



**BUILDING BC's  
FUTURE IN  
TECHNOLOGY**

2004 SEMI-ANNUAL REPORT



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*Standing L-R, Harry Jaako, John McEwen, Pat Parisotto, Seated, Bruce Chapman, Todd Riley, Charles Cook*

## The Fund

British Columbia Discovery Fund (VCC) Inc. ("BC Discovery Fund" or the "Fund") is a diversified opportunity for investors to participate in the emerging technology industry in British Columbia. The Fund issues its shares under the Venture Capital Corporation (VCC) Program, a B.C. government initiative to promote economic diversification and investment in small businesses, including technology ventures. In addition to enabling participation in innovative, local companies, BC Discovery Fund provides retail investors access to private venture capital investment opportunities, which are often only accessible to institutional shareholders and "angel" investors.

Eligible individual investors in the Fund receive a tax credit equal to 30% of the amount invested, to a maximum of a \$60,000 tax credit per annum. The tax credit on investments into the Fund during the first 60 days of the year can be carried back and applied against the prior year's taxes payable. To the extent that the amount of the tax credit exceeds an individual's British Columbia taxes otherwise payable, the individual is entitled to a refund of the difference. Shares in the Fund are eligible for RRSPs, RRIFs and RESPs. The tax credit is also available to B.C. corporations to reduce B.C. taxes payable.

BC Discovery Fund is similar to the labour sponsored funds ("LSFs") available to investors in B.C., with added advantages that include:

- 30% investment tax credit on investments from a minimum of \$2,500 to a maximum of \$200,000 (vs. \$5,000 maximum investment level for LSFs); and
- Ability to request redemption after 5 years (vs. 8 year hold period for LSFs).

## The Manager

Discovery Capital Corporation has enhanced value for over 250 technology ventures since being founded in 1986, with proven expertise in strategic planning, management development, innovative financing strategies, corporate governance, and positioning for liquidity. Since 1993, Discovery Capital has focussed on venture capital investment and fund management specializing in:

- information technology (software, hardware)
- communications (wireless, networking)
- health and life sciences (biotechnology, pharmaceuticals, bioinformatics)
- other advanced technologies (energy, environmental, advanced materials)

Historically, Discovery Capital has realized significant cash returns by executing on its value creation role and driving profitable exit strategies. Since commencement of its venture capital fund management activities, Discovery Capital has achieved a 26.2% weighted average internal rate of return (IRR) on realized venture investments within an average 5.1 year time frame.



**British Columbia Discovery Fund (VCC) Inc. (“BCDF”)** and its manager, **Discovery Capital Corporation (“Discovery Capital”)**, are strategically positioned to not only participate financially in the growth of the technology economy in British Columbia, but to actually help to shape and drive the development of this vital economic engine.

Technology’s economic significance in British Columbia is increasing. The technology sector out-performs all other B.C. industry sectors in terms of creating combined GDP and employment. In terms of creating employment, the percentage of B.C.’s population employed by the technology sector increased from 2.2% in 1984 to 3.5% in 1999. Employment in this sector is growing at a faster rate than most other sectors of the economy. In terms of creating prosperity, the percentage of GDP attributed to the technology sector increased from 1.7% in 1984 to 3.0% in 1999. Although still a relatively small percentage, this growth is increasing at a much faster rate than most other sectors of the economy.

In a first-ever industry-led initiative of its kind, seven technology industry organizations recently collaborated with the goal of developing an integrated strategy for B.C.’s five most promising emerging technology clusters - information and communication technology, wireless, new media, fuel cells and biotechnology. All clusters are led by strong industry associations, have established research and development (R&D) infrastructure and have great companies and ideas. However, each cluster is also challenged by a lack of coordinated strategy for growth, a lack of anchor companies in key areas, difficulty in attracting investment capital, and a lack of sustained funding for R&D.

New venture capital funds like British Columbia Discovery Fund are helping to address these challenges. For example, BCDF is directly contributing to increasing R&D investment

in B.C. by having invested in companies such as Burnaby - based **Day4 Energy Inc.** (a designer of Photovoltaic power generation systems), which is profiled later in this report, and Vancouver - based **IDELIX Software Inc.** (a technology leader in 2D and 3D graphics technology). Venture capital investing in promising B.C. companies such as these, which is vital to provincial economic growth and development, is stimulated by favourable tax benefits such as those offered to investors of BCDF under B.C.’s *Small Business Venture Capital Act*, where investors receive a 30% tax credit on funds invested.

Discovery Capital has been an active technology industry contributor in B.C. for over 18 years - the emerging companies in which BCDF invests receive significant benefits from the industry development initiatives of the technology industry organizations that Discovery Capital supports. As a result of Discovery Capital’s long association with the B.C. technology industry, it is well positioned to gain exposure to diverse and attractive venture capital investment opportunities for BCDF. Through BCDF’s investment in early-stage companies, BCDF shareholders have the opportunity to participate in the significant returns these companies can generate should they become mature and commercially viable enterprises.

The outlook for B.C.’s technology clusters is very promising. With five investments made thus far, and more to come, your British Columbia Discovery Fund aims to foster and benefit from this growth.

Sincerely,

A handwritten signature in blue ink, appearing to read "Harry Jaako".

**Harry Jaako**

A handwritten signature in blue ink, appearing to read "John McEwen".

**John McEwen**



## Day4 Energy Inc. - “Cost-Competitive Solar Energy”

Day4 Energy Inc. (“Day4”) is in the business of designing photovoltaic (“PV”) electrical power generation systems and systems components, more commonly known as solar power generation systems, for the world power markets. With its patented technology, innovative product design and unique manufacturing process, Day4 hopes to transform PV power generation from a niche market application into one of the key components of the world’s power generation industry.

While the PV business has sales of over \$3 billion USD worldwide today, the industry remains fragile, depends on government subsidies and accounts for only a fraction of a percent of the total world electrical power generation market. In order to become a viable component of global electrical supply, PV technology must become cost competitive with conventional forms of electrical generation. With total growth in the world’s electrical power generation base at a level of approximately 100 GW per annum, the total market opportunity for cost competitive solar power exceeds \$200 billion USD per annum.

Day4 has approached the issue of reducing the costs of PV power generation based on two principles:

1. A sun concentrator concept that allows replacement of most of the expensive semiconductor material that accounts for over 50% of the costs of a conventional PV module with an inexpensive optical concentration system; and
2. A proprietary PV concentrator cell manufacturing process that addresses the inherent weaknesses of conventional PV cell fabrication techniques that prevent ordinary PV cells from being used in the concentrator environment while further reducing the costs of PV cell production.

As a result, Day4 estimates that its PV power generation systems would be able to produce electrical power at price levels competitive with conventional fossil fuel based generation techniques in most regions of the world.

Over the next 24 months, Day4 intends to complete the design and scale up of proprietary manufacturing equipment to commercial throughput levels and to design, construct and install a number of power generation pilot systems with prospective clients. Following this, the company will be in position to begin full commercial production as well as commence its initial marketing and sales activities.

Day4 is lead by Dr. John S. MacDonald O.C., who is Chairman of the Board, President and CEO. Dr. MacDonald is the co-founder and a former CEO and Chairman of MacDonald Dettwiler & Associates Ltd., one of Canada’s leading aerospace firms, and is also a director of BCDF. Dr. MacDonald has extensive experience in international business development and is an advisor to governments and companies internationally. Senior management of Day4, who are also the founders of the business, includes seasoned technical experts in the invention and design of the company’s products.

# MANAGEMENT'S DISCUSSION AND ANALYSIS



## Selected Financial Information

<b>Statement of Operations Data:</b>	<b>Six months ended June 30, 2004</b>	<b>Six months ended June 30, 2003</b>
Revenue	\$ 233,704	\$ -
Loss for the period	\$ (210,918)	\$ (90,058)
Increase (decrease) in unrealized appreciation of venture investments	\$ (4,192)	\$ 4,743
Total results of operations	\$ (215,110)	\$ (85,315)
Management expense ratio <sup>(1)</sup>	5.3%	8.7%

  

<b>Statement of Financial Position Data:</b>	<b>As at June 30, 2004</b>	<b>As at December 31, 2003</b>
Venture investments, at estimated fair value	\$ 2,378,184	\$ 995,372
Unrealized appreciation of venture investments	\$ 75,180	\$ 79,372
Net assets	\$ 16,774,314	\$ 8,282,847
Net assets per share	\$ 8.65	\$ 8.55
Pricing net asset value per share <sup>(2)</sup>	\$ 9.51	\$ 9.82

<sup>(1)</sup>Management expense ratio is calculated as total expenses for the period divided by net assets at the end of the period. Management expense ratio for the six month periods has been annualized for purposes of presentation in this table.

<sup>(2)</sup>Pricing net asset value per share is the price at which the Fund issues and redeems common shares. See note 5 to the financial statements.

## Overview

British Columbia Discovery Fund (VCC) Inc. (the "Fund") first commenced significant fund raising activities in March 2003, after the filing of its initial prospectus. Although the Fund was actively marketed throughout 2003, the Fund raised a substantial portion of its equity capital in the fourth quarter of 2003 and the first quarter of 2004. As a result, the Fund completed the sale of its entire 2003 tax credit allocation of \$16 million on February 9, 2004, with over \$12.5 million being raised in the four months after September 2003. Since February 2004, the Fund has been selling its \$10 million allocation for 2004, with sales of approximately \$2.7 million up until June 30, 2004.

The Fund only commenced significant investment operations late in the third quarter of 2003. To date, the Fund has made venture investments in five emerging companies. The costs of the Fund's investment operations are included in its total operating expenses. The management expense ratio ("MER") of the Fund, calculated as total operating expenses divided by net assets of the Fund at the end of each measurement period, was 5.3% at June 30, 2004 compared to 8.7% at June 30, 2003, calculated in each case on an annualized basis. During the first half of 2003, the Fund was still in its initial fund raising stage, with a relatively small amount of capital raised and no investments having been made; thus, its MER over this period was relatively high. MER for the first half of 2004, although substantially less than MER for the first half of 2003, exceeded MER of 3.8% for the year ended December 31, 2003. In 2003, operating expenses, which include management fees, were lower than they would have been had a substantial portion of equity capital been raised in early 2003 and investment operations been conducted throughout the year. As a consequence, MER for all of 2004 is expected to be higher than in 2003.

**The Fund sold out its 2003 tax credit allocation allowing it to raise up to \$16 million**



### Net Assets

Net assets were \$16,774,314, or \$8.65 per share, at June 30, 2004, as compared to \$8,282,847, or \$8.55 per share, at December 31, 2003. Net assets increased by \$8,491,467 during the first six months of 2004 as a result of \$9,380,953 of gross proceeds from sales of common shares of the Fund during the period, offset by \$674,376 of issue costs and by a loss of \$215,110 from total results of operations.

### Operating Results

For the six-month period ended June 30, 2004, the Fund earned investment income of \$233,704, including \$100,000 with respect to its investment in **Day4 Energy Inc.** In the future, the Fund will endeavour to derive investment income from its venture investments whenever possible, in addition to interest income on cash and short-term marketable securities. Total expenses of the Fund during the period were \$444,622. Total results of operations were a loss of \$215,110 after including a \$4,192 decrease in unrealized appreciation of investments. During the comparable period in the prior year, the Fund was in its initial fund raising stage, and had incurred a total of \$90,058 in pre-operating costs, resulting in total results of operations that were a loss of \$85,315 after including an increase of \$4,743 in unrealized appreciation of investments.

### Investment Activities

During the first six months of 2004, the Fund made one new venture investment and added to its position in an existing venture investment. The new venture investment was an investment of \$1,000,000 in **Day4 Energy Inc.** ("Day4"), initially consisting of a convertible debenture which was converted during the period into 800,000 common shares of Day4 and warrants for the purchase of an additional 400,000 common shares of Day4. In addition, the Fund invested a further \$280,002 in **IDELIX Software Inc.** These investment activities are summarized as follows:

<u>Portfolio Company</u>	<u>Securities</u>	<u>Cost</u>
<b>Private</b>		
Day4 Energy Inc.	800,000 common shares 400,000 share purchase warrants	\$ 1,000,000
IDELIX Software Inc.	800,000 preference shares	280,002
<b>Total Investments</b>		<b>\$ 1,280,002</b>

Total estimated fair value of venture investments of the Fund was \$2,378,184 at June 30, 2004, including \$75,180 of unrealized appreciation of venture investments (estimated fair value in excess of cost).

### Liquidity and Capital Resources

At June 30, 2004, the Fund had cash and marketable securities of \$14,473,858 and total liabilities of \$88,978. The Fund is well positioned to investigate and select venture investments from the various investment opportunities it is being presented with.

## STATEMENTS OF FINANCIAL POSITION

(Unaudited - prepared by management)

	June 30, 2004	December 31, 2003
<b>Assets</b>		
Venture investments, at estimated fair value	\$ 2,378,184	\$ 995,372
Marketable securities, at market value (note 3)	13,511,312	6,787,473
Cash	962,546	619,427
Accounts receivable and other assets	11,250	7,655
<b>Total assets</b>	<b>16,863,292</b>	<b>8,409,927</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	43,280	105,105
Due to related parties (note 4)	45,698	21,975
<b>Total liabilities</b>	<b>88,978</b>	<b>127,080</b>
<b>Net assets</b>	<b>16,774,314</b>	<b>8,282,847</b>
<b>Shareholders' Equity</b>		
Share capital (note 5)	17,249,277	8,542,700
Deficit	(550,143)	(339,225)
Unrealized appreciation of venture investments	75,180	79,372
<b>Total shareholders' equity</b>	<b>\$ 16,774,314</b>	<b>\$ 8,282,847</b>
Common shares outstanding	1,938,994	968,660
<b>Net Assets per Common Share</b>	<b>\$ 8.65</b>	<b>\$ 8.55</b>

See accompanying notes

Approved by the Board of Directors



Harry Jaako  
Director



John McEwen  
Director

## STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited - prepared by management)

	For the three months ended		For the six months ended	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
<b>Revenue</b>				
Investment income	\$ 169,987	\$ -	\$ 233,704	\$ -
	169,987	-	233,704	-
<b>Expenses</b>				
Administration fees	24,125	-	48,535	-
Directors' fees	5,643	-	12,551	-
Management fees	130,199	-	241,438	-
Marketing and shareholder communication	55,163	-	98,354	-
Operating expenses	4,880	-	9,087	-
Pre-operating costs (note 2)	-	59,050	-	90,058
Professional fees	17,154	-	34,657	-
Total expenses	237,164	59,050	444,622	90,058
<b>Loss for the Period</b>	(67,177)	(59,050)	(210,918)	(90,058)
Increase (decrease) in unrealized appreciation of venture investments	68,471	4,743	(4,192)	4,743
<b>Total Results of Operations for the Period</b>	1,294	(54,307)	(215,110)	(85,315)
<b>Deficit, beginning of the period</b>	(482,966)	(93,730)	(339,225)	(62,722)
Loss for the period	(67,177)	(59,050)	(210,918)	(90,058)
<b>Deficit, end of the period</b>	(550,143)	(152,780)	(550,143)	(152,780)
<b>Per Common Share</b> (based on weighted average number of shares outstanding)				
Loss for the period	(0.05)	(0.99)	(0.16)	(1.51)
Unrealized appreciation of venture investments	0.05	0.08	0.00	0.08
<b>Total Results of Operations for the Period</b>	<b>\$ 0.00</b>	<b>\$ (0.91)</b>	<b>\$ (0.16)</b>	<b>\$ (1.43)</b>

See accompanying notes

## STATEMENTS OF CHANGES IN NET ASSETS

(Unaudited - prepared by management)

	For the three months ended		For the six months ended	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
<b>Net Assets, beginning of the period</b>	\$ 15,364,147	\$ 246,653	\$ 8,282,847	\$ 42,318
<b>Operating Activities</b>				
Total results of operations for the period	1,294	(54,307)	(215,110)	(85,315)
<b>Capital Transactions</b>				
Proceeds from issuance of common shares (note 5)	1,548,648	2,026,343	9,380,953	2,410,144
Less: Share issue costs including sales commissions (note 5)	(139,775)	(152,203)	(674,376)	(300,661)
	1,408,873	1,874,140	8,706,577	2,109,483
<b>Increase in net assets for the period</b>	1,410,167	1,819,833	8,491,467	2,024,168
<b>Net Assets, end of the period</b>	16,774,314	2,066,486	16,774,314	2,066,486
<b>Unrealized Appreciation of Venture Investments</b>				
Balance, beginning of the period	6,709	-	79,372	-
Net increase (decrease) for the period	68,471	4,743	(4,192)	4,743
Balance, end of the period	\$ 75,180	\$ 4,743	\$ 75,180	\$ 4,743

See accompanying notes

## STATEMENTS OF CASH FLOWS

(Unaudited - prepared by management)

	For the three months ended		For the six months ended	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
<b>Operating Activities</b>				
Total results of operations for the period	\$ 1,294	\$ (54,307)	\$ (215,110)	\$ (85,315)
Items not affecting cash				
(Increase) decrease in unrealized appreciation of venture investments	(68,471)	(4,743)	4,192	(4,743)
(Increase) in unrealized appreciation of marketable securities	(40,877)	-	(28,200)	-
Non-cash investment income	(100,000)	-	(107,002)	-
Net change in non-cash working capital	(28,514)	44,925	(41,697)	(210,321)
Cash flows used in operating activities	(236,568)	(14,125)	(387,817)	(300,379)
<b>Investing Activities</b>				
Purchase of marketable securities	(456,926)	(1,164,624)	(6,695,639)	(1,164,624)
Purchase of venture investments	(280,002)	(166,000)	(1,280,002)	(166,000)
Cash flows used in investing activities	(736,928)	(1,330,624)	(7,975,641)	(1,330,624)
<b>Financing Activities</b>				
Proceeds from issuance of common shares (note 5)	1,548,648	2,026,343	9,380,953	2,410,144
Share issue costs including sales commissions (note 5)	(139,775)	(152,203)	(674,376)	(300,661)
Cash flows from financing activities	1,408,873	1,874,140	8,706,577	2,109,483
<b>Net Increase in Cash during the Period</b>	<b>435,377</b>	<b>529,391</b>	<b>343,119</b>	<b>478,480</b>
Cash, beginning of the period	527,169	174,772	619,427	225,683
<b>Cash, end of the period</b>	<b>\$ 962,546</b>	<b>\$ 704,163</b>	<b>\$ 962,546</b>	<b>\$ 704,163</b>

See accompanying notes

## STATEMENT OF INVESTMENT PORTFOLIO

(Unaudited - prepared by management)

As at June 30, 2004

### Marketable Securities

Par value \$	Issuer	Maturity date	Cost \$	Market Value \$	Percentage of Net Assets
<b>Short-term Investments</b>					
7,737,000	Canadian Imperial Bank of Commerce	July 30, 2004	7,699,166	7,724,943	46%
4,637,000	Canadian Imperial Bank of Commerce	July 30, 2004	4,614,928	4,629,966	28%
1,162,000	Canadian Imperial Bank of Commerce	Sept 30, 2004	1,156,341	1,156,403	7%
<b>Total Marketable Securities</b>			13,470,435	13,511,312	81%

### Venture Investments

Investee	Number of Securities	Security	Cost \$	Percentage of Net Assets
<b>Public</b>				
Cryopak Industries Inc.	892,857	Common Shares	250,000	2%
Cryopak Industries Inc.	446,428	Warrants	-	-
Vigil Health Solutions Inc.	474,286	Common Shares	166,000	1%
<b>Private</b>				
Aspreva Pharmaceuticals Corp.	42,030	Common Shares	257,002	2%
Aspreva Pharmaceuticals Corp.	8,406	Warrants	-	-
Day4 Energy Inc.	800,000	Common Shares	1,100,000	6%
Day4 Energy Inc.	400,000	Warrants	-	-
Idelix Software Inc.	1,800,000	Preferred Shares	530,002	3%
<b>Total Venture Investments, at Cost</b>			2,303,004	14%
Unrealized appreciation of venture investments			75,180	0%
<b>Total Venture Investments, at Estimated Fair Value</b>			2,378,184	14%
<b>Total Investments</b>			15,889,496	95%
Other assets, net of liabilities			884,818	5%
<b>Net Assets</b>			\$16,774,314	100%

## NOTES TO FINANCIAL STATEMENTS

(June 30, 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 June 30, 2004 is \$45,698 (December 31, 2003 - \$21,975) comprising \$44,562 (December 31, 2003 - \$21,975) payable to the Manager in respect of management fees and \$1,136 (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

(June 30, 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

	June 30, 2004		June 30, 2003	
	Number	Amount	Number	Amount
Balance - Beginning of period	968,660	\$ 9,643,667	26,210	\$ 262,100
Common shares issued for cash	970,334	9,380,953	241,014	2,410,144
Balance - End of period	1,938,994	19,024,620	267,224	2,672,244
Less: Issue costs				
Balance - Beginning of period		1,100,967		157,060
Sales commissions		469,048		120,507
Other share issue costs		205,328		180,154
Balance - End of period		1,775,343		457,721
Capital stock - net of issue costs		\$17,249,277		\$ 2,214,523

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.

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:

	June 30, 2004
Net assets in accordance with GAAP as reported	\$ 16,774,314
Add:	
Unamortized deferred share issue costs including sales commissions	1,547,024
Unamortized deferred pre-operating costs	121,955
Other financial statement adjustments	4,793
Pricing net asset value	\$ 18,448,086
Common shares outstanding	1,938,994
Pricing net asset value per common share	\$ 9.51
Net assets in accordance with GAAP per common share	\$ 8.65

## NOTES TO FINANCIAL STATEMENTS

(June 30, 2004)

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.

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

	<u>June 30, 2004</u>
<b>Share issue costs</b>	
Balance - Beginning of period	\$ 1,042,249
Add:	
Sales commissions	469,048
Other share issue costs	205,328
Less:	
Amortized deferred share issue costs including sales commissions	<u>(169,601)</u>
	<u>\$ 1,547,024</u>
<b>Pre-operating costs</b>	
Balance - Beginning of period	\$ 137,481
Less:	
Amortized deferred pre-operating costs	<u>(15,526)</u>
	<u>\$ 121,955</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.

# CORPORATE INFORMATION

## CORPORATE ADDRESS

### British Columbia Discovery Fund (VCC) Inc.

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Vancouver, BC Canada V6E 3T5  
Tel: (604) 683-3000  
Fax: (604) 662-3457  
Email: info@discoverycapital.com  
Website: www.bcdiscoveryfund.com

## FUND CODE

DCC 100

## FUND MANAGER

### Discovery Capital Management Corp.

A wholly owned subsidiary of Discovery  
Capital Corporation

## AUDITORS

PricewaterhouseCoopers LLP  
Chartered Accountants  
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## ADMINISTRATION

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## OFFICERS AND DIRECTORS

<u>NAME</u>	<u>POSITION</u>	<u>PRINCIPAL OCCUPATION</u>
<b>JOHN MCEWEN</b>	Director, Chief Executive Officer and Secretary	President and Co-CEO of Discovery Capital Corporation
<b>HARRY JAAKO</b>	Director and President	Chairman of the Board of Directors and Co-CEO of Discovery Capital Corporation
<b>NEIL DE GELDER</b>	Director and Chairman of the Board of Directors	Partner, Borden Ladner Gervais LLP
<b>DR. JOHN MACDONALD</b>	Director	CEO of Day4 Energy Inc.; Corporate Director; formerly Chairman, MacDonald Dettwiler and Associates Ltd.
<b>DR. ALAN WINTER</b>	Director	President and CEO of Genome B.C. and Winteck Consulting Inc.
<b>CHARLES COOK</b>	Chief Financial Officer	Vice-President and CFO of Discovery Capital Corporation



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