BC DISCOVERY FUND

BUILDING BC's FUTURE IN TECHNOLOGY

2003 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.

Milestones

October 16, 2002	Ministry of Small Business and Economic Development (the “”Ministry”) awards Discovery Capital a $10 million annual allocation for three years to launch a new VCC fund
November 6, 2002	British Columbia Discovery Fund (VCC) Inc. is incorporated
December 31, 2002	Private placement closed for proceeds of $237,100
March 2003	The Small Business Venture Capital Act and Regulation are amended, significantly improving the VCC program for investors
March 6, 2003	Prospectus filed and launch of public offering for the Fund, the first VCC fund under the new, improved VCC program
April 8, 2003	First investment of the Fund into Vigil Health Solutions Inc.
December 31, 2003	The Fund raises $9.4 million and closes on four venture investments in 2003
January 2004	The Ministry increases the Fund’s 2003 allocation to $16 million and sets the expiry date to the end of the 2004 RRSP selling season
February 2004	The Fund sells out its 2003 allocation of $16 million to become the largest VCC fund in British Columbia

MESSAGE TO SHAREHOLDERS

We believe that the opportunity to invest in the technology sector of British Columbia may now be better than ever before. Based on recent surveys, the commercialization and exploitation of innovation and technology is considered by the majority of the Province's population to be a significant economic engine for this region for generations to come.

Let's consider some of the factors supporting this conclusion.

First, in 2003, the Canadian Government concluded a year of countrywide consultations by announcing a comprehensive, new innovation strategy for Canada. Among the many recommendations that emanated from this major undertaking was the commitment to a national strategy of elevating Canada's rank from 14th in the world in innovation, to a top-5 position by 2010. This is an extremely aggressive target that reflects Ottawa's genuine belief in the importance of an innovation-led economy for the future well-being of all Canadians. Another significant goal of the national innovation strategy is to increase Canada's annual investment in research and development from 1.9% of GDP to 3.1% of GDP. Research and development will generate tomorrow's technology success stories, which relies heavily on venture capital for funding.

Second, British Columbia now has a superior competitive business climate for technology ventures, with all the elements to be a premier location for technology enterprises. The Provincial Government recognizes its vital role in raising the visibility of B.C.'s technology industry in order to grow the economy, and has launched the Leading Edge BC initiative to: 1) raise the profile and awareness of B.C. technology-based opportunities among Canadian, U.S. and international investors and customers; 2) promote B.C.'s comparative advantages as a destination for high technology investment, development and employment; 3) attract new technology companies to B.C.; and 4) increase technology investment and recruitment of talent to B.C. As further evidence of the Province's commitment to technology, the Provincial Government has added unprecedented increases to the funding of B.C.'s advanced education institutions to increase their research capacity and their output of technologically trained graduates.

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Third, the capital markets have absorbed the harsh realities of the "dot.com bust" of 2000, and are viewing the technology sector once again as an attractive investment opportunity. Leading Canadian technology companies, such as Nortel, have recently posted dramatic increases in shareholder value, as have many of British Columbia's public technology leaders such as PMC-Sierra, Telus, Angiotech, and Sierra Wireless. Rapidly growing B.C. technology companies, such as TIR Systems, Carmanah, and Extreme CCTV, have also posted sharp increases in shareholder value and are poised to become B.C.'s technology leaders of tomorrow.

Fourth, retail investors - like the many investors in our Fund - are renewing their commitment to the technology sector in B.C. The reasons for this interest include participating in the wealth creation expected from an innovation economy in B.C., creating high-skill, high-paying jobs for B.C.'s youth, and the historical willingness of B.C. residents to support its entrepreneurs. B.C. retail investors have an unprecedented investment capacity today with over $60 billion invested in RRSPs, and the highest value of equity ownership in real estate holdings in the Province's history.

British Columbia is poised to become a leading technology region in North America

The need for our Fund is very real. In the four key technology clusters - life sciences (including biotechnology), information technology (including new media), communications technology (including wireless), and other advanced technologies (including alternative energy) - employment in B.C. has grown by 68% in the past 10 years, compared to 22% for the economy in general. However, British Columbia, with 14% of Canada's population and its significant technology investment opportunities, has only 5% of Canada's venture capital to fund this rapidly growing sector. For two years in a row, the member CEOs of British Columbia's Technology Industries Association have ranked access to venture capital as their number one concern. In essence, the British Columbia technology sector has been starved of the vital venture capital it needs for many years.

The Year in Review

The improved Small Business Venture Capital Act has energized the retail venture market in B.C. By enabling professionally-managed venture capital corporations to make continuous offerings of fully-redeemable shares, the Act, passed by the B.C. Legislature in early 2003, has created a very attractive investment structure for retail investors who wish to invest - in a diversified manner - in the promising small businesses of B.C with the oversight of a proven professional venture capital fund manager.

In our first sustained marketing effort since the enactment of the improved Small Business Venture Capital Act, the Fund sold out its 2003 fund raising allocation of $16 million. We have sought, and successfully developed, a broad distribution network of investment advisors, from large bank dealers and small independent dealers alike, who have determined that this Fund is right for their clients - both large and small investors who live in all parts of British Columbia. We look forward to continuing our marketing efforts and growing the Fund well into the future.

We have already invested in four exciting technology companies and summary information on these companies is disclosed elsewhere in this report. We also have many more projects in various stages of the due diligence process. The manager of the Fund, Discovery Capital Corporation, has been fortunate to have built one of the strongest networks in the Province for deal flow. Since 1986, the stream of technology company business plans coming through Discovery's offices has numbered in the thousands. This deal flow is expected to increase as more and more technology companies are founded in B.C.

We look forward to investing into a well-diversified mix of British Columbia's most promising new technology ventures and playing a significant role in building more of this region's best and brightest success stories. We hope that this will have the impact of creating many new technology jobs for B.C.'s young people, as well as generating a strong return on investment for our shareholders.

Sincerely,

Harry Jaako **John McEwen**

BC Discovery Fund provides a 30% refundable tax credit on investments up to $200,000

There have been many questions about the tax credit that is earned as a result of an investment in the Fund. In this section, we will endeavour to provide general answers to the most often asked questions about the VCC tax credit. Shareholders and investors should always consult with their own financial advisors in their own individual circumstances.

Overview

The program under which the tax credits are earned is administered by the British Columbia Ministry of Small Business and Economic Development (the "Ministry") and is available to residents of British Columbia only. A tax credit of 30% of the amount invested is earned on investments in eligible venture capital corporation (VCC) shares to a maximum investment of $200,000 per year for individuals. There is no maximum for corporations resident in B.C. To the extent the amount of the tax credit exceeds taxes otherwise payable, an individual taxpayer will be refunded the difference. A B.C. resident with no taxes payable would receive a full refund of the amount of the tax credit. Corporations can only offset the tax credit against British Columbia taxes payable, with any excess carried forward and utilized for up to four years.

The total VCC tax credits available in British Columbia are restricted to a specific gross amount, which is then allocated among various qualified issuers. For example, the Fund had an allocation that allowed it to raise $16 million in 2003, for which there was excess demand after it had sold out. The Fund has a 2004 allocation that currently allows it to raise only $10 million.

How is the tax credit claimed?

The Ministry issues tax credit certificates for individual investors automatically. However, if an investment is made through a joint account, investors must complete a manual application to allocate the tax credit among the account holders before tax credit certificates will be issued. Finally, corporate investors must also complete manual applications to receive their tax credit certificates. Investors should contact their investment advisors if they have any questions.

In order to claim the tax credit, investors must prepare and file a British Columbia tax return.

Can an investment into the Fund be made from a registered plan, such as an RRSP?

Shares of the Fund are qualified investments under the Federal Tax Act for an RRSP or a RRIF and can be purchased with funds already inside either of these kinds of plans. The tax credits are earned by the British Columbia resident individual

who is the annuitant under the RRSP or RRIF that subscribes for shares. In other words, the tax credit will be available to the individual outside of the RRSP or RRIF and, since the tax credit is not a deduction from income, it is effectively "tax free" to the investor. This can be an attractive feature to an investor who has funds to invest inside a "locked-in" RRSP.

Does the tax credit reduce the ACB of the shares?

In calculating any capital gain or loss on the disposition of shares of the Fund, the adjusted cost base (ACB) of the shares will generally be the amount paid to acquire the shares. Unlike flow-through shares, where the amount of tax deductions accorded to the shares does reduce the ACB of the flow through share, the tax credit will not reduce the ACB of the shares of the Fund. However, if a capital loss were realized in respect of the shares, the tax credit would reduce the amount of the capital loss that could be applied against other capital gains.

Does an investment in the Fund in an RRSP or RRIF provide a foreign property bump?

Shares of the Fund that are originally purchased and continuously held by the investor and are in an RRSP or RRIF can be considered a "small business property". As a result, the foreign property limit of 30% for a particular month applicable to an RRSP or RRIF that holds shares of the Fund can be increased or "bumped" by an amount equal to three times the total cost of the shares, up to a maximum amount of 50% of the cost of all investments of the RRSP or RRIF.

Does the tax credit affect the calculation of AMT?

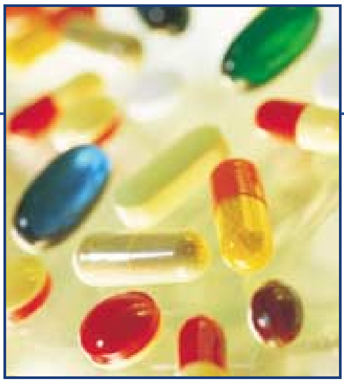
The Federal Tax Act provides for an alternative minimum tax (AMT) to be payable by individuals in certain cases. The tax credits do not affect the calculation of AMT. The tax credit reduces British Columbia income taxes otherwise payable, even if AMT is payable under the Federal Tax Act.

Can investors in the Fund reduce tax instalment payments?

An investor in the Fund can reduce the amount of the tax instalments otherwise payable for the year to which the tax credit relates or for a following year. As well, an investor in the Fund who is an employee can reduce the amount of tax withheld by his or her employer from the remuneration paid to him or her for the year to which the tax credit relates.

ASPREVA PHARMACEUTICALS

Market Value	$250,000
% of Net Assets	3%



www.aspreva.com

Description of the Business

Aspreva Pharmaceuticals is a pharmaceutical company that identifies, develops and commercializes new applications for existing medicines, which have often been developed by large pharmaceutical companies. The medicines the Company chooses to develop are anticipated to have high therapeutic value for underserved diseases. Collectively, these diseases represent a significant economic and social concern. Aspreva has pioneered a unique partnership model whereby the Company acquires the rights to develop the drug in new indications. The Company's innovative approach, along with its expertise in the clinical development and commercialization of underserved diseases, is how Aspreva expects to establish itself as the pharmaceutical industry's partner of choice for therapeutic product expansion.

Recent Milestones

- Executed first major partnership with Hoffmann-La Roche (Roche), a leading research-based health care enterprise that ranks among the world's leaders in pharmaceuticals and diagnostics, acquiring exclusive worldwide rights to develop and commercialize CellCept in all autoimmune disease applications.
- Closed $5.3 million financing in the second half of 2003.

Outlook

Aspreva continues to investigate partnering opportunities to acquire the rights to develop and commercialize drugs of high therapeutic value for underserved less common diseases. At the same time, the Company is pursuing a significant venture capital financing.

Cryopak® INDUSTRIES INC.

Market Value	$232,143
% of Net Assets	3%

www.cryopak.com

Description of the Business

Cryopak® Industries Inc. develops, manufactures and markets quality temperature controlling products for a variety of applications in a wide-range of industries. The Company's products can be used wherever maintaining temperature is critical to customer success, including:

- Pharmaceuticals
- Blood Storage
- Food, Seafood and Perishables
- First Aid/Healthcare

Additionally, the Company also offers a full line of consumer temperature-management products including the Cryopak® Flexible Ice™ Blanket and the Simply Cozy® Non-electric heating pad among others. Discovery Capital has been invested in Cryopak for over 8 years and John McEwen, CEO of the Fund, is Chairman of the board of directors.

Recent Milestones

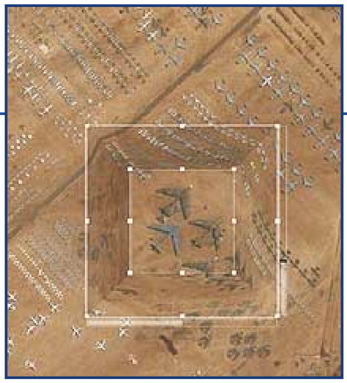
- In December 2003, the Company completed a small private placement to provide the new management team with the working capital required to continue to effect the business re-positioning.
- In January 2004, Mr. Martin Carsky, who joined the Company as Chief Financial Officer in June 2003 and has been spearheading the Company's re-positioning efforts, was appointed President and CEO.

Outlook

After a difficult fiscal year ended March 31, 2003, the Company has made significant management changes, re-costed its business to reflect current sales levels and has re-established credibility in its reported financial results. Cryopak is pursuing several strategic relationships with significant pharmaceutical and consumer product distributors.

IDELIX

Market Value	$250,000
% of Net Assets	3%



www.idelix.com

Description of Business

IDELIX is a technology leader in 2D and 3D graphics technology, creating interactive 2D and 3D visualization lenses for "information visualization". IDELIX has developed a patents-pending geometry engine called Pliable Display Technology (PDT) that creates a more efficient workflow process for tasks involving visualization, manipulation, or extraction of data. Combining PDT with partner and client applications, IDELIX is reshaping the way in which businesses and individuals interact with their on-screen information.

Recent Milestones

- Entered into strategic partnerships with companies such as Paragon Imaging and the Boeing Company for integration of PDT into cutting edge defence and intelligence software products presently being used by imagery intelligence analysts.
- Built partnerships within the Canadian Department of National Defence and the US National Geospatial-Intelligence Agency to test PDT in a variety of geospatial intelligence projects.
- PDT recognized by editors of Cadalyst Magazine in their annual Wow! Awards for product innovation and creative problem solving - also recognized as "Imaging Solution of the Year" by Advanced Imaging Magazine.

Outlook

IDELIX has seen significant traction in its OEM business-to-business model, with over 20 OEM application vendors starting to work with PDT last year. IDELIX will continue further research and development on PDT and focus its sales and marketing efforts on the Defence and Intelligence markets.

vigil HEALTH SOLUTIONS

Market Value	$263,229
% of Net Assets	3%

www.vigilhealth.com

Description of Business

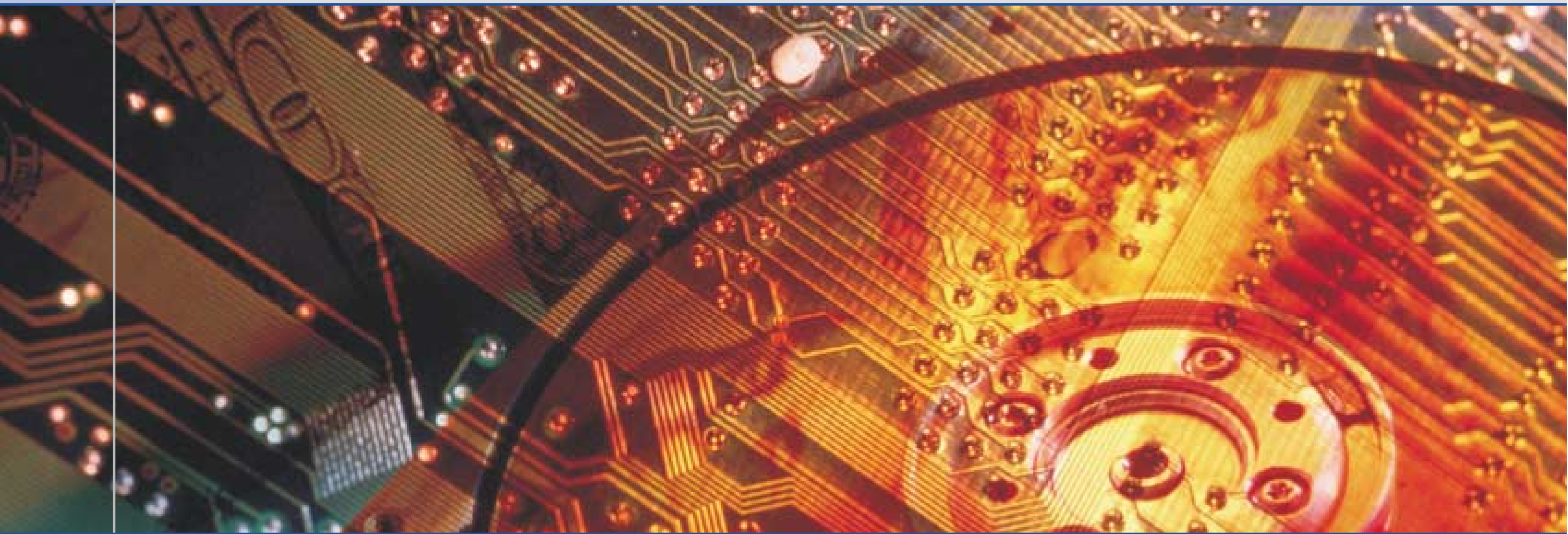
Vigil Health Solutions Inc. develops, markets and distributes a proprietary technology platform (the "Vigil System"), a customized, modular monitoring and care planning system for the aged care industry. The Vigil System was the first dementia specific monitoring and care planning system for long-term care facilities, providing them with a cost effective technological solution while helping residents suffering from Alzheimer's disease enjoy a higher quality of life and greater dignity.

Recent Milestones:

- Raised a total of $5.75 million in 2003 and achieved a listing on the TSX Venture Exchange.
- Signed new contracts with large providers of long-term care communities in New Jersey, Massachusetts and Washington.
- Made repeat sales to a large provider of complex care facilities in British Columbia.
- Independent study results presented by the Myers Research Institute in the U.S. indicated the Vigil System positively impacted resident care and staff productivity.

Outlook

With the proceeds of the equity financings completed in 2003, and the Vigil system now installed in over 26 facilities throughout North America, Vigil is well-positioned to pursue revenue growth in its primary target market, the North American long-term care market.



Selected Financial Information

	Year ended December 31 2003	Period ended December 31 2002
Statement of Operations Data:		
Revenue	$ 42,172	$ -
Loss for the period	$ (276,503)	$ (62,722)
Unrealized appreciation of venture investments	$ 79,372	$ -
Total results of operations	$ (197,131)	$ (62,722)
Management expense ratio [1]	3.8%	n/m
Statement of Financial Position Data:		
Venture investments	$ 995,372	$ -
Net assets	$ 8,282,847	$ 42,318
Net assets per share	$ 8.55	$ 1.61
Pricing net asset value per share [2]	$ 9.82	$ 10.00 [3]

[1] Management expense ratio is calculated as total expenses for the year divided by net assets at the end of the year.
[2] Pricing net asset value per share is the price at which the Fund issues and redeems common shares. See note 5(b) to the financial statements.
[3] The Fund offered common shares at a price of $10.00 per share until June 30, 2003.

Overview

The Fund focused on capital raising throughout 2003 in order to fully utilize its initial $10,000,000 equity allocation under the Equity Capital Program which was due to expire on December 31, 2003. Significant fund raising activities commenced after March 6, 2003, the date of the initial prospectus of the Fund. Although the Fund was actively marketed throughout the year, the Fund raised a substantial portion of its equity capital in the fourth quarter of 2003. As a result, the Fund's equity allocation under the Equity Capital Program was increased to $16,000,000 from $10,000,000. Subsequent to December 31, 2003, the Fund sold out its entire $16,000,000 allocation.

Since the Fund raised a substantial portion of the equity capital it raised in 2003 in the fourth quarter, the Fund only commenced significant investment operations late in the third quarter, after which three of the Fund's four venture investments were made. The costs of investment operations are reflected in operating expenses of the Fund. The management expense ratio ("MER") of the Fund, calculated as operating expenses divided by net assets of the Fund as at December 31, 2003, was 3.8% for 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. With investment operations expected to increase in 2004 and with a substantial portion of equity capital expected to be raised early in the year during the "RRSP selling season", it is possible that the MER of the Fund will be higher in 2004 than in 2003.

Previously, the Fund had deferred and amortized share issue costs, including sales commissions, and pre-operating costs. During 2003, the Canadian Institute of Chartered Accountants issued Handbook Section 1100, Generally Accepted

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

Accounting Principles, which removed industry practice as a source of generally accepted accounting principles (GAAP). Accordingly, the Fund has changed its accounting policy (see note 2) and has recorded share issue costs and sales commissions as a reduction of share capital and has expensed pre-operating costs. However, the Fund continues to defer and amortize share issue costs, including sales commissions, and pre-operating costs to calculate a pricing net asset value per share, which is the price that the Fund uses to issue shares. The financial statements include a reconciliation of net assets determined in accordance with GAAP to pricing net asset value (see note 6).

Net Assets

Net assets were $8,282,847, or $8.55 per share, at December 31, 2003. Net assets increased by $9,381,567 as a result of gross proceeds from sales of common shares during the year, offset by $943,907 of issue costs, less total results of operations which resulted in a loss of $197,131.

Operating Results

For the year ended December 31, 2003, the Fund earned interest revenue of $42,172. Total expenses were $318,675, resulting in a loss for the year of $276,503. Total results of operations for the year ended December 31, 2003 were a loss of $197,131 after including $79,372 in unrealized appreciation of venture investments.

Investment Activities

During 2003, the Fund made four venture investments as set out below:

Portfolio Company	Securities	Cost
Public		
Cryopak Industries Inc. (TSX Venture: CII)	892,857 common shares 446,428 share purchase warrants	$ 250,000
Vigil Health Solutions Inc. (TSX Venture: VGL)	474,286 common shares 474,286 share purchase warrants	166,000
Private		
Aspreva Pharmaceuticals Corp.	Convertible promissory note	250,000
IDELIX Software Inc.	1,000,000 preference shares 500,000 share purchase warrants	250,000
Total Investments		**$ 916,000**

Liquidity and Capital Resources

At December 31, 2003, the Fund had cash and marketable securities of $7,406,900 and total liabilities of $127,080. The Fund is well positioned to investigate and select investments from the many venture investment opportunities being presented to the Fund.

AUDITORS' REPORT

To the Shareholders of
British Columbia Discovery Fund (VCC) Inc.

We have audited the statements of financial position of British Columbia Discovery Fund (VCC) Inc. as at December 31, 2003 and 2002, the statement of investment portfolio as at December 31, 2003 and the statements of operations and deficit, changes in net assets and cash flows for the year ended December 31, 2003 and for the period from November 6, 2002 to December 31, 2002. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2003 and 2002, the investments held at December 31, 2003 and the results of its operations, changes in net assets and its cash flows for the year ended December 31, 2003 and the period from November 6, 2002 to December 31, 2002 in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

PricewaterhouseCoopers LLP
Chartered Accountants
Vancouver, B.C.
January 15, 2004

STATEMENTS OF FINANCIAL POSITION

As at December 31, 2003 and 2002

	2003	2002
Assets		
Venture investments	$ 995,372	$ -
Marketable securities (note 4)	6,787,473	-
Cash	619,427	225,683
Other assets	7,655	-
Total assets	8,409,927	225,683
Liabilities		
Accounts payable and accrued liabilities	105,105	59,584
Due to related parties (note 7)	21,975	123,781
Total liabilities	127,080	183,365
Net assets	8,282,847	42,318
Shareholders' Equity		
Capital stock (note 5)	8,542,700	105,040
Deficit	(339,225)	(62,722)
Unrealized appreciation of venture investments	79,372	-
Total shareholders' equity	8,282,847	42,318
Common shares outstanding	968,660	26,210
Net assets per common share (note 5)	$ 8.55	$ 1.61

Contingencies (note 8)

Commitments (note 10)

Approved by the Board of Directors

Harry Jaako
Director

John McEwen
Director

STATEMENTS OF OPERATIONS AND DEFICIT

	Year Ended December 31, 2003	Period From November 6, 2002 to December 31, 2002
Revenue		
Interest	$ 42,172	$ -
Expenses		
Administration fees	46,363	-
Directors' fees	13,774	-
Management fees	70,422	-
Marketing and shareholder communication	27,565	-
Operating expenses	8,270	-
Pre-operating costs (note 9)	90,036	62,722
Professional fees	62,245	-
Total expenses	318,675	62,722
Loss for the period	(276,503)	(62,722)
Unrealized appreciation of venture investments	79,372	-
Total results of operations for the period	(197,131)	(62,722)
Deficit - Beginning of period	(62,722)	-
Loss for the period	(276,503)	(62,722)
Deficit - End of period	(339,225)	(62,722)
Per common share - based on weighted average number of shares outstanding		
Loss for the period	(1.03)	(21.41)
Unrealized appreciation of venture investments	0.30	-
Total results of operations for the period	$ (0.73)	$ (21.41)

STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended December 31, 2003	Period From November 6, 2002 to December 31, 2002
Net assets - Beginning of period	$ 42,318	$ -
Operating activities		
Total results of operations for the period	(197,131)	(62,722)
Capital transactions		
Proceeds from issuance of common shares (note 5)	9,381,567	262,100
Less: Share issue costs including sales commissions (note 5)	(943,907)	(157,060)
	8,437,660	105,040
Increase in net assets for the period	8,240,529	42,318
Net assets - End of period	8,282,847	42,318

Unrealized appreciation of venture investments		
Balance - Beginning of period	-	-
Net increase for the period	79,372	-
Balance - End of period	$ 79,372	$ -

STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2003	Period From November 6, 2002 to December 31, 2002
Cash flows from operating activities		
Total results of operations for the period	$ (197,131)	$ (62,722)
Items not affecting cash		
Unrealized appreciation of venture investments	(79,372)	-
Unrealized appreciation of marketable securities	(12,677)	-
Net change in non-cash working capital	(63,940)	183,365
	(353,120)	120,643
Cash flows from investing activities		
Purchase of marketable securities	(6,774,796)	-
Purchase of venture investments	(916,000)	-
	(7,690,796)	-
Cash flows from financing activities		
Proceeds from issuance of common shares (note 5)	9,381,567	262,100
Share issue costs including sales commissions	(943,907)	(157,060)
	8,437,660	105,040
Increase in cash during the period	393,744	225,683
Cash - Beginning of period	225,683	-
Cash - End of period	619,427	225,683
Supplemental cash flow information		
Interest received	$ 38,054	$ -

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2003

Marketable securities

Par value	Issuer	Maturity date	Cost	Fair value	Percentage of net assets
$ 984,000	Canadian Imperial Bank of Commerce	January 16, 2004	$ 979,857	$ 982,948	12%
2,264,000	Canadian Imperial Bank of Commerce	January 16, 2004	2,253,699	2,261,384	27%
665,000	Canadian Imperial Bank of Commerce	January 21, 2004	663,517	664,084	8%
1,203,000	Canadian Imperial Bank of Commerce	January 21, 2004	1,200,077	1,201,194	15%
729,000	Canadian Imperial Bank of Commerce	January 29, 2004	727,626	727,715	9%
952,000	Canadian Imperial Bank of Commerce	January 29, 2004	950,020	950,148	11%
Total marketable securities			$ 6,774,796	$ 6,787,473	82%

Venture investments

Investee	Number of securities	Security	Cost	Percentage of net assets
Public				
Cryopak Industries Inc.	892,857	Common shares	$ 250,000	3%
Cryopak Industries Inc.	446,428	Warrants	-	-
Vigil Health Solutions Inc.	474,286	Common shares	166,000	2%
Vigil Health Solutions Inc.	474,286	Warrants	-	-
Private				
Aspreva Pharmaceuticals Corp.	Convertible	Promissory note	250,000	3%
Idelix Software Inc.	1,000,000	Preferred shares	250,000	3%
Idelix Software Inc.	500,000	Warrants	-	-
Total venture investments - at cost			916,000	11%
Unrealized appreciation of venture investments			79,372	1%
Total venture investments - at estimated fair value			995,372	12%
Total investments			7,782,845	94%
Other assets - net of liabilities			500,002	6%
Net assets			$ 8,282,847	100%

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2003 and period from November 6, 2002 to December 31, 2002

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 Significant accounting policies

The accompanying financial statements have been prepared by management in accordance with generally accepted accounting principles. The significant accounting policies are as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 market value of 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.

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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2003 and period from November 6, 2002 to December 31, 2002

Investments

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

a) Investments that are publicly traded securities are recorded on the basis of the average closing market quotations over the preceding twenty trading days.

b) Investments that are not publicly traded securities are normally recorded at cost for one year from the date the investment is made, unless an adjustment is considered appropriate and supported by persuasive and objective evidence, such as a significant subsequent equity financing by an unrelated, sophisticated investor at a transaction price different from the carrying value. Downward adjustments to carrying value are made when there is pervasive and objective evidence of a decline in the value of the investment as indicated by an assessment of the financial condition of the investment based on operational results, forecasts and business developments since acquisition. The process of estimating the value of venture investments for which no public market exists is inevitably based on inherent uncertainties and 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.

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

Loss per share

Loss per common share is calculated using the weighted average number of common shares outstanding, which for the year ended December 31, 2003 was 267,193 (period ended December 31, 2002 - 2,929). Diluted loss per share has not been presented as no dilutive equity instruments have been granted or issued.

Income taxes

The Fund follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recorded to the extent it is more likely than not that future income tax assets will not be realized.

4 Marketable securities - investment protection account

Pursuant to the requirements of the SBVCA, a venture capital corporation 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 December 31, 2003 and 2002 were $2,553,625 and $7,500 respectively.

5 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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2003 and period from November 6, 2002 to December 31, 2002

a) Issued and outstanding

Authorized

500,000,000 common shares

Issued

	2003		2002	
	Number	Amount	Number	Amount
Balance - Beginning of period	26,210	$ 262,100	-	$ -
Common shares issued for cash	942,450	9,381,567	26,210	262,100
Balance - End of period	968,660	9,643,667	26,210	262,100
Issue costs				
Balance - Beginning of period		157,060		-
Sales commissions		469,078		13,902
Other share issue costs		474,829		143,158
Balance - End of period		1,100,967		157,060
Capital stock - net of issue costs		$ 8,542,700		$ 105,040

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.

b) 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 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:

	2003	2002
Net assets in accordance with GAAP as reported	$ 8,282,847	$ 42,318
Add:		
Unamortized deferred share issue costs including sales commissions	1,042,249	157,060
Unamortized deferred pre-operating costs	137,481	62,722
Other financial statement adjustments	53,768	-
Pricing net asset value	9,516,345	262,100
Common shares outstanding at December 31	968,660	26,210
Pricing net asset value per common share	$ 9.82	$ 1.00
Net assets in accordance with GAAP per common share	$ 8.55	$ 1.61

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.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2003 and period from November 6, 2002 to December 31, 2002

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 deferred pre-operating costs:

	2003	2002
Deferred share issue costs		
Balance - Beginning of period	157,060	-
Add:		
Sales commissions	469,078	13,902
Other share issue costs	474,829	143,158
Less:		
Amortized deferred share issue costs including sales commissions	(58,718)	-
Balance - End of period	1,042,249	157,060
Deferred pre-operating costs		
Balance - Beginning of period	62,722	-
Add:		
Pre-operating costs	90,035	62,722
Less:		
Amortized deferred pre-operating costs	(15,276)	-
Balance - End of period	137,481	62,722

6 Income taxes

The Fund is a private corporation and is subject to tax at normal corporate rates for federal and provincial tax purposes.

Future income tax assets and liabilities are as follows:

	2003	2002
Non-capital losses carried forward	$ 272,386	$ 27,403
Share issue costs	431,619	64,734
Incorporation costs	1,285	1,111
Valuation allowance	(705,290)	$ (93,248)
Net future income tax assets	$ -	$ -

Management believes that there is sufficient uncertainty regarding the realization of future income tax assets such that a full valuation allowance has been provided.

The Fund has accumulated the following non-capital losses which are available to reduce taxable income in future years:

Amount	Expiry date
$ 64,297	2009
488,324	2010
$ 552,621	

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2003 and period from November 6, 2002 to December 31, 2002

7 Related party transactions

During the year ended December 31, 2003 and the period ended December 31, 2002, the Fund incurred expenses of $185,848 and $123,781 respectively, which were payable to DCC (a company with common directors and the parent company of the Manager). These expenses relate to capital raising services provided to the Fund by DCC. As at December 31, 2003 and 2002, $nil and $123,781, respectively, remained payable.

During the year ended December 31, 2003, the Fund incurred $87,765 (period ended December 31, 2002 - $nil) in fees to the Manager, a company with common directors. At December 31, 2003 and 2002, $21,975 and $nil, respectively, were owed to the Manager.

8 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.

9 Pre-operating costs

Prior to the release of CICA Handbook Section 1100 (see note 2), the Fund deferred all costs associated with its start-up and initial organization in the pre-operating period, which ended June 30, 2003. These costs have been reclassified as pre-operating costs in the statements of operations and deficit.

Pre-operating costs comprise the following:

	Year ended December 31, 2003	Period from November 6, 2002 to December 31, 2002
Administration fees	$ 38,631	$ -
Directors' fees	14,000	5,262
Management fees	17,343	-
Marketing and shareholder communication	10,224	487
Operating expenses	7,427	626
Professional fees	6,695	56,347
Interest income	(4,284)	-
	$ 90,036	$ 62,722

10 Commitments

The Fund has an Investment Administration Agreement with The Investment Administration Solution Inc. to provide certain transfer agency and back office administration services. The agreement specifies a minimum fee per month of $5,500, and that the total fee shall be at least $258,000. As at December 31, 2003, $60,000 has been paid. Minimum future payments in accordance with this agreement are as follows:

2004	$ 66,000
2005	66,000
2006	66,000

CORPORATE ADDRESS

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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
250 Howe Street, Suite 700
Vancouver, B.C. V6C 3S7

ADMINISTRATION

The Investment Administration Solution Inc.
350 Bay Street, Suite 300
Toronto, Ontario M5H 2S6
Tel: 416-368-9569 ext. 333
Fax: 416-368-7355

ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders of British Columbia Discovery Fund (VCC) Inc. will be held on April 29, 2004 at 2:30 p.m. at the Vancouver Marriott Pinnacle Hotel, 1128 West Hastings Street, Vancouver, B.C.

OFFICERS AND DIRECTORS

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

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