Columbia Discovery Fund (VCC) Inc.

Statements of Cash Flows

(Unaudited – prepared by management)

For the three months ended	March 31, 2004	March 31, 2003
Operating Activities		
Total results of operations for the period	\$ (216,404)	\$ (31,008)
Items not affecting cash		
Decrease in Unrealized appreciation of venture investments	72,663	-
Decrease in Unrealized appreciation of marketable securities	12,677	-
Net change in non-cash working capital	(13,183)	(255,246)
Cash flows used in operating activities	(144,247)	(286,254)
Investing Activities		
Purchase of marketable securities	(6,238,713)	-
Purchase of venture investments	(1,007,002)	-
Cash flows used in investing activities	(7,245,715)	-
Financing Activities		
Proceeds from issuance of common shares (note 5)	7,832,305	383,801
Share issue costs including sales commissions (note 5)	(534,601)	(148,458)
Cash flows from financing activities	7,297,704	235,343
Net (Decrease) in Cash during the period	(92,258)	(50,911)
Cash, beginning of the period	619,427	225,683
Cash, end of the period	\$ 527,169	\$ 174,772

See accompanying notes

British Columbia Discovery Fund (VCC) Inc.

Statement of Investment Portfolio

(Unaudited – prepared by management)

As at March 31, 2004

MARKETABLE SECURITIES

Par Value \$	Issuer	Maturity Date	Cost \$	Market Value \$	Percentage of Net Assets
<i>Short-term Investments</i>					
4,208,000	Canadian Imperial Bank of Commerce	April 30, 2004	4,199,878	4,199,878	27%
3,235,000	Canadian Imperial Bank of Commerce	April 30, 2004	3,229,695	3,229,695	21%
2,524,000	Canadian Imperial Bank of Commerce	April 30, 2004	2,519,861	2,519,861	16%
1,916,000	Canadian Imperial Bank of Commerce	April 30, 2004	1,912,302	1,912,302	13%
1,154,000	Canadian Imperial Bank of Commerce	May 3, 2004	1,151,773	1,151,773	8%
Total Marketable Securities			13,013,509	13,013,509	85%

VENTURE INVESTMENTS

Investee	Number of Securities	Security	Cost \$	Percentage of Net Assets
<i>Public</i>				
Cryopak Industries Inc.	892,857	Common Shares	250,000	1%
Cryopak Industries Inc.	446,428	Warrants	-	-
Vigil Health Solutions Inc.	474,286	Common Shares	166,000	1%
Vigil Health Solutions Inc.	474,286	Warrants	-	-
<i>Private</i>				
Aspreva Pharmaceuticals Corp.	42,030	Common Shares	257,002	2%
Aspreva Pharmaceuticals Corp.	8,406	Warrants	-	-
Day4 Energy Inc.		Convertible Debenture	1,000,000	7%
Idelix Software Inc.	1,000,000	Common Shares	250,000	1%
Idelix Software Inc.	500,000	Warrants	-	-
Total venture investments, at cost			1,923,002	12%
Unrealized appreciation of venture investments			6,709	0%
Total Venture Investments, at Estimated Fair Value			1,929,711	12%
Total Investments				
Other assets, net of liabilities			420,927	3%
Net Assets			15,364,147	100%

See accompanying notes

British Columbia Discovery Fund (VCC) Inc.

Notes to Financial Statements

(March 31, 2004)

These interim financial statements should be read in conjunction with the audited financial statements as at December 31, 2003. These statements follow the same accounting policies and methods of their application as those followed in the December 31, 2003 audited financial statements.

1 Nature of operations

British Columbia Discovery Fund (VCC) Inc. (the Fund) was incorporated under the Company Act of British Columbia on November 6, 2002 and is registered as a venture capital corporation (VCC) under the Small Business Venture Capital Act of British Columbia (the SBVCA). The Fund is engaged in the business of venture capital financing, focusing on investing in technology businesses that are eligible small businesses under the SBVCA.

A wholly owned subsidiary of Discovery Capital Corporation (DCC), Discovery Capital Management Corp. (the Manager), acts as investment manager to the Fund and assists the Fund in sourcing, selecting and monitoring the Fund's investments. The Fund has entered into a management agreement with the Manager under which the Manager is paid an annual management fee of 2.75% of the net asset value of the Fund, up to \$100 million, plus 2.5% of the net asset value of the Fund in excess of \$100 million, calculated and paid monthly in arrears, as well as, subject to satisfaction of certain conditions, a performance fee equal to 20% of the realized gains for cash and cash income from each eligible investment of the Fund, calculated and paid quarterly in arrears. The payment of the management fee is subject to limitations set out in the SBVCA, including that the Fund not incur, in respect of any year, management fee expenses that exceed 3% of the equity capital it has raised.

Common shares of the Fund are offered on a continuous offering basis at the pricing net asset value per common share of the Fund determined, for pricing purposes only, on the valuation date that falls on or occurs immediately after the date on which the common shares are subscribed for (see note 5).

2 Change in accounting policy

During the year ended December 31, 2003, the Canadian Institute of Chartered Accountants (CICA) issued Handbook Section 1100, Generally Accepted Accounting Principles. This section removed industry practice as a source of generally accepted accounting principles, and as a result, the Fund has recorded share issue costs and sales commissions as a reduction of share capital and has expensed pre-operating costs, all of which would previously have been deferred and amortized.

3 Marketable securities

Short-term marketable securities are valued at amortized cost, which approximates market value. Purchases and sales of marketable securities are recorded on a trade date basis.

4 Related party transactions

Due to related parties at March 31, 2004 is \$48,671 (December 31, 2003 - \$21,975) comprising \$41,316 (December 31, 2003 - \$21,975) payable to the Manager in respect of management fees and \$7,355 (December 31, 2003 - \$nil) of recoverable expenditures payable to DCC, a company with common directors and the parent company of the Manager.

Notes to Financial Statements*(March 31, 2004)***5 Share capital**

Shareholders can require the Fund to redeem their shares at the net asset value per common share of the Fund at any time after five years from the original share issue date, or at any time in the case of the death of the owner, or annuitant under a registered plan that was the owner, as the case may be, provided that the Fund is in compliance with the SBVCA at all times and is not otherwise prohibited or restricted under its articles from completing redemption requests.

Authorized

500,000,000 common shares

Issued

	<u>March 31, 2004</u>		<u>March 31, 2003</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Balance - Beginning of period	968,660	\$ 9,643,667	26,210	\$ 262,100
Common shares issued for cash	<u>807,961</u>	<u>7,832,305</u>	<u>38,380</u>	<u>383,801</u>
Balance - End of period	<u>1,776,621</u>	<u>17,475,972</u>	<u>64,590</u>	<u>645,901</u>
Issue costs				
Balance - Beginning of period		1,100,967		157,060
Sales commissions		391,615		19,190
Other share issue costs		<u>142,986</u>		<u>129,268</u>
Balance - End of period		<u>1,635,568</u>		<u>305,518</u>
Capital stock - net of issue costs		<u>\$ 15,840,404</u>		<u>\$ 340,383</u>

Other share issue costs relate directly to the issuance of shares and include costs incurred by DCC that are reimbursed by the Fund as set out in the Fund's prospectus.

Pricing of common shares

For purposes of these financial statements, the Fund calculates its net assets in accordance with generally accepted accounting principles, and calculates its net assets per share by dividing the net assets of the Fund by the number of common shares that are issued and outstanding.

Notes to Financial Statements

(March 31, 2004)

5 Share capital (continued)

For share pricing purposes, the Fund calculates pricing net asset value per share by adding back to its net asset value amounts that would have been deferred and amortized prior to the release of CICA Handbook Section 1100 (see Change in Accounting Policy, note 2). The following is a reconciliation of pricing net asset value per share and net assets in accordance with generally accepted accounting principles (GAAP) per common share:

	March 31, 2004
Net assets in accordance with GAAP as reported	\$ 15,364,147
Add:	
Unamortized deferred share issue costs including sales commissions	1,490,816
Unamortized deferred pre-operating costs	<u>129,571</u>
Other financial statement adjustments	<u>6,041</u>
Pricing net asset value	<u>16,990,575</u>
Common shares outstanding	<u>1,776,621</u>
Pricing net asset value per common share	\$ <u>9.56</u>
Net assets in accordance with GAAP per common share	\$ <u>8.65</u>

The calculation of pricing net asset value per common share assumes that:

- (a) Sales commissions and share issue costs on common shares issued after June 30, 2003 would have been deferred and amortized over five years from the date of issue of the shares.
- (b) Sales commissions and share issue costs on common shares issued before June 30, 2003 would have been deferred and amortized over five years from June 30, 2003.
- (c) Pre-operating costs incurred in the period from inception to June 30, 2003 would have been deferred and amortized over the shorter of the expected period of benefit or five years.

Notes to Financial Statements

(March 31, 2004)

5 Share capital (continued)

The following is a summary of unamortized deferred share issue costs, including sales commissions, and unamortized pre-operating costs:

	March 31, 2004
Share issue costs	
Balance – Beginning of period	\$ 1,042,249
Add:	
Sales commissions	391,615
Other share issue costs	142,986
Less:	
Amortized deferred share issue costs including sales commissions	<u>(86,034)</u>
	\$ <u>1,490,816</u>
Pre-operating costs	
Balance – Beginning of period	\$ 137,481
Less:	
Amortized deferred pre-operating costs	<u>(7,910)</u>
	\$ <u>129,571</u>

6 Contingencies

The Fund has a contingent liability to repay the tax credits granted to its shareholders by the Government of British Columbia. Where a VCC has met all of the legislative requirements and has invested appropriately in eligible small businesses and has maintained these levels of investment for at least five years, there will be no such liability to repay the tax credits.