BC DISCOVERY FUND

SEMI ANNUAL REPORT

Building BC's Future in Technology | 2008

2008 Interim Management Report of Fund Performance

This interim management report of fund performance contains financial highlights of and accompanies the unaudited interim financial statements of **British Columbia Discovery Fund (VCC) Inc.** (the **"Fund"**) contained in this Semi-Annual Report, and should be read in conjunction with those financial statements.

Shareholders may contact the Fund to request a copy of this Semi-Annual Report, or the proxy voting policy or proxy voting disclosure record of the Fund, by calling the following toll free number 1-877-553-3863; by writing to the Fund at 5th Floor, 1199 West Hastings St., Vancouver, B.C. V6E 3T5; or by visiting the Fund's website at ***www.bcdiscoveryfund.com***; or SEDAR at ***www.sedar.com***. The Fund's proxy voting disclosure record for the period ending June 30, 2008 is posted on the Fund's website.

The Fund is a venture capital corporation registered under and governed by the provisions of the *Small Business Venture Capital Act* (British Columbia) (**"SBVCA"**). The venture capital programs operating under the SBVCA encourage early stage or "seed" equity capital investments in small businesses by offering British Columbia resident investors refundable tax credits. Persons who require further information on the provisions of the SBVCA are advised to consult their own professional advisors or visit the website of the Investment Capital Branch at ***www.equitycapital.gov.bc.ca.***

This Management Discussion of Fund Performance may contain certain forward-looking statements that are made based on management's judgment and expectations, but are inherently subject to risks and uncertainties beyond the Fund's control. Actual results may differ materially from those anticipated in forward-looking statements.

Results of Operations – Six Months Ended June 30, 2008

At June 30, 2008, the Pricing Net Asset Value per Share of the Fund (the price at which the Fund sells and redeems its common shares) was $9.10, a decrease of 9.0% during the six month period. This decrease is primarily due to unrealized losses of $6,307,028 in the estimated fair value of the Fund's venture investments, as explained below under "Operating Results".

In 2008, the Fund commenced redemptions, as shares sold in early 2003 became eligible for redemption. The Fund paid out $1,103,496 in redemptions during the period and to date has satisfied all redemption requests received. See also "Recent Developments" below.

Net Assets

Net assets for financial statement reporting purposes were $48,999,602 at June 30, 2008, a decrease of $4,389,090, or 8.2%, from net assets of $53,388,692 at December 31, 2007. The decrease in net assets is the net result of the negative impacts of a loss of $5,507,850 from operations (see "Operating Results" below), redemptions paid out of $1,103,496 and share issue costs of $210,248, offset by gross proceeds from sales of shares of $2,432,504.

Operating Results

Net assets from operations decreased by $5,507,850 during the six months ended June 30, 2008 (the **"2008 Interim Period"**). This compares to an increase in net assets from operations of $3,356,110 during the six months ended June 30, 2007 (the **"2007 Interim Period"**).

The decrease in the 2008 Interim Period is mainly attributable to an unrealized loss of $6,307,028 on the Fund's venture investments, resulting primarily from unrealized losses in two of the Fund's venture investments. The estimated fair value of the Fund's investment in solar-energy company, Day4 Energy Inc., which successfully completed a $100 million initial public offering in December 2007, declined by approximately $3.6 million during the 2008 Interim Period, reflecting the general decline in the share prices of publicly-traded solar-energy companies in that period. The Fund also determined to write down by approximately $2.1 million the estimated fair value of its investment in privately-held Tantalus Systems Corp. as a result of adverse developments in the business of that company. During the period, Tantalus undertook remedial measures that are expected to result in the company restoring its business to previously expected levels.

In addition to the overall unrealized loss on venture investments, net assets from operations were affected by the following items:

» There was a net investment loss of $291,995 during the 2008 Interim Period. Total investment income was $813,762 during the 2008 Interim Period, higher by $163,869 over total investment income of $649,893 during the 2007 Interim Period, mainly due to increased dividend income accrued on venture investments made by the Fund, as well as increased interest earned on higher balances of cash and marketable securities. Total expenses were $1,105,757 during the 2008 Interim Period, higher by $155,513 over total expenses of $950,244 for the 2007 Interim Period. Management and trailer fees were both higher, as they reflected the increased pricing net assets of the Fund for the first part of the 2008 Interim Period, prior to the decline in the estimated fair values of the Fund's investments which occurred later in the period.
» There were no realized gains or losses on venture investments during the 2008 Interim Period, as the Fund made no divestitures during the period. Realized gains on venture investments were $501,540 during the 2007 Interim Period, arising from the successful disposition of the Fund's investment in publicly-traded TIR Systems Ltd.
» There was a decrease of $1,091,173 in the performance fee accrual on unrealized gains, which had the effect of increasing net assets from operations during the 2008 Interim Period. Almost all of the accrual at June 30, 2008 related to the Fund's investment in Day4 Energy. As explained under "Management Fees" below, performance fees are only actually paid upon achievement of certain conditions.

Given the high risk nature of the Fund's venture investments in emerging technology companies, particularly those in early-stage, privately-held companies, operating results of the Fund are likely to be highly volatile from period to period.

Investments and Investment Activities

During the 2008 Interim Period, the Fund made cash investments of $7,812,703, comprised of $2,812,703 in six existing portfolio companies and $5,000,000 in three new private small businesses – Navarik Corp., Gatekeeper Systems Inc. and Avigilon Corporation, At June 30, 2008, the Fund's portfolio comprised venture investments in fourteen emerging technology companies, diversified across its targeted technology sectors. Twelve of the Fund's investments at June 30, 2008 are in private companies, representing 81% of the Fund's total venture investment fair value at that date.

The Fund's asset mix at June 30, 2008 was 78% in venture investments and 22% in cash, marketable securities and other net assets – see "Summary of Investment Portfolio" below.

SBVCA Allocation

The Fund is currently authorized under the SBVCA to issue up to $13 million of its shares during the period January 1, 2008 to February 15, 2009 and up to a further $13 million of its shares in each of the periods commencing January 1 and ending February 15, 2010 and 2011, respectively. Typically, a substantial portion of the sale of shares of the Fund occurs between the months of September and February.

Recent Developments

In 2008, holders of approximately 968,000 shares of the Fund issued in December 2002 and in 2003 become eligible to request redemption of their shares. Approximately 118,000 shares were redeemed during the 2008 Interim Period. At the

June 30, 2008 Pricing Net Asset Value per Share of $9.10, the balance of the shares eligible for redemption in 2008 would represent a possible total of $7,735,000 in redemptions for the balance of 2008.

At the beginning of 2008, the Fund had portfolio gains and investment income from investments as well as expected "matured" investments (which are investments that have been held by the Fund for the minimum required five-year period) which, under SBVCA policy, provided available funds to satisfy a total of approximately $4.6 million of redemptions in 2008. The balance available for redemptions in the remainder of 2008 is approximately $3.5 million. Accordingly, unless the Fund is able to exit further investments and realize gains on those investments, **the Fund will not be in a position to redeem all Shares eligible for redemption in 2008**. The Fund's management team is working diligently to generate profitable realizations to match redemption requests into the future as closely as possible.

The ability of the Fund to meet redemption requests in any year is dependent upon a number of factors which are highly variable and difficult to predict. These include, principally, the performance of the Fund's venture capital investments and the rate at which they mature, including the timing of the Fund's ability to enter into and exit those investments and the amount of gain or loss that the Fund realizes on those investments. The Fund is entitled to decline and refuse to complete redemption requests under certain circumstances including where the Board of Directors of the Fund is of the opinion that, as a result of any such redemption, the Fund may not be able to comply with the minimum investment requirements under the SBVCA in the future.

Accordingly, there is no assurance that the Fund will be in a position to redeem Shares in any year, and, therefore **shareholders and investors should be cautioned that the redemption period applicable to Shares purchased by them is likely to be, for practical purposes, longer than five years**.

Related Party Transactions

The following table summarizes related party fees and expenses payable in respect of the six-month interim periods ending June 30, 2008 and June 30, 2007.

	2008	**2007**
Directors' fees and expenses	$ 26,657	$ 12,501
Management fees	769,436	578,920
Performance fees	-	106,326
Reimbursement of expenses	28,156	33,984
Total related party fees and expenses	**$ 824,249**	**$ 731,731**

Management fees and performance fees are payable to Discovery Capital Management Corp. (the "Manager") pursuant to an amended and restated management agreement dated as of January 1, 2004 (**"Management Agreement"**) between the Manager and the Fund – see "Management Fees" below. Reimbursement of expenses are comprised of expenses which were payable to the Manager (or to its former parent company, Discovery Capital Corporation ("DCC"), prior to its wind up) relating to office and marketing expenses, as well as directors' and officers' insurance, which the Manager or DCC paid on behalf of the Fund.

Financial Highlights

The Fund's Net Asset Value (NAV) per Share	**2008 (1)**	For the years ended December 31 **2007**	**2006**	**2005**	**2004**	**2003**
Net Asset Value, beginning of period (2)	$9.68	$8.28	$8.43	$8.44	$8.55	$1.61
Section 3855 transitional adjustment (3)	-	0.01	-	-	-	-
Increase (decrease) from operations:						
Total revenue	0.14	0.30	0.27	0.18	0.20	0.16
Total expenses	(0.19)	(0.43)	(0.41)	(0.48)	(0.48)	(1.18)
Realized gains (losses) for the period	-	0.04	-	0.13	-	-
Unrealized gains (losses) for the period	(1.12)	2.05	(0.01)	0.24	(0.11)	0.29
Performance fees accrued on unrealized gains	0.19	(0.44)	0.05	(0.06)	-	-
Total increase (decrease) from operations (2)	**$(0.98)**	**$1.52**	**$(0.10)**	**$0.01**	**$(0.39)**	**$(0.73)**
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Total Annual Distributions	-	-	-	-	-	-
Net Asset Value, end of period(2)	**$8.67**	**$9.68**	**$8.28**	**$8.43**	**$8.44**	**$8.55**

(1) This information is provided for the six-month interim period ended June 30, 2008..

(2) Net asset value is based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period. This table is not intended to be a reconciliation of the net asset value per share.

(3) In the case of the Fund, the adoption of Section 3855, "Financial Instruments – Recognition and Measurement" of the *CICA Handbook – Accounting* for financial statement reporting purposes results in different valuation techniques for certain investments after December 31, 2006. For example, for the venture investments of the Fund that are traded in an active market, Section 3855 requires closing bid prices at period-end be used as the basis of valuation, rather than average closing market prices over the preceding 20 trading days as is the policy of the Fund in calculating its Pricing Net Asset Value per Share. For financial statement reporting purposes, the provisions of Section 3855 were applied retroactively in 2007, without restatement of prior periods. Accordingly, only the net asset value at the beginning of 2007 was required to be adjusted to provide for the transitional adjustment resulting from the adoption of Section 3855 as at January 1, 2007.

Ratios and Supplemental Data	2008 (1)	2007	2006	2005	2004	2003
		For the years ended December 31				
Net assets (000's) (2)	$49,000	$53,389	$33,144	$28,462	$21,506	$8,283
Number of shares outstanding (2)	5,651,116	5,512,592	4,001,829	3,376,812	2,549,357	968,660
Management expense ratio (3)	4.99%	7.19%	6.60%	7.99%	12.13%	35.77%
Commissions and other share issue costs	*0.79%*	*2.43%*	*1.72%*	*2.46%*	*6.39%*	*26.74%*
Management, administrative and other fees and expenses	*4.20%*	*4.76%*	*4.88%*	*5.53%*	*5.74%*	*9.03%*
Expense ratio based on pricing net assets (4)	4.91%	7.03%	6.23%	7.49%	11.03%	29.81%
Portfolio turnover rate (5)	0.00%	9.99%	0.00%	9.86%	0.00%	0.00%
Trading expense ratio (6)	0.00%	0.00%	0.00%	0.02%	0.00%	0.00%
Pricing NAV per Share (2)	$9.10	$10.00	$8.74	$9.03	$9.15	$9.82

(1) This information is provided for the six-month interim period ended June 30, 2008.

(2) This information is provided as at June 30 for 2008 and as at December 31 for each of the years 2003 through 2007.

(3) Management expense ratio (based on net assets for financial statement reporting purposes) is based on total expenses for the stated period and is expressed as an annualized percentage of weekly average net assets during the periods. Expenses for the six months ended June 30, 2008 have been annualized to reflect an entire year.

(4) The Fund purchases and redeems Shares at Pricing Net Asset Value per Share. Accordingly, the Manager believes that providing the expense ratio based on pricing net assets is informative and better reflects the actual economic experience of shareholders of the Fund.

(5) The Fund's portfolio turnover rate indicates how actively the Fund's Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average net assets during the period.

The Fund is a venture capital fund that invests in treasury securities of emerging technology companies. It will typically hold its venture investments for a number of years before exit opportunities may arise. Accordingly, portfolio turnover rate and trading expense ratio have been minimal to date.

Management Fees

The Manager is paid an annual management fee equal to 2.75% of the Pricing Net Asset Value of the Fund up to $100 million and 2.50% of the Pricing Net Asset Value of the Fund in excess of $100 million (the Pricing Net Asset Value of the Fund is the value which is used by the Fund to calculate the price at which it issues and redeems its shares – refer to Note 6(b) of the June 30, 2008 unaudited financial statements of the Fund accompanying this report). In addition, subject to satisfaction of certain conditions, the Manager is paid a performance fee equal to 20% of the realized gains for cash and cash income from each venture investment of the Fund. The conditions which must be satisfied for a performance fee to be paid in respect of any venture investment are that:

(a) the total net realized and unrealized gains and income of the Fund from its portfolio of venture investments since its inception must have generated a return greater than the annualized average rate of return on five year guaranteed investment certificates offered by a major Canadian chartered bank plus 2% per annum;

(b) the compounded annual internal rate of return (including realized and unrealized gains and income) from the venture investment since its acquisition by the Fund must equal or exceed 10% per year; and

(c) the Fund must have fully recouped (by way of disposition proceeds, dividends, interest and otherwise) an aggregate cash amount equal to all principal invested in the venture investment.

This performance fee will be calculated and, subject to applicable SBVCA expense limitations, will be paid quarterly, in arrears. Once paid, any performance fee paid by the Fund will not be refundable by the Manager as a result of a subsequent decline in the unrealized gains on venture investments of the Fund. In the event the Management Agreement is terminated, the Fund will be required to pay, subject to applicable SBVCA expense limitations, such performance fee to the Manager in respect of the quarter in which termination occurs and in respect of the following eight quarters.

Services provided by the Manager include the overall day-to-day management of the Fund, including sourcing, evaluating and negotiating investment opportunities for the Fund; monitoring the financial and operating performance of the portfolio companies and providing assistance to management where necessary; and ensuring that the Fund's accounting, regulatory and transfer agency requirements are established, maintained and administered to meet the various regulatory requirements of the Fund. Trailer fees and sales commissions are included in the expenses paid by the Fund directly.

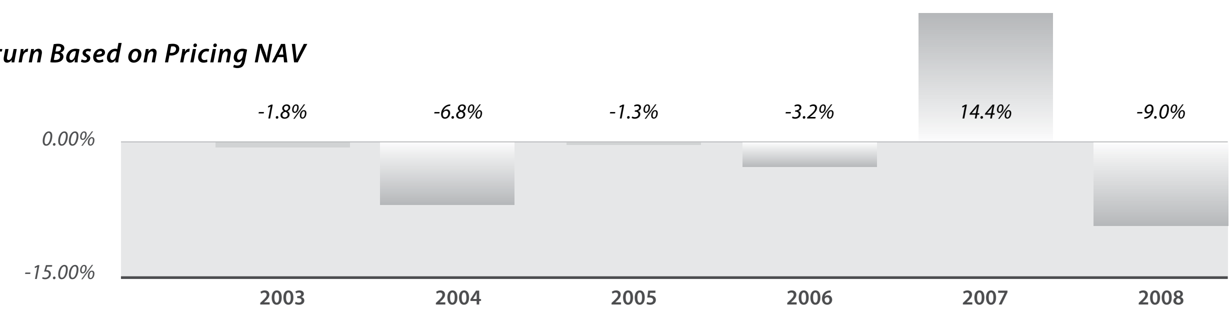
Past Performance

The following bar charts indicate the past performance of the Shares of the Fund and will not necessarily indicate how the Fund will perform in the future. The information does not take into account sales, redemption, distribution or other optional charges payable by any shareholder that would have reduced returns or performance.

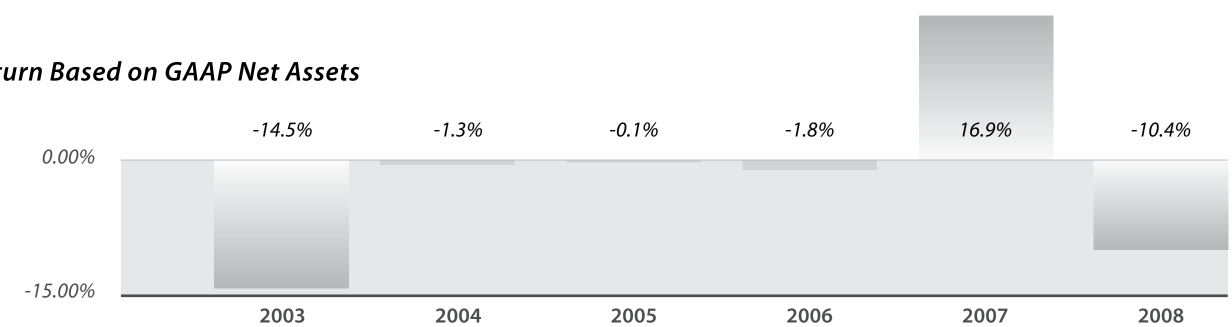
Year-by-Year Returns

The following bar charts show the performance of the Shares of the Fund for the six-month interim period ended June 30, 2008 and for each of the five prior years ended December 31, 2003 through 2007 and illustrate how the Fund's performance has varied in each of those periods. The Fund was incorporated on November 6, 2002 and offered Shares at a price of $10.00 per Share until June 30, 2003. The bar charts show, in percentage terms, how much an investment held on January 1 (the first day of the Fund's financial year) would have increased or decreased by June 30th (the last day of the Fund's interim period) or by December 31st (the last day of the Fund's financial year) for Shares of the Fund. The bar charts do not take into account the 30% tax credit received on the purchase price of an investment in Shares of the Fund.

Return Based on Pricing NAV



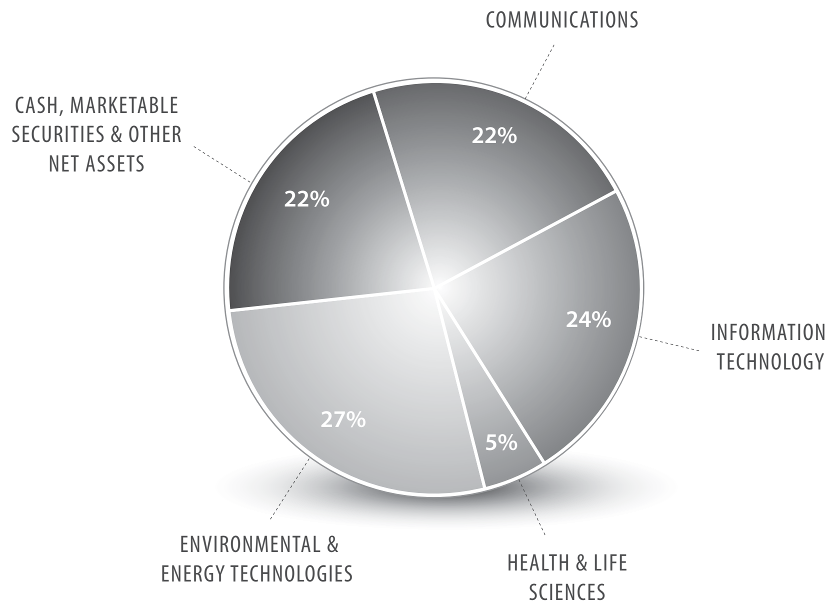
Return Based on GAAP Net Assets



Note: The information for 2008 shows the return over the six-month interim period ended June 30, 2008. The information for the years 2003 through 2007 shows the return in each of those years.

Summary of Investment Portfolio

The following illustrates a portfolio breakdown of the Fund as at June 30, 2008, based on net assets for financial statement reporting purposes:



This summary of investment portfolio may change due to the ongoing portfolio investment transactions of the Fund.

At June 30, 2008, the Fund had positions in 14 portfolio companies. The Fund's public company investments comprised 15% of net assets and its private company investments comprised 63% of net assets.

The largest holding of the Fund is its investment in publicly-traded Day4 Energy Inc., which constitutes 14% of the net assets of the Fund. The next largest holding is privately-held Mobidia Technology, which constitutes 10% of the net assets of the Fund. In Motion Technology, Tantalus Systems, Vivonet Inc., Paradigm Environmental and IDELIX Software each constitute between 5% and 10% of the net assets of the Fund. The remaining seven investments of the Fund each constitute less than 5% of the net assets of the Fund.

British Columbia Discovery Fund (VCC) Inc.

2008 Interim Financial Statements

(Unaudited – prepared by management)

June 30, 2008

NOTICE PURSUANT TO NATIONAL INSTRUMENT 81-106

The accompanying interim financial statements of British Columbia Discovery Fund (VCC) Inc. as at and for the period ended June 30, 2008 have not been reviewed by an auditor.

2008 INTERIM FINANCIAL STATEMENTS

STATEMENTS OF NET ASSETS

As at June 30, 2008 and December 31, 2007

(Unaudited – prepared by management)

	June 30 2008	Dec 31 2007
Assets		
Venture investments (note 2)	$ 38,245,143	$ 36,292,090
Marketable securities (note 2)	4,708,478	9,311,631
Funds held in investment protection account (note 4)	3,123,576	5,414,180
Cash	3,099,251	3,706,870
Interest and dividends receivable	1,046,614	949,521
Accounts receivable	71,131	47,849
Subscriptions receivable	38,821	-
Prepaid expenses	18,225	8,838
Total assets	50,351,239	55,730,979
Liabilities		
Accounts payable and accrued liabilities	73,282	125,722
Redemptions payable	156,007	-
Due to related parties (note 8)	136,367	139,411
Performance fees accrued on unrealized gains (note 5)	985,981	2,077,154
Total liabilities	1,351,637	2,342,287
Net assets	**48,999,602**	**53,388,692**
Shareholders' Equity		
Capital stock (note 6)	48,792,869	47,589,053
Deficit (note 7)	(3,683,882)	(4,398,004)
Unrealized gains on investments	3,890,615	10,197,643
Total shareholders' equity	**$ 48,999,602**	**$ 53,388,692**
Common shares outstanding	**5,651,116**	**5,515,592**
Net assets per common share (note 6(b))	**$8.67**	**$9.68**
Pricing net asset value per common share (note 6 b))	**$9.10**	**$10.00**

See accompanying notes to the financial statements

On behalf of the Board of Directors

Harry Jaako
Director

John McEwen
Director

STATEMENTS OF OPERATIONS

For the six months ended June 30

(Unaudited – prepared by management)

	June 30 2008	June 30 2007
Investment income		
Interest from venture investments	$ 235,838	$ 271,143
Dividends from venture investments	264,734	103,782
Interest from marketable securities	313,190	269,915
Other income	-	5,053
Total investment income	813,762	649,893
Expenses		
Management fees (notes 5 and 8)	769,436	578,920
Performance fees on realized gains (notes 5 and 8)	-	106,326
Trailer fees (note 2)	119,875	99,848
Fund administration and transfer agency fees	63,515	53,405
Shareholder communications	26,458	26,281
Office expenses and administrative services	45,177	25,107
Marketing expenses	8,873	21,050
Directors' and officers' insurance	13,700	14,812
Directors' fees and expenses (note 8)	26,657	12,501
Audit and advisory fees	31,378	11,342
Legal fees	688	652
Total expenses	1,105,757	950,244
Net investment loss	**(291,995)**	**(300,351)**
Realized gains on venture investments	-	501,540
Unrealized gains (losses) on investments	(6,307,028)	4,312,294
Decrease (increase) in performance fee accrual (note 2)	1,091,173	(1,157,373)
Increase (decrease) in net assets from operations	**(5,507,850)**	**3,356,110**
Increase (decrease) in net assets from operations per common share	**$(0.98)**	**$0.77**

See accompanying notes to the financial statements

STATEMENTS OF CHANGES IN NET ASSETS

For the six months ended June 30, 2008

(Unaudited – prepared by management)

	June 30 2008	June 30 2007
Net assets - Beginning of the period	$ 53,388,692	$ 33,143,719
Transitional adjustment to estimated fair value of venture investments, beginning of period, pursuant to adoption of new accounting policy (note 2)	-	47,536
Operating activities		
Increase (decrease) in net assets from operations	(5,507,850)	3,356,110
Capital transactions		
Proceeds from issuance of common shares	2,432,504	4,978,092
Less: Sales commissions	(128,366)	(247,592)
Other share issue costs	(81,882)	(96,113)
Redemption of common shares	(1,018,440)	(25,000)
Excess paid on redemption of common shares	(85,056)	(869)
	1,118,760	4,608,518
Increase (decrease) in net assets	**(4,389,090)**	**8,012,164**
Net assets - End of the period	**$ 48,999,602**	**$ 41,155,883**

See accompanying notes to the financial statements

STATEMENTS OF CASH FLOWS

For the six months ended June 30

(Unaudited – prepared by management)

	June 30 2008	June 30 2007
Cash flows from operating activities		
Increase (decrease) in net assets from operations	$ (5,507,850)	$ 3,356,110
Items not affecting cash from operating activities		
Unrealized losses (gains) on venture investments	6,307,028	(4,312,294)
Realized gains on venture investments	-	(501,540)
Non-cash investment income	(403,479)	-
Increase (decrease) in performance fees accrued on unrealized gains	(1,091,173)	1,157,373
Change in accrued interest on marketable securities	-	18,468
Net change in non-cash working capital	(68,060)	(69,935)
Net change in investment protection account	2,276,186	(867,178)
Net change in marketable securities	4,573,672	(2,349,984)
Purchase of venture investments	(7,812,703)	(2,886,500)
Proceeds from disposal of venture investments	-	2,579,334
Cash flows from operating activities	(1,726,379)	(3,876,146)
Cash flows from financing activities		
Proceeds from issuance of common shares (note 6)	2,432,504	4,978,092
Share issue costs including sales commissions (note 6)	(210,248)	(343,705)
Redemption of common shares (notes 6 and 7)	(1,103,496)	(25,869)
Cash flows from financing activities	1,118,760	4,608,518
Increase (decrease) in cash during the period	**(607,619)**	**732,372**
Cash - Beginning of the period	3,706,870	2,112,689
Cash - End of the period	**3,099,251**	**2,845,061**
Supplemental cash flow information		
Interest received	$ 485,247	$ 517,914

See accompanying notes to the financial statements

STATEMENT OF INVESTMENT PORTFOLIO

As at June 30, 2008

(Unaudited – prepared by management)

MARKETABLE SECURITIES

Issuer	Par $ Value	Maturity Date	Cost $	Estimated Fair Value $
Short-term investments				
Canadian Imperial Bank of Commerce Bankers' Acceptance 2.90%	2,814,000	July 23, 2008	2,806,205	2,808,513
Canadian Imperial Bank of Commerce Bankers' Acceptance 2.90%	1,904,000	July 25, 2008	1,899,773	1,899,965
Total marketable securities			**4,705,978**	**4,708,478**

VENTURE INVESTMENTS

Investee	Number of Shares / Par $ Value	Expiry Date / Maturity Date	Cost $	Estimated Fair Value $
Public				
Day4 Energy Inc.				
Common shares	1,650,000	-	2,800,000	6,756,750
Vigil Health Solutions Inc.				
Common shares	14,954,286	-	1,076,800	523,400
Common share warrants	3,000,000	January 30, 2010		
Total public venture investments			**3,876,800**	**7,280,150**
Private				
Avigilion Corporation				
6% Class A preferred shares	2,000,000	-	2,000,000	
GaleForce Solutions Inc.				
8% Class B preferred shares	920,775	-	795,833	
12% Class C preferred shares	350,000	-	350,000	
12% secured convertible note	$ 50,000	October 24, 2008	50,000	
12% secured convertible note	$ 17,500	July 26, 2008	17,500	
Gatekeeper Systems Inc.				
Class A preferred shares	5,405,405	-	2,000,000	
Idelix Software Inc.				
Series 2 preferred shares	1,800,000	-	530,002	
Series 3 preferred shares	800,000	-	200,000	
10% secured convertible note	$ 2,151,000	July 31, 2008	2,151,000	
Carried forward			8,094,335	

STATEMENT OF INVESTMENT PORTFOLIO...*continued*

As at June 30, 2008

(Unaudited – prepared by management)

VENTURE INVESTMENTS...*continued*

Investee	Number of Shares / Par $ Value	Expiry Date / Maturity Date	Cost $	Estimated Fair Value $
Brought forward			8,094,335	
Inimex Pharmaceuticals Inc. (note 2)				
Series A1 preferred shares	277,819	-	1,000,000	
8% Series B1 preferred shares	458,212	-	1,206,840	
In Motion Technology Inc.				
6% Series 1 preferred shares	2,316,274	-	1,167,402	
Series 1 preferred share warrants	1,158,137	March 22, 2010	-	
6% Series 2 preferred shares	2,512,000	-	1,570,000	
6% secured convertible note	$1,000,000	December 31, 2008	1,000,000	
Mobidia Technology Inc.				
Class A-Series 1 preferred shares	1,590,908	-	1,784,090	
Class A-Series 2 preferred shares	925,926	-	1,250,000	
Class A-Series 3 preferred shares	1,399,052	-	1,538,958	
Common shares	519,721	-	439,452	
Navarik Corp.				
Common shares	1,149,425	-	1,000,000	
Common share warrants	1,149,425	March 26, 2010	-	
Paradigm Environmental Technologies Inc.				
Class A voting common shares	731,063	-	2,500,003	
Class A voting common share warrants	66,667	December 15, 2008	-	
Class A voting common share warrants	186,667	January 31, 2009	-	
Rx Networks Inc.				
8% Series A2 preferred shares	3,666,667	-	1,650,000	
Tantalus Systems Corp.				
Common shares	1,690,562	-	3,064,140	
Vivonet Inc. (note 2)				
6% Class B preferred shares	4,280,822	-	1,481,250	
6% Class C preferred shares	5,847,382	-	1,736,462	
Total private venture investments, at cost			30,482,932	
Unrealized gain on private venture investments			482,061	
Total private venture investments - at estimated fair value				**30,964,993**
Total venture investments - at estimated fair value				**38,245,143**
Total investments				**42,953,621**
Other assets - net of liabilities				6,045,981
Net assets				**48,999,602**

See accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

These unaudited interim financial statements should be read in conjunction with the audited financial statements of British Columbia Discovery Fund (VCC) Inc. (the Fund) as at and for the year ended December 31, 2007.

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.

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.

Common shares of the Fund are offered on a continuous offering basis at the pricing net asset value per common share (Pricing NAV per Share) (see note 6).

2 Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies are as follows:

Adoption of new accounting standards

On April 1, 2005, The Canadian Institute of Chartered Accountants (CICA), issued Section 3855 - Financial Instruments - Recognition and Measurement. Section 3855, which came into effect on October 1, 2006, is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006 and applies to the Fund for the fiscal year commencing January 1, 2007.

Among other things, Section 3855 requires all financial assets and liabilities to be initially measured at their fair value and to be classified according to their characteristics. Investment companies are exempt from the requirement to classify but are required to record their financial assets and liabilities at fair value.

Section 3855 further requires that the fair value of financial instruments which are traded in active markets be measured based on the bid price for these securities. Previously, fair value under GAAP was based on the last traded price. Accordingly, venture investments that are publicly traded securities, and not otherwise restricted, are now recorded on the basis of the closing bid price at period-end. The fair value of financial assets that are not traded in an active market are to be measured based on a valuation technique which establishes an estimated price of that asset in an arm's length transaction motivated by normal business considerations at any measurement date.

Section 3855 also requires that transaction costs, such as commissions, incurred in the purchase and sale of investments, be recorded as an expense in the statements of operations. Prior to 2007, the practice was to add these expenses to the cost of securities purchased or to deduct them from the proceeds of sale.

The Canadian securities regulatory authorities have granted general relief on an interim basis to investment funds that are reporting issuers from complying with Section 3855, for the purposes of calculating and reporting of net asset value other than for financial statement reporting purposes, until the earlier of September 30, 2008 or the date on which the proposed amendments to NI 81-106 issued by the Canadian securities regulators come into effect (expected to be September 8, 2008). However, because the Fund is a venture capital fund that has established Pricing NAV per Share

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

(see note 6 b)) as the price at which common shares will be sold and redeemed by the Fund, management of the Fund believes that only the calculation of net asset value and net asset value per share of the Fund for financial statement reporting purposes will be affected.

In accordance with the decision made by the Canadian securities regulators, the Fund has incorporated adjustments arising from the adoption of Section 3855 in its reconciliation between the net asset value for financial statement reporting purposes and the net asset value for determination of Pricing NAV per Share – see note 6 b). As permitted under Section 3855, the change in accounting policy was applied retroactively without restatement of prior periods. Accordingly, the opening net asset value at January 1, 2007 in the Statements of Changes in Net Assets was increased by $47,536 and unrealized gains on investments were reduced by a corresponding amount.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of certain assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates. Significant areas requiring the use of management estimates include estimations of the fair value of venture investments. Assumptions underlying investment valuations are limited by the availability of reliable data and uncertainty of predictions concerning future events. Accordingly, by their nature, investment valuations include a subjective element and as such actual values may differ materially from estimates of fair values.

Marketable Securities

Short-term marketable securities are recorded at current market prices based on quotes provided by a recognized investment dealer. Purchases and sales of marketable securities are recorded on a trade date basis.

Venture Investments

Venture investments are recorded at their estimated fair value. Fair values for venture investments are estimated using the following methods:

a) Venture investments that are publicly traded securities, and that are not otherwise restricted, are recorded on the basis of the closing bid price at period-end. A reasonable discount to market will normally be used if trading is restricted in any way.

b) For venture investments that are not publicly traded securities (i.e., those not traded in an active market), the Fund uses valuation techniques in order to estimate fair value on the basis of an arm's length transaction motivated by normal business considerations. The initial transaction price of a venture investment is considered to be a reasonable approximation of its fair value on the date on which the investment is made. Thereafter, valuation techniques are used to consider various inputs which may indicate a change to that fair value. Such techniques may include recent arm's length market transactions between knowledgeable, willing parties or multiple-based techniques where there is a track record of the relevant performance criteria used in such multiples. Where appropriate, the Fund applies the International Private Equity and Venture Capital Valuation Guidelines as being an acceptable valuation technique commonly used in the venture capital fund marketplace.

   The process of estimating the fair value of venture investments for which there is no active market is inevitably based on inherent measurement uncertainties and it is reasonably possible that the resulting values may differ from values that would have been used had a ready market existed for the investments. These differences could be material.

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The Black Scholes option pricing model is used to estimate the fair value of warrants and options which are usually not traded in any market.

Convertible securities, which are also usually not traded in any market, will generally be valued at their estimated fair value, which takes into account interest rates, credit risks and the equity conversion value, the latter being determined in the same manner as venture investments.

Investment transactions are accounted for on a trade date basis. Realized gains and losses on such transactions are recorded in the statements of operations at that time. Unrealized gains and losses on venture investments are also recorded in the statements of operations.

Foreign Exchange

To the extent applicable in any period, foreign currency purchases and sales of venture investments and foreign currency dividend and interest income are translated into Canadian dollars at the rate of exchange prevailing at the time of the transactions. Realized and unrealized foreign currency gains or losses on venture investments are included in the statements of operations in "realized gains (losses) on venture investments" and "unrealized gains (losses) on investments", respectively. Realized and unrealized foreign currency gains or losses on interest and dividend income from venture investments are included in the statements of operations in "interest from venture investments" and "dividends from venture investments".

As at June 30, 2008, the Fund held investments in Inimex Pharmaceuticals Inc. and Vivonet Inc. that are denominated in United States dollars. The unrealized foreign currency loss included in the estimates of fair value of investments denominated in United States dollars on the Statement of Investment Portfolio is $187,702 as at June 30, 2008 (December 31, 2007 - $246,125).

Share Issuance Costs and Sales Commissions

Share issuance costs and sales commissions are recorded as a reduction of capital stock (see note 6).

Investment Income

Interest from marketable securities represents interest earned on operating cash accounts and bankers' acceptances and is recognized on an accrual basis.

Interest and dividend income from venture investments is recognized on an accrual basis.

Performance fees

Performance fees become payable to the Manager, subject to satisfaction of certain conditions, on the realized gains for cash and cash income from each venture investment of the Fund. Any amount payable on realized gains for cash and cash income at the financial statement date is recorded as a liability and expense for the Fund in the relevant period. In addition, an accrual is made for performance fees based on the amount that would have been payable had the Fund disposed of its venture investments at their estimated fair value at the period-end date. A change in the amount of the accrual between period-end dates is recorded in the Statement of Operations as an increase or decrease in performance fee accrual and has the effect of decreasing or increasing net assets from operations.

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Trailer Fees

Registered dealers selling shares of the Fund are paid, at the choice of each dealer, either 5.0% of the selling price of each share and a trailer fee; 7.5% of the selling price of each share; or 0.0% of the selling price of each share. For those dealers who have chosen to receive a trailer fee, the Fund pays to each of them having clients holding common shares a monthly trailer fee of 1/12 of 0.5% of the total pricing net asset value held by those clients. Trailer fees are calculated monthly and paid quarterly.

Net Investment Loss Per Common Share

Net investment loss per common share is calculated using the weighted average number of common shares outstanding, which for the six months ended June 30, 2008 was 5,632,564 (December 31, 2007 - 4,699,637). Diluted loss per share has not been presented as no dilutive equity instruments have been granted or issued.

3 Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of venture investments and marketable securities are estimated in accordance with the valuation policies described in note 2.

The fair value of other financial assets and liabilities approximate their carrying value due to the short-term nature of these instruments.

It is the Manager's opinion that the Fund is not exposed to significant interest rate risks arising from these financial instruments. Accounts receivable are subject to normal credit risks. Venture investments representing debt and interest and dividends receivable on venture investments are subject to credit risks and are managed through active review of the venture investment portfolio.

4 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 investment protection accounts in amounts equal to 30% of the funds raised. As investments in eligible businesses are subsequently made, a drawdown from the investment protection accounts 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 accounts at June 30, 2008 and December 31, 2007 were $3,123,576, and $5,414,180, respectively.

5 Management Fees and Performance Fees

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 venture

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investment of the Fund, calculated and paid quarterly in arrears. The payment of the management fee is subject to expense 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. Payment of performance fees is also subject to such SBVCA expense limitations as may be applicable.

During the six months ended June 30, 2008, the Manager was paid $nil in respect of realized gains on venture investments (2007 - $106,326).

As at June 30, 2008, the Fund recorded a liability of $985,981 (December 31, 2007 - $2,077,154) in respect of performance fees accrued on unrealized gains, reflecting a provision for fees that would have been payable if the unrealized gains on venture investments had all been realized at that date.

6 Capital Stock

Shareholders of the Fund are entitled to redeem their shares at the Pricing NAV per Share 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. Such prohibitions or restrictions are likely to result in the redemption period applicable to shares exceeding five years.

a) Issued and outstanding

Authorized: 500,000,000 common shares

Issued

	Jan 1 to June 30, 2008		Jan 1 to June 30, 2007	
	Number of Shares	**Amount**	**Number of Shares**	**Amount**
Balance - Beginning of period	5,515,592	$47,589,053	4,001,829	$34,544,111
Common shares issued	253,285	2,432,504	549,297	4,978,092
Common shares redeemed	(117,761)	(1,018,440)	(2,806)	(25,000)
Less: Issue costs				
Sales commissions	-	(128,366)	-	(247,592)
Other share issue costs	-	(81,882)	-	(96,113)
Balance - End of period	5,651,116	$48,792,869	4,548,320	$39,153,498

Other share issue costs relate directly to the issuance of shares and include costs incurred by the Manager that are reimbursed by the Fund as set out in the Fund's prospectus (see note 8).

b) Pricing of common shares

For purposes of these financial statements, the Fund calculates its net assets in accordance with GAAP, 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.

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June 30, 2008

For share pricing purposes, the Fund calculates Pricing NAV per Share by adjusting for the impact of adoption of Section 3855 (note 2) and 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. Section 1100 removed industry practice as a source of GAAP 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 NAV per Share and net assets in accordance with GAAP per common share:

	June 30 2008	June 30 2007
Net assets in accordance with GAAP as reported	$ 48,999,602	$ 41,155,883
Section 3855 adjustments:		
Change in method for estimating fair value of venture investments		
i) Transitional adjustment to January 1, 2007 balance of net assets	(47,536)	(47,536)
ii) Adjustment to current period-end balance of net assets	493,047	44,771
Change in method for estimating fair value of marketable securities	3,412	14,054
Add:		
Unamortized deferred share issue costs including sales commissions	1,859,503	1,805,285
Unamortized deferred pre-operating costs	-	29,965
Other financial statement adjustments	127,585	22,553
Pricing net asset value	$ 51,435,613	$ 43,024,975
Common shares outstanding at June 30	5,651,116	4,548,320
Pricing NAV per Share	$9.10	$9.46
Net assets in accordance with GAAP per common share	$8.67	$9.05

The section 3855 adjustments in the above reconciliation are explained as follows:

i) Transitional adjustment to January 1, 2007 balance of net assets – see note 2 under "Adoption of new accounting standards".

ii) Adjustment to current period-end balance of net assets – see also note 2 under "Adoption of new accounting standards". This adjustment arises because, under GAAP, the Fund is now required to estimate the fair value of its publicly-traded venture investments based on the bid price for these securities whereas, under the valuation policies of the Fund used to calculate Pricing NAV per Share, such securities are valued based on the average of their closing prices over the preceding twenty days.

iii) Change in method for estimating fair value of marketable securities. This adjustment arises because, under GAAP, the Fund is required to record these securities at current market prices based on quotes provided by a recognized investment dealer whereas, under the valuation policies of the Fund used to calculate Pricing NAV per Share, these securities (which are typically held to maturity) are recorded at cost plus accrued interest.

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The calculation of Pricing NAV per Share assumes that:

i) 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.

ii) 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.

iii) 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 deferred pre-operating costs:

	June 30 2008	June 30 2007
Share issue costs		
Balance - Beginning of period	$ 2,100,391	$ 1,793,085
Add:		
Sales commissions	128,366	247,592
Other share issue costs	81,882	96,113
Less:		
Amortization	(451,136)	(331,505)
Balance - End of period	$ 1,859,503	$ 1,805,285
Pre-operating costs		
Balance - Beginning of period	14,731	45,199
Less:		
Amortization of deferred pre-operating costs	(14,731)	(15,234)
Balance - End of period	-	$ 29,965

7 *Deficit*

	June 30 2008	June 30 2007
Balance – Beginning of period	$ (4,398,004)	$ (1,907,560)
Net investment loss	(291,995)	(300,351)
Realized gains on venture investments	-	501,540
Performance fees accrued on unrealized gains	1,091,173	(1,157,373)
Excess paid on redemption of common shares	(85,056)	(869)
Balance – End of period	$ (3,683,882)	$ (2,864,613)

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8 Related Party Transactions

The following table summarizes related party fees and expenses payable in respect of the six-month periods ended June 30, 2008 and 2007:

	June 30 2008	June 30 2007
Directors' fees and expenses	$ 26,657	$ 12,501
Management fees	769,436	578,920
Performance fees on realized gains	-	106,326
Reimbursement of expenses	28,156	33,984
Total related party fees and expenses	$ 824,249	$ 731,731
Due to related parties	$ 136,367	$ 217,910

Reimbursement of expenses comprises expenses that were payable to the Manager or to Discovery Capital Corporation (DCC) (the former parent company of the Manager which had directors and officers common to the Fund) relating to capital raising, governance and shareholder reporting services provided to the Fund by the Manager as well as miscellaneous office expenses and directors' and officers' insurance, which the Manager or DCC paid on behalf of the Fund.

As at June 30, 2008, the Fund had invested $2,800,000 (December 31, 2007 - $2,800,000) in Day4 Energy Inc. A director of the Fund is a co-founder, executive officer and a significant shareholder of Day4 Energy Inc.

DCC also held investments in the following companies at the time the Fund's investment was made and at June 30, 2008 (in respect of beneficial entitlements of DCC's former shareholders): Vigil Health Solutions Inc., Idelix Software Inc. and Tantalus Systems Corp.

9 Contingency

As a VCC, the Fund must 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.

10 Comparative Figures

Certain of the prior period's comparative figures have been reclassified to conform to the current period's financial statement presentation.

BC DISCOVERY FUND

5th Floor - 1199 West Hastings Street
Vancouver, B.C. V6E 3T5
Tel 604-683-3000 Fax 604-662-3457

www.bcdiscoveryfund.com

1-877-553-FUND