

**GEOSCIENCE BC SOCIETY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2007  
AND THE PERIOD FROM INCEPTION ON  
APRIL 26, 2005 TO MARCH 31, 2006**

**GEOSCIENCE BC SOCIETY  
FINANCIAL STATEMENTS  
FOR THE PERIODS ENDED MARCH 31, 2007 and 2006**

**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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**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, 2007 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, 2007 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 period.

Vancouver, B.C.  
June 22, 2007, except as to note 9  
which is as of July 11, 2007

***“Beauchamp & Company”***  
Chartered Accountants

**GEOSCIENCE BC SOCIETY  
STATEMENTS OF FINANCIAL POSITION  
AS AT MARCH 31, 2007 AND 2006**

**EXHIBIT A**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 3)	\$ 2,014,849	\$ 22,342,873
Temporary investments (Note 4)	18,558,520	-
Accrued interest receivable	68,416	205,415
Amounts receivable	54,713	10,133
Prepaid expenses and deposits	3,337	6,730
	20,699,835	22,565,151
<b>Equipment (Note 5)</b>	28,452	32,586
	\$ 20,728,287	\$ 22,597,737

**LIABILITIES**

<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 41,913	\$ 23,316

**NET ASSETS**

<b>Net Assets Invested In Equipment</b>	28,452	32,586
<b>Net Assets Restricted For Approved Programs (Note 3)</b>	929,988	815,132
<b>Unrestricted Net Assets</b>	19,727,934	21,726,703
	20,686,374	22,574,421
	\$ 20,728,287	\$ 22,597,737

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 YEAR ENDED MARCH 31, 2007**  
**AND THE PERIOD FROM INCEPTION ON APRIL 26, 2005 TO MARCH 31, 2006**

**EXHIBIT B**

	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
Grants	\$ 16,466	\$ 25,000,000
Investment income (Note 4)	991,743	636,563
Workshops	3,850	-
Funding recoveries (Note 3)	256,129	-
	1,268,188	25,636,563
 <b>Expenditures - Program Costs</b>		
Program costs incurred	2,520,212	2,584,761
Publishing costs	34,135	20,802
	2,554,347	2,605,563
 <b>Expenditures - Administrative Costs</b>		
Amortization of equipment	10,693	3,501
Communications and marketing	65,654	17,650
Consulting (Note 7)	95,014	110,505
Dues and memberships	3,910	2,749
Equipment lease (Note 6)	3,161	701
Executive recruitment	-	56,588
GST, non-refundable portion	23,971	9,833
Insurance	7,522	2,862
Investment management fees	23,156	-
Management and administration fees (Note 8)	-	136,754
Office and sundry	16,088	7,533
Professional fees	41,807	18,703
Rent and utilities (Note 6)	42,782	8,573
Salaries and benefits	277,011	46,596
Travel, conferences and meetings	91,547	23,908
Website, internet and e-mail	7,860	10,123
Workshop expenses	10,557	-
	720,733	456,579
 <b>(Deficiency) Excess Of Revenues Over Expenditures</b>	<b>\$ (2,006,892)</b>	<b>\$ 22,574,421</b>

See accompanying notes.

**GEOSCIENCE BC SOCIETY** **EXHIBIT C**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2007**  
**AND THE PERIOD FROM INCEPTION ON APRIL 26, 2005 TO MARCH 31, 2006**

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

	<u>2007</u>	<u>2006</u>
<b>Operating Activities</b>		
Grants	\$ 16,466	\$ 25,000,000
Workshops and recoveries	229,237	-
Investment income	1,107,269	431,148
Payments for program expenditures	(2,554,347)	(2,605,563)
Payments for administrative expenditures	(682,123)	(442,107)
Payments of refundable portion of GST	(23,971)	(9,833)
Receipt of refundable GST	9,833	-
Cash (used for) provided by operating activities	(1,897,636)	22,373,645

**Investing Activities**

Payments for equipment	(11,874)	(30,772)
Initial purchases of temporary investments	(18,000,000)	-
Reinvestment of investment income, net	(418,514)	-
Cash used for investing activities	(18,430,388)	(30,772)

<b>(Decrease) Increase in cash and cash equivalents</b>	(20,328,024)	22,342,873
<b>Cash and cash equivalents, Beginning of Period</b>	22,342,873	-
<b>Cash and cash equivalents, End of Period</b>	\$ 2,014,849	\$ 22,342,873

**Cash and cash equivalents**

Funds held in treasury account	\$ 114,849	\$ 28,485
GIC investments due within one year	1,900,000	22,314,388
	\$ 2,014,849	\$ 22,342,873

See accompanying notes.

**GEOSCIENCE BC SOCIETY** **EXHIBIT D**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED MARCH 31, 2007**  
**AND THE PERIOD FROM INCEPTION ON APRIL 26, 2005 TO MARCH 31, 2006**

	Investment In Equipment	Restricted For Approved Programs	Unrestricted	Total
Balance, at inception	\$ -	\$ -	\$ -	\$ -
(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, March 31, 2006</b>	<b>32,586</b>	<b>815,132</b>	<b>21,726,703</b>	<b>22,574,421</b>
(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)	-
<b>Balance, March 31, 2007</b>	<b>\$ 28,452</b>	<b>\$ 929,988</b>	<b>\$ 19,727,934</b>	<b>\$ 20,686,374</b>

See accompanying notes.

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007 and 2006**

**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 thirteen 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 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, 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 fair values of the financial instruments approximate their carrying values, unless otherwise noted.

During the current fiscal year the Society adopted, on a prospective basis, new 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 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.

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007 and 2006**

**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, 2007, the Society's term investment had an effective annual interest rate of 3.9%, and was due April 27<sup>th</sup>, 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, 2007 and 2006**

**EXHIBIT E  
(CONT'D)**

**3. Restricted Net Assets**

At March 31, 2007, the Society's net assets are subject to future obligations aggregating \$929,988 (2006 - \$815,132), representative of undisbursed but approved funding commitments, payment of which is contingent upon the Society receiving acceptable deliverables from these projects 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 expense 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 current fiscal year the Society received an aggregate of \$75,709 (2006 - \$nil) 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 current year, Geoscience BC recovered an aggregate of \$180,420 (2006 - \$nil) from third parties in connection with the partial reimbursement of program costs incurred by the Society.

Also during the current fiscal year, the Society committed to funding, on an annual basis, up to ten graduate-level bursaries of \$5,000 each to qualifying students performing mineral or oil and gas exploration-related research in British Columbia. Accordingly, the first annual disbursement of these monies has also been considered to be internally-restricted at March 31, 2007.

Refer to Note 9.

**4. Temporary Investments**

During the current fiscal year, 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 private equity 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.

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007 and 2006**

**EXHIBIT E  
(CONT'D)**

**4. Temporary investments (Cont'd)**

	Cost* \$	Market value \$
Banker's acceptance, RBC, due April 25, 2007	2,291,501	2,290,918
Banker's acceptance, TD, due July 30, 2007	3,099,927	3,097,854
Banker's acceptance, RBC, due October 19, 2007	2,745,266	2,741,967
	8,136,694	8,130,739
Connor, Clark and Lunn aggregate portfolio, at market value		10,427,781
		18,558,520

*\*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:**

	2007 \$	2006 \$
Interest earned on cash equivalents/banker's acceptances	658,261	636,563
Reinvested income distributions	312,009	-
Realized investment gains	21,473	-
Unrealized investment gains	118,845	-
	1,110,588	636,563
Aggregate investment income		
Less: unrealized gains reported in Statement of changes in net assets	(118,845)	-
	991,743	636,563
Income reported in Statements of Revenues and Expenditures	991,743	636,563

**5. Equipment**

	Cost	Accumulated Amortization	Net Book Value at March 31,	
			2007	2006
Computer equipment	\$ 24,758	\$ 9,958	\$ 14,800	\$ 17,099
Furniture and office equipment	17,888	4,236	13,652	15,487
	\$ 42,646	\$ 14,194	\$ 28,452	\$ 32,586

**GEOSCIENCE BC SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007 and 2006**

**EXHIBIT E  
(CONT'D)**

## **6. 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 \$133,000 to January 31, 2011. The Society also has a commitment relating to the lease of its photocopy equipment totalling \$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 \$155,000 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**

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.

## **8. 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.

## **9. Subsequent Events**

During the period subsequent to March 31, 2007:

- The Society approved and disbursed the ten scholarships of \$5,000 each that are disclosed in note 3. In addition, the Society approved an additional \$157,000 in funding for two previously approved programs.
- Geoscience BC announced the Quesnellia Exploration Strategy ("QUEST"), pursuant to which its board of directors has approved approximately \$4.25 million to be spent directly by the Society on regional geophysical and geochemical exploration programs in the area of the Mountain Pine Beetle infestation in central British Columbia. In addition, Geoscience BC has also received a commitment of \$750,000 from the Northern Trust, a non-profit organization established by the British Columbia government in 2004 to support regional economic development in north-central BC, in connection with the funding of this work in two specific areas near Mackenzie, BC.