

**GEOSCIENCE BC SOCIETY**

**FINANCIAL STATEMENTS**

**MARCH 31, 2006**

**GEOSCIENCE BC SOCIETY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006**

**AUDITORS' REPORT**

**EXHIBITS**

- A. Statement of Financial Position
- B. Statement of Revenues and Expenditures
- C. Statement of Cash Flows
- D. Statement of Changes in Net Assets
- E. Notes to Financial Statements

**AUDITORS' REPORT**

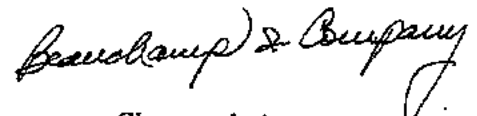
To the Members of  
Geoscience BC Society

We have audited the statement of financial position of Geoscience BC Society as at March 31, 2006 and the statements of revenues and expenditures, cash flows, and changes in net assets for the period from incorporation on April 26, 2005 to March 31, 2006. These financial statements are the responsibility of the society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 society as at March 31, 2006 and the results of its operations and its cash flows for the period from incorporation on April 26, 2005 to March 31, 2006 in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.  
May 12, 2006

  
Chartered Accountants

**GEOSCIENCE BC SOCIETY  
STATEMENT OF FINANCIAL POSITION  
AS AT MARCH 31, 2006**

**EXHIBIT A**

<b>ASSETS</b>	<b>2006</b>
<b>Current Assets</b>	
Cash and cash equivalents	\$ 21,527,741
Restricted cash and cash equivalents (Note 3)	815,132
Accrued interest receivable	205,415
Amounts receivable	10,133
Prepaid expenses and deposits	6,730
	<hr/>
	22,565,151
<b>Equipment (Note 4)</b>	<b>32,586</b>
	<hr/>
	<b>\$ 22,597,737</b>

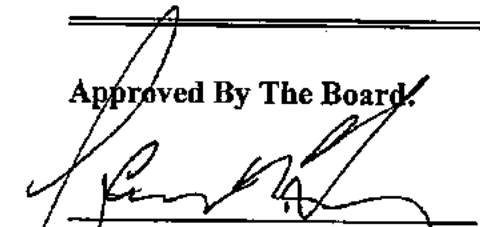
**LIABILITIES**


<b>Current Liabilities</b>	
Accounts payable and accrued liabilities	\$ 23,316
	<hr/>

**NET ASSETS**

Net Assets Invested In Equipment	32,586
Net Assets Restricted For Approved Programs	815,132
Unrestricted Net Assets	21,726,703
	<hr/>
	22,574,421
	<hr/>
	<b>\$ 22,597,737</b>

Approved By The Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

See accompanying notes.

**GEOSCIENCE BC SOCIETY** **EXHIBIT B**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**FOR THE PERIOD FROM INCORPORATION ON APRIL 26, 2005 TO MARCH 31, 2006**

	<u>2006</u>
<b>Revenues</b>	
Grant - B.C. Ministry of Energy and Mines	\$ 25,000,000
Interest income	636,563
	25,636,563
<b>Expenditures - Program Costs</b>	
Program costs incurred	2,584,761
Publishing costs	20,802
	2,605,563
<b>Expenditures - Administrative Costs</b>	
Advertising and promotion	17,650
Amortization of equipment	3,501
Consulting (Note 6)	110,505
Dues and memberships	2,749
Equipment lease (Note 5)	701
Executive recruitment	56,588
GST, non-refundable portion	9,833
Insurance	2,862
Management and administration fees (Note 7)	136,754
Office and sundry	7,533
Professional fees	18,703
Rent and utilities (Note 5)	8,573
Salaries and benefits	46,596
Travel, conferences and meetings	23,908
Website, internet and e-mail	10,123
	456,579
<b>Excess Of Revenues Over Expenditures</b>	<b>\$ 22,574,421</b>

See accompanying notes.

**GEOSCIENCE BC SOCIETY** **EXHIBIT C**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD FROM INCORPORATION ON APRIL 26, 2005 TO MARCH 31, 2006**

**Cash Provided By (Used For):**

	<u>2006</u>
<b>Operating Activities</b>	
Grant - B.C. Ministry of Energy and Mines	\$ 25,000,000
Interest income	431,148
Payments for program expenditures	(2,605,563)
Payments for administrative expenditures	(442,107)
Payments of refundable portion of GST	(9,833)
<b>Cash provided by operating activities</b>	<b>22,373,645</b>
<b>Investing Activities</b>	
Payments for equipment	(30,772)
<b>Cash used for investing activities</b>	<b>(30,772)</b>
<b>Increase In Cash</b>	<b>22,342,873</b>
<b>Cash, Beginning Of Period</b>	<b>-</b>
<b>Cash, End Of Period</b>	<b>\$ 22,342,873</b>
<b>Cash And Cash Equivalents</b>	
Funds held in treasury account	\$ 28,485
Term investments due within one year	22,314,388
	<b>\$ 22,342,873</b>

See accompanying notes.

**GEOSCIENCE BC SOCIETY** **EXHIBIT D**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE PERIOD FROM INCORPORATION ON APRIL 26, 2005 TO MARCH 31, 2006**

	<u>Investment In Equipment</u>	<u>Restricted For Approved Programs</u>	<u>Unrestricted</u>	<u>2006</u>
<b>Balance, Beginning Of Period</b>	\$ -	\$ -	\$ -	-
(Deficiency) Excess of revenues over expenditures	(3,501)	(2,584,761)	25,162,683	22,574,421
Investment in equipment	36,087	-	(36,087)	-
Internally imposed restrictions	-	3,399,893	(3,399,893)	-
<b>Balance, End Of Period</b>	<b>\$ 32,586</b>	<b>\$ 815,132</b>	<b>\$ 21,726,703</b>	<b>\$ 22,574,421</b>

See accompanying notes.

**GEOSCIENCE BC SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2006**

**EXHIBIT E**

**1. Incorporation And Nature Of Operations**

Geoscience BC Society (the "Society") was incorporated under the Society Act (British Columbia) on April 26, 2005 as a not for profit organization. The Society is exempt from taxation under Section 149(1) of the Income Tax Act of Canada. The purpose of the Society is promoting, funding, and otherwise supporting applied geoscience research in British Columbia. The Society had its genesis in the \$25 million funding commitment announced by the government of British Columbia in January 2005 in respect to the establishment and initial financing of such an organization, which unrestricted funding was subsequently received and the Society was incorporated. The Society has had certain members and directors in common with, and its creation was promoted by, both the Association for Mineral Exploration British Columbia ("AME BC") and the Mining Association of British Columbia. However, the Society operates independently of both organizations and is controlled by neither.

**2. Significant Accounting Policies**

**Basis of presentation**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which necessarily involves the use of estimates. The preparation of financial statements requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenditures for the period reported. Actual results could differ from those estimates. The financial statements of the Society have, in management's opinion, been properly prepared within reasonable limits of materiality, and within the framework of the significant accounting policies summarized below.

**Financial instruments**

The Society's financial instruments consist of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of the financial instruments approximate their carrying values, unless otherwise noted.

**Revenue recognition**

The Society follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets. Restricted investment income is recognized as revenue in the year in which the related expenditures are incurred. Unrestricted investment income is recognized as revenue when earned.



**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006**

**EXHIBIT E  
(CONT'D)**

**2. Significant Accounting Policies (Cont'd)**

**Donated materials and services**

Donated materials and services are recorded only when a fair value can be reasonably estimated and when they would be paid for by the Society if they had not been donated.

**Contributed services**

Significant volunteer labour is contributed to assist the Society in carrying out its activities, but is not recorded in the Society's financial statements due to the difficulty of determining the fair value of those services.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit with banks and other financial institutions, and highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash. As at March 31, 2006, the Society's term investments had an effective annual interest rate of 3.00%, and were due December 8, 2006.

**Equipment**

Equipment purchases made by the Society are capitalized and are recorded at cost less accumulated amortization. Amortization is recorded as disclosed in note 4 on a straight-line basis, commencing in the quarter of acquisition, as follows:

Computer equipment	3 years
Furniture and office equipment	5 years

**3. Restricted Cash And Cash Equivalents**

	<u>2006</u>	
Cash in term investment	\$	815,132

Restricted cash and cash equivalents are used for future payments of undisbursed, but approved funding commitments, whose payment is contingent upon the Society receiving acceptable deliverables from the projects principal proponent in accordance with executed agreements. These internally restricted amounts are not available for other purposes without the approval of the Society's Board of Directors.

**4. Equipment**

	Cost	Accumulated Amortization		Net Book Value 2006
Computer equipment	\$ 19,785	\$ 2,686	\$	17,099
Furniture and office equipment	16,302	815	\$	15,487
	\$ 36,087	\$ 3,501	\$	32,586

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006**

**EXHIBIT E  
(CONT'D)**

**5. Contractual Obligations**

The Society has a base rental commitment relating to the lease of its office premises, inclusive of monthly charges in respect to operating and common area costs and property taxes, totalling approximately \$163,000 to January 31, 2011. The Society also has a commitment relating to the lease of its photocopy equipment totalling \$13,321 to November 17, 2010.

Pursuant to a contract of employment with its President and Chief Executive Officer, the Society would be committed, in the event that it terminates its employment of this individual without cause prior to January 11, 2007, to pay \$36,250 in termination benefits, and \$145,000 in termination benefits thereafter. In addition, the President and Chief Executive Officer may terminate employment with the Society at any time by providing three months written notice.

**6. Related Party Transactions**

During the period ended March 31, 2006, the Society paid \$92,500 to a private company controlled by a now former director of the Society for management and consulting services.

**7. Administrative Services Contract**

During the period from incorporation to December 31, 2005, the Society paid AME BC an aggregate of \$136,754 pursuant to a contract based on a sliding-scale percentage of program grants distributed by the Society to that date. The contract was inclusive of accounting and legal services, the provision of office rent and meeting space, and other management services rendered by AME BC staff to the Society during its initial start up phase.

**8. Subsequent Event**

Subsequent to period end, the Board of Directors of the Society approved an additional \$1,362,992 in project funding at their May 4<sup>th</sup>, 2006 meeting.

**9. Comparative Figures**

No comparative figures have been disclosed in these financial statements as the period ended March 31, 2006 is the Society's initial since incorporation.