

**GEOSCIENCE BC SOCIETY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2008 and 2007**

AUDITORS' REPORT

EXHIBITS

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

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CHARTERED ACCOUNTANTS
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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, 2008 and the statements of revenues and expenditures, cash flows, and changes in net assets for the year then ended. 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Society Act (British Columbia), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

“Beauchamp & Company”
CHARTERED ACCOUNTANTS

Vancouver, British Columbia
August 22, 2008

**GEOSCIENCE BC SOCIETY
STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2008 AND 2007**

EXHIBIT A

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 227,475	\$ 2,014,849
Temporary investments (Note 4)	15,747,547	18,558,520
Accrued interest receivable	40	68,416
Amounts receivable (Note 8)	11,944,605	54,713
Prepaid expenses and deposits	10,134	3,337
	27,929,801	20,699,835
Equipment (Note 5)	32,277	28,452
	\$ 27,962,078	\$ 20,728,287
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 178,672	\$ 41,913
NET ASSETS		
Net Assets Invested In Equipment	32,277	28,452
Net Assets Restricted For Approved Programs (Note 3)	2,207,675	929,988
Unrestricted Net Assets	25,543,454	19,727,934
	27,783,406	20,686,374
	\$ 27,962,078	\$ 20,728,287

Approved By The Board:

"James D. Gray" Director

"C.D. ('Lyn) Anqlin" Director

See accompanying notes.

GEOSCIENCE BC SOCIETY
STATEMENTS OF REVENUES AND EXPENDITURES
FOR THE YEARS ENDED MARCH 31, 2008 and 2007

EXHIBIT B

	<u>2008</u>	<u>2007</u>
Revenues		
Grants – BC Ministry of Energy, Mines and Petroleum Resources	\$ 11,700,000	\$ -
Grants – other	669,888	16,466
Investment income (Note 4)	800,563	991,743
Workshops	-	3,850
Funding recoveries (Note 3)	14,605	256,129
	13,185,056	1,268,188
Expenditures - Program Costs		
Program costs incurred	4,662,457	2,520,212
Project GST, non-refundable portion	94,893	-
Publishing costs	20,417	34,135
	4,777,767	2,554,347
Expenditures - Administrative Costs		
Amortization of equipment	15,003	10,693
Communications and marketing	61,918	65,654
Consulting	62,792	95,014
Donations and gifts	1,302	-
Dues and memberships	2,574	3,910
Equipment lease (Note 6)	3,181	3,161
Executive recruitment	8,219	-
GST, non-refundable portion	11,449	23,971
Insurance	5,385	7,522
Investment management fees	55,391	23,156
Office and sundry	21,090	16,088
Professional fees	49,068	41,807
Rent and utilities (Note 6)	45,487	42,782
Salaries and benefits	324,734	277,011
Scholarship awards	50,000	-
Travel, conferences and meetings	72,250	91,547
Website, internet and e-mail	5,394	7,860
Workshop expenses	675	10,557
	795,912	720,733
Excess (Deficiency) Of Revenues Over Expenditures	\$ 7,611,377	\$ (2,006,892)

See accompanying notes.

**GEOSCIENCE BC SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2008 and 2007**

EXHIBIT C

Cash Provided By (Used For):

	<u>2008</u>	<u>2007</u>
Operating Activities		
Grants	\$ 531,625	\$ 16,466
Workshops and recoveries	45,347	229,237
Investment income	930,627	1,107,269
Payments for program expenditures	(4,654,873)	(2,554,347)
Payments for administrative expenditures	(777,530)	(682,123)
Payments of refundable portion of GST	(102,653)	(23,971)
Receipt of refundable GST	23,971	9,833
Cash used for operating activities	(4,003,486)	(1,897,636)
Investing Activities		
Payments for equipment	(18,828)	(11,874)
Redemptions (initial purchases) of temporary investments	2,993,880	(18,000,000)
Reinvestment of investment income, net	(758,940)	(418,514)
Cash provided by (used for) investing activities	2,216,112	(18,430,388)
Decrease In Cash And Cash Equivalents	(1,787,374)	(20,328,024)
Cash And Cash Equivalents, Beginning Of Year	2,014,849	22,342,873
Cash And Cash Equivalents, End Of Year	\$ 227,475	\$ 2,014,849
Cash And Cash Equivalents		
Funds held in treasury account	\$ 77,475	\$ 114,849
GIC investments due within one year	150,000	1,900,000
	\$ 227,475	\$ 2,014,849

See accompanying notes.

GEOSCIENCE BC SOCIETY
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2008 and 2007

EXHIBIT D

	Investment In Equipment	Restricted For Approved Programs	Unrestricted	Total
Balance, March 31, 2006	\$ 32,586	\$ 815,132	\$ 21,726,703	\$ 22,574,421
(Deficiency) Excess of revenues over expenditures	(10,693)	(2,520,212)	524,013	(2,006,892)
Unrealized gain on investments	-	-	118,845	118,845
Investment in equipment	6,559	-	(6,559)	-
Internally imposed restrictions	-	2,635,068	(2,635,068)	-
Balance, March 31, 2007	28,452	929,988	19,727,934	20,686,374
(Deficiency) Excess of revenues over expenditures	(15,003)	(4,807,350)	12,433,730	7,611,377
Unrealized loss on investments	-	-	(514,345)	(514,345)
Investment in equipment	18,828	-	(18,828)	-
Internally imposed restrictions	-	6,085,037	(6,085,037)	-
Balance, March 31, 2008	\$ 32,277	\$ 2,207,675	\$ 25,543,454	\$ 27,783,406

See accompanying notes.

GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008 and 2007

EXHIBIT E

1. Incorporation And Nature Of Operations

Geoscience BC Society ("Geoscience BC" or "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* (Canada). The purpose of the Society is to promote, fund and otherwise support 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, which unrestricted funding was subsequently received and the Society 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 a separate board of up to 13 directors, which also comprises the Society's membership. Although it functions to complement the efforts of pre-existing provincial and federal agencies, Geoscience BC also operates on an arms-length basis from the governments of both British Columbia and Canada.

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 year 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 disclosed below.

Financial instruments

The Society's financial instruments consist of cash and cash equivalents, temporary investments, 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. As described further below, the Society records its financial instruments at their current fair values.

During the year ended March 31st, 2007 the Society adopted, on a prospective basis, Canadian accounting guidance in respect to the measurement and presentation of certain financial instruments at fair value. Pursuant to these standards the Society's temporary investments have been classified as available for sale and have been reported at fair value. Unrealized gains or losses involving instruments other than banker's acceptances are recorded directly in the statement of changes in net assets. Effective April 1, 2006, the Society classified its accounts payable and accrued liabilities as other financial liabilities and accounted for them at amortized cost.

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008 and 2007**

**EXHIBIT E
(CONT'D)**

2. Significant Accounting Policies (Cont'd)

The Society's financial instruments are exposed to market volatility, particularly in respect to the approximately \$9.3 million currently invested in the Connor, Clark and Lunn Private Capital Ltd. ("CC&L") portfolio of pooled private equity funds. During the year ended March 31, 2008, the Society recorded an unrealized loss of \$514,345 (2007 – an unrealized gain of \$118,845) in respect of its aggregate investment in the CC&L portfolio, and further losses of this nature could be possible in the future.

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.

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, 2008, the Society's term investment had an effective annual interest rate of 2.2%, and was due February 3rd, 2009 (2007 – 3.9% due April 27, 2007).

Equipment

Equipment purchases made by the Society are capitalized and are recorded at cost less accumulated amortization. Amortization is recorded as disclosed in note 5 on a straight-line basis, commencing in the quarter of acquisition, as follows:

Computer equipment	3 years
Furniture and office equipment	5 years

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008 and 2007**

**EXHIBIT E
(CONT'D)**

2. Significant Accounting Policies (Cont'd)

Accounting changes

Effective April 1, 2007, the Society adopted the new CICA Handbook Section 1506 Accounting Changes. Under these new accounting standards, voluntary changes in accounting policies are permitted only when they result in the financial statements providing reliable and more relevant information. This section requires changes in accounting policies to be applied retroactively unless doing so is impracticable, requires prior period errors to be corrected retroactively and requires enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. These accounting standards also require the disclosure of new primary sources of Canadian GAAP that have been issued but are not yet effective. The impact that the adoption of this section will have on the Society's financial statements will depend on the nature of future accounting changes and the required additional disclosure of Recent Accounting Pronouncements.

3. Restricted Net Assets

At March 31, 2008, the Society's net assets are subject to future obligations aggregating \$2,207,675 (2007 - \$929,988), representative of undisbursed but approved funding commitments, payment of which is contingent upon the Society receiving acceptable deliverables from these programs 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.

Recipients of funding from Geoscience BC are required to account for the expenditure of all monies received, and Geoscience BC reserves the right to request documentation to support the reported expenditure breakdowns. Unspent funds, including GST input tax credits subsequently recovered by recipients but based on the expenditure of Geoscience BC grants, are to be returned to the Society. During the fiscal year ended March 31, 2008, the Society received an aggregate of \$14,605 (2007 - \$75,709) of such recoveries, which are included within the Society's unrestricted net assets. No predictions of future recoveries can be accurately made at this time and therefore funding recoveries are recorded at the earlier of the date of receipt and the date that a recovered amount becomes determinable.

During the year ended March 31, 2007, Geoscience BC recovered an aggregate of \$180,420 from third parties in connection with the partial reimbursement of program expenditures incurred by the Society.

Refer to Note 8.

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008 and 2007**

**EXHIBIT E
(CONT'D)**

4. Temporary Investments

During the year ended March 31, 2007, the Society's board elected to invest an aggregate of \$18.0 million in temporary investments other than cash. Accordingly, \$8.0 million was invested in banker's acceptances which initially matured at three, six and twelve month intervals and which are readily convertible to cash at any time at market values. A further \$10.0 million was invested in various pooled funds under the discretionary management of CC&L, and subject to a Statement of Investment policy between the Society and CC&L. These monies are also readily convertible to cash at any time without penalty.

During the year ended March 31, 2008, the Society drew \$1.994 million from the amount initially invested in banker's acceptances, and an additional \$1.0 million from the amount invested under CC&L's management.

Refer to note 8.

	Cost*	Market value
	\$	\$
Banker's acceptance, Bank of Nova Scotia, due April 1, 2008	3,239,683	3,239,683
Banker's acceptance, Firstbank, due June 23 rd , 2008	843,503	843,073
Banker's acceptance, Firstbank, due July 7 th , 2008	2,387,083	2,390,216
	6,470,269	6,472,972
Connor, Clark and Lunn aggregate portfolio, at market value		9,274,575
		15,747,547

**Inclusive of accumulated provisions for amortized discounts calculated on a straight-line basis. In a non-volatile interest rate environment the adjusted cost – market differential in respect to banker's acceptances is typically nominal; accordingly, the aggregate difference above is included in current operations and not separately disclosed.*

Investment income is comprised as follows:

	2008	2007
	\$	\$
Interest earned on cash equivalents/banker's acceptances	380,837	658,261
Reinvested income distributions	479,798	312,009
Realized investment (losses) gains	(60,072)	21,473
Unrealized investment (losses) gains	(514,345)	118,845
	286,218	1,110,588
Aggregate investment income		
Add: unrealized losses (gains) reported in Statements of Changes in Net Assets	514,345	(118,845)
	800,563	991,743
Income reported in Statements of Revenues and Expenditures		

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008 and 2007**

**EXHIBIT E
(CONT'D)**

5. Equipment

	Net Book Value at March 31,			
	Cost	Accumulated Amortization	2008	2007
Computer equipment	\$ 41,601	\$ 21,185	\$ 20,416	\$ 14,800
Furniture and office equipment	19,873	8,012	11,861	13,652
	\$ 61,474	\$ 29,197	\$ 32,277	\$ 28,452

6. Contractual Obligations

As at March 31, 2008 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 \$100,000 (2007 - \$133,000) to January 31, 2011. The Society also has a commitment relating to the lease of its photocopy equipment totalling \$7,712 (2007 - \$10,517) 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, to pay \$160,000 in termination benefits. In addition, the President and Chief Executive Officer may terminate employment with the Society at any time by providing three months written notice.

7. Related Party Transactions

There were no related party transactions in either fiscal year.

8. Subsequent Events

During the period subsequent to March 31, 2008:

- The Society received additional funding from the B.C. provincial government in the amount of \$11.7 million, of which \$6 million is intended to fund mineral resource geoscience and the balance designated for oil & gas funding. The amount was recorded as receivable as at March 31, 2008 as the government decision to expend the funds had been made prior to that date.

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008 and 2007**

**EXHIBIT E
(CONT'D)**

8. Subsequent Events (Cont'd)

- The Society announced the QUEST (“Quesnellia Exploration Strategy”)-West program, pursuant to which its board of directors has approved approximately \$5.4 million to be spent directly by the Society on regional geophysical and geochemical exploration programs and community based initiatives in the QUEST-West area.
- The Society approved \$450,000 in funding for QUEST program follow-up work, and \$700,000 in funding with \$500,000 for potential partnership programs with the B.C. Geological Survey, and \$200,000 for data compilation programs for planning of future Geoscience BC programs.
- The Society approved and disbursed 11 scholarships of \$5,000 each.
- The Society approved \$2.6 million, which includes \$500,000 to be received from the Northern Development Trust Initiative, for a seismic survey in the Nechako Basin and related logistics. Expenditures of \$115,756 were incurred by the Society to March 31, 2008 as the funding for this program was approved in principle by its board prior to year end.
- The Society invested an additional \$5.0 million under the management of CC&L and \$6.0 million in a one-year redeemable GIC with a yield of 3.4%. Banker’s acceptances were sold to raise cash proceeds of approximately \$1.25 million.
- The Society terminated its office lease in favour of a new lease for office premises in a different suite situated in the same building. The base rental commitment relating to this new lease, inclusive of monthly charges in respect to operating and common area costs and property taxes, totals approximately \$465,000 to July 31, 2012.

9. Adoption Of New Accounting Policies

Future changes in accounting policies

Section 1535 - Capital Disclosures

This standard requires disclosure of the Society’s objectives, policies and processes for managing capital, quantitative data about what the Society regards as capital and whether the Society has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for the Society for interim and annual periods relating to fiscal years beginning on or after April 1, 2008. The Society is currently evaluating the effect of adopting this standard.

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008 and 2007**

**EXHIBIT E
(CONT'D)**

9. Adoption Of New Accounting Policies (Cont'd)

Financial instruments - Disclosure (Section 3862) and Presentation (Section 3863)

These standards replace CICA 3861, Financial Instruments - Disclosure and Presentation. They increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for the Society's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, currency risk, interest rate risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel. This standard is effective for the Society for interim and annual periods relating to fiscal years beginning on or after April 1, 2008. The Society anticipates that its disclosures will be expanded to incorporate these additional requirements.

Amendments to section 1400 – Going Concern

CICA Handbook Section 1400, General Standards of Financial Statement Presentation, was amended to include requirements to assess and disclose the Society's ability to continue as a going concern. This standard is effective for the Society for interim and annual periods relating to fiscal years beginning on or after April 1, 2008. The Society is currently evaluating the effect of adopting this standard.