



November 27, 2003

Dear Shareholder,

Please find enclosed the unaudited financial statements for **British Columbia Discovery Fund (VCC) Inc.** (the "Fund") as at September 30, 2003. We are presently required to provide three, six and nine-month interim unaudited financial statements to registered shareholders of the Fund pursuant to British Columbia securities regulations.

The Fund reports to shareholders as follows:

Annual Report

The annual report of the Fund will contain audited financial statements of the Fund as at and for the years ending December 31. It will include a discussion and analysis of Fund activities and financial results for the relevant year or years, as well as a report on any other developments or matters related to the Fund that are of interest to shareholders.

Semi-Annual Report

The semi-annual report of the Fund will contain the unaudited financial statements of the Fund as at and for the six-month periods ending June 30. It will also include a brief discussion and analysis of Fund activities and financial results for the relevant period or periods, and report on any other developments or matters related to the Fund that are of interest to shareholders.

Thank you for investing in the Fund. Our public disclosure documents can be viewed at the SEDAR website at www.sedar.com. If you have any questions, please contact Charles Cook, Chief Financial Officer, at (604) 683-3000 ext. 102.

Yours sincerely,



Harry Jaako
President



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

September 30, 2003

British Columbia Discovery Fund (VCC) Inc.

Statements of Financial Position

(Unaudited – prepared by management)

	September 30, 2003	December 31, 2002
ASSETS		
Venture investments, at fair value	\$ 491,886	\$ -
Marketable securities, at market value (note 2)	2,099,950	-
Cash	110,784	225,683
Subscriptions receivable	284,715	-
Accounts receivable and other assets	5,063	-
Deferred charges, net of accumulated amortization (note 3)	669,197	219,782
Total Assets	3,661,595	445,465
LIABILITIES		
Accounts payable and accrued liabilities (note 4)	44,334	183,365
Total Liabilities	44,334	183,365
Net Assets	3,617,261	262,100
SHAREHOLDERS' EQUITY		
Share capital (note 5)	3,632,800	262,100
Deficit	(91,425)	-
Unrealized appreciation of venture investments	75,886	-
Total Shareholders' Equity	\$ 3,617,261	\$ 262,100
Common shares outstanding	364,494	26,210
Net Asset Value per Common Share	\$ 9.92	\$ 10.00

See accompanying notes

On behalf of the Board of Directors:

"Harry Jaako"
Director

"John McEwen"
Director

British Columbia Discovery Fund (VCC) Inc.

Statement of Operations

(Unaudited – prepared by management)

For the three months ended	September 30, 2003
INCOME	
Interest from marketable securities	\$ 15,219
	15,219
EXPENSES	
Administration fees	23,152
Directors' fees	6,774
Management fees	22,175
Marketing and shareholder communication	14,597
Operating expenses	3,988
Professional fees	4,236
Amortization of deferred charges (note 3)	4,158
	79,080
Net Loss for the Period	(63,861)
Increase in unrealized appreciation of venture investments	75,886
Total Results of Operations for the Period	\$ 12,025
Per Common Share (based on average number of shares outstanding)	
Net loss for the period	(.22)
Net unrealized gains on investments	.26
Total Results of Operations for the Period	.04

See accompanying notes

The Fund deferred all costs associated with the start-up and initial organization of the Fund to June 30, 2003. Accordingly, the Statement of Operations only reflects operations for the three month period commencing July 1, 2003.

British Columbia Discovery Fund (VCC) Inc.

Statement of Deficit

(Unaudited – prepared by management)

For the three months ended	September 30, 2003
Deficit, beginning of period	\$ -
Net loss for the period	(63,861)
Amortization of deferred charges (note 3)	(27,564)
Deficit, end of the period	\$ (91,425)

See accompanying notes

British Columbia Discovery Fund (VCC) Inc.

Statement of Changes in Net Assets

(Unaudited – prepared by management)

For the nine months ended	September 30, 2003
Net Assets, beginning of period	\$ 262,100
Investment Activities	
Total results of operations for the period	12,025
Capital Transactions	
Proceeds from issuance of common shares (note 5)	3,370,700
Amortization of deferred charges (note 3)	(27,564)
Increase in net assets for the period	3,355,161
Net Assets, end of the period	\$ 3,617,261
Unrealized Appreciation of Venture Investments	
Balance, beginning of the period	\$ -
Net increase for the period	75,886
Balance, end of the period	\$ 75,886

See accompanying notes

British Columbia Discovery Fund (VCC) Inc.

Statement of Cash Flows

(Unaudited – prepared by management)

For the nine months ended	September 30, 2003
Operating Activities	
Total results of operations for the period	\$ 12,025
Items not affecting cash	
Amortization of deferred charges (note 3)	4,158
Accrued interest on marketable securities	(2,871)
Increase in unrealized appreciation of venture investments	(75,886)
Net change in non-cash working capital	(428,809)
Cash flows used in operating activities	(491,383)
Investing Activities	
Proceeds from sale of marketable securities	3,110,941
Purchase of marketable securities	(5,208,020)
Purchase of venture investments	(416,000)
Cash flows used in investing activities	(2,513,079)
Financing Activities	
Proceeds from issuance of common shares (note 5)	3,370,700
Deferred charges (note 3)	(481,137)
Cash flows from financing activities	2,889,563
Net (Decrease) in Cash during the period	(114,899)
Cash, beginning of the period	225,683
Cash, end of the period	\$ 110,784

See accompanying notes

British Columbia Discovery Fund (VCC) Inc.

Statement of Investment Portfolio

(Unaudited – prepared by management)

As at September 30, 2003

MARKETABLE SECURITIES

Par Value \$	Issuer	Maturity Date	Cost \$	Market Value \$	Percentage of Net Assets
<i>Short-term Investments</i>					
849,000	Canadian Imperial Bank of Commerce	October 14, 2003	847,124	848,204	23%
1,253,000	Canadian Imperial Bank of Commerce	October 14, 2003	1,249,955	1,251,746	35%
Total Marketable Securities				2,099,950	58%

VENTURE INVESTMENTS

Investee	Number of Securities	Security	Cost \$	Percentage of Net Assets	
<i>Public</i>					
Vigil Health Solutions Inc.	474,286	Common Shares	166,000	5%	
Vigil Health Solutions Inc.	474,286	Warrants	-		
<i>Private</i>					
Aspreva Pharmaceuticals Corp.	Convertible	Promissory Note	250,000	7%	
Total venture investments, at cost			416,000	12%	
Unrealized appreciation of venture investments			75,886	2%	
Total Venture Investments, at Estimated Fair Value				491,886	14%
Total Investments					
Other assets, net of liabilities			1,025,425	28%	
Net Assets				3,617,261	100%

See accompanying notes

British Columbia Discovery Fund (VCC) Inc.

Notes to Financial Statements

(September 30, 2003)

These interim financial statements should be read in conjunction with the audited statement of financial position as at November 20, 2002 contained in the prospectus of the Fund dated March 6, 2003. These statements follow the same accounting policies and methods of their application as those followed in the November 20, 2002 audited statement of financial position.

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, Discovery Capital Management Corp. (together, 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 will, subject to certain conditions, be 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 further 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 Fund did not expect to conduct material investment operations prior to June 30, 2003 and, accordingly, deferred all costs associated with the start-up and initial organization of the Fund in the pre-operating period, which ended June 30, 2003. Accordingly, the Statement of Operations only reflects operations for the three month period commencing July 1, 2003.

2 Marketable securities

Short-term investments are valued at amortized cost, which approximates market value.

3 Deferred charges

The Fund records sales commissions and other costs directly related to the issuing of common shares (Issue Costs) as deferred charges. The Fund amortizes Issue Costs on a straight-line basis to retained earnings over five years from the date of issue of the related shares. As at September 30, 2003, deferred charges related to Issue Costs, net of accumulated amortization of \$27,564, were \$590,187.

Costs associated with the start-up and initial organization of the Fund (Start-up Costs) have been deferred in the pre-operating period, which ended June 30, 2003, and will subsequently be amortized to income over the shorter of the expected period of benefit or five years, when it is probable that the costs will be recoverable from future periods. As at September 30, 2003, deferred charges related to Start-up Costs, net of accumulated amortization of \$4,158, were \$79,010.

Notes to Financial Statements

(September 30, 2003)

4 Related party transactions

Included in accounts payable and accrued liabilities at September 30, 2003 is \$9,079 payable to the Manager in respect of management fees (\$8,115) and recoverable expenditures (\$964).

Pursuant to a funding agreement between Discovery Capital Corporation (DCC) and the Fund, DCC has agreed to pay any expense of the Fund that the Fund is unable to pay, due to any restrictions on the Fund paying such expenses imposed by the SBVCA or otherwise, and, further, to not demand payment of any expenses payable to DCC. Any such expenses will continue to be liabilities of the Fund and will be paid when the Fund has available funds that are not restricted by the SBVCA to pay such liabilities.

5 Share capital

Authorized

500,000,000 common shares

Issued

	September 30, 2003	
	Number	Amount
Balance, December 31, 2002	26,210	\$ 262,100
Issued during the period	338,284	3,370,700
Balance, end of period	364,494	\$ 3,632,800

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 if the holder thereof is deceased, 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.

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 for a period of at least five years, the VCC's liability to repay the tax credits will be forgiven.

7 Subsequent events

- a) Pursuant to its accounting policies, the Fund has deferred Start-up Costs and Issue Costs. The Fund amortizes deferred Start-up Costs on a straight-line basis over the shorter of the expected period of benefit or five years from June 30, 2003. The Fund amortizes deferred Issue Costs on a straight-line basis over five years from the date of issue of the related shares. This effectively spreads Issue Costs equally over the five year term the Fund typically has the share capital. The five year term was selected because investors cannot redeem their shares prior to five years, except in the event of death. To date, this amortization method has been recognized under Canadian generally accepted accounting principles ("GAAP") and universally applied across the venture capital fund industry, particularly by labour sponsored investment funds ("LSIFs"). However, some general changes in GAAP appear to mean that

British Columbia Discovery Fund (VCC) Inc.

Notes to Financial Statements

(September 30, 2003)

this method can no longer be used by funds with year ends commencing after October 1, 2003. Members of the LSIF industry are currently discussing these general GAAP changes with the securities commissions in Canada and what accounting method would be most appropriate in the specific circumstances of the LSIF industry, and these changes, if any, will likely be applied to accounting for the Fund. It is not known at this time what the final outcome of those discussions will be nor what the ultimate effect will be on financial statement presentation and/or calculation of net asset value per share at which investors can purchase and redeem shares.

In response to these developments, the Fund may have to change the basis upon which Issue Costs are paid in respect of future share sales either to respond to new requirements or to avoid adverse consequences. The Fund intends to advocate cost neutral changes that might be applied to resolve these issues in discussions with accounting bodies and securities regulators. However, depending on what is ultimately permitted, GAAP and/or securities law changes may effectively require adoption of new structures that are **more costly** to the Fund. For example, an entity other than the Fund may have to finance payment of Issue Costs and in return be paid an annual fee by the Fund in excess of the current charges and expenses the Fund incurs doing this itself.

- b) The Fund is conducting a continuous offering of its common shares pursuant to a prospectus dated March 6, 2003. The common shares are being offered at the net asset value per common share determined on the valuation date which falls on or occurs immediately after the date on which the common shares are purchased. As at November 21, 2003, the Fund has issued 581,087 common shares for gross proceeds of \$5,809,592.