



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

September 30, 2005

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

British Columbia Discovery Fund (VCC) Inc.

Statements of Financial Position

(Unaudited – prepared by management)

	September 30, 2005	December 31, 2004
ASSETS		
Venture investments	\$ 11,277,532	\$ 4,179,243
Marketable securities	10,991,217	15,388,696
Cash and cash equivalents	3,173,613	2,144,320
Other assets	57,620	4,815
Total Assets	25,499,982	21,717,074
LIABILITIES		
Accounts payable and accrued liabilities	73,349	83,134
Due to related parties (note 4)	67,749	128,342
Total Liabilities	141,098	211,476
Net Assets	25,358,884	21,505,598
SHAREHOLDERS' EQUITY		
Capital stock (note 3)	26,001,032	22,540,637
Deficit	(1,473,316)	(902,918)
Unrealized appreciation (depreciation) of venture investments	831,168	(132,121)
Total Shareholders' Equity	\$ 25,358,884	\$ 21,505,598
Common shares outstanding	2,960,888	2,549,357
Net Assets per Common Share (note 3)	\$ 8.56	\$ 8.44

See accompanying notes

On behalf of the Board of Directors:

"Harry Jaako"

Director

"John McEwen"

Director

British Columbia Discovery Fund (VCC) Inc.

Statements of Operations and Deficit

(Unaudited – prepared by management)

	For the three months ended		For the nine months ended	
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004
INVESTMENT INCOME				
Interest	\$ 105,731	\$ 79,888	\$ 315,494	\$ 313,592
Total investment income	105,731	79,888	315,494	313,592
EXPENSES				
Directors' fees	6,167	6,692	19,168	19,243
Fund administration fees	24,411	24,196	71,712	72,731
Management fees	200,321	144,477	583,834	385,915
Marketing and shareholder communication	13,308	22,451	44,343	79,119
Operating expenses	8,215	4,225	27,436	19,523
Professional fees	4,129	3,383	40,178	31,829
Trailer fees	34,069	24,700	99,221	66,386
Total expenses	290,620	230,124	885,892	674,746
Loss for the Period	(184,889)	(150,236)	(570,398)	(361,154)
Change in unrealized appreciation (depreciation) of venture investments	(435,963)	(138,386)	963,289	(142,578)
Total Results of Operations for the Period	(620,852)	(288,622)	392,891	(503,732)
Deficit, beginning of the period	(1,288,427)	(550,143)	(902,918)	(339,225)
Loss for the period	(184,889)	(150,236)	(570,398)	(361,154)
Deficit, end of the period	(1,473,316)	(700,379)	(1,473,316)	(700,379)
Per Common Share (based on weighted average number of shares outstanding)				
Loss for the period	(0.07)	(0.09)	(0.20)	(0.23)
Unrealized appreciation (depreciation) of venture investments	(0.15)	(0.09)	0.34	(0.09)
Total Results of Operations for the Period	\$ (0.22)	\$ (0.18)	\$ 0.14	\$ (0.32)

See accompanying notes

British Columbia Discovery Fund (VCC) Inc.

Statements of Changes in Net Assets

(Unaudited – prepared by management)

	For the three months ended		For the nine months ended	
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004
Net Assets, beginning of the period	\$ 25,290,262	\$ 16,774,314	\$ 21,505,598	\$ 8,282,847
Operating Activities				
Total results of operations for the period	(620,852)	(288,622)	392,891	(503,732)
Capital Transactions				
Proceeds from issuance of common shares (note 3)	759,102	2,216,641	3,814,865	11,597,594
Less: Share issue costs including sales commissions (note 3)	(69,628)	(155,348)	(354,470)	(829,724)
	689,474	2,061,293	3,460,395	10,767,870
Increase in Net Assets	68,622	1,772,671	3,853,286	10,264,138
Net Assets, end of the period	25,358,884	18,546,985	25,358,884	18,546,985
Unrealized Appreciation (Depreciation) of Venture Investments				
Balance, beginning of the period	1,267,131	75,180	(132,121)	79,372
Net increase (decrease) for the period	(435,963)	(138,386)	963,289	(142,578)
Balance, end of the period	\$ 831,168	\$ (63,206)	\$ 831,168	\$ (63,206)

See accompanying notes

Statements of Cash Flows*(Unaudited – prepared by management)*

	For the three months ended		For the nine months ended	
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004
Cash Flows from Operating Activities				
Total results of operations for the period	\$ (620,852)	\$ (288,622)	\$ 392,891	\$ (503,732)
Items not affecting cash				
Decrease (increase) in unrealized appreciation of venture investments	435,963	138,386	(963,289)	142,578
Decrease (increase) in unrealized appreciation of marketable securities	(4,973)	14,442	69,730	(13,758)
Non-cash investment income	-	-	-	(107,002)
Net change in non-cash working capital	(78,477)	21,140	(123,183)	(20,557)
Cash flows used in operating activities	(268,339)	(114,654)	(623,851)	(502,471)
Cash Flows from Investing Activities				
Purchase of marketable securities	2,416,750	(1,169,534)	4,327,749	(7,865,173)
Purchase of venture investments	(1,700,000)	(1,508,360)	(6,135,000)	(2,788,362)
Cash flows used in investing activities	716,750	(2,677,894)	(1,807,251)	(10,653,535)
Cash Flows from Financing Activities				
Proceeds from issuance of common shares (note 3)	759,102	2,216,641	3,814,865	11,597,594
Share issue costs including sales commissions (note 3)	(69,628)	(155,348)	(354,470)	(829,724)
Cash flows from financing activities	689,474	2,061,293	3,460,395	10,767,870
Increase (decrease) in cash during the period	1,137,885	(731,255)	1,029,293	(388,136)
Cash, beginning of the period	2,035,728	962,546	2,144,320	619,427
Cash, end of the period	\$ 3,173,613	\$ 231,291	\$ 3,173,613	\$ 231,291
Supplemental Cash Flow Information				
Interest received	\$ 100,758	\$ 94,330	\$ 385,223	\$ 187,157

See accompanying notes

British Columbia Discovery Fund (VCC) Inc.

Statement of Investment Portfolio

(Unaudited – prepared by management)

As at September 30, 2005

MARKETABLE SECURITIES

Par Value \$	Issuer	Maturity Date	Cost \$	Market Value \$	Percentage of Net Assets
<i>Short-term Investments</i>					
1,854,000	Canadian Imperial Bank of Commerce	Oct 11, 2005	1,849,754	1,852,541	7%
1,202,000	Canadian Imperial Bank of Commerce	Oct 11, 2005	1,199,247	1,201,054	5%
1,407,000	Canadian Imperial Bank of Commerce	Nov 10, 2005	1,399,993	1,402,837	6%
2,163,000	Canadian Imperial Bank of Commerce	Nov 10, 2005	2,149,222	2,156,570	9%
1,258,000	Canadian Imperial Bank of Commerce	Nov 14, 2005	1,249,634	1,253,906	5%
3,139,000	Canadian Imperial Bank of Commerce	Nov 29, 2005	3,124,309	3,124,309	12%
Total Marketable Securities			10,972,159	10,991,217	44%

British Columbia Discovery Fund (VCC) Inc.

Statement of Investment Portfolio

(Unaudited – prepared by management)

As at September 30, 2005

VENTURE INVESTMENTS

Investee	Number of Securities	Security	Cost \$	Percentage of Net Assets
Public				
Aspreva Pharmaceuticals Corp.	53,967	Common Shares	257,002	1%
Aspreva Pharmaceuticals Corp.	10,793	Warrants	-	-
Cryopak Industries Inc.	148,810	Common Shares	250,000	1%
Cryopak Industries Inc.	74,405	Warrants	-	-
Cryopak Industries Inc.		Convertible Debt	250,000	1%
Vigil Health Solutions Inc.	3,024,286	Common Shares	421,000	2%
Private				
Day4 Energy Inc.	1,450,000	Common Shares	2,400,000	9%
Day4 Energy Inc.	200,000	Warrants	-	-
Idelix Software Inc.	2,600,000	Preferred Shares	730,002	3%
Inimex Pharmaceuticals Inc.	2,450,020	Preferred Shares	1,000,000	4%
In Motion Technology Inc.		Convertible Debt	630,000	2%
Mobidia Technology Inc.	1,363,636	Preferred Shares	1,500,000	6%
Mobidia Technology Inc.	227,272	Warrants	-	-
Paradigm Environmental Technologies Inc.	464,396	Common Shares	1,500,000	6%
Tantalus Systems Corp.	837,978	Preferred Shares	1,508,360	6%
Total venture investments, at cost			10,446,364	41%
Unrealized appreciation of venture investments			831,168	3%
Total Venture Investments, at Fair Value			11,277,532	44%
Total Investments			22,268,749	88%
Other assets, net of liabilities			3,090,135	12%
Net Assets			25,358,884	100%

See accompanying notes

British Columbia Discovery Fund (VCC) Inc.

Notes to Financial Statements

(September 30, 2005)

These interim financial statements should be read in conjunction with the audited financial statements as at December 31, 2004. These statements follow the same accounting policies and methods of their application as those followed in the December 31, 2004 audited financial statements.

1 Nature of operations

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

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

Common shares of the Fund are offered on a continuous offering basis at the pricing net asset value per common share of the Fund (see note 3).

2 Investment protection account

Pursuant to the requirements of the SBVCA, a VCC that does not have 80% of its raised equity capital invested in eligible businesses is required to maintain an investment protection account in an amount equal to 30% of the funds raised. As investments in eligible businesses are subsequently made, a drawdown from the investment protection account equal to 37.5% of the investment amount is available. These funds cannot be released without the consent of the administrator of the SBVCA. The amounts in the Fund's investment protection account at September 30, 2005 and December 31, 2004 were \$4,873,060 and \$5,841,713, respectively, and such amounts are included in marketable securities and cash and cash equivalents.

Notes to Financial Statements*(September 30, 2005)***3 Capital Stock**

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

Authorized

500,000,000 common shares

Issued

	<u>September 30, 2005</u>		<u>September 30, 2004</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Balance - Beginning of period	2,549,357	\$ 24,717,376	968,660	\$ 9,643,667
Common shares issued for cash	<u>411,531</u>	<u>3,814,865</u>	<u>1,205,236</u>	<u>11,597,594</u>
Balance - End of period	<u>2,960,888</u>	<u>28,532,241</u>	<u>2,173,896</u>	<u>21,241,261</u>
Less: Issue costs				
Balance - Beginning of period		2,176,739		1,100,967
Sales commissions		191,245		579,880
Other share issue costs		<u>163,225</u>		<u>249,844</u>
Balance - End of period		<u>2,531,209</u>		<u>1,930,691</u>
Capital stock - net of issue costs		<u>\$ 26,001,032</u>		<u>\$ 19,310,570</u>

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

Pricing of common shares

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

Notes to Financial Statements

(September 30, 2005)

3 Capital Stock (continued)

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

The following is a reconciliation of pricing net asset value per share and net assets in accordance with generally accepted accounting principles (GAAP) per common share:

September 30, 2005

Net assets in accordance with GAAP as reported	\$ 25,358,884
Add:	
Unamortized deferred share issue costs including sales commissions	1,740,400
Unamortized deferred pre-operating costs	83,284
Other financial statement adjustments	<u>(48,642)</u>
Pricing net asset value	<u>27,133,926</u>
Common shares outstanding	<u>2,960,888</u>
Pricing net asset value per common share	\$ <u>9.16</u>
Net assets in accordance with GAAP per common share	\$ <u>8.56</u>

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

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

Notes to Financial Statements

(September 30, 2005)

3 Capital Stock (continued)

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

	September 30, 2005
Share issue costs	
Balance – Beginning of period	\$ 1,745,007
Add:	
Sales commissions	191,245
Other share issue costs	163,225
Less:	
Amortized deferred share issue costs including sales commissions	<u>(359,077)</u>
	\$ <u>1,740,400</u>

	September 30, 2005
Pre-operating costs	
Balance – Beginning of period	\$ 106,135
Less:	
Amortized deferred pre-operating costs	<u>(22,851)</u>
	\$ <u>83,284</u>

4 Related party transactions

Due to related parties at September 30, 2005 is \$67,749 (December 31, 2004 - \$128,342) comprising \$66,579 (December 31, 2004 - \$57,261) payable to the Manager in respect of management fees and \$1,170 (December 31, 2004 - \$71,081) of reimbursable expenditures payable to DCC or the Manager.

British Columbia Discovery Fund (VCC) Inc.

Notes to Financial Statements

(September 30, 2005)

5 Contingencies

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

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

6 Comparative figures

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