

Financial Statements of

DISCOVERY ENTERPRISES INC.

(unaudited)

Years ended March 31, 2006 and 2005

DISCOVERY ENTERPRISES INC.

Balance Sheets (unaudited)

March 31, 2006 and 2005

	2006 After Windup	2006 Before Windup	2005
Assets			
Cash	\$ -	\$ 779,254	\$ -
Short-term investments	-	-	5,234,823
Accounts receivable	-	-	-
Investment in subsidiary	-	1,000	1,000
Venture investments	-	2,900,000	2,900,000
	<u>\$ -</u>	<u>\$ 3,680,254</u>	<u>\$ 8,135,823</u>

Liabilities and Shareholder's Equity

Accounts payable and accrued liabilities	\$ -	\$ 2,690	\$ 2,619
Due to shareholder, unsecured, without interest or fixed terms of repayment	-	-	350,000
	<u>-</u>	<u>2,690</u>	<u>352,619</u>

Shareholder's equity:

Share Capital:

Authorized: 5,000,000 common shares with no par value

Issued for cash: 100 common shares

	100	100	100
Contributed Surplus	23,268,192	23,268,192	23,268,192
Transfers upon dissolution (note 1)	(3,677,564)	-	-
Deficit	(19,590,728)	(19,590,728)	(15,485,088)
Allowance for doubtful venture investments	-	-	-

	<u>-</u>	<u>3,677,564</u>	<u>7,783,204</u>
	<u>\$ -</u>	<u>\$ 3,680,254</u>	<u>\$ 8,135,823</u>

See accompanying notes to financial statements

Approved:



Randall Mullan, Director

DISCOVERY ENTERPRISES INC.

Statements of Operations and Deficit (unaudited)

Years ended March 31, 2006 and 2005

	2006	2005
Revenue		
Interest	\$ 48,885	\$ 124,761
Gain (loss) on disposition of venture investments	989	-
Capital gains (loss) - ST	852	-
Unrealized gain (loss) on venture investments	-	1,400,000
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	\$ 50,726	\$ 1,524,761
Operating Expenses		
Directors' fees and expenses	-	3,600
GST	-	(247)
Management fees	-	26,750
Office expenses	2,105	2,489
Professional fees		
Legal	5,786	6,261
Other	(1,525)	752
Salaries and benefits	-	4
	<hr/>	<hr/>
Total operating expenses	6,366	39,609
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Gain (loss) for the year	44,360	1,485,152
Equity, beginning of the year	7,783,204	6,298,052
Transfer of allowance for doubtful venture investments		
Dividend payment	(4,150,000)	
Transfer upon dissolution	(3,677,564)	
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Equity, end of year	-	7,783,204

DISCOVERY ENTERPRISES INC.

Statement of Cash Flows (unaudited)

Years ended March 31, 2006 and 2005

	2006	2005
Cash provided by (used in):		
Operations		
Gain (loss) for the year	\$ 44,360	\$ 1,485,152
Items not involving cash		
(Gain) loss on disposition of venture investments	-	-
Unrealized (gain) loss on venture investments	-	(1,400,000)
	<u>\$ 44,360</u>	<u>\$ 85,152</u>
Changes in non-cash operating working capital:		
Dividends paid	(4,150,000)	0
Payment of shareholder loan	(350,000)	
Accounts receivable	-	358
Accounts payable and accrued liabilities	(2,619)	(238,111)
	<u>(4,458,259)</u>	<u>(152,601)</u>
Investments:		
Short-term investments	5,234,823	143,317
Investment in subs	1,000	
Venture Investments	2,900,000	
Transfer to Shareholder	(3,677,564)	-
	<u>4,458,259</u>	<u>143,317</u>
(Decrease) increase in cash	-	(9,284)
Cash, beginning of year	-	9,284
Cash, end of year	<u>-</u>	<u>-</u>

DISCOVERY ENTERPRISES INC.

Notes to the financial statements (unaudited)

1. Windup of DEI

DEI was wound up on March 31, 2006 as consented to by the shareholder
All the remaining assets and liabilities were transferred to the shareholder upon dissolution.

The following was transferred on dissolution:

- (a) Venture investments were transferred at dissolution date book value (equal to estimated fair market value);
- (b) Short-term investments at fair market value;
- (c) Subsidiaries were transferred at book value; and
- (d) Accounts payable were transferred at book value.