

**GEOSCIENCE BC SOCIETY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2009 and 2008**

AUDITORS' REPORT

EXHIBITS

- A. Statements of Financial Position
- 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, 2009 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, 2009 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 26, 2009

**GEOSCIENCE BC SOCIETY
STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2009 AND 2008**

EXHIBIT A

	<u>2009</u>	<u>(Note 11)</u> <u>2008</u>
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 554,786	\$ 227,475
Temporary investments (Note 4)	16,991,131	15,628,317
Accrued interest receivable	202,990	119,270
Amounts receivable	1,695,182	11,944,605
Prepaid expenses and deposits	13,500	10,134
	19,457,589	27,929,801
Equipment (Note 7)	30,787	32,277
	\$ 19,488,376	27,962,078
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 115,638	\$ 178,672
NET ASSETS		
Net Assets Invested In Equipment	30,787	32,277
Net Assets Restricted For Approved Programs (Note 3)	4,142,621	2,207,675
Unrestricted Net Assets	15,199,330	25,543,454
	19,372,738	27,783,406
	\$ 19,488,376	\$ 27,962,078

Nature Of Operations And Going Concern (Note 1)

Subsequent Events (Note 10)

Approved By The Board:

“James D. Gray” Director

“C.D. (‘Lyn) Anglin” Director

See accompanying notes.

GEOSCIENCE BC SOCIETY
STATEMENTS OF REVENUES AND EXPENDITURES
FOR THE YEARS ENDED MARCH 31, 2009 and 2008

EXHIBIT B

	<u>2009</u>	<u>(Note 11)</u> <u>2008</u>
Revenues		
Grants – BC Ministry of Energy, Mines and Petroleum Resources	\$ -	\$ 11,700,000
Grants – other, and program reimbursements	1,680,580	669,888
Investment income (Note 4)	527,685	800,563
Funding recoveries (Note 3)	12,053	14,605
Sublease rent and administrative fee	8,400	-
	2,228,718	13,185,056
Expenditures - Program Costs		
Program costs incurred	8,327,397	4,546,701
Program costs incurred, approved in principal only	31,471	115,756
Project GST, non-refundable portion	168,365	94,893
Publishing costs	25,224	20,417
	8,552,457	4,777,767
Expenditures - Administrative Costs		
Amortization of equipment	16,486	15,003
Communications and marketing	64,061	61,918
Consulting	154,859	62,792
Gifts and promotion	5,365	1,302
Dues and memberships	6,490	2,574
Equipment lease (Note 8)	3,226	3,181
Executive recruitment	-	8,219
First Nations and community engagement	4,301	-
GST, non-refundable portion	12,800	11,449
Insurance	5,388	5,385
Investment management fees	56,699	55,391
Office and sundry	23,658	21,090
Professional fees	51,014	49,068
Rent and utilities (Note 8)	100,877	45,487
Salaries and benefits	374,445	324,734
Scholarship awards	55,000	50,000
Sponsorship	17,653	-
Travel, conferences and meetings	119,345	72,250
Website, internet and e-mail	5,772	5,394
Workshop expenses	4,965	675
	1,082,404	795,912
(Deficiency) Excess Of Revenues Over Expenditures	\$ (7,406,143)	\$ 7,611,377

See accompanying notes.

**GEOSCIENCE BC SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2009 and 2008**

EXHIBIT C

Cash Provided By (Used For):

	<u>2009</u>	<u>2008</u>
Operating Activities		
Grants	\$ 12,015,320	\$ 531,625
Workshops and recoveries	3,227	45,347
Investment income	673,776	930,627
Sublease income	8,400	-
Payments for program expenditures	(8,675,351)	(4,654,873)
Payments for administrative expenditures	(1,006,004)	(777,530)
Payments of refundable portion of GST	(182,564)	(102,653)
Receipt of refundable GST	102,653	23,971
Cash provided by (used for) operating activities	2,939,457	(4,003,486)
Investing Activities		
Acquisition of equipment	(14,996)	(18,828)
Purchase of temporary investments	(11,000,000)	-
Redemptions of temporary investments	9,006,977	2,993,880
Reinvestment of investment income, net	(604,127)	(758,940)
Cash (used for) provided by investing activities	(2,612,146)	2,216,112
Increase (Decrease) In Cash And Cash Equivalents	327,311	(1,787,374)
Cash And Cash Equivalents, Beginning Of Year	227,475	2,014,849
Cash And Cash Equivalents, End Of Year	\$ 554,786	\$ 227,475
Cash And Cash Equivalents		
Funds held in treasury account	\$ 4,786	\$ 77,475
GIC investments due within one year	550,000	150,000
	\$ 554,786	\$ 227,475

See accompanying notes.

GEOSCIENCE BC SOCIETY
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED MARCH 31, 2009 and 2008

EXHIBIT D

	Investment In Equipment	Restricted For Approved Programs	Unrestricted	Total
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
(Deficiency) Excess of revenues over expenditures	(16,486)	(8,550,762)	1,161,105	(7,406,143)
Unrealized loss on investments	-	-	(1,004,525)	(1,004,525)
Investment in equipment	14,996	-	(14,996)	-
Internally imposed restrictions	-	10,485,708	(10,485,708)	-
Balance, March 31, 2009	\$ 30,787	\$ 4,142,621	\$ 15,199,330	\$ 19,372,738

See accompanying notes.

GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2009 and 2008

EXHIBIT E

1. Nature Of Operations And Going Concern

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.

The Society has no source of operating revenue and its future operations are therefore dependent upon the receipt of continued unrestricted and non-repayable funding, anticipated to be from government sources. In the event such funding is not received, the Society would in due course deplete its cash reserves and be required to cease operations. At March 31, 2009 the Society expects to maintain operations for a minimum period of two years based on its existing commitments to fund projects and its related liquid asset balances on hand. Refer to note 5.

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. The Society records its financial instruments at their current fair values. 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 Society’s statements of changes in net assets for the two years ended March 31, 2009 and 2008. The Society classifies its accounts payable and accrued liabilities as other financial liabilities and accounts for them at amortized cost. The Society’s receivable balances have been classified and reported on the same basis.

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2009 and 2008**

**EXHIBIT E
(CONT'D)**

2. Significant Accounting Policies (Cont'd)

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, 2009, the Society had a \$550,000 GIC investment included within cash and cash equivalents bearing an effective annual interest rate of 0.95%, and due February 15, 2010.

Equipment

Equipment purchases made by the Society are capitalized and are recorded at cost less accumulated amortization. Amortization is recorded as disclosed in note 7 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, 2009 and 2008**

**EXHIBIT E
(CONT'D)**

2. Significant Accounting Policies (Cont'd)

New Accounting Policies

These financial statements include expanded disclosures relative to the previous years statements, pursuant to Recommendations issued by the Canadian Institute of Chartered Accountants (the "CICA"), as follows:

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. Refer to note 6.

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. Refer to note 5.

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. Refer to note 1.

3. Restricted Net Assets

At March 31, 2009, the Society's net assets are subject to future obligations aggregating \$4,142,621 (2008 - \$2,207,675), 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, 2009, the Society received an aggregate of \$12,053 (2008 - \$14,605) 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, 2009, Geoscience BC recovered an aggregate of \$96,945 (2008 - nil) from third parties in connection with the partial reimbursement of program expenditures incurred by the Society.

Refer to Note 10.

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2009 and 2008**

**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. A further \$11.0 million was invested during the year ended March 31, 2009.

Accordingly, during the year ended March 31, 2009, \$6.0 million (2007 - \$8.0 million) was invested in either banker's acceptances or guaranteed income certificates issued by Canadian financial institutions which are readily convertible to cash at any time at market values. A further \$5.0 million (2007 - \$10 million) was invested in various pooled funds under the discretionary management of Connor, Clark and Lunn Private Capital Ltd ("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, 2009, the Society drew \$4.007 million (2008 - \$1.994 million) from amounts invested in banker's acceptances, and an additional \$5.0 million (2008- \$1.0 million) from amounts invested under CC&L's management.

	March 31, 2009 Market Value \$	March 31, 2009 Cost \$
3.4% GIC, TD Mortgage Corp., due April 27, 2009	6,001,063	6,001,063
2.9% GIC, Advisor's Advantage Trust, due December 1, 2009	557,000	557,000
1.4% GIC, Montreal Trust, due January 5, 2010	2,040,000	2,040,000
	8,598,063	8,598,063
CC&L aggregate portfolio	8,393,068	9,793,093
	16,991,131	18,391,156

Investment income is comprised as follows:

	2009 \$	2008 \$
Interest earned on GIC's/banker's acceptances	345,134	380,837
Reinvested income distributions	533,382	479,798
Realized investment losses	(350,831)	(60,072)
Unrealized investment losses	(1,004,525)	(514,345)
Aggregate investment (loss) income	(476,840)	286,218
Add: unrealized losses reported in Statements of Changes in Net Assets	1,004,525	514,345
Income reported in Statements of Revenues and Expenditures	527,685	800,563

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2009 and 2008**

**EXHIBIT E
(CONT'D)**

5. Financial Instrument Risk

The Society's financial instruments are exposed to market price volatility, particularly in respect to the value of the \$8.4 million currently invested in the CC&L portfolio of pooled private equity funds. During the year ended March 31, 2009 the Society recorded a realized loss of \$350,831 (2008 - \$60,072) and an unrealized loss of \$1,004,525 (2008 - \$514,345) in respect of its aggregate investment in the CC&L portfolio. As at March 31, 2009 the Society has invested a net amount of \$9.0 million in this portfolio and the portfolio's current carrying value represents a decline of \$607,000 relative to this net cash investment. Although the portfolio is intended to expose the Society to limited risk and volatility, recent market conditions have resulted in significant elements of both, and there can be no assurance that further declines will not occur in the future. However, at August 31, 2009 the CC&L portfolio had recovered to an aggregate value of approximately \$9.4 million, an increase of over \$1.0 million relative to its March 31, 2009 value.

Related to the general price risk discussed above, a small portion of the underlying assets comprising the CC&L portfolio are denominated in foreign currencies and accordingly the portfolio is exposed to foreign exchange fluctuations to this extent.

The Society's investments in highly liquid near cash instruments, excluding the CC&L portfolio, currently consist of Guaranteed Investment Certificates issued by Canadian commercial banks. The Society considers the credit risk associated with such investments to be minimal.

6. Capital Management

The Society's objectives for the management of capital are to safeguard its ability to continue as a going concern, specifically the preservation of capital, and to achieve reasonable returns on invested cash after satisfying this first objective. The Society's CC&L portfolio is subject to a Statement of Investment Policy which prescribes an overall fixed income weighting of 75% relative to an equity weighting of 25%. In addition, the Society does not own investments in specific entities directly but rather owns units of CC&L Funds which themselves hold widely diversified positions and which are managed on a pooled basis generally with a view to limiting the overall volatility of a given Fund.

To date the Society has generated cash to meet its expenditure requirements by liquidating funds from its various investments on a discretionary basis. During the recent severe downturn in financial markets, the Society has generally elected to avoid crystallizing losses by obtaining cash from the liquidation of the cash equivalent elements of its investment assets. However, there can be no assurance that the crystallization of such losses will be avoided in the future as the Society expects to ultimately be required to draw on all of its investment assets to fund its ongoing expenditures.

The Society currently has no externally-imposed capital requirements.

7. Equipment

	Cost	Accumulated Amortization	Net Book Value at March 31,	
			2009	2008
Computer equipment	\$ 35,575	\$ 13,727	\$ 21,848	\$ 20,416
Furniture and office equipment	21,111	12,172	8,939	11,861
	\$ 56,686	\$ 25,899	\$ 30,787	\$ 32,277

**GEOSCIENCE BC SOCIETY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2009 and 2008**

**EXHIBIT E
(CONT'D)**

8. Contractual Obligations

As at March 31, 2009 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 \$378,000 (2008 - \$100,000) to July 31, 2012. The Society also has a commitment relating to the lease of its photocopy equipment totalling \$5,023 (2008 - \$7,712) to February 5, 2011.

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 \$164,000 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.

9. Related Party Transactions

These related party transactions were in the normal course of operations and are measured at fair value as determined by management.

During the year ended March 31, 2009, the Society paid or accrued an aggregate of \$24,280 (2008 - \$nil) to an entity controlled by a Director of the Society for community engagement, communications and administrative services.

10. Subsequent Events

In addition to items mentioned elsewhere in these notes, during the period subsequent to March 31, 2009:

- The Society announced the QUEST (“Quesnellia Exploration Strategy”)-South program, pursuant to which its Board of Directors has approved up to \$2.0 million to be spent directly by the Society on a regional airborne gravity survey in the QUEST-South area.
- The Board of Directors of the Society approved an additional \$5,455,377 in project funding, comprised as to \$2,328,570 for minerals projects and \$3,126,807 for oil & gas projects, including \$3,046,900 for aquifer studies and well data purchases in the Horn River Basin.
- The Society approved and disbursed 9 scholarships of \$5,000 each.

11. Comparative Figures

Certain of the amounts disclosed as at and for the year ended March 31, 2008 have been reclassified to conform with the financial statement presentation adopted for the Society’s March 31, 2009 year.