GEOSCIENCE BC SOCIETY

FINANCIAL STATEMENTS

MARCH 31, 2010

GEOSCIENCE BC SOCIETY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

AUDITORS' REPORT

EXHIBITS

BEAUCHAMP & COMPANY
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, 2010 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, 2010 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, B.C.
September 3, 2010

EXHIBIT A

GEOSCIENCE BC SOCIETY
STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2010 AND 2009

		2010		2009
ASSETS				
Current Assets				
Cash and cash equivalents (Note 2)	$	206,012	$	554,786
Investments (Note 4)		11,951,266		16,991,131
Accrued interest receivable		1,140		202,990
Amounts receivable		196,516		1,695,182
Prepaid expenses and deposits		8,756		13,500
		12,363,690		19,457,589
Capital Assets (Note 7)		23,637		30,787
	$	12,387,327	$	19,488,376
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$	66,506	$	115,638
NET ASSETS				
Net Assets Invested In Capital Assets		23,637		30,787
Net Assets Restricted For Approved Programs (Note 3)		3,272,410		4,142,621
Unrestricted Net Assets		9,024,774		15,199,330
		12,320,821		19,372,738
	$	12,387,327	$	19,488,376

Nature Of Operations And Going Concern (Note 1)
Subsequent Events (Note 10)

Approved By The Board:

"C.D. ('Lyn) Anglin" **Director**

"James D. Gray" **Director**

See accompanying notes.

GEOSCIENCE BC SOCIETY **EXHIBIT B**

STATEMENTS OF REVENUES AND EXPENDITURES

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

	2010	2009
Revenues		
Grants and program reimbursements	$ 51,486	$ 1,680,580
Investments (Note 4)	260,305	527,685
Funding recoveries (Note 3)	22,548	12,053
Sublease rent and other	16,420	8,400
	350,759	2,228,718
Expenditures - Programs		
Program costs incurred	7,385,757	8,327,397
Program costs incurred, approved in principal	-	31,471
Project GST, non-refundable portion	131,681	168,365
Publishing costs	37,816	25,224
	7,555,254	8,552,457
Expenditures - Administration		
Amortization of capital assets	16,940	16,486
Communications and marketing	50,547	64,061
Consulting	90,765	154,859
Gifts and promotion	6,102	5,365
Dues and memberships	3,194	6,490
Equipment lease (Note 8)	3,426	3,226
First Nations and community engagement	300	4,301
GST, non-refundable portion	12,196	12,800
Insurance	5,407	5,388
Investment management fees	52,032	56,699
Office and sundry	47,247	23,658
Professional fees	56,579	51,014
Recruitment	3,000	-
Rent and utilities (Note 8)	125,589	100,877
Salaries and benefits	546,564	374,445
Scholarship awards	50,000	55,000
Sponsorship	17,842	17,653
Travel, conferences and meetings	99,265	119,345
Website, internet and e-mail	4,474	5,772
Workshops	4,919	4,965
	1,196,388	1,082,404
Excess Of Expenditures Over Revenues	$ (8,400,883)	$ (7,406,143)

See accompanying notes.

GEOSCIENCE BC SOCIETY **EXHIBIT C**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

		2010		2009
Cash Provided By (Used For):				
Operating Activities				
Grants and program reimbursements	$	1,503,523	$	12,015,320
Investments		722,270		673,776
Funding recoveries		31,374		3,227
Sublease rent and other		16,420		8,400
Payments for program expenditures		(7,514,098)		(8,675,351)
Payments for administration expenditures		(1,264,802)		(1,006,004)
Payments of refundable portion of GST		(144,951)		(182,564)
Receipt of refundable GST		182,564		102,653
Cash (used for) provided by operating activities		(6,467,700)		2,939,457
Investing Activities				
Purchase of investments (Note 4)		-		(11,000,000)
Redemption of investments (Note 4)		6,786,915		9,006,977
Reinvestment of investment distributions, net		(658,199)		(604,127)
Purchase of capital assets		(9,790)		(14,996)
Cash provided by (used for) investing activities		6,118,926		(2,612,146)
(Decrease) Increase In Cash And Cash Equivalents		(348,774)		327,311
Cash And Cash Equivalents, Beginning Of Year		554,786		227,475
Cash And Cash Equivalents, End Of Year	$	206,012	$	554,786
Cash And Cash Equivalents				
Funds held in treasury account	$	206,012	$	4,786
GIC investments due within one year		-		550,000
Cash And Cash Equivalents, End Of Year	$	206,012	$	554,786

See accompanying notes.

GEOSCIENCE BC SOCIETY **EXHIBIT D**

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

	Investment In Capital Assets	Restricted For Approved Programs	Unrestricted	Total
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 capital assets	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
Excess of expenditures over revenues	(16,940)	(7,567,438)	(816,505)	(8,400,883)
Unrealized gain on investments	-	-	1,348,966	1,348,966
Investment in capital assets	9,790	-	(9,790)	-
Internally imposed restrictions	-	6,697,227	(6,697,227)	-
Balance, March 31, 2010	$ 23,637	$ 3,272,410	$ 9,024,774	$ 12,320,821

See accompanying notes.

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, 2010 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.

Management believes that these actions make the use of the going concern basis appropriate; however, it is not possible at this time to predict the outcome of these matters. If the going concern basis is not appropriate, adjustments could be necessary to the carrying amounts and/or classification of assets, liabilities, revenues and expenditures in these financial statements, and these adjustments could be material.

2. Significant Accounting Policies

Current changes in accounting policies

During the years ended March 31, 2010 and 2009, the Society adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants (the "CICA"):

- **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. Disclosures required pursuant to this standard are found in note 1 to the financial statements.

- **Capital disclosures**

  Effective April 1, 2008, the Society adopted CICA Handbook 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.

2. Significant Accounting Policies (Cont'd)

Current changes in accounting policies (cont'd)

- **Capital disclosures (cont'd)**

The Society's objectives when managing capital are to safeguard its ability to continue as a going concern, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Society includes the components of net assets as well as its cash and cash equivalent and investment balances.

The Society manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Society may attempt to decrease its program approvals or adjust the amount of its cash and cash equivalent and investment balances.

The Society's investment policy is to invest its cash in highly liquid investments which are readily convertible into cash, selected with regard to the expected timing of expenditures from continuing operations. Refer to note 6.

- **Financial instruments**

The Society previously adopted CICA Handbook Section 3855, Financial Instruments-Recognition and Measurement, and Section 3861, Financial Instruments – Disclosure and Presentation. These accounting standards provide comprehensive requirements for the recognition and measurement of financial instruments. Pursuant to these standards, financial instruments are classified as one of the following: loans and receivables, held-to-maturity, held-for-trading, available-for-sale and other financial liabilities. Financial instruments are measured on the statement of financial position at amortized cost or fair value depending on the classification. Loans and receivables, held-to-maturity financial instruments and other financial liabilities are accounted for at amortized cost. Held-for-trading and available-for-sale financial instruments are recorded at fair value on the Society's statement of financial position. Changes in fair value of held-for-trading financial instruments are recognized in the Society's statement of revenues and expenditures while changes in fair value of available-for-sale financial instruments are initially recorded in the Society's statement of changes in net assets.

Effective April 1, 2009, the Society adopted CICA Handbook Sections 3862 Financial Instruments – Disclosure and 3863 Financial Instruments – Presentation. Refer to notes 4 and 5.

These standards replace CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation. They increase the disclosures previously 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 Society is exposed to risk, based on information provided internally to the Society's key management personnel.

2. Significant Accounting Policies (Cont'd)

Current changes in accounting policies (cont'd)

- **EIC 173 – Credit risk and the fair value of financial assets and financial liabilities**

  In January 2009, the CICA approved EIC – 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that the Society's credit risk and the credit risk of the counter party should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Society adopted this standard on January 12, 2009. The adoption of this Handbook EIC had no impact on the Society's financial statements.

Measurement uncertainty

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 as well as the reported amounts of revenues earned and expenditures incurred during 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.

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.

2. Significant Accounting Policies (Cont'd)

Capital assets

Capital asset 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

3. Restricted Net Assets

At March 31, 2010, the Society's net assets are subject to future obligations aggregating $3,272,410 (2009 - $4,142,621), 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, 2010, the Society received an aggregate of $22,548 (2009 - $12,053) 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, 2010, Geoscience BC recovered $nil (2009 - $96,945) from third parties in connection with the partial reimbursement of program expenditures incurred by the Society.

Refer to Note 10.

4. Investments

During the year ended March 31, 2007, the Society's Board elected to invest an aggregate of $18.0 million in short term investments other than cash. A further $11.0 million was invested by the Society during the year ended March 31, 2009.

During the year ended March 31, 2010, $nil (2009 - $6.0 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 $nil (2009 - $5 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, 2010, the Society drew $6.79 million (2009 - $4.01 million) from amounts invested in banker's acceptances, and $nil (2009 - $5.0 million) from amounts invested under CC&L's management.

4. Investments (Cont'd)

	March 31, 2010 Market Value $	March 31, 2010 Cost $
Dundee Investment Savings Account	501,427	501,427
Renaissance High Interest Savings Account	1,004,659	1,004,659
0.6% GIC, Advisor's Advantage Trust, due December 1, 2010	573,153	573,153
	2,079,239	2,079,239
CC&L aggregate portfolio	9,872,027	9,923,086
	11,951,266	12,002,325

Investment revenue is comprised of the following:	2010 $	2009 $
Interest earned on GIC's/banker's acceptances	67,887	345,134
Reinvested distributions	452,531	533,382
Realized investment losses	(260,113)	(350,831)
Unrealized investment gains (losses)	1,348,966	(1,004,525)
Aggregate investment revenue (loss)	1,609,271	(476,840)
Add: unrealized (gains) losses reported in Statements of Changes in Net Assets	(1,348,966)	1,004,525
Revenue disclosed in Statements of Revenues and Expenditures	260,305	527,685

5. Financial Instrument Risk

The Society's financial instruments are exposed to market price volatility, particularly in respect to the value of the $9.9 million currently invested in the CC&L portfolio of pooled private equity funds. During the year ended March 31, 2010 the Society recorded a realized loss of $260,113 (2009 – $350,831) and an unrealized gain of $1,348,966 (2009 – loss of $1,004,525) in respect of its aggregate investment in the CC&L portfolio.

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 and funds on treasury deposit with such institutions. 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 it 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. Until January 2010, the Society's CC&L portfolio was subject to a Statement of Investment Policy ("SIP") which prescribed an overall fixed income weighting of 75% relative to an equity weighting of 25%. During January 2010 the Society elected to alter this SIP whereby the fixed income weighting of the portfolio was increased to 100%. These monies do not represent direct holdings of securities in specific entities but rather investments in 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 2008-2009 downturn in financial markets, the Society generally elected to avoid crystallizing losses by obtaining cash from the liquidation of the cash equivalent elements of its investment portfolio. However, there can be no assurance that such losses will be avoided in the future as the Society expects to ultimately be required to draw on all of its investment portfolio to fund its ongoing operations.

The Society currently has no externally-imposed capital requirements.

7. Capital Assets

			Net Book Value at March 31,	
	Cost	Accumulated Amortization	2010	2009
Computer equipment	$ 39,666	$ 21,326	$ 18,340	$ 21,848
Furniture and office equipment	21,836	16,539	5,297	8,939
	$ 61,502	$ 37,865	$ 23,637	$ 30,787

8. Contractual Obligations

As at March 31, 2010, 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 $267,000 (2009 - $378,000) to July 31, 2012. The Society also has a commitment relating to the lease of its photocopy equipment totalling $2,156 (2009 - $5,023) 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 $170,000 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, 2010, the Society paid or accrued an aggregate of $41,285 (2009 - $24,280) to entities controlled by Directors of the Society for community engagement, communications and administrative services.

10. Subsequent Events

During the period subsequent to March 31, 2010:

- The Board of Directors of the Society approved an additional $1,207,932 in program funding, of which $450,000 of this additional approved funding is subject to the receipt of $705,000 in contributions from unrelated third party participants.
- The Society approved and disbursed 9 scholarships of $5,000 each.

11. Future Changes In Accounting Policies

Recent CICA accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Society are as follows:

Financial statements concepts

CICA Handbook Section 1000, Financial Statement Concepts, which describes the concepts underlying the development and use of accounting principles in general purpose financial statements, has been amended to focus on the capitalization of expenditures that truly meet the definition of an asset and de-emphasize the matching principle. The revised requirements are effective for annual and interim financial statements relating to the Society's fiscal year beginning April 1, 2010.

Financial statement presentation by not for profit organizations

CICA Handbook Section 4400, Financial Statement Presentation by Not For Profit Organizations, has been amended with respect to the treatment of net assets invested in capital assets and for the disclosure of revenues and expenditures related to capital assets. The new standard is effective for interim and annual financial statements relating to the Society's fiscal year beginning April 1, 2010.

Disclosure of allocated expenditures by not for profit organizations

The CICA has amended Handbook Section 4470 which establishes disclosure standards for Not For Profit Organizations that choose to classify their expenditures by function and allocate expenditures from one function to another. The changes are effective for interim and annual financial statements of the Society's fiscal year beginning April 1, 2010.

The Society is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.