



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

**March 31, 2005**

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, 2005	December 31, 2004
<b>ASSETS</b>		
Venture investments	\$ 6,614,038	\$ 4,179,243
Marketable securities	17,437,051	15,388,696
Cash and cash equivalents	540,395	2,144,320
Other assets	18,450	4,815
<b>Total Assets</b>	<b>24,609,934</b>	<b>21,717,074</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	109,057	83,134
Due to related parties (note 4)	87,849	128,342
<b>Total Liabilities</b>	<b>196,906</b>	<b>211,476</b>
<b>Net Assets</b>	<b>24,413,028</b>	<b>21,505,598</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 3)	24,510,565	22,540,637
Deficit	(1,100,211)	(902,918)
Unrealized appreciation (depreciation) of venture investments	1,002,674	(132,121)
<b>Total Shareholders' Equity</b>	<b>\$ 24,413,028</b>	<b>\$ 21,505,598</b>
Common shares outstanding	2,785,601	2,549,357
<b>Net Assets per Common Share (note 3)</b>	<b>\$ 8.76</b>	<b>\$ 8.44</b>

*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, 2005	March 31, 2004
<b>INVESTMENT INCOME</b>		
Interest	\$ 100,110	\$ 63,717
Total investment income	100,110	63,717
<b>EXPENSES</b>		
Directors' fees	5,785	6,908
Fund administration fees	22,903	24,410
Management fees	186,250	111,239
Marketing and shareholder communication	25,409	23,772
Operating expenses	9,171	4,207
Professional fees	16,255	17,503
Trailer fees	31,630	19,419
Total expenses	297,403	207,458
<b>Loss for the Period</b>	(197,293)	(143,741)
Change in unrealized appreciation (depreciation) of venture investments	1,134,795	(72,663)
<b>Total Results of Operations for the Period</b>	937,502	(216,404)
<b>Deficit, beginning of the period</b>	(902,918)	(339,225)
Loss for the period	(197,293)	(143,741)
<b>Deficit, end of the period</b>	(1,100,211)	(482,966)
<b>Per Common Share</b> (based on weighted average number of shares outstanding)		
Loss for the period	(0.07)	(0.13)
Unrealized appreciation (depreciation) of venture investments	.42	(0.07)
<b>Total Results of Operations for the Period</b>	\$ .35	\$ (0.20)

See accompanying notes

British Columbia Discovery Fund (VCC) Inc.

## Statements of Changes in Net Assets

(Unaudited – prepared by management)

<b>For the three months ended</b>	<b>March 31, 2005</b>	<b>March 31, 2004</b>
<b>Net Assets, beginning of the period</b>	\$ 21,505,598	\$ 8,282,847
<b>Operating Activities</b>		
Total results of operations for the period	937,502	(216,404)
<b>Capital Transactions</b>		
Proceeds from issuance of common shares (note 3)	2,168,706	7,832,305
Less: Share issue costs including sales commissions (note 3)	(198,778)	(534,601)
	1,969,928	7,297,704
<b>Increase in Net Assets</b>	2,907,430	7,081,300
<b>Net Assets, end of the period</b>	24,413,028	15,364,147
<b>Unrealized Appreciation of Venture Investments</b>		
Balance, beginning of the period	(132,121)	79,372
Net increase (decrease) for the period	1,134,795	(72,663)
<b>Balance, end of the period</b>	\$ 1,002,674	\$ 6,709

See accompanying notes

British Columbia Discovery Fund (VCC) Inc.

## Statements of Cash Flows

(Unaudited – prepared by management)

<b>For the three months ended</b>	<b>March 31, 2005</b>	<b>March 31, 2004</b>
<b>Cash Flows from Operating Activities</b>		
Total results of operations for the period	\$ 937,502	\$ (216,404)
Items not affecting cash		
(Increase) decrease in unrealized appreciation of venture investments	(1,134,795)	72,663
Decrease in unrealized appreciation of marketable securities	53,617	12,677
Net change in non-cash working capital	(28,205)	(13,183)
Cash flows used in operating activities	(171,881)	(144,247)
<b>Cash Flows from Investing Activities</b>		
Purchase of marketable securities	(2,101,972)	(6,238,713)
Purchase of venture investments	(1,300,000)	(1,007,002)
Cash flows used in investing activities	(3,401,972)	(7,245,715)
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of common shares (note 3)	2,168,706	7,832,305
Share issue costs including sales commissions (note 3)	(198,778)	(534,601)
Cash flows from financing activities	1,969,928	7,297,704
<b>(Decrease) in Cash during the period</b>	<b>(1,603,925)</b>	<b>(92,258)</b>
Cash, beginning of the period	2,144,320	619,427
<b>Cash, end of the period</b>	<b>540,395</b>	<b>527,169</b>
<b>Supplemental Cash Flow Information</b>		
Interest received	\$ 100,110	\$ 63,717

See accompanying notes

British Columbia Discovery Fund (VCC) Inc.

## Statement of Investment Portfolio

(Unaudited – prepared by management)

As at March 31, 2005

### MARKETABLE SECURITIES

Par Value \$	Issuer	Maturity Date	Cost \$	Market Value \$	Percentage of Net Assets
<i>Short-term Investments</i>					
2,246,000	Canadian Imperial Bank of Commerce	April 5, 2005	2,237,173	2,245,264	9%
2,635,000	Canadian Imperial Bank of Commerce	April 5, 2005	2,624,644	2,634,137	11%
2,250,000	Canadian Imperial Bank of Commerce	May 6, 2005	2,236,613	2,244,704	9%
2,640,000	Canadian Imperial Bank of Commerce	May 6, 2005	2,624,292	2,633,786	11%
1,255,000	Canadian Imperial Bank of Commerce	June 1, 2005	1,249,779	1,249,779	5%
1,436,000	Canadian Imperial Bank of Commerce	June 1, 2005	1,430,026	1,430,026	6%
5,031,000	Canadian Imperial Bank of Commerce	June 30, 2005	4,999,355	4,999,355	21%
<b>Total Marketable Securities</b>			<b>17,401,882</b>	<b>17,437,051</b>	<b>72%</b>

See accompanying notes

British Columbia Discovery Fund (VCC) Inc.

## Statement of Investment Portfolio

(Unaudited – prepared by management)

As at March 31, 2005

### VENTURE INVESTMENTS

<b>Investee</b>	<b>Number of Securities</b>	<b>Security</b>	<b>Cost \$</b>	<b>Percentage of Net Assets</b>
<b>Public</b>				
Aspreva Pharmaceuticals Corp.	53,967	Common Shares	257,002	1%
Aspreva Pharmaceuticals Corp.	10,793	Warrants	-	-
Cryopak Industries Inc.	148,809	Common Shares	250,000	1%
Cryopak Industries Inc.	74,405	Warrants	-	-
Vigil Health Solutions Inc.	474,286	Common Shares	166,000	1%
<b>Private</b>				
Day4 Energy Inc.	1,200,000	Common Shares	1,900,000	8%
Day4 Energy Inc.	200,000	Warrants	-	-
IDELIX Software Inc.	1,800,000	Preferred Shares	530,002	2%
Inimex Pharmaceuticals Inc.	1,225,010	Preferred Shares	500,000	2%
Mobidia Technology Inc.	454,545	Preferred Shares	500,000	2%
Mobidia Technology Inc.	227,272	Warrants	-	-
Tantalus Systems Corp.	845,417	Preferred Shares	1,508,360	6%
Total venture investments, at cost			5,611,364	23%
Unrealized appreciation of venture investments			1,002,674	4%
<b>Total Venture Investments, at Fair Value</b>			<b>6,614,038</b>	<b>27%</b>
<b>Total Investments</b>			<b>24,051,089</b>	<b>99%</b>
Other assets, net of liabilities			361,939	1%
<b>Net Assets</b>			<b>24,413,028</b>	<b>100%</b>

See accompanying notes

British Columbia Discovery Fund (VCC) Inc.

## **Notes to Financial Statements**

*(March 31, 2005)*

These interim financial statements should be read in conjunction with the audited financial statements as at December 31, 2004. These statements follow the same accounting policies and methods of their application as those followed in the December 31, 2004 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 pricing net asset value of the Fund, up to \$100 million, plus 2.5% of the pricing 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 realized gains and other 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 aggregate 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 (see note 3).

### **2 Investment protection account**

Pursuant to the requirements of the SBVCA, a VCC that does not have 80% of its raised equity capital invested in eligible businesses is required to maintain an investment protection account in an amount equal to 30% of the funds raised. As investments in eligible businesses are subsequently made, a drawdown from the investment protection account equal to 37.5% of the investment amount is available. These funds cannot be released without the consent of the administrator of the SBVCA. The amounts in the Fund's investment protection account at March 31, 2005 and December 31, 2004 were \$6,023,329 and \$5,841,713, respectively, and such amounts are included in marketable securities and cash and cash equivalents.



**Notes to Financial Statements***(March 31, 2005)***3 Capital Stock**

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, 2005</u>		<u>March 31, 2004</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Balance, beginning of period	2,549,357	\$ 24,717,376	968,660	\$ 9,643,667
Common shares issued for cash	<u>236,244</u>	<u>2,168,706</u>	<u>807,961</u>	<u>7,832,305</u>
Balance, end of period	<u>2,785,601</u>	<u>26,886,082</u>	<u>1,776,621</u>	<u>17,475,972</u>
Issue costs				
Balance, beginning of period		2,176,739		1,100,967
Sales commissions		108,435		391,615
Other share issue costs		<u>90,343</u>		<u>142,986</u>
Balance, end of period		<u>2,375,517</u>		<u>1,635,568</u>
Capital stock - net of issue costs		<u>\$ 24,510,565</u>		<u>\$ 15,840,404</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, 2005)

### 3 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 in 2003 of CICA Handbook Section 1100. This Section removed industry practice as a source of generally accepted accounting principles and, as a result, for purposes of calculating its net assets per common share, the Fund has recorded share issue costs and sales commissions as a reduction of capital stock and has expensed pre-operating costs incurred prior to July 1, 2003, all of which would previously have been deferred and amortized for accounting purposes.

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:

	<b>March 31, 2005</b>
Net assets in accordance with GAAP as reported	\$ 24,413,028
Add:	
Unamortized deferred share issue costs including sales commissions	1,810,693
Unamortized deferred pre-operating costs	99,104
Other financial statement adjustments	<u>52,280</u>
Pricing net asset value	26,375,105
Common shares outstanding	2,785,601
Pricing net asset value per common share	\$ 9.47
Net assets in accordance with GAAP per common share	\$ 8.76

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, 2005)

### 3 Share capital (continued)

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

	<b>March 31, 2005</b>
<b>Share issue costs</b>	
Balance, beginning of period	\$ 1,745,007
Add:	
Sales commissions	108,435
Other share issue costs	90,343
Less:	
Amortization	<u>(133,092)</u>
Balance, end of period	\$ <u>1,810,693</u>
<b>Pre-operating costs</b>	
Balance, beginning of period	\$ 106,135
Less:	
Amortized deferred pre-operating costs	<u>(7,031)</u>
Balance, end of period	\$ <u>99,104</u>

### 4 Related party transactions

Due to related parties at March 31, 2005 is \$87,849 (December 31, 2004 - \$128,342) comprising \$64,632 (December 31, 2004 - \$57,261) payable to the Manager in respect of management fees and \$23,217 (December 31, 2004 - \$71,081) of reimbursable expenditures payable to DCC or the Manager.

During the period, the Fund invested a further \$800,000 in Day4 Energy Inc. A director of the Fund is a co-founder and a significant shareholder of Day4 Energy Inc.

British Columbia Discovery Fund (VCC) Inc.

## **Notes to Financial Statements**

*(March 31, 2005)*

### **5 Contingency**

As a VCC, the Fund has to comply with the legislative requirements of the SBVCA, including investing appropriately in eligible businesses and maintaining certain levels of investment for at least five years.

The Fund has a contingent liability to repay the tax credits granted to its shareholders by the Government of British Columbia if it does not comply with these requirements.

### **6 Comparative figures**

Certain of the prior year's comparative figures have been reclassified to conform to the presentation adopted for the current year.