



2018 ANNUAL REPORT

RECENT TRANSACTIONS



TURNSTONE ENERGY INC.

\$3.1 MILLION

FOLLOW-ON INVESTMENT (EQUITY)

Turnstone Energy Inc. is an oil and gas producer operating in southeast and southwest Saskatchewan. The Company was capitalized in late 2015 and is led by a strong management team with a history of creating shareholder value. SaskWorks made its first investment in early 2017. The Fund continues to add to its position through secondary transactions as we believe this Company has strong growth potential and is well positioned to succeed in the current energy market.

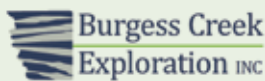


MOODY'S EQUIPMENT LP

\$1.4 MILLION

FOLLOW-ON INVESTMENT (EQUITY)

Moody's Equipment LP is a New Holland and construction equipment dealer headquartered in Saskatoon and with stores across Alberta and Saskatchewan. SaskWorks invested an additional \$1.4 million to help support the Company. With SaskWorks' support, Moody's is in a strong position to take advantage of future opportunities for growth.



BURGESS CREEK EXPLORATIONS INC.

\$780,000

FOLLOW-ON INVESTMENT (EQUITY)

Burgess Creek is an oil and gas producer operating in southeast Saskatchewan. The Company was capitalized in mid 2015 and is led by the former management team of Elkhorn Resources. SaskWorks made its first investment through the initial offering where it placed \$2 million in the form of an equity line of credit. The Company recently conducted a \$55 million equity raise to finance the acquisition of Silver Bay Exploration in which SaskWorks participated for its pro-rata amount. The acquisition has improved the Company's outlook as it allows them to achieve greater scale and lower operating costs.



HI-TEC PROFILES INC./LP

\$916,000

FOLLOW-ON INVESTMENT (EQUITY)

Hi-Tec Profiles is a Regina based steel-processing company that services agricultural and industrial equipment manufacturers. SaskWorks gained exposure to the Company in 2011 by acquiring the equity position of the founding shareholders. Since the investment, Hi-Tec has performed above expectations as its customer-centric business model and high-quality service has allowed them to outperform their competitors. In May, SaskWorks reinvested in the Company by purchasing the equity holdings of the former President as part of the team's succession plan. SaskWorks continues to support the Company as its strong cashflow and consistent equity distributions make it an ideal investment.

DEAR SHAREHOLDER

Thank you for investing in SaskWorks Venture Fund.

Your confidence in the province of Saskatchewan and the value of keeping your investment dollars at home helped SaskWorks realize another sell-out year: in 2018, Saskatchewan residents invested \$40 million to the Fund, reaching SaskWorks annual sales limit prior to the RRSP contribution deadline.

In the eighteen years since our first annual report was distributed, SaskWorks has grown in tandem with Saskatchewan's economy and developed a reputation as an attractive source of locally-raised investment capital. Our conservative business model, strong risk controls and Saskatchewan-focused investment mandate have established SaskWorks as a key player in our province's finance community and a leading partner for the province's small and medium-sized companies.

The results of the Fund's early efforts challenged the conventionally-held opinion that private equity is not well-suited to the risk tolerance of a retail investor. Investment advisor and shareholder support surged: by 2007, over 10,000 Saskatchewan residents were actively invested in the Fund. Today, SaskWorks has more than 28,500 current shareholders, a network of more than 1,400 investment advisors, and has become fully-subscribed prior to the end of RRSP season nearly every year since 2010.

SaskWorks' management team pursues investment opportunities with companies that demonstrate a track record of profitability and positive cash generation, a niche market position and an experienced management team. SaskWorks' rigorous due diligence standards identify leading indicators of future growth and the company's ability to withstand new competitors or an industry downturn.

Our management team identifies diverse investment opportunities that will perform well across varying economic cycles. Supported by significant growth in the Fund's assets under management, SaskWorks' diversification efforts allow a greater variety of Saskatchewan companies to benefit from the Fund's participation while effectively managing risk for shareholders. The Fund is constantly evaluating the Province's economy with a view to adding new sectors to the Fund's portfolio, SaskWorks structures investments with a combination of debt and equity instruments, a flexibility that allows the Fund to match the form of the investment to the company's needs. By combining patient capital with predictable loan repayment schedules, SaskWorks effectively manages its cash flow requirements while deriving positive shareholder returns from the appreciation of portfolio companies.

We have produced consistently strong results for SaskWorks shareholders as a result of our balanced platform: SaskWorks invests in businesses that demonstrate an established market position and prospects for growth. In fiscal 2017, SaskWorks made 11 investments in 9 companies and approved to disburse investments totaling \$25 million. Focused in Saskatchewan's most established sectors, the Fund's 2017 investments are representative of Saskatchewan's current economic climate and the capital needs of the province's business community.

Additionally, the Fund continues to be active in identifying management buyout opportunities, a type of investment where SaskWorks funds an employee group or management team to purchase their company from its existing owners. MBOs capitalize on employees' understanding of and commitment to their company; with SaskWorks' input, investments of this type reinvigorate businesses' growth potential and drive operational efficiencies.

In the eighteen years since our first annual report was distributed, SaskWorks has grown in tandem with Saskatchewan's economy and developed a reputation as an attractive source of locally-raised investment capital.

SaskWorks invests in businesses that demonstrate an established market position and prospects for growth. In fiscal 2017, SaskWorks made 11 investments in 9 companies and approved to disburse investments totaling \$25 million.

Recently, SaskWorks invested in All-Fab Building Components through a management buy-out of that company's founding shareholders. All-Fab designs, manufactures and distributes structural wood building components for residential, commercial and agricultural applications as well as ready-to-move homes and buildings in Canada and the United States. The Company operates under three brands: All-Fab, Olympic, and Nu-Fab, with manufacturing facilities in Regina, Saskatoon, Winnipeg, Edmonton, Brandon, and Stony Mountain, Manitoba. SaskWorks invested \$9.7 million which allowed the original owners to exit and the management team to invest alongside SaskWorks. This investment will help position the Company to continue to grow, while upholding All-Fab's commitment to excellence in customer service and product quality.

SaskWorks' strong track record of investment performance has established the Fund as a valuable member of Saskatchewan's business community. We are routinely sought out by small- and medium-sized business owners, maintain directorships with our portfolio companies to support the organization's goals and often create collaborative alliances between investees to strengthen the profitability of the companies involved.

The Fund has maintained an average investment holding period of 4-6 years, achieving a substantial return on investment in a significantly shorter timeframe than the Fund's mandated 8-year shareholder holding period. Once the 8-year shareholder investment maturity period has elapsed, shareholders may choose to rollover their shares (redeem their shares and reinvest the proceeds back into the Fund), earning a second tax credit on

their original investment. SaskWorks is proud that many of our earliest shareholders have demonstrated their continued confidence in the Fund's Saskatchewan-focused mandate: since inception, a large proportion of shares eligible for redemption have remained invested in SaskWorks.

In the 2017-2018 budget, the Provincial Government amended the maximum allowable LSVCC tax credit for each taxation year after 2017 from 20% to 17.5%. The Federal tax credit will remain at 15%, meaning SaskWorks investors will receive a 32.5% combined tax credit for 2018 and subsequent tax years. In addition, SaskWorks' annual sales cap has been reduced from \$40 million to \$35 million. We expect a high volume of rollovers this year due to a \$50 million sellout season 8 years ago and recommend that Saskatchewan residents invest early this year to avoid disappointment.

SaskWorks' Annual General Meeting will be held at 2:30 pm on Friday, December 14th at the office of the Fund, 1925 Victoria Ave. (1st floor Main Event Room), Assiniboia Club Building, Regina. All shareholders are welcome to attend. We're proud of our consistent investment performance and remain committed to preserving the aligned interests of our shareholders and investee companies.

Thank you again for your support of SaskWorks Venture Fund, and we look forward to seeing you at this year's Annual General Meeting.



Doug Frondall
Chair, Board of Directors



Randy Beattie
President and CEO



INVESTEES HIGHLIGHT
**ALL-FAB BUSINESS
COMPONENTS LP**

\$9.7 MILLION | NEW INVESTMENT

All-Fab Building Components LP (“All-Fab”) designs, manufactures and distributes structural wood building components for residential, commercial and agricultural applications as well as ready-to-move homes and buildings in Canada and the United States. The Company operates under three brands: All-Fab, Olympic, and Nu-Fab, with manufacturing facilities in Winnipeg, Regina, Saskatoon, Edmonton, Brandon, and Stony Mountain, Manitoba. The investment was a management buyout which allowed the original owners to exit and the management team to invest alongside the Fund.

MANAGEMENT REPORT OF FUND PERFORMANCE

This management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. The complete annual financial statements of the Fund are included later in this annual report or can be obtained, at no cost to you, by calling 1-306-791-4833, by writing to us at 1925 Victoria Avenue, 2nd Floor, Regina, Saskatchewan, S4P 0R3, or by visiting our website at www.saskworks.ca or SEDAR at www.sedar.com.

Shareholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or annual report.

The Fund will provide promptly and without charge a Statement of Portfolio Transactions – Short-term, Long-term and Venture Investments (unaudited) upon request by any shareholder of the Fund at 1925 Victoria Avenue, 2nd Floor, Regina, Saskatchewan, S4P 0R3.

The purpose of this section is to summarize the performance of SaskWorks Venture Fund Inc. ("SaskWorks" or "the Fund") for the year ended August 31, 2018.

Unless otherwise indicated, references to amounts at August 31, 2018 or to the year ended August 31, 2018 are specific to the Fund's Class A shares and Class R shares in aggregate.

SaskWorks is a publicly accountable enterprise and investment fund to which the Canadian Securities Administrators' National Instrument 81-106, "Investment Fund Continuous Disclosure" is applicable. The Fund adopted International Financial Reporting Standards ("IFRS") for the first time for beginning September 1, 2014.

Beginning January 2016, the Fund began offering its Class A and Class R shares in series. Class A Series A and Class R Series A shares have a sales and trailer commission associated with them while Class A Series F and Class R Series F do not.

Net assets attributable to holders of redeemable shares per share for each series is calculated at the end of each week by dividing the net assets attributable to holders of redeemable shares for each series by its outstanding shares. The net assets attributable to holders of redeemable shares of each series of a class is computed by calculating the value of the series-specific assets and series' proportionate share of the class' common assets less the series-specific liabilities and the series' proportionate share of the class' common liabilities. Income and expenses directly attributable to a series are charged to that series while common class income and expenses and realized and unrealized gains and losses are allocated to each series. A proportionate share of or allocation to each series of a class is based on that series' pro rata share of the total share capital of that class as at the latest weekly net asset valuation.

INVESTMENT OBJECTIVE AND STRATEGIES

The Fund invests in small and medium-sized Saskatchewan eligible businesses, with the objective of achieving long term capital appreciation. The Fund may also participate in investment groups and consortia in situations where an investment opportunity involves a larger investment than the Fund is allowed or believes prudent to make by itself.

Under *The Labour-sponsored Venture Capital Corporations Act* (Saskatchewan) ("the Saskatchewan Act"):

- ▶ eligible investments for the Fund ("eligible investments") are investments in eligible businesses, defined as taxable corporations or limited partnerships that carry on business in Saskatchewan, that together with related corporations or limited partnerships, do not have more than 500 employees, and that in the taxation year preceding the investment paid at least 25% of all their wages and salaries to employees of their permanent establishment in Saskatchewan;
- ▶ direct investments in public companies with a market capitalization of \$500,000 or more are prohibited. If an investment is acquired through acquisitions or mergers and the resulting investment has over \$500,000 in capitalization, such investment must be disposed of within two years from the end of the fiscal year of the Fund of such acquisition or merger;
- ▶ new investment in agricultural land acquired primarily for rental or leasing purposes is prohibited; and
- ▶ the Fund is required to gradually increase its level of innovation sector investment exposure from 15% (beginning April 1, 2014) to 25% (by March 31, 2017) of annual net capitalization defined as annual capital raised within the Fund less annual capital redeemed, multiplied by the Fund's 75% pacing requirement.

The Fund may not invest more than 10% of the net assets attributable to the holders of redeemable Class A and Class R shares of the Fund in any one eligible business and may not invest in an eligible business if the Fund and the eligible business are not at arm's length, within the meaning of the Saskatchewan Act. In respect of any investment, the Fund will take into consideration any anticipated follow-on or subsequent investment, either by way of debt or equity. Such a subsequent investment will typically be made only if the investee meets certain tests, such as timing and performance targets that were fixed at the date of the original investment in the eligible business.

The Fund will seek out eligible investments in both rural and urban centers throughout Saskatchewan.

Desirable investment opportunities for the Fund are businesses that provide an opportunity for a return on investment commensurate with the perceived risk. It is anticipated that investments will be in businesses which are at one of the following stages of development:

- ▶ **Expansion Financing.** Investments in businesses that require financing to expand sales, or to launch a new product or service.
- ▶ **Management/Employee Buyouts.** Investments where the proceeds of the financing are used to acquire control of a business that has significant expansion potential that can be realized by adding new management and capital.
- ▶ **Restructurings or Turnarounds.** Investment in businesses which have the potential to succeed if additional investment is received and/or changes in management, staffing, operations or marketing strategies are made.

› **Early-Stage Investments.**

Investments will be in businesses which have been in operation for a period but have not yet fully developed their product or service. Typically, funding will be required to address limitations or opportunities that have been identified after the initial business plan.

Prospective eligible investments will be expected to demonstrate some or all of the following characteristics:

- › a strong and experienced management team which is financially committed to and rewarded by the company's success;
- › a strong competitive position because of superior technology, innovative products, comparative cost advantage, established market position, significant barriers to entry and/or dominant distribution in its market;
- › with respect to expansion funding, a reasonable expectation of earnings growth based on past financial performance or a strong likelihood of new market success;
- › with respect to start up or early stage funding, a sound business concept or plan which presents a convincing opportunity to establish a comparative business advantage in a growth market;
- › with respect to term debt, a reasonable level of unencumbered and disposable net asset security coverage and good interest/principal coverage being generated from current cash flows;
- › with respect to subordinated debt funding, a satisfactory level of current cash flow interest coverage with the likelihood for near term coverage improvement; and,
- › with respect to management buyout opportunities, a strong current cash flow position coupled with the opportunity for near term earnings improvement resulting from a competitively enhanced new business or operating environment.

The Fund's Class A shares will attempt to reduce overall risk by diversification of investments in various sectors within Saskatchewan as follows:

- › Value-added agricultural;
- › Manufacturing;
- › Oil and gas development and related services;
- › Industrial minerals;
- › Forestry;
- › Destination tourism; and,
- › Information technology.

The Fund's Class R shares focus on investments in the Province's resources sector - specifically oil and gas development, related services, and mining.

The form of the Fund's investments is selected and negotiated after taking into account the investment criteria and guidelines of the Fund, the long-term requirements of the investee business, the stage of development of the investee business, the investee business' requirements, the ability to negotiate down-side protection, and tax considerations. The Fund diversifies its investment portfolio using such instruments, among others, as common shares, convertible debentures, convertible preferred shares, debt with equity participation, secured debt, funded loan guarantees and bridge loans.

Where the Fund makes an investment by way of a loan, such investment is expected to be secured by a charge over the investee business' assets but may be subordinated to other lenders' security.

The Fund may guarantee loans of eligible businesses and in such circumstances the making of such loan would permit the growth and development of the business without the Fund being the primary investor. The aggregate of loan guarantees may not exceed 10% of the Fund's total assets at the time each loan guarantee is provided. The Fund intends to maintain a liquid reserve of

25% of the guaranteed amount on any loan guarantees. The Fund will maintain liquid reserves in high-quality government and corporate debt obligations and term deposits.

To the extent possible, investments are diversified by the expected holding period of the investment. Generally, the average holding period is expected to be five to eight years. The Fund may choose to refinance its investment through an arm's length third party where the expected return can be achieved in a shorter time frame. All investment recommendations will include a strategy for realization on investments made. Possible exit strategies include the following:

- › refinancing with conventional lenders or leasing companies;
- › sale of the business or investment to a third party;
- › a public offering; and,
- › sale of the investment back to the business or its principals through exercise of a put or call contractual provision included within the equity securities arrangement.

The Fund invests in small and medium-sized eligible Saskatchewan businesses, with the objective of achieving long term capital appreciation.

MANAGEMENT REPORT OF FUND PERFORMANCE (CONTINUED)

RISK

(in thousands of dollars)

The primary risk related to an investment in the Fund is the fact that the Fund must continually identify and evaluate investment opportunities that meet its eligibility criteria. A further risk is that many of these investments are made in small and medium sized private companies that are by their nature illiquid. In addition, the process of valuing private investments is more complex and subjective than that of valuing publicly traded securities.

Over the course of the year ended August 31, 2018, the Fund continued to demonstrate its ability to identify and close on eligible venture investment opportunities. The Fund's Class A shares purchased \$30,384 (2017 – \$16,878) and the Class R shares purchased \$6,783 (2017 - \$1,140)

of venture investments. In addition, \$2,592 has been committed by the Fund's Class A shares and \$439 by Class R shares to future, but not yet disbursed, transactions.

With respect to liquidity risk, the Fund continues to exit its investments, with \$90,721 (2017 - \$5,780) at cost in dispositions of venture investments from Class A and \$6,431 (2017 - \$2,273) at cost from Class R shares during the year ended August 31, 2018. These exits resulted in a \$76,851 (2017 - \$27,854) net gain for the Class A shares and a \$2,019 net loss (2017 – net gain \$3,168) for the Class R shares over the life of those investments.

With respect to valuation risk, since inception, the Fund has not exited an investment, whether at a loss or for a gain, at an amount materially less than the carrying value of that investment.

RESULTS OF OPERATIONS

(in thousands of dollars, except for per share amounts)

The Fund decreased its Class A venture investment portfolio at fair value by \$6,416 (2017 – increased \$51,363) and increased its Class R portfolio by \$4,737 (2017 – decreased \$703) over the year ended August 31, 2018.

Venture investments, at cost, made up 45.4% of Class A's and 69.8% of Class R's net assets attributable to holders of redeemable shares at August 31, 2018, as compared to 52.3% of Class A's and 70.1% of Class R's net assets at August 31, 2017. Venture investments at fair value (cost plus/minus unrealized appreciation/depreciation) comprised 63.8% of Class A's and 77.7% of Class R's net assets at August 31, 2018, as compared to 74.6% of Class A's and 67.7% of Class R's net assets at August 31, 2017.



**CANNIMED
THERAPEUTICS INC.**

EXIT (EQUITY)

The Fund's cash, long-term, and short-term investments totaled \$185,063 (2017 - \$114,166) in Class A and \$19,186 in Class R (2017 - \$25,623). When the Fund's objective of maintaining a proportion of share capital in investment grade securities and approved but undisbursed transactions are considered, \$138,674 (2017 - \$67,313) for Class A and \$6,105 (2017 - \$10,130) for Class R of these cash, long-term, and short-term investment balances are available for investment in venture transactions. A relatively large cash balance must be maintained to support follow on investments with the Fund's portfolio of investee companies. In addition, the Fund believes it prudent to maintain a reserve to satisfy potential redemption requests related to shares that have matured, but which still remain outstanding.

The loan receivable attributable to Class A shares increased to \$10,366 (2017 - \$10,243) at August 31, 2018 and the loan receivable attributable to Class R shares decreased to \$2,107 (2017 - \$2,663). The loan receivable is due from Conexus which is the party responsible for administering and paying the base and additional commissions to the Fund's agent and subagents. The loan increases as commissions are paid on new share sales and decreases as Conexus makes annual repayments.

The accrued provision for incentive participation amount increased from \$33,961 in Class A and \$3,887 in Class R at August 31, 2017 to \$49,558 in Class A and \$5,047 in Class R at August 31, 2018. These changes are due to the performance of the portfolio over the year ended August 31, 2018 and the payment to the Fund manager in September 2017 of a portion of the accrued bonus pertaining to realized gains that had occurred in the 2017 fiscal year. Of the incentive participation amount at August 31, 2018, \$17,819 (Class A) and \$375 (Class R) relates to profitably exited investments which meet the incentive participation amount criteria, whereas the balance is an accrual

amount dependent on the future carrying values and performance of the venture investment portfolio.

Proceeds from the issuance of Class A Series A shares was \$35,330 during the year ending August 31, 2018, a 10.1% increase over the same period in 2017. Proceeds from the issuance of Class R Series A shares was \$2,830 during the year ending August 31, 2018, an 40.8% decrease over 2017. Proceeds on the issue of Class A Series F shares were \$2,202 (2017 - \$1,690) and proceeds on issue of Class R Series F were \$27 (2017 - \$40) for the same period.

Redemptions of Class A Series A shares were \$37,729 during the year ending August 31, 2018 compared to \$30,882 during the same period in 2017. Redemptions of Class R Series A shares were \$7,128 during the year ending August 31, 2018, as compared to \$6,688 for the same period in 2017. Redemptions of Class A Series F shares were \$14 (2017 - \$10) during the period. As in past years, a significant portion of the shareholders who redeemed shares during the period re-invested in the Fund.

The Fund's revenues related to Class A shares increased from \$11,062 for the year ended August 31, 2017 to \$12,588 for the same period in 2018 and the revenues related to Class R shares decreased from \$1,112 in 2017 to \$1,013 in 2018. As a component of revenues, income from the Fund's venture investments increased from \$9,308 to \$9,696 for Class A shares and increased from \$650 to \$667 for Class R shares over the reporting period. The increase in income from venture investments in Class A was a result of a change in the number of income-producing investments in the portfolio and a change in the number of equity investments that characteristically produce more irregular income streams. The increase in Class R is a result of more income from the income producing investments in the portfolio.

The expenses of the Fund related to Class A shares increased from \$14,817 for the year ended August 31, 2017 to \$16,519 in 2018 and the expenses related to Class R shares decreased from \$3,643 in 2017 to \$3,600 in 2018. Most of the recurring expenses of the Fund are a function of net assets or share activity. As the Fund's net assets and/or share activity increase or decrease so do expenses increase or decrease.

The net investment loss of the Fund attributable to Class A shares for the year, before gains and losses on dispositions of venture investments, net changes in unrealized appreciation on venture investments and provision for incentive participation amount, was \$3,931 (2017 - \$3,755). Once gains and losses on dispositions of venture investments, the net change in unrealized appreciation on venture investments, and the provision for incentive participation amount is considered, the Class A shares had an increase in net assets from operations for the year of \$49,204 (2017 - \$46,796). The comparative period in 2017 featured significantly less realized gains and more unrealized appreciation than the same period in 2018.

The net investment loss of the Fund attributable to Class R shares for the year, before gains and losses on dispositions of venture investments, net changes in unrealized appreciation on venture investments and provision for incentive participation amount, was \$2,587 (2017 - \$2,531). Once gains and losses on dispositions of venture investments, the net change in unrealized appreciation on venture investments, and the provision for incentive participation amount is considered, the Class R shares had an increase in net assets attributable to the R shares from operations for the year of \$892 (2017 - decrease \$2,732). The change is a result of increased unrealized appreciation due to the recent more favourable outlook for the energy sector.

MANAGEMENT REPORT OF FUND PERFORMANCE (CONTINUED)

RECENT DEVELOPMENTS

(in thousands of dollars)

At the Fund's Annual General Meeting of Shareholders held on December 17, 2017, the Fund's sponsor, as the holder of the Class B shares, resolved to re-elect Daryl Schwartz and Kathy Zwick as directors for three-year terms. The holders of Class A and R shares resolved to re-elect Brent Banda as a director for a three-year term.

National Instrument 81-107 ("NI 81-107") requires an Independent Review Committee to be established which is mandated to review conflict of interest situations which may arise for a fund manager, particularly in cases where management involves different segments within a fund and/or management of related funds.

In accordance with NI 81-107, the initial members of the Independent Review Committee were appointed by SaskWorks by May 1, 2007 and full compliance with NI 81-107 was achieved by November 1, 2007.

Effective May 1, 2007 the Manager established an Independent Review Committee comprised of three independent and unrelated persons, appointed on a rotating term basis. The three members of the Independent Review Committee are Berny Gross, of Regina, Saskatchewan, an entrepreneur and owner of a mechanical contracting company, (term expires December 2019); William Johnson, Q.C., B.A., LL.B., B.C.L. (OXON), lawyer and partner of the law firm of Gerrand Rath Johnson of Regina, Saskatchewan (term expires November 2020); and Douglas Johnson, CPA, CA, of Regina, Saskatchewan (term expires November 2020).

The Independent Review Committee is responsible to report annually to shareholders and an annual committee report is required to be filed on SEDAR. This annual committee report was made available to shareholders following the August 31, 2017 fiscal year end.

The Provincial Government announced, beginning April 1, 2018, a decrease in the provincial tax credit to 17.5% and a decrease in the maximum annual sales to \$35 million. The federal tax credit remains at 15%.

RELATED PARTY TRANSACTIONS

(in thousands of dollars)

PFM Venture Capital Operations Inc., the manager of the Fund, was paid \$10,232 (2017 - \$8,404) in management fees related to Class A shares and \$1,914 (2017 - \$1,982) in management fees related to Class R during the year ended August 31, 2018. In addition, the provision for the incentive participation amount payable to the manager, subject to the fulfillment of specific payment criteria, increased \$15,597 related to Class A shares and \$1,160 related to Class R shares for the 2018 fiscal year, to a total provision of \$49,558 in Class A and \$5,047 in Class R.



VILLANOVA 4 OIL CORP.

EXIT (EQUITY)

FINANCIAL HIGHLIGHTS

(in thousands of dollars except number of shares and per share amounts)

The following tables show selected key financial information about the Fund's share class series and are intended to help you understand the Fund's financial performance for the past five years. This information is derived from the Fund's audited annual financial statements.

The Fund's Net Assets per Class A Shares

Series A	2018	2017	2016	2015	2014
Net Assets, beginning of period ⁽¹⁾	\$ 18.24	\$ 15.82	\$ 15.64	\$ 15.12	\$ 14.71
Increase from operations: ⁽²⁾					
Total revenue	\$ 0.65	\$ 0.57	\$ 0.57	\$ 0.55	\$ 0.61
Total expenses	\$ (1.84)	\$ (1.61)	\$ (1.09)	\$ (0.89)	\$ (0.91)
Realized gains (losses) for the period	\$ 3.97	\$ 1.45	\$ 0.58	\$ (0.04)	\$ 0.42
Unrealized (losses) gains for the period	\$ (0.24)	\$ 2.02	\$ 0.13	\$ 0.93	\$ 0.30
Total increase from operations	\$ 2.54	\$ 2.43	\$ 0.19	\$ 0.55	\$ 0.42
Net Assets, end of period ⁽¹⁾	\$ 20.79	\$ 18.24	\$ 15.82	\$ 15.64	\$ 15.12

Series F	2018	2017	2016	2015	2014
Net Assets, beginning of period ⁽¹⁾	\$ 18.96	\$ 16.01	\$ -	\$ -	\$ -
Increase from operations: ⁽²⁾					
Total revenue	\$ 0.80	\$ 1.02	\$ 0.54	\$ -	\$ -
Total expenses	\$ (2.26)	\$ (2.84)	\$ (0.73)	\$ -	\$ -
Realized gains (losses) for the period	\$ 4.88	\$ 2.56	\$ (0.19)	\$ -	\$ -
Unrealized (losses) gains for the period	\$ (0.29)	\$ 3.57	\$ 1.00	\$ -	\$ -
Total increase from operations	\$ 3.13	\$ 4.31	\$ 0.62	\$ -	\$ -
Net Assets, end of period ⁽¹⁾	\$ 22.20	\$ 18.96	\$ 16.01	\$ -	\$ -

⁽¹⁾ This information is derived from the Fund's audited annual and unaudited interim (if applicable) financial statements.

⁽²⁾ Net assets is based on the actual number of shares outstanding at the relevant time. The increase from operations is based on the weighted average number of shares outstanding over the financial period.

Note: The accounting principles applicable to 2015 and later are International Financial Reporting Standards (IFRS). Those applicable to 2014 and earlier are pre-changeover Canadian GAAP.

MANAGEMENT REPORT OF FUND PERFORMANCE (CONTINUED)

Ratios and Supplemental Data - Class A Shares

Series A	2018	2017	2016	2015	2014
Total net asset value (000's) ⁽¹⁾	\$ 395,181	\$ 348,978	\$ 301,374	\$ 287,668	\$ 262,492
Number of shares outstanding ⁽¹⁾	19,006,174	19,128,069	19,049,874	18,388,551	17,366,306
Management expense ratio ⁽²⁾	9.29%	9.64%	6.89%	5.78%	6.02%
Management expense ratio excluding IPA ⁽³⁾	4.25%	4.32%	4.33%	4.38%	4.36%
Trading expense ratio ⁽⁴⁾	0.07%	0.40%	0.00%	0.00%	0.05%
Net asset value per share	\$ 20.79	\$ 18.24	\$ 15.82	\$ 15.64	\$ 15.12

Series F	2018	2017	2016	2015	2014
Total net asset value (000's) ⁽¹⁾	\$ 5,756	\$ 2,966	\$ 900	\$ -	\$ -
Number of shares outstanding ⁽¹⁾	259,165	156,362	56,221	-	-
Management expense ratio ⁽²⁾	7.82%	7.81%	5.79%	-	-
Management expense ratio excluding IPA ⁽³⁾	3.53%	3.43%	3.13%	-	-
Trading expense ratio ⁽⁴⁾	0.07%	0.40%	0.00%	-	-
Net asset value per share	\$ 22.20	\$ 18.96	\$ 16.01	\$ -	\$ -

⁽¹⁾ This information is provided as at end of fiscal period shown. Series F was first offered for sale January 1, 2016.

⁽²⁾ Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of average weekly net asset value during the period.

⁽³⁾ Management expense ratio excluding Incentive Participation Amount (IPA) is based on total expenses, less incentive participation amount, for the stated period and is expressed as an annualized percentage of average weekly net asset value during the period.

⁽⁴⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average net asset value during the period.

Note: The accounting principles applicable after 2014 are International Financial Reporting Standards (IFRS). Those applicable before 2015 are pre-changeover Canadian GAAP.

The Fund's Net Assets per Class R Shares

Series A	2018	2017	2016	2015	2014
Net Assets, beginning of period ⁽¹⁾	\$ 11.43	\$ 11.85	\$ 13.53	\$ 14.35	\$ 14.06
Increase (decrease) from operations: ⁽²⁾					
Total revenue	\$ 0.16	\$ 0.17	\$ 0.18	\$ 0.18	\$ 0.19
Total expenses	\$ (0.85)	\$ (0.70)	\$ (0.62)	\$ (0.74)	\$ (0.91)
Realized (losses) gains for the period	\$ (0.32)	\$ 0.48	\$ (0.09)	\$ (0.46)	\$ 0.55
Unrealized gains (losses) for the period	\$ 1.15	\$ (0.37)	\$ (1.14)	\$ 0.19	\$ 0.46
Total increase (decrease) from operations	\$ 0.14	\$ (0.42)	\$ (1.67)	\$ (0.83)	\$ 0.29
Net Assets, end of period ⁽¹⁾	\$ 11.57	\$ 11.43	\$ 11.85	\$ 13.53	\$ 14.35

Series F	2018	2017	2016	2015	2014
Net Assets, beginning of period ⁽¹⁾	\$ 11.73	\$ 12.03	\$ -	\$ -	\$ -
Increase (decrease) from operations: ⁽²⁾					
Total revenue	\$ 0.26	\$ 0.23	\$ 0.15	\$ -	\$ -
Total expenses	\$ (1.40)	\$ (0.94)	\$ (0.33)	\$ -	\$ -
Realized (losses) gains for the period	\$ (0.53)	\$ 0.65	\$ -	\$ -	\$ -
Unrealized gains (losses) for the period	\$ 1.89	\$ (0.49)	\$ (0.69)	\$ -	\$ -
Total increase (decrease) from operations	\$ 0.22	\$ (0.55)	\$ (0.87)	\$ -	\$ -
Net Assets, end of period ⁽¹⁾	\$ 11.96	\$ 11.73	\$ 12.03	\$ -	\$ -

⁽¹⁾ This information is derived from the Fund's audited annual and unaudited interim (if applicable) financial statements.

⁽²⁾ Net assets is based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of shares outstanding over the financial period.

Note: The accounting principles applicable to 2015 and later are International Financial Reporting Standards (IFRS). Those applicable to 2014 and earlier are pre-changeover Canadian GAAP.

Ratios and Supplemental Data - Class R Shares

Series A	2018	2017	2016	2015	2014
Total net asset value (000's) ⁽¹⁾	\$ 70,004	\$ 73,411	\$ 78,051	\$ 89,610	\$ 92,199
Number of shares outstanding ⁽¹⁾	6,052,222	6,425,411	6,587,598	6,624,193	6,423,262
Management expense ratio ⁽²⁾	7.50%	6.07%	4.85%	5.27%	6.31%
Management expense ratio excluding IPA ⁽³⁾	4.85%	4.79%	4.62%	4.53%	4.50%
Trading expense ratio ⁽⁴⁾	0.08%	0.00%	0.00%	0.00%	0.03%
Net asset value per share	\$ 11.57	\$ 11.43	\$ 11.85	\$ 13.53	\$ 14.35

Series F	2018	2017	2016	2015	2014
Total net asset value (000's) ⁽¹⁾	\$ 78	\$ 50	\$ 12	\$ -	\$ -
Number of shares outstanding ⁽¹⁾	6,582	4,321	1,000	-	-
Management expense ratio ⁽²⁾	5.89%	4.49%	3.42%	-	-
Management expense ratio excluding IPA ⁽³⁾	3.81%	3.53%	3.20%	-	-
Trading expense ratio ⁽⁴⁾	0.08%	0.00%	0.00%	-	-
Net asset value per share	\$ 11.96	\$ 11.73	\$ 12.03	\$ -	\$ -

⁽¹⁾ This information is provided as at end of fiscal period shown. Series F was first offered for sale January 1, 2016.

⁽²⁾ Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of average weekly net asset value during the period.

⁽³⁾ Management expense ratio excluding Incentive Participation Amount (IPA) is based on total expenses, less incentive participation amount, for the stated period and is expressed as an annualized percentage of average weekly net asset value during the period.

⁽⁴⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average net asset value during the period.

Note: The accounting principles applicable after 2014 are International Financial Reporting Standards (IFRS). Those applicable before 2015 are pre-changeover Canadian GAAP.

MANAGEMENT REPORT OF FUND PERFORMANCE (CONTINUED)

MANAGEMENT FEES

The manager (PFM Venture Capital Operations Inc.), as compensation to manage and administer the business affairs of SaskWorks, including management of its' venture investment portfolio, receives an annual management fee equal to 2.5% of the aggregate net asset value of the Class A Series A, Class A Series F, Class R Series A and Class R Series F shares, as at each weekly valuation date. The fee is calculated and payable monthly in arrears.

The manager is also entitled to an incentive participation amount, subject to satisfying certain conditions, equal to 20% of the return, before expenses, based on realized gains and cumulative performance of individual venture investments. An incentive participation amount is due only upon realization of an individual venture investment and payable on an annual basis.

PAST PERFORMANCE

General

The past performance of the Fund does not necessarily indicate how the Fund will perform in the future

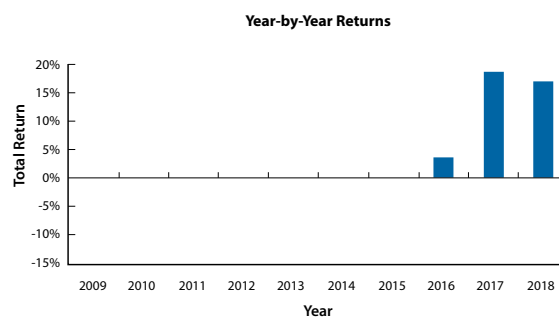
The following charts illustrate:

- ▶ the annualized performance of each series of class of shares for the periods shown, and how the series' performance has changed from period to period (September 1 to August 31 or September 1 to February 28/29 for interim); and
- ▶ in percentage terms, how much an investment made in each series of shares on the first day of each fiscal period (September 1) would have increased or decreased by the last day of the fiscal period (August 31 or February 28/29 for interim).

Class A Series A Shares

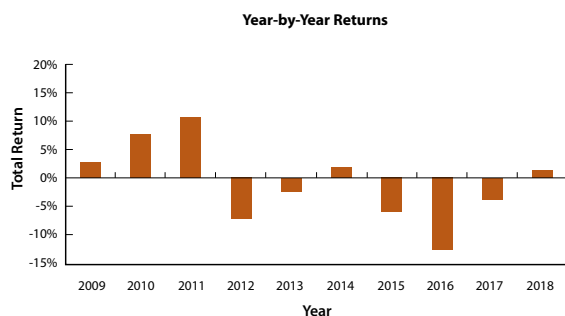


Class A Series F Shares

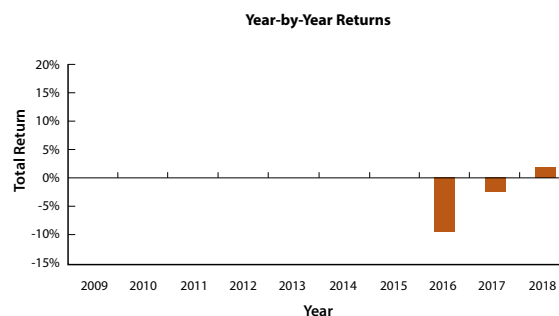


Class A Series F shares were first available for sale beginning January 1, 2016.

Class R Series A Shares



Class R Series F Shares



Class R Series F shares were first available for sale beginning January 1, 2016.

ANNUAL COMPOUND RETURNS

Where applicable, the table below shows the annual compound returns of the Fund for varying time periods for each of the years since the inception of the Fund. The BMO Canadian Small Cap Index or Group Average is used as a reference.

Class A Series A	2018	2017	2016	2015	2014
One year	13.97%	15.32%	1.13%	3.50%	2.78%
Three year	9.95%	6.47%	2.46%	3.43%	2.26%
Five year	7.17%	5.23%	2.28%	3.31%	3.48%
Ten year	5.02%	5.55%	4.29%	4.53%	4.22%
Since inception	4.15%	3.60%	2.91%	3.03%	2.99%

Class A Series F⁽¹⁾

One year	17.09%	18.45%	3.34%	N/A	N/A
Three year (approx.)	13.12%				

Class R Series A

One year	1.24%	(3.59%)	(12.40%)	(5.75%)	2.07%
Three year	(5.09%)	(7.32%)	(5.55%)	(1.98%)	(2.35%)
Five year	(3.83%)	(4.48%)	(5.12%)	(0.53%)	2.21%
Ten year	(0.75%)	1.58%	1.78%	3.07%	N/A
Since inception	1.13%	1.12%	1.56%	3.07%	N/A

Class R Series F⁽¹⁾

One year	2.02%	(2.57%)	(9.58%)	N/A	N/A
Three year (approx.)	(2.52%)				

BMO Canadian Small Cap Index/Group Average⁽²⁾

One year	2.78%	(0.28%)	(6.54%)	(3.24%)	(4.72%)
Three year	7.16%	(2.91%)	(4.29%)	(1.21%)	(6.40%)
Five year	2.59%	(0.84%)	(2.38%)	(0.50%)	(1.75%)
Ten year	2.19%	(0.06%)	(0.18%)	(0.04%)	(1.57%)

⁽¹⁾ Class A Series F and Class R Series F were first offered for sale beginning January 1, 2016.

⁽²⁾ After 2017, the BMO Canadian Small Cap Index is used. Before 2018, the group average is used.

MANAGEMENT REPORT OF FUND PERFORMANCE (CONTINUED)

SUMMARY OF INVESTMENT PORTFOLIO

(in thousands of dollars)

The table below summarizes the 25 largest investment holdings of the Fund's Class A Shares.

Investee	Coupon	Description of Security/Maturity	Investment at cost	% of net asset value
1 Conexus Credit Union Term Deposit	3.25%	13-Jun-20	\$ 25,000	6.24%
2 Steel Reef Infrastructure Fund		Class A common, voting shares	19,690	4.91%
3 Auctus Property Fund LP		Partnership units	14,845	3.70%
4 Moody's Equipment Partnership		Partnership units	14,551	3.63%
5 Agco Ag Ventures LP		Partnership units	12,605	3.14%
6 Cornerstone Credit Union Term Deposit	2.90%	10-Aug-19	10,599	2.64%
7 Conexus Credit Union Term Deposit	2.70%	3-Apr-20	10,000	2.49%
8 Affinity Credit Union Term Deposit	2.82%	4-Apr-20	10,000	2.49%
9 Al-Fab Building Components Inc.		Class A common, voting shares	9,726	2.43%
10 StorageVault Canada Inc.		Class A common, voting shares	8,835	2.20%
11 Caltex Resources Ltd.		Class A common, voting shares	8,313	2.07%
12 Hi-Tec Profiles Inc.		Class A common, voting shares	8,126	2.03%
13 Firesky Energy Inc.		Class A common, voting shares	7,480	1.87%
14 Affinity Credit Union Term Deposit	2.35%	28-Nov-18	6,846	1.71%
15 Affinity Credit Union Term Deposit	2.25%	27-Oct-18	6,817	1.70%
16 Affinity Credit Union Term Deposit	2.15%	2-Sep-18	6,631	1.65%
17 Hospitality Network Canada (2011) Inc.		Class A common, voting shares	6,599	1.65%
18 James Hill Road Villa LP		Partnership units	5,580	1.39%
19 Affinity Credit Union Term Deposit	2.75%	15-May-19	5,306	1.32%
20 Weyburn Credit Union Term Deposit	3.29%	28-Feb-20	5,000	1.25%
21 Prairie Soil Services Inc.		Partnership units	4,359	1.09%
22 Foundation Developments Inc.	12.00%	Subordinated loan	4,206	1.05%
23 Affinity Credit Union Term Deposit	2.71%	10-Jul-19	4,200	1.05%
24 Conexus Credit Union Term Deposit	2.60%	9-Jul-19	4,167	1.04%
25 Conexus Credit Union Term Deposit	2.20%	7-Jan-19	4,122	1.03%
			\$ 223,603	55.77%

The following table provides a breakdown of the Fund's Class A Shares venture investment portfolio by industry sector.

Sector	Cost	% of Venture Portfolio
Energy	\$ 58,867	32.35%
Financials	55,646	30.58%
Consumer discretionary	23,463	12.89%
Industrials, Telecommunications and Consumer Staples	44,013	24.18%
	\$ 181,989	100.00%

The table below summarizes the investment holdings of the Fund's Class R Shares.

Investee	Coupon	Description of Security/Maturity	Investment at cost	% of net asset value
1 Steel Reef Infrastructure Fund		Class A common, voting shares	\$ 9,201	13.13%
2 Firesky Energy Inc.		Class A common, voting shares	9,166	13.08%
3 Caltex Resources Ltd.		Class A common, voting shares	6,951	9.92%
4 Avalon Oil & Gas Ltd.		Class A common, voting shares	5,670	8.09%
5 Matrxix Energy Technologies Inc.		Class A common, voting shares	4,735	6.76%
6 Karve Energy Inc.		Class A common, voting shares	3,000	4.28%
7 Spur Petroleum Ltd.		Class A common, voting shares	1,801	2.57%
8 Tamarack Valley Energy Ltd.		Class A common, voting shares	1,720	2.45%
9 Affinity Credit Union Term Deposit	2.15%	2-Sep-18	1,530	2.18%
10 Affinity Credit Union Term Deposit	2.35%	28-Nov-18	1,521	2.17%
11 Affinity Credit Union Term Deposit	2.25%	27-Oct-18	1,515	2.16%
12 Chronos Resources Ltd.		Class A common, voting shares	1,474	2.10%
13 Burgess Creek Exploration Inc.		Class A common, voting shares	1,390	1.98%
14 Turnstone Energy Inc.		Class A common, voting shares	1,273	1.82%
15 Sun Country Well Servicing Inc.		Class A common, voting shares	1,000	1.43%
16 Plains Environmental Inc.		Class A common, voting shares	714	1.02%
17 Plains Environmental Inc.	10.50%	Subordinated loan	296	0.42%
18 Terra Grain Fuels Inc.	12.00%	Subordinated loan	266	0.38%
19 Plains Environmental Inc.	13.00%	Subordinated loan	237	0.34%
20 Terra Grain Fuels Inc.		Class A common, voting shares	1	0.00%
			\$ 53,461	76.28%

The following table provides a breakdown of the Fund's Class R Shares venture investment portfolio by industry sector.

Sector	Cost	% of Venture Portfolio
Energy	\$ 48,895	100.00%
	\$ 48,895	100.00%

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of **SaskWorks Venture Fund Inc.:**

The accompanying financial statements of SaskWorks Venture Fund Inc. (the "Fund") and other financial information contained in the annual report are the responsibility of management. The financial statements have been prepared by management based on the information available to October 11, 2018, are in accordance with International Financial Reporting Standards, and reflect management's best estimates and judgments.

Management has established systems of internal controls which are designed to provide reasonable assurance those assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors discharges its responsibility for the financial statements primarily through the activities of the Audit and Valuation Committee (the "Committee"), which is comprised of members of the Board of Directors.

The Fund determines the value of its Class A Series A, Class A Series F, Class R Series A, and Class R Series F shares on an annual basis by means of a valuation that is reviewed by the Fund's external auditors.

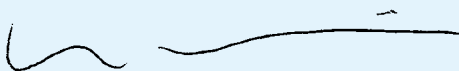
The Committee meets with management and the external auditors to discuss the results of the valuation and the audit examination with respect to the adequacy of internal controls and to review the financial statements of the Fund. The Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

The accompanying financial statements have been approved by the Board of Directors and have been audited by MNP LLP, Chartered Professional Accountants. The auditors' report outlines the scope of their audit and their opinion on the financial statements.

October 11, 2018



Randy Beattie
President and Chief Executive Officer



Rob Duguid
Chief Financial Officer and
Corporate Secretary

AUDITORS' REPORT

Independent Auditors' Report

To the Shareholders of SaskWorks Venture Fund Inc.:

We have audited the accompanying financial statements of SaskWorks Ventures Fund Inc., which comprise the statement of financial position as at August 31, 2018 and August 31, 2017, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Fund Manager's Responsibility for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of SaskWorks Ventures Fund Inc. as at August 31, 2018 and August 31, 2017 and its financial performance, changes in net assets and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Regina, Saskatchewan
October 11, 2018

MNP LLP

Chartered Professional Accountants

SASKWORKS VENTURE FUND INC.
(Incorporated under the laws of Saskatchewan)

STATEMENTS OF FINANCIAL POSITION

As at August 31

(in thousands of dollars except number of shares and per share amounts)

	2018			2017		
	Class A	Class R	Total	Class A	Class R	Total
Assets						
Venture investments (Note 5)	\$ 255,970	\$ 54,483	\$ 310,453	\$ 262,386	\$ 49,746	\$ 312,132
Loan receivable (Note 6)	10,366	2,107	12,473	10,243	2,663	12,906
Long-term investments	50,431	-	50,431	4,525	-	4,525
Short-term investments	58,551	4,566	63,117	53,358	4,473	57,831
Other assets	80	17	97	80	17	97
Accounts receivable and accrued income	2,591	89	2,680	2,235	81	2,316
Cash	76,081	14,620	90,701	56,283	21,150	77,433
	<u>454,070</u>	<u>75,882</u>	<u>529,952</u>	<u>389,110</u>	<u>78,130</u>	<u>467,240</u>
Liabilities						
Accrued provision for incentive participation amount (Note 8)	49,558	5,047	54,605	33,961	3,887	37,848
Accounts payable and accrued liabilities	3,575	753	4,328	3,205	782	3,987
	<u>53,133</u>	<u>5,800</u>	<u>58,933</u>	<u>37,166</u>	<u>4,669</u>	<u>41,835</u>
Net assets attributable to holders of redeemable shares	\$ <u>400,937</u>	\$ <u>70,082</u>	\$ <u>471,019</u>	\$ <u>351,944</u>	\$ <u>73,461</u>	\$ <u>425,405</u>
Shares outstanding (Note 7)						
Series A	\$ 19,006,174	\$ 6,052,222		\$ 19,128,069	\$ 6,425,411	
Series F	259,165	6,582		156,632	4,321	
Net assets attributable to holders of redeemable shares						
Series A	\$ 395,181	\$ 70,004		\$ 348,978	\$ 73,411	
Series F	5,756	78		2,966	50	
Net assets attributable to holders of redeemable shares per share						
Series A	\$ 20.79	\$ 11.57		\$ 18.24	\$ 11.43	
Series F	22.20	11.96		18.96	11.73	

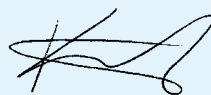
Commitments (Note 15)

See accompanying notes to the financial statements

On behalf of the Board:



Director



Director

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended August 31

(in thousands of dollars except per share amounts)

	2018			2017		
	Class A	Class R	Total	Class A	Class R	Total
Revenues						
Investment income - Dividends, royalties and distributions	\$ 6,250	\$ 667	\$ 6,917	\$ 5,246	\$ 625	\$ 5,871
Investment income - Interest	3,446	-	3,446	4,062	25	4,087
Interest income - Cash and term investments	2,851	342	3,193	1,715	422	2,137
Other income	41	4	45	39	40	79
	12,588	1,013	13,601	11,062	1,112	12,174
Expenses						
Management fees (Note 8)	10,232	1,914	12,146	8,404	1,982	10,386
Service fees	2,399	707	3,106	2,369	780	3,149
Trailer commissions	1,929	357	2,286	1,621	385	2,006
Shareholder recordkeeping and marketing	880	268	1,148	829	273	1,102
Shareholder reporting	240	73	313	269	87	356
Provision for incentive participation amount (Note 8)	215	123	338	954	11	965
Legal fees	213	39	252	51	16	67
Professional fees	200	67	267	141	52	193
Directors fees and expenses	71	21	92	64	20	84
Other	67	12	79	53	17	70
Audit fees	57	17	74	56	18	74
Custodial fees	14	1	15	4	1	5
Independent review committee fees	2	1	3	2	1	3
	16,519	3,600	20,119	14,817	3,643	18,460
Net investment loss	(3,931)	(2,587)	(6,518)	(3,755)	(2,531)	(6,286)
Realized gain on disposition of venture investments	84,498	871	85,369	27,854	3,865	31,719
Realized loss on disposition of venture investments	(7,647)	(2,890)	(10,537)	-	(697)	(697)
Net change in unrealized appreciation of venture investments	(4,606)	7,275	2,669	38,819	(2,412)	36,407
Provision for incentive participation amount (Note 8)	(19,110)	(1,777)	(20,887)	(16,122)	(957)	(17,079)
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	\$ 49,204	\$ 892	\$ 50,096	\$ 46,796	\$ (2,732)	\$ 44,064
Increase (decrease) in net assets attributable to holders of redeemable shares from operations						
Series A	\$ 48,602	\$ 891		\$ 46,410	\$ (2,730)	
Series F	602	1		386	(2)	
Increase (decrease) in net assets attributable to holders of redeemable shares from operations per average share outstanding						
Series A	\$ 2.55	\$ 0.14		\$ 2.43	\$ (0.42)	
Series F	2.90	0.18		3.63	(0.75)	

See accompanying notes to the financial statements

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

For the Years Ended August 31

(in thousands of dollars)

	2018			2017		
	Class A	Class R	Total	Class A	Class R	Total
Series A						
Operating activities						
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	\$ 48,602	\$ 891	\$ 49,493	\$ 46,410	\$ (2,730)	\$ 43,680
Capital transactions						
Proceeds on issue of shares	35,330	2,830	38,160	32,076	4,778	36,854
Redemption of shares	(37,729)	(7,128)	(44,857)	(30,882)	(6,688)	(37,570)
	<u>(2,399)</u>	<u>(4,298)</u>	<u>(6,697)</u>	<u>1,194</u>	<u>(1,910)</u>	<u>(716)</u>
Increase (decrease) in net assets attributable to holders of redeemable shares	46,203	(3,407)	42,796	47,604	(4,640)	42,964
Net assets attributable to holders of redeemable shares, beginning	348,978	73,411	422,389	301,374	78,051	379,425
Net assets attributable to holders of redeemable shares, ending	\$ 395,181	\$ 70,004	\$ 465,185	\$ 348,978	\$ 73,411	\$ 422,389
Series F						
Operating activities						
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	\$ 602	\$ 1	\$ 603	\$ 386	\$ (2)	\$ 384
Capital transactions						
Proceeds on issue of shares	2,202	27	2,229	1,690	40	1,730
Redemption of shares	(14)	-	(14)	(10)	-	(10)
	<u>2,188</u>	<u>27</u>	<u>2,215</u>	<u>1,680</u>	<u>40</u>	<u>1,720</u>
Increase in net assets attributable to holders of redeemable shares	2,790	28	2,818	2,066	38	2,104
Net assets attributable to holders of redeemable shares, beginning	2,966	50	3,016	900	12	912
Net assets attributable to holders of redeemable shares, ending	\$ 5,756	\$ 78	\$ 5,834	\$ 2,966	\$ 50	\$ 3,016

See accompanying notes to the financial statements

STATEMENTS OF CASH FLOWS

For the Years Ended August 31

(in thousands of dollars)

	2018			2017		
	Class A	Class R	Total	Class A	Class R	Total
Cash provided by (used in):						
Operating activities						
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	\$ 49,204	\$ 892	\$ 50,096	\$ 46,796	\$ (2,732)	\$ 44,064
Purchase of venture investments	(30,384)	(6,783)	(37,167)	(16,878)	(1,140)	(18,018)
Repayments from venture investments	306	-	306	456	-	456
Repayments on disposition of venture investments	90,721	6,431	97,152	5,780	2,273	8,053
Purchase of long-term and short-term investments	(104,456)	(4,566)	(109,022)	(53,450)	(4,473)	(57,923)
Matured long-term and short-term investments	53,357	4,473	57,830	63,118	12,368	75,486
Items not affecting cash:						
Realized gain on disposition of venture investments	(66,574)	-	(66,574)	(1,337)	(3,527)	(4,864)
Realized loss on disposition of venture investments	8,145	2,890	11,035	-	697	697
Amortization of discount on venture investment debt	(404)	-	(404)	(565)	(12)	(577)
Net change in unrealized appreciation of venture investments	4,606	(7,275)	(2,669)	(38,819)	2,412	(36,407)
Net change in balances other than cash and investments (Note 9)	15,488	1,679	17,167	14,058	2,582	16,640
	20,009	(2,259)	17,750	19,159	8,448	27,607
Financing activities						
Proceeds on issue of shares - Series A	35,330	2,830	38,160	32,076	4,778	36,854
Proceeds on issue of shares - Series F	2,202	27	2,229	1,690	40	1,730
Redemption of shares - Series A	(37,729)	(7,128)	(44,857)	(30,882)	(6,688)	(37,570)
Redemption of shares - Series F	(14)	-	(14)	(10)	-	(10)
	(211)	(4,271)	(4,482)	2,874	(1,870)	1,004
Increase (decrease) in cash	19,798	(6,530)	13,268	22,033	6,578	28,611
Cash, beginning	56,283	21,150	77,433	34,250	14,572	48,822
Cash, ending	\$ 76,081	\$ 14,620	\$ 90,701	\$ 56,283	\$ 21,150	\$ 77,433

See accompanying notes to the financial statements

Interest received	\$ 2,914	\$ -	\$ 2,914	\$ 3,417	\$ 27	\$ 3,444
Dividends received	2,592	667	3,259	2,324	625	2,949

STATEMENT OF INVESTMENT PORTFOLIO - CLASS A SHARES

As at August 31, 2018 (in thousands of dollars)

Venture Investments

Investee	Instrument	Interest Rate	Maturity Date	Outstanding at Cost	Fair Value
Energy					
Avalon Oil & Gas Ltd.	Class A common, voting shares			\$ 2,726	
Burgess Creek Exploration Inc.	Class A common, voting shares			1,390	
Caltex Resources Ltd.	Class A common, voting shares			8,313	
Chronos Resources Ltd.	Class A common, voting shares			3,300	
Firesky Energy Inc.	Class A common, voting shares			7,480	
Karve Energy Inc.	Class A common, voting shares			3,000	
Matrix Energy Technologies Inc.	Class A common, voting shares			1,729	
Plains Environmental Inc.	Class A common, voting shares			1,009	
	Subordinated loan	13.00%	1-May-19	2,430	
	Subordinated loan	10.50%	1-May-19	806	
Spur Petroleum Ltd.	Class A common, voting shares			683	
Steel Reef Infrastructure Fund	Class A common, voting shares			19,690	
Tamarack Valley Energy Ltd.	Class A common, voting shares			657	
Terra Grain Fuels Inc.	Class A common, voting shares			1	
	Subordinated loan	12.00%	1-Jan-20	3,632	
Turnstone Energy Inc.	Class A common, voting shares			2,021	
				\$ 58,867	\$ 68,711
Financials					
2310 Millar Ave. Properties Ltd.	Class A common, voting shares			\$ 250	
	Subordinated loan	12.50%	18-Dec-18	1,650	
255 2nd Ave. North Properties Ltd.	Class A common, voting shares			590	
	Subordinated loan	8.75%	1-Sep-21	4,050	
Agco Ag Ventures LP	Partnership units			12,605	
Auctus Property Fund LP	Partnership units			14,845	
Elgin Development GP Inc.	Subordinated loan	14.00%	23-Nov-18	770	
	Class A common, voting shares			28	
Elgin Development LP	Partnership units			176	
Foundation Developments Inc.	Class A common, voting shares			1,236	
	Subordinated loan	12.00%	1-Jun-22	4,206	
Innovative Residential Investment Inc.	Subordinated loan	12.00%	30-Apr-19	1,500	
James Hill Road Villa LP	Partnership units			5,580	
	Subordinated loan	15.00%	1-Dec-21	1,751	
Kensington Flats Developments LP	Partnership units			48	
Parkside Townhomes	Class B preferred, cumulative, non-voting shares			707	
	Class A common, voting shares			2,915	
Saskatchewan Entrepreneurial Fund Inc.	Joint venture units			117	
Urban Heights Inc.	Preferred shares			1,140	
	Class A common, voting shares			1,257	
Yorkterra Development LP	Partnership units			225	
				\$ 55,646	\$ 59,949

STATEMENT OF INVESTMENT PORTFOLIO - CLASS A SHARES (CONTINUED)

As at August 31, 2018 (in thousands of dollars)

Venture Investments

Investee	Instrument	Interest Rate	Maturity Date	Outstanding at Cost	Fair Value
Consumer Discretionary					
Factory Optical Holdings Inc.	Class B common, voting shares			\$ 206	
Hospitality Network Canada (2011) Inc.	Class A common, voting shares			6,599	
	Subordinated loan	15.00%	31-Jul-19	2,633	
Pines Power Sports & Marine Ltd.	Class A common, voting shares			300	
	Subordinated loan	12.00%	1-Jul-19	1,869	
	Subordinated loan	6.00%	1-Jul-19	718	
StorageVault Canada Inc.	Class A common, voting shares			8,835	
Visima Holdings Inc.	Class A common, voting shares			293	
	Subordinated loan	13.00%	1-Jun-19	1,121	
Visima II Holdings Inc.	Class C preferred, convertible, non voting shares			733	
	Class A common, voting shares			1	
	Subordinated loan	13.00%	1-Apr-19	155	
				\$ 23,463	\$ 80,398
Industrials, Telecommunications and Consumer Staples					
Al-Fab Building Components Inc.	Class A common, voting shares			\$ 9,726	
Community Electric Ltd.	Subordinated loan	11.50%	12-Jul-19	2,000	
Crestline Coach Ltd.	Class B convertible, redeemable preferred shares			443	
Hi-Tec Profiles Inc.	Class A common, voting shares			8,126	
Hi-Tec Profiles Limited Partnership	Partnership units			445	
Hi-Tec Holdings Inc.	Class A common, voting shares			486	
IM Wireless Communications Ltd.	Class A common, voting shares			194	
Lazar Equipment Ltd.	Class A common, voting shares			892	
Moody's Equipment Partnership	Partnership units			14,551	
PM Power Group Holdings Ltd.	Class A common, voting shares			1	
Prairie Soil Services Inc.	Subordinated loan	12.00%	24-Mar-20	2,790	
	Class A common, voting shares			4,359	
				\$ 44,013	\$ 46,912
				\$ 181,989	\$ 255,970

STATEMENT OF INVESTMENT PORTFOLIO - CLASS A SHARES (CONTINUED)

As at August 31, 2018 (in thousands of dollars)

Long-term Investments

Issuer	Interest Rate	Maturity Date	Cost	Fair Value
New Community Credit Union Term Deposit	2.50%	1-Oct-19	\$ 431	
Weyburn Credit Union Term Deposit	3.29%	28-Feb-20	5,000	
Conexus Credit Union Term Deposit	2.70%	3-Apr-20	10,000	
Affinity Credit Union Term Deposit	2.82%	4-Apr-20	10,000	
Conexus Credit Union Term Deposit	3.25%	13-Jun-20	25,000	
Total long-term investments			\$ 50,431	\$ 50,431

Short-term Investments

Issuer	Interest Rate	Maturity Date	Cost	Fair Value
Affinity Credit Union Term Deposit	2.15%	2-Sep-18	\$ 6,631	
New Community Credit Union Term Deposit	2.25%	1-Oct-18	420	
Conexus Credit Union Term Deposit	1.95%	7-Oct-18	4,105	
Affinity Credit Union Term Deposit	2.25%	27-Oct-18	6,817	
Affinity Credit Union Term Deposit	2.35%	28-Nov-18	6,846	
New Community Credit Union Term Deposit	2.20%	1-Jan-19	423	
Conexus Credit Union Term Deposit	2.20%	7-Jan-19	4,122	
New Community Credit Union Term Deposit	2.20%	1-Apr-19	426	
New Community Credit Union Term Deposit	2.20%	1-Apr-19	427	
Conexus Credit Union Term Deposit	2.35%	8-Apr-19	4,062	
Affinity Credit Union Term Deposit	2.75%	15-May-19	5,306	
Conexus Credit Union Term Deposit	2.60%	9-Jul-19	4,167	
Affinity Credit Union Term Deposit	2.71%	10-Jul-19	4,200	
Cornerstone Credit Union Term Deposit	2.90%	10-Aug-19	10,599	
Total short-term investments			\$ 58,551	\$ 58,551

STATEMENT OF INVESTMENT PORTFOLIO - CLASS R SHARES

As at August 31, 2018 (in thousands of dollars)

Venture Investments

Investee	Instrument	Interest Rate	Maturity Date	Outstanding at Cost	Fair Value
Energy					
Avalon Oil & Gas Ltd.	Class A common, voting shares			\$ 5,670	
Burgess Creek Exploration Inc.	Class A common, voting shares			1,390	
Caltex Resources Ltd.	Class A common, voting shares			6,951	
Chronos Resources Ltd.	Class A common, voting shares			1,474	
Firesky Energy Inc.	Class A common, voting shares			9,166	
Karve Energy Inc.	Class A common, voting shares			3,000	
Matrix Energy Technologies Inc.	Class A common, voting shares			4,735	
Plains Environmental Inc.	Class A common, voting shares			714	
	Subordinated loan	13.00%	1-May-19	237	
	Subordinated loan	10.50%	1-May-19	296	
Spur Petroleum Ltd.	Class A common, voting shares			1,801	
Steel Reef Infrastructure Fund	Class A common, voting shares			9,201	
Sun Country Well Servicing Inc.	Class A common, voting shares			1,000	
Tamarack Valley Energy Ltd.	Class A common, voting shares			1,720	
Terra Grain Fuels Inc.	Class A common, voting shares			1	
	Subordinated loan	12.00%	1-Jan-20	266	
Turnstone Energy Inc.	Class A common, voting shares			1,273	
Total venture investments				\$ 48,895	\$ 54,483

Short-term Investments

Issuer	Interest Rate	Maturity Date	Cost	Fair Value
Affinity Credit Union Term Deposit	2.15%	2-Sep-18	\$ 1,530	
Affinity Credit Union Term Deposit	2.25%	27-Oct-18	1,515	
Affinity Credit Union Term Deposit	2.35%	28-Nov-18	1,521	
Total short-term investments			\$ 4,566	\$ 4,566

STATEMENT OF INVESTMENT PORTFOLIO

As at August 31, 2018 (in thousands of dollars)

The venture investments of the Fund were comprised of the following:

Class A Shares

as at August 31, 2018

Industry sector	Cost	Fair Value	% of Cost	% of Fair Value
Energy	\$ 58,867	\$ 68,711	32.3	26.8
Financials	55,646	59,949	30.6	23.4
Consumer Discretionary	23,463	80,398	12.9	31.5
Industrials, Telecommunications and Consumer Staples	44,013	46,912	24.2	18.3
	\$ 181,989	\$ 255,970	100.0	100.0

as at August 31, 2017

Industry sector	Cost	Fair Value	% of Cost	% of Fair Value
Energy	\$ 62,856	\$ 65,438	34.1	24.9
Financials	54,087	59,249	29.4	22.6
Consumer Discretionary	35,164	104,837	19.1	40.0
Industrials, Telecommunications and Consumer Staples	32,096	32,862	17.4	12.5
	\$ 184,203	\$ 262,386	100.0	100.0

Class R Shares

as at August 31, 2018

Industry sector	Cost	Fair Value	% of Cost	% of Fair Value
Energy	\$ 48,895	\$ 54,483	100.0	100.0

as at August 31, 2017

Industry sector	Cost	Fair Value	% of Cost	% of Fair Value
Energy	\$ 51,433	\$ 49,746	100.0	100.0

STATEMENT OF INVESTMENT PORTFOLIO (CONTINUED)

As at August 31, 2018 (in thousands of dollars)

The venture investments of the Fund were comprised of the following:

Class A Shares

as at August 31, 2018

	Cost	Fair Value	% of Cost	% of Fair Value
Private debt securities	\$ 32,080	\$ 25,356	17.6	9.9
Private equity securities	138,688	175,801	76.2	68.7
Publicly traded equity securities	11,221	54,813	6.2	21.4
	\$ 181,989	\$ 255,970	100.0	100.0

as at August 31, 2017

	Cost	Fair Value	% of Cost	% of Fair Value
Private debt securities	\$ 40,949	\$ 33,810	22.2	12.9
Private equity securities	124,007	150,551	67.4	57.4
Publicly traded equity securities	19,247	78,025	10.4	29.7
	\$ 184,203	\$ 262,386	100.0	100.0

Class R Shares

as at August 31, 2018

	Cost	Fair Value	% of Cost	% of Fair Value
Private debt securities	\$ 1,217	\$ 99	2.5	0.2
Private equity securities	41,223	48,281	84.3	88.6
Publicly traded equity securities	6,455	6,103	13.2	11.2
	\$ 48,895	\$ 54,483	100.0	100.0

as at August 31, 2017

	Cost	Fair Value	% of Cost	% of Fair Value
Private debt securities	\$ 1,217	\$ 322	2.4	0.6
Private equity securities	43,906	45,242	85.3	91.0
Publicly traded equity securities	6,310	4,182	12.3	8.4
	\$ 51,433	\$ 49,746	100.0	100.0

NOTES TO THE FINANCIAL STATEMENTS

For the years ended August 31, 2018 and 2017

(in thousands of dollars except number of shares and per share amounts)

1. Status of the corporation

SaskWorks Venture Fund Inc. ("SaskWorks" or the "Fund") was incorporated under the laws of the Province of Saskatchewan by articles of incorporation dated September 1, 1999 under the name Prairie Ventures Fund Inc. Effective December 18, 2000 the articles of the Fund were amended to change its corporate designation to Crown Ventures Fund Inc. and effective March 16, 2005 the articles of the Fund were amended to change its corporate designation to SaskWorks Venture Fund Inc. The Fund has received approval for registration as a labour-sponsored venture capital corporation under *The Labour-sponsored Venture Capital Corporations Act* (Saskatchewan) (the "Act"). The Fund commenced active operations on January 29, 2001.

In February 2006 the Fund began offering a second class of shares, Class R, in addition to its Class A shares, for sale to the public.

Beginning January 1, 2016 the Fund began offering its Class A and Class R shares in series. The existing Class A and Class R shares were renamed Class A Series A and Class R Series A shares respectively. New shares, Class A Series F and Class R Series F, began sale to the public. Class A Series A and Class R Series A have a sales and trailer commission associated with them while Class A Series F and Class R Series F do not.

A separate net asset value is calculated for each of the Class A Series A, Class A Series F, Class R Series A and Class R Series F shares. The holders of Class A Series A, Class A Series F, Class R Series A, and Class R Series F shares have recourse only to the net assets attributable to the capital raised through the issuance of Class A Series A, Class A Series F, Class R Series A, and Class R Series F shares respectively.

The Fund was formed to make debt and equity investments in Saskatchewan small and medium-sized businesses. The objective of the Fund is to realize long-term capital appreciation from its investments. Targeted investment opportunities include early stage and mature businesses with substantial growth prospects as well as restructurings and management buy-out opportunities that offer superior investment return prospects.

PFM Venture Capital Operations Inc. ("PFMV" or the "Manager") is responsible for the management of the Fund and has engaged TBW Holdings Inc. and PFM Capital (2010) Inc. to assist it to carry out its management obligations.

2. Basis of presentation

(a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The Fund's significant accounting policies under IFRS are presented in Note 3.

The financial statements of the Fund were approved by the Board of Directors' on October 11, 2018.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investments at fair value through profit or loss ("FVTPL") which are measured at fair value.

(c) Investment entity

The Fund has determined that it meets the definition of investment entity and as a result, it measures subsidiaries at FVTPL. An investment entity is an entity that: obtains funds from one or more investors for the purpose of providing them with investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and measures and evaluates the performance of substantially all of its investments on a fair value basis. The most significant judgement that the Fund has made in determining that it meets this definition is that fair value is used as the primary measurement attribute to measure and evaluate the performance of substantially all of its investments.

(d) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Fund's functional currency, and all values are rounded to the nearest thousand dollars except where otherwise indicated.

(e) Use of judgements and estimates

The preparation of financial statements requires management to use judgement in applying policies and to make estimates and assumptions about the future. The following are the most significant accounting judgements and estimates that the Fund has made in preparing the financial statements:

Fair value of investments not quoted in an active market

The Fund holds financial instruments for which no public market exists ("private companies"). Fair values of such instruments are determined using valuation techniques. Where no market data is available, the Fund will value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used for private companies are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Investment entity

In determining whether the Fund is an investment entity, the Fund may be required to make significant judgments about whether the Fund has the typical characteristics of an investment entity. The Fund primarily obtains funds from investors for the purpose of providing investment management services, commits to its investors that the business purpose is to invest the funds solely for returns from capital appreciation, investment income or both, and measures and evaluates the performance of its investments on a fair value basis.

3. Significant accounting policies

The following policies are considered significant:

(a) Financial instruments

Initial recognition and measurement

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Financial assets are initially recognized on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets are recognized on the date on which they originated. The Fund's venture investments are measured at FVTPL, including investments in debt instruments which have been designated at FVTPL. All other financial assets and liabilities, including redeemable shares, are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Fund's accounting policies for measuring the fair value of its venture investments are identical to those used in measuring its net asset value ("NAV") for transactions with shareholders.

Fair value measurement

The fair values of venture investments in eligible businesses, having quoted market values and being publicly traded on a recognized stock exchange ("publicly traded companies"), are recorded at values based on the closing bid price on the last Thursday of each month, except August, and on the last business day of August.

The fair value of the Fund's venture investments for which no public market exists ("private companies") is determined as at the last business day of each fiscal quarter on the basis of policies and procedures established by the Board for determining the fair value of such investments. These valuations are updated monthly to take into account any material changes in the investments of the Fund since the most recent quarterly valuation.

In determining the fair value of equity investments in private companies ("shares") material changes would include, but are not limited to: a subsequent round of financing; an independent valuation; where performance varies adversely relative to the Fund's expectations; where performance indicates the value of the investment has changed; or, a share transaction by an independent third party. Equity investments are carried at fair value and an estimate of fair value is determined on the basis of the expected realizable value of the shares if they were disposed of in an orderly manner over a reasonable period. Fluctuations in fair value are recorded as unrealized appreciation or depreciation until disposal of the equity investment.

Investments in debt instruments ("loans") are carried at fair value. For productive loans an estimate of fair value is determined using a discounted cash flow methodology with fluctuations in the fair value recorded as a premium or discount, through unrealized appreciation, that is amortized to income using the effective interest method.

A loan is considered impaired if, because of deterioration in credit quality, there is no longer reasonable assurance of the timely collection of the full amount of outstanding principal and interest. On principal impaired loans a write-down or other provision is established, through unrealized depreciation, to reduce their carrying value to the estimated fair value of the underlying security.

SASKWORKS VENTURE FUND INC. • NOTES TO THE FINANCIAL STATEMENTS

(b) Investments in associates, joint ventures and subsidiaries

An associate is defined as an investee over whom the Fund has significant influence, being the power to participate in the financial and operating policy decisions of the investee (but not control or joint control). Significant influence exists when the Fund owns between 20% and less than a majority of the voting rights of the investee.

Joint control involves contractually agreed sharing of control and arrangements subject to joint control are classified as a joint venture.

A subsidiary is defined as an investee over whom the Fund has the ability to control. The Fund controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Control over an investee:

- exists when the Fund owns a majority of the voting rights of the investee; or
- exists when the Fund has a majority position in any borrowings of the investee and the conditions attached to the borrowings confer on it the right to assume control of the investee in the event of default.

The Fund meets the criteria required to be considered an “investment entity” under IFRS 10 – *Consolidated Financial Statements* and, as such, it accounts for subsidiaries at fair value. Associates and joint ventures have been designated at FVTPL.

Information about the Fund’s interest in associates or unconsolidated subsidiaries is as follows:

Class A

Investee	Relationship	Ownership & voting interest %	Senior debt
2310 Millar Ave. Properties Ltd.	Associate	50.00%	Yes
255 2nd Ave. Properties Ltd.	Associate	50.00%	Yes
Al-Fab Building Components Inc.	Subsidiary	60.04%	Yes
Elgin Development	Associate	25.81%	Yes
Foundation Developments	Associate	30.40%	Yes
Hi-Tec Profiles Inc.	Associate	39.56%	-
Hospitality Network Canada Inc.	Subsidiary	69.02%	Yes
James Hill Road Villa LP	Subsidiary	57.75%	Yes
Lazar Equipment Ltd.	Subsidiary	53.94%	-
Moody’s Equipment LP	Subsidiary	71.37%	-
Parkside Townhomes	Subsidiary	84.26%	-
Pines Sports & Marine Ltd.	Subsidiary	54.55%	Yes
Prairie Soil Services Inc.	Subsidiary	68.65%	Yes
Terra Grain Fuels Inc.	Associate	33.25%	Yes
Urban Heights Inc.	Associate	34.93%	-
Visima Holdings Inc.	Associate	28.72%	Yes
Visima Holdings II Inc.	Associate	28.72%	Yes
YorkTerra Development LP	Associate	32.37%	-

Class R

Investee	Relationship	Ownership & voting interest %	Senior debt
None			

All investee companies have Canada as their principal place of business and country of incorporation.

All investee companies for which the Fund is a subordinate lender may have restrictions on dividend and loan repayments if the investee is not within covenants imposed on it by its senior lender(s).

With respect to the above associates and unconsolidated subsidiaries:

- subject to senior lender covenants, if any, there are no significant restrictions on the ability of the associates or subsidiaries to transfer funds to the Fund in the form of cash dividends or to repay loans or advances made to the associates or subsidiaries by the Fund;
- there are no current commitments or intentions to provide financial or other support to the subsidiaries, including commitments or intentions to assist them in obtaining financial support;
- the Fund has not, without the contractual obligation to do so, provided any financial or other support to the subsidiaries; and
- other than the original amount approved for investment, there are no contractual arrangements that would require the Fund to provide financial support to the subsidiaries.

(c) Cash

Pending venture investments being made, subscription proceeds are invested in interest bearing accounts yielding interest at the rate of prime minus 1.60% to 2.20%.

(d) Redeemable shares

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The shares, which are classified as financial liabilities and measured at redemption amount, provide shareholders with the right to request redemption, subject to available liquidity.

See Note 7 for details of the Fund's shares.

(e) Net assets attributable to holders of redeemable shares per share

The net assets attributable to shareholders per Class A Series A, Class A Series F, Class R Series A and Class R Series F share is determined by dividing the net assets attributable to shareholders of Class A Series A, Class A Series F, Class R Series A and Class R Series F shares by the number of Class A Series A, Class A Series F, Class R Series A and Class R Series F shares outstanding as at that date.

(f) Increase (decrease) in net assets attributable to holders of redeemable shares from operations per share

The increase (decrease) in net assets attributable to holders of redeemable shares from operations per Class A Series A, Class A Series F, Class R Series A and Class R Series F share is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable Class A Series A, Class A Series F, Class R Series A and Class R Series F shares from operations by the average number of Class A Series A, Class A Series F, Class R Series A and Class R Series F shares outstanding during the period.

(g) Revenue recognition

Revenue related to the Fund's productive venture investments is recorded on an accrual basis. Negotiation fees are recognized upon receipt. A loan on which payments are in arrears for 90 days or more is usually classified as income impaired. Recognition of interest income ceases on income impaired loans until interest is received. Recognition of interest income ceases on principal impaired loans with all cash received applied first to principal, until fully recovered, and then as income.

(h) Short-term and long-term investments

Pending venture investments being made, subscription proceeds are invested in high-quality government and corporate debt obligations or other investments permitted under the Act. Purchases and sales of short-term and long-term investments are recorded on a trade date basis. Term deposits are valued at cost, which approximates fair value.

(i) Commissions

An annual trailer commission, based on net assets attributable to the holders of redeemable shares, is paid quarterly to the selling agent for each year that a subscription for Class A Series A and Class R Series A shares is maintained.

(j) Incentive participation amount

As described in Note 8, an incentive participation amount ("IPA") will accrue on unrealized eligible venture investments and be paid annually only upon realization of the eligible venture investment.

This amount is an estimate and can vary significantly from year to year. It will be paid only on gains that arise on the realization of an eligible venture investment and the income earned from an eligible venture investment over its life.

(k) Income taxes

SaskWorks uses the liability method of tax allocation for accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial statement and tax bases of assets and liabilities, and measured using the tax rates and laws that will be in effect when differences are expected to reverse.

(l) Transaction costs

Transaction costs associated with an investment (incremental costs that are directly attributable to acquisition or disposition) are, in most cases, borne by the investee. In those cases where the Fund pays these costs they are expensed in the Statements of Comprehensive Income.

(m) Application of new and revised International Financial Reporting Standards

The following new and revised standards are not considered significant to the Fund:

- New IFRS 15 *Revenue from Contracts with Customers*
- Amendments to IAS 1 *Presentation of Financial Statements* re: *Disclosure Initiative*
- Annual Improvements (2012 – 2014 Cycle)

(n) New and revised International Financial Reporting Standards in issue but not yet effective

The following new and revised standards issued but not yet effective are not expected to be significant to the Fund:

Effective for annual periods beginning on or after January 1, 2019

- Amendments to IFRS 9 *Financial Instruments*

4. Financial instruments

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable for the asset or liability.

For the years ended August 31, 2018 and 2017 • (in thousands of dollars except number of shares and per share amounts)

Class A

As at August 31, 2018

	Level 1	Level 2	Level 3	Total
Equity investments	\$ 54,813	\$ -	\$ 175,801	\$ 230,614
Debt investments	-	-	25,356	25,356
	\$ 54,813	\$ -	\$ 201,157	\$ 255,970

As at August 31, 2017

	Level 1	Level 2	Level 3	Total
Equity investments	\$ 78,025	\$ -	\$ 150,551	\$ 228,576
Debt investments	-	-	33,810	33,810
	\$ 78,025	\$ -	\$ 184,361	\$ 262,386

Class R

As at August 31, 2018

	Level 1	Level 2	Level 3	Total
Equity investments	\$ 6,103	\$ -	\$ 48,281	\$ 54,384
Debt investments	-	-	99	99
	\$ 6,103	\$ -	\$ 48,380	\$ 54,483

As at August 31, 2017

	Level 1	Level 2	Level 3	Total
Equity investments	\$ 4,182	\$ -	\$ 45,242	\$ 49,424
Debt investments	-	-	322	322
	\$ 4,182	\$ -	\$ 45,564	\$ 49,746

The table below summarizes the movement in Level 3 venture investments at fair value using unobservable inputs.

	2018		2017	
	Class A	Class R	Class A	Class R
Balance, beginning	\$ 184,361	\$ 45,564	\$ 179,301	\$ 49,637
Transfer to Level 1	-	-	(5,885)	-
Venture investments purchased	27,728	2,048	17,715	3,246
Venture investments repaid	(17,507)	(2,091)	(4,733)	(6,809)
Realized loss on disposition of venture investments	(4,409)	(2,640)	-	-
Net change in unrealized appreciation of venture investments	10,984	5,499	(2,037)	(510)
Balance, ending	\$ 201,157	\$ 48,380	\$ 184,361	\$ 45,564

For the purposes of the following tables, that disclose Level 3 investment details, debt investments that are current with respect to principal and interest are classified as productive and those that are not current are classified as non-productive. With respect to equity investments, those investments on which the Fund expects to recover the full amount of capital invested are classified as productive while those equity investments on which the Fund does not expect to recover the full amount of capital invested are classified as non-productive.

SASKWORKS VENTURE FUND INC. • NOTES TO THE FINANCIAL STATEMENTS

Class A

As at August 31, 2018

Classification	Fair value	Valuation technique	Unobservable Inputs	Weighted average input	Sensitivity +/-	Change in valuation +/-
Productive debt	\$ 22,253	Discounted cash flow	Discounted rate	9.4%	1%	\$ 227/\$(227)
Non-productive debt	3,103	Estimated realizable value	Impairment provision	25%	25%	776/(776)
Productive equity	144,948	Asset value	% variance	94.5%	7.5%	78/(155)
		Capitalization rate	NOI cap rate	7.49%	0.5%	3,060/(2,633)
		Cost	% variance	100%	10%	1,462/(1,462)
		Equity raise	Cost	100%	10%	139/(139)
		Multiple of EBITDA	EBITDA multiple	5.67x	0.5x	4,508/(3,657)
		Multiple of production	EV/boe multiple	\$48/boe/d	\$5/boe/d	2,466/(2,685)
		NAV/unit	% variance	100%	10%	2,434/(2,434)
		Transaction value	% variance	100%	10%	2,335/(2,335)
Non-productive equity	30,853	Capitalization rate	NOI cap rate	6.38%	0.42%	2,981/(2,667)
		Cost	% variance	100%	10%	9/(9)
		Equity raise	Cost	100%	10%	-/(-)
		Multiple of EBITDA	EBITDA multiple	4.79x	0.5x	1,454/(1,454)
		Multiple of production	\$/boe/d multiple	\$29/boe/d	\$5/boe/d	222/(165)
		Multiple of reserves	\$/boe multiple	\$12/boe	\$5/boe	658/(658)

boe = Barrels of oil equivalent

boe/d = Barrels of oil equivalent per day

EBITDA = Earnings before interest, taxes, depreciation and amortization

EV = Enterprise value

NAV = Net asset value

NOI cap rate = Net operating income capitalization rate

TBV = Tangible book value

As at August 31, 2017

Classification	Fair value	Valuation technique	Unobservable Inputs	Weighted average input	Sensitivity +/-	Change in valuation +/-
Productive debt	\$ 31,353	Discounted cash flow	Discounted rate	10.19%	1%	\$ 333/\$(333)
Non-productive debt	2,457	Estimated realizable value	Impairment provision	25.00%	25.00%	615/(615)
Productive equity	137,571	Asset value	% variance	96.50%	7.50%	220/(219)
		Capitalization rate	NOI cap rate	6.95%	0.38%	1,925/(1,683)
		Cost	% variance	100%	10%	2,008/(2,008)
		Equity raise	% variance	100%	10%	4,985/(4,985)
		Liquidation proceeds	% variance	100%	10%	1/(1)
		Multiple of EBITDA	EBITDA multiple	5.06x	0.70x	5,407/(4,792)
		NAV/unit	% variance	100%	10%	2,303/(2,303)
Non-productive equity	12,980	Cost	% variance	100%	10%	15/(15)
		Equity raise	Cost	100%	10%	469/(469)
		Multiple of EBITDA	EBITDA multiple	4.21x	0.50x	1,113/(1,113)
		Multiple of production	\$/boe/d multiple	\$ 50	\$ 10	236/(275)
		Multiple of reserves	\$/boe multiple	\$ 15.00	\$ 5.00	387/(363)
		Multiple of TBV	TBV multiple	0.55x	0.18x	552/(4,470)

boe = Barrels of oil equivalent

boe/d = Barrels of oil equivalent per day

EBITDA = Earnings before interest, taxes, depreciation and amortization

NAV = Net asset value

NOI cap rate = Net operating income capitalization rate

TBV = Tangible book value

For the years ended August 31, 2018 and 2017 • (in thousands of dollars except number of shares and per share amounts)

Class R

As at August 31, 2018

Classification	Fair value	Valuation technique	Unobservable Inputs	Weighted average input	Sensitivity +/-	Change in valuation +/-
Non-productive debt	\$ 99	Estimated realizable value	Impairment provision	25%	25%	\$ 81/\$(81)
Productive equity	42,233	Cost	% variance	100%	10%	127/(127)
		Equity raise	Cost	100%	10%	139/(139)
		Multiple of EBITDA	EBITDA multiple	10x	0.5x	1,333/(889)
		Multiple of production	EV/boe multiple	\$49/boe/d	\$5/boe/d	1,927/(2,030)
Non-productive equity	6,048	Equity raise	Cost	100%	10%	-/(-)
		Multiple of production	\$/boe/d multiple	\$29/boe/d	\$5/boe/d	299/(174)
		Multiple of reserves	EV/boe multiple	\$12/boe	\$3/boe	901/(901)
		Multiple of TBV	TBV multiple	0.5x	0.2x	181/(181)

boe = Barrels of oil equivalent

boe/d = Barrels of oil equivalent per day

EBITDA = Earnings before interest, taxes, depreciation and amortization

EV = Enterprise value

TBV = Tangible book value

As at August 31, 2017

Classification	Fair value	Valuation technique	Unobservable Inputs	Weighted average input	Sensitivity +/-	Change in valuation +/-
Non-productive debt	\$ 322	Estimated realizable value	Impairment provision	25%	25%	\$ 81/\$(81)
Productive equity	33,882	Equity raise	Cost	100%	10%	3,142/(3,142)
		Multiple of EBITDA	EBITDA multiple	6.50x	0.50x	117/(139)
Non-productive equity	11,360	Equity raise	Cost	100%	10%	730/(730)
		Multiple of production	\$/boe/d multiple	\$ 50	\$ 10	59/(69)
		Multiple of reserves	EV/boe multiple	\$15.00	\$5.00	173/(162)
		Multiple of TBV	TBV multiple	0.55x	0.18x	1,102/(997)

boe = Barrels of oil equivalent

boe/d = Barrels of oil equivalent per day

EBITDA = Earnings before interest, taxes, depreciation and amortization

EV = Enterprise value

TBV = Tangible book value

5. Venture investments

Venture investments are comprised of the following:

	2018		2017	
	Class A	Class R	Class A	Class R
Equity instruments at cost	\$ 149,909	\$ 47,678	\$ 143,254	\$ 50,217
Debt instruments at cost	32,080	1,217	40,949	1,217
Venture investments at cost	181,989	48,895	184,203	51,434
Unrealized appreciation (depreciation)	73,981	5,588	78,183	(1,688)
Venture investments at fair value	\$ 255,970	\$ 54,483	\$ 262,386	\$ 49,746

During the year, venture investments changed as follows:

	2018		2017	
	Class A	Class R	Class A	Class R
Venture investments at fair value, begin	\$ 262,386	\$ 49,746	\$ 211,023	\$ 50,449
Venture investments purchased	98,708	6,783	22,555	9,557
Venture investments repaid	(93,275)	(6,431)	(10,576)	(7,163)
Realized loss on disposition of venture investments	(7,647)	(2,890)	-	(697)
Net increase/(decrease) in unrealized appreciation of venture investments	(4,606)	7,275	38,819	(2,412)
Amortization of discount on venture investment debt	404	-	565	12
Venture investments at fair value, end	\$ 255,970	\$ 54,483	\$ 262,386	\$ 49,746

6. Loan receivable

Beginning February 1, 2004, the Fund engaged Conexus Credit Union to pay the base commission and additional commission on the sale of shares. The Fund has invested sufficient money in Conexus in the form of non-interest bearing promissory notes to enable it to pay these commissions.

The loan receivable balance is subject to a maximum total limit of \$24,300 (2017 - \$25,600) and consists of eight non-interest bearing promissory notes each repayable in eight equal annual instalments, based on the balance of the note at December 31 of the year issued, beginning January 10 of the year following issuance.

Loan receivable at August 31 is comprised of the following:

Note issued	Instalment	2018		2017	
		Class A	Class R	Class A	Class R
January 1, 2010	\$ 326	\$ -	\$ -	\$ 240	\$ 86
January 1, 2011	456	282	174	564	348
January 1, 2012	493	621	365	931	547
January 1, 2013	485	1,148	308	1,530	411
January 1, 2014	352	1,159	247	1,449	309
January 1, 2015	318	1,324	265	1,589	318
January 1, 2016	319	1,612	304	1,881	354
January 1, 2017	324	1,986	284	2,059	290
January 1, 2018	TBD	2,234	160	-	-
		\$ 10,366	\$ 2,107	\$ 10,243	\$ 2,663

As remuneration to Conexus for managing the payment of commissions, the Fund has agreed to pay a service fee equal to an annual percentage based payment of 0.875% of the gross proceeds raised in any calendar year on the sale of Class A Series A and Class R Series A shares and 0.125% of the gross proceeds raised in any calendar year on the sale of Class A Series F and Class R Series F shares over eight consecutive years.

7. Share capital and net assets

Subscription proceeds from the issuance of Class A and Class R shares will be used to make eligible venture investments of that respective class of shares. Venture investments made by each class of shares are held only within that class of shares. Income or losses attributable to a particular venture investment are allocated only to the specific class of shares within which the venture investment is held.

Net asset value per share for each series is calculated at the end of each week by dividing the net asset value of each series by its outstanding shares. The net asset value of each series of a class is computed by calculating the value of the series-specific assets and series' proportionate share of the class' common assets less the series-specific liabilities and the series' proportionate share of the class' common liabilities. Income and expenses directly attributable to a series are credited to that series while common class income and expenses and realized and unrealized gains and losses are allocated to each series. A proportionate share of or allocation to each series of a class is based on that series' pro rata share of the total share capital of that class as at the latest available weekly net asset valuation.

Venture investments (Class A and Class R) and share subscription activity (Class A Series A, Class A Series F, Class R Series A, and Class R Series F) have a separate accounting such that the net assets attributable to each of the Class A Series A, Class A Series F, Class R Series A, and Class R Series F shares are reflected individually in these financial statements.

Class A Series A, Class A Series F, Class R Series A and Class R Series F shares have, in all material respects, the same rights, redemption features, tax credit eligibility, and attributes except for the following:

- The net proceeds from the issuance of Class A shares will be invested in Saskatchewan eligible businesses in a broad section of the economy whereas the net proceeds from the issuance of Class R shares will be invested in Saskatchewan eligible businesses in the energy and mining sectors;
- Class A Series A and Class R Series A shares have sales and trailer commissions associated with them while Class A Series F and Class R Series F do not;
- A separate net asset value is calculated for each of the Class A Series A, Class A Series F, Class R Series A and Class R Series F shares. The holders of Class A Series A, Class A Series F, Class R Series A, and Class R Series F shares have recourse only to the net assets attributable to the capital raised through the issuance of Class A Series A, Class A Series F, Class R Series A, and Class R Series F shares respectively.

The authorized share capital of the Fund is:

Class A Series A, Class A Series F, Class R Series A and Class R Series F – Unlimited number of Class A Series A, Class A Series F, Class R Series A and Class R Series F shares. The shares are voting, entitled to receive non-cumulative dividends at the discretion of the directors, entitled to elect all of those directors who are not elected by the holder of the Class B shares and have restrictions on redemption. Such restrictions include a provision that the Fund is not required to redeem Class A Series A, Class A Series F, Class R Series A or Class R Series F shares if total redemptions in the fiscal year exceed 50% of the Class A Series A, Class A Series F, Class A Series A or Class R Series F shares' net earnings after tax for the previous fiscal year. In the event of a redemption before the eighth anniversary of issue, holders of Class A Series A or Class R Series A shares are charged a redemption fee of 1% of the net asset value per Class A Series A or Class R Series A share for each year or part year remaining before the eighth anniversary of the date of issue, and the Fund is required to withhold and remit to the applicable authorities an amount equal to the Federal tax credit and Saskatchewan tax credit, if any, on the Class A Series A, Class A Series F, Class R Series A or Class R Series F shares.

Class B – 10 Class B shares. Issuable only to the sponsor of the Fund. The shares are voting, redeemable at the purchase price and entitled to elect a simple majority of the directors of the Fund, including replacing or removing any directors elected by the sponsor.

Class C – Unlimited number of Class C shares. The shares are issuable in series with rights, privileges, restrictions and conditions subject to directors' resolution. No Class C shares have been issued.

Issued share capital at the end of the period is:

	2018		2017	
	Shares	\$	Shares	\$
Class A Series A				
Balance, beginning	19,128,069	275,935	19,049,874	266,794
Issued	1,754,253	35,330	1,941,797	32,076
Redeemed (at cost)	(1,876,148)	(24,031)	(1,863,602)	(22,935)
Balance, ending	19,006,174	287,234	19,128,069	275,935
Class A Series F				
Balance, beginning	156,362	2,558	56,221	879
Issued	103,465	2,202	100,781	1,689
Redeemed (at cost)	(662)	(11)	(640)	(10)
Balance, ending	259,165	4,749	156,362	2,558
Class R Series A				
Balance, beginning	6,425,411	89,323	6,587,598	91,536
Issued	246,105	2,830	406,972	4,778
Redeemed (at cost)	(619,294)	(7,952)	(569,159)	(6,991)
Balance, ending	6,052,222	84,201	6,425,411	89,323
Class R Series F				
Balance, beginning	4,321	53	1,000	13
Issued	2,261	27	3,321	40
Redeemed (at cost)	-	-	-	-
Balance, ending	6,582	80	4,321	53
Class B				
Balance	10	1	10	1

At the end of the period the net assets attributable to the holders of the Fund's Class A Series A redeemable shares consist of issued share capital of \$287,234 (2017 - \$275,935) and retained earnings of \$107,947 (2017 - \$73,043). The net assets attributable to the holders of the Fund's Class A Series F redeemable shares consist of issued share capital of \$4,749 (2017 - \$2,558) and retained earnings of \$1,007 (2017 - \$408). The net assets attributable to the holders of the Fund's Class R Series A redeemable shares consist of issued share capital of \$84,201 (2017 - \$89,323) and deficit of \$14,197 (2017 - \$15,912). The net assets attributable to the holders of the Fund's Class R Series F redeemable shares consist of issued share capital of \$80 (2017 - \$53) and deficit of \$2 (2017 - \$3).

The value of redeemed shares is treated as a reduction of share capital and adjustment to retained earnings or deficit. The original cost of the shares is a reduction of share capital. The difference between redemption value and original cost of the shares is treated as either a decrease to retained earnings or increase to deficit, if redemption value exceeds original cost, or an increase to retained earnings or decrease to deficit, if redemption value is less than original cost.

8. Related party transactions

The Fund has retained the Manager as the fund manager to manage and administer the business affairs of the Fund, including, among other duties, the management of the Fund's eligible venture investments and short-term and long-term investments and determining the fair value of the Fund's venture investment portfolio. The officers of the Fund are the principals of the Manager and shareholders in the Fund.

The Manager receives an annual management fee, calculated and payable monthly in arrears, equal to 2.5% of the aggregate net assets attributable to holders of redeemable shares of the Class A Series A, Class A Series F, Class R Series A and Class R Series F shares, as at each weekly valuation date.

With respect to Class A Series A and Series F shares \$9,745 (2017 - \$8,004) in management fees, plus applicable taxes, was earned, pursuant to the management agreement, by the Fund Manager.

With respect to Class R Series A and Series F shares \$1,823 (2017 - \$1,888) in management fees, plus applicable taxes, was earned, pursuant to the management agreement, by the Fund Manager.

IPA is a provision for fees payable to the Manager and is based on the realized/unrealized gains and income earned from eligible venture investments and is payable annually only upon disposition of an eligible venture investment. Before any IPA is paid on the realization of an eligible venture investment, the Fund must have:

- (a) earned sufficient income, on all eligible venture investments, to generate a rate of return, before expenses, greater than the five-year average GIC rate plus 1% on an annualized basis. The income on eligible venture investments includes investment gains and losses (realized and unrealized) earned and incurred since the inception of the Fund, and negotiation fees, interest, dividends, royalties, distributions and earnings of any other kind from eligible venture investments;
- (b) earned enough income from the eligible venture investment to provide a cumulative investment return, before expenses, at an average annual rate more than 10% since investment; and
- (c) fully recouped an amount from the eligible venture investment, through income earned, liquidation of the investment, or otherwise, equal to or greater than the entire principal invested in the eligible investee.

Subject to satisfying all of the above conditions, the IPA is equal to 20% of the return derived from the eligible venture investment.

For Class A shares \$3,550 (2017 - \$3,538), plus applicable taxes, of IPA was paid to the Fund Manager and for Class R shares \$705 (2017 - \$nil), plus applicable taxes, of IPA was paid to the Fund Manager.

For Class A shares the accrued provision for incentive participation amount is \$49,558 (2017 - \$33,961), a net increase, after payments, of \$15,597 (2017 - \$13,360). In respect of realized and unrealized gains, the provision for IPA increased by \$19,110 (2017 - \$16,122) and in respect of income earned, the provision for IPA increased by \$215 (2017 - \$954) during the year.

For Class R shares the accrued provision for incentive participation amount is \$5,047 (2017 - \$3,887), an increase, after payments, of \$1,160 (2017 - \$967). In respect of realized and unrealized gains, the provision for IPA increased by \$1,777 (2017 - \$957) and in respect of income earned, the provision for IPA increased by \$123 (2017 - \$11) during the year.

Other amounts and transactions due to (from) related parties are described separately in these financial statements.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

9. Net change in balances other than cash and investments

	2018		2017	
	Class A	Class R	Class A	Class R
Loan receivable	\$ (123)	\$ 556	\$ 26	\$ 452
Accounts receivable and accrued income	(356)	(8)	298	1,201
Other assets	-	-	17	(17)
Accrued provision for incentive participation amount	15,597	1,160	13,360	967
Accounts payable and accrued liabilities	370	(29)	357	(21)
	\$ 15,488	\$ 1,679	\$ 14,058	\$ 2,582

10. Risks associated with financial instruments

The Fund's financial instruments consist primarily of cash, accounts receivable and accrued income, loan receivable, short-term and long-term investments, venture investments, provision for accrued incentive participation amount, and accounts payable and accrued liabilities. Short-term and long-term investments consist of term deposits. Venture investments in public and private companies consist of equity and debt instruments. The Fund focuses on investing in eligible Saskatchewan businesses with emphasis on expansion financing, management buyouts, restructurings, turnarounds, and early-stage investments. There is no assurance that the Fund will be able to find enough suitable investment opportunities and the Fund may face competition from other funds and investors.

There is no guarantee that an investment in shares of the Fund will earn a specified rate of return or any return in the short or long term. The shares are not eligible for resale and are subject to redemption restrictions resulting in a longer commitment than for freely tradable securities.

SaskWorks' primary business is the raising of capital from Saskatchewan residents and placing these funds in new and expanding Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk and liquidity risk. These risk factors may impact upon SaskWorks' ability to redeem its Class A Series A, Class A Series F, Class R Series A and Class R Series F shares when required.

Market Risk

The market risk faced by SaskWorks is the risk that the fair value of its venture investments may decline due to a reduction in the anticipated earnings generated by the businesses in which SaskWorks invests or a decrease in the quoted market share price of publicly-traded venture investments held by SaskWorks. Class A shares invest in a diversified portfolio of companies in various sectors of the economy while Class R shares invest in the oil & gas sector. Some of the companies in which SaskWorks invests are dependent upon a single product or industry. SaskWorks manages these risks through careful due diligence prior to committing funds to the investment, ensuring that the overall portfolio is properly diversified across various industry sectors, and investing no more than 10% of the Class A shares' and Class R shares' total net assets attributable to holders of redeemable shares in any one eligible business.

The Fund's venture investments in publicly traded companies are companies which were private when the Fund made its initial investment and which became publicly traded shares through initial public offerings, reverse takeovers or acquisitions by public companies. The fair values of these venture investments in publicly traded companies are based on movements in the stock market and to the success or failure of the companies. In some circumstances, it may prove difficult for the Fund to quickly liquidate investments in restricted or thinly traded publicly traded securities without unduly affecting the market prices of those securities. For these publicly traded companies, the Fund attempts to limit its exposure to fluctuations in market prices through managing the sales of these shares on the open market.

Credit Risk

Credit risk arises from the potential that a venture investment will fail to perform its obligations. SaskWorks conducts a thorough due diligence process prior to committing to the venture investment and actively monitors the financial health of its investments on an on-going basis. Changes in commodity prices and foreign currency exchange rates may significantly affect the financial position of investee companies. SaskWorks manages credit risk by diversifying its investments among industries. Although all investee companies are based primarily in Saskatchewan, most of the companies have significant sales in other provinces and/or international markets thereby mitigating most of the economic risks specific to Saskatchewan.

The maturity of each debt investment is disclosed in the respective share class Statement of Investment Portfolio. Such debt investments represent the main concentration of credit risk for the respective share class and, accordingly, represent the maximum credit risk exposure of the respective share class.

The principal and interest associated with Fund's long-term and short-term investments are 100% guaranteed by the Credit Union Deposit Guarantee Corporation of Saskatchewan.

The portion of accounts receivable and accrued income that relates to interest due from investee companies is secured by assets of the investee company.

Interest Rate Risk

Interest rate risk reflects the risk that SaskWorks' earnings will be affected by fluctuations in interest rates. SaskWorks primary interest rate risk relates to the investment of cash in short-term investments, long-term investments, and venture investment debt instruments. Based on average cash balances and holdings of long-term and short-term investments held during the period, a 1% increase/decrease in interest rates (with all other variables held constant) would have resulted in an increase/decrease in net assets of \$1,411 (2017 - \$969) with respect to Class A shares and \$191 (2017 - \$274) with respect to Class R shares respectively. The effect of a change in interest rates on venture debt investments is detailed in Note 4.

SaskWorks manages the risk of interest rate changes by matching the duration of short-term investments, long-term investments, and venture debt investments to known liquidity requirements.

Liquidity Risk

Liquidity risk is the risk that SaskWorks will encounter difficulty in liquidating its venture investments at an amount close to fair value at the time it requires liquidity to satisfy requests by holders of Class A Series A, Class A Series F, Class R Series A and Class R Series F shares for redemption. There is no assurance that any venture investment will be able to successfully complete its business plan or sustain operations over the short term or an extended period. The Fund manages liquidity risk by becoming, if necessary, actively involved in their venture investments and continually monitoring the value of their investments. In the event of difficulty in liquidating its venture investments, SaskWorks may be required to delay the redemption of Class A Series A, Class A Series F, Class R Series A and Class R Series F shares tendered for redemption.

The financial liabilities of the Fund mature in less than one year with the exception of accrued provision for incentive participation amount. The maturity of accrued provision for incentive participation amount is uncertain and is dependent upon realization of venture investments.

11. Restrictions

Under the Act:

- Eligible businesses for the Fund are investments in businesses, defined as taxable corporations or limited partnerships that carry on business in Saskatchewan, that together with related corporations or limited partnerships, do not have more than 500 employees, and that in the taxation year preceding the investment, paid at least 25% of all their wages and salaries to employees of their permanent establishment in Saskatchewan;
- An amount equal to the tax credits paid by the Saskatchewan government, being 17.5% of the capital raised by the sale and issuance of Class A Series A, Class A Series F, Class R Series A and Class R shares to Saskatchewan residents, must be set aside until the Fund has met its pacing requirement. In 2018 and 2017 the Fund did not set aside any funds as it met the investment requirement throughout the periods;
- Direct investments in public companies with a market capitalization of \$500,000 or more are prohibited. If an investment is acquired through acquisitions or mergers and the resulting investment has over \$500,000 in capitalization, such investment must be disposed of within two years from the end of the fiscal year of the Fund of such acquisition or merger;
- New investment in agricultural land acquired primarily for rental or leasing purposes is prohibited; and
- The Fund is required to maintain a level of innovation sector investment exposure of 25% of annual net capitalization defined as annual capital raised within the Fund less annual capital redeemed, multiplied by the Fund's 75% pacing requirement. The Fund did not meet its innovation pacing requirement at August 31, 2018 and as such any new investments will not count towards the Fund's overall 75% pacing requirement until the Fund is onside with the innovation pacing requirement. However, the Fund is expected to remain above its 75% overall pacing requirement until the innovation pacing requirement is met. The Fund is expected to meet its innovation pacing requirement by end of October 2018.

The Fund may not invest more than 10% of the Class A Series A, Class A Series F, Class R Series A and Class R Series F shares' total net assets attributable to holders of redeemable shares in any one eligible business, and may not invest in an eligible business if the Fund and the eligible business are not at arm's length;

Class A Series A, Class A Series F, Class R Series A and Class R Series F shares issued by the Fund can be redeemed at the option of the holder after a specific hold period, or earlier in limited circumstances. Class A Series A and Class R Series A shares redeemed before expiration of the hold period may be subject to a redemption fee.

As part of its banking relationship with Conexus Credit Union, the Fund is required to maintain a minimum of \$24,300 (2017 - \$25,600) on deposit.

The Fund is in compliance with all the above restrictions, except for the innovation pacing requirement.

12. Management expense ratio

The ratios of all fees and other expenses paid or payable by the Class A Series A, Class A Series F, Class R Series A and Class R Series F shares expressed as a percentage of the average net assets attributable to the holders of redeemable Class A Series A, Class A Series F, Class R Series A and Class R Series F shares respectively during the period are:

	2018		2017	
	IPA included	IPA excluded	IPA included	IPA excluded
Class A Series A	9.29%	4.25%	9.64%	4.32%
Class A Series F	7.82%	3.53%	7.81%	3.43%
Class R Series A	7.50%	4.85%	6.07%	4.79%
Class R Series F	5.89%	3.81%	4.49%	3.53%

13. Income taxes

Under the Income Tax Act (Canada), no income taxes are payable by the Fund on dividends received from Canadian corporations, and income taxes payable on capital gains will be fully refundable on a formula basis when Class A Series A, Class A Series F, Class R Series A or Class R Series F shares of the Fund are redeemed or capital gains dividends are paid or deemed to be paid by the Fund to its Class A Series A, Class A Series F, Class R Series A or Class R Series F shareholders. Income taxes payable on investment income are partially refundable upon the payment or deemed payment of taxable dividends.

The Fund's Class A Series A, Class A Series F, Class R Series A and Class R Series F shares record the refundable portion of their income taxes as an asset, as they intend to recover all of the refundable income taxes through the deemed payment of a dividend by capitalizing the appropriate amount of its income or realized capital gains pro-rata to the stated capital account for its Class A Series A, Class A Series F, Class R Series A or Class R Series F shares. If the Fund increases the stated capital of the Class A Series A, Class A Series F, Class R Series A or Class R Series F shares, the holder of the Class A Series A, Class A Series F, Class R Series A or Class R Series F shares will be deemed to have received a dividend or a realized capital gain and the adjusted cost base of the shareholders' Class A Series A, Class A Series F, Class R Series A or Class R Series F shares will be increased by the amount of any deemed dividend.

The Fund's Class A and Class R shares have estimated non-capital losses that may be carried forward and used to reduce taxable income in future years. These losses, if not utilized, expire as follows:

	Class A	Class R
2031	\$ -	\$ 806
2032	-	1,786
2033	-	3,282
2034	-	2,677
2035	-	7,234
2036	-	7,728
	<u>\$ -</u>	<u>\$ 23,513</u>

The potential income tax benefit of these losses has not been recognized in the financial statements.

14. Non-monetary transactions

The Fund, as part of regular purchases and dispositions of venture investments, will at times receive non-monetary consideration on the disposition of some

venture investments. The non-monetary consideration can be debt instruments, shares in a publicly traded company, shares in a private company, or, on occasion, a combination of them. Non-monetary transactions are measured at the fair value of the asset received unless the fair value of the item given up is more clearly measurable. During the period the following non-monetary transactions occurred.

	2018		2017	
	Class A	Class R	Class A	Class R
Non-monetary purchases of ventures investments	\$ 68,324	\$ 1,409	\$ 5,677	\$ 8,417
Non-monetary repayments on disposition of venture investments	2,248	2,739	4,340	4,890

15. Commitments

The Fund has committed to advance \$2,592 (2017 - \$5,079) of additional financing to existing Class A investees and \$439 (2017 - \$2,087) of additional financing to existing Class R investees, provided certain conditions are met.

The Fund has issued an irrevocable letter of credit in the amount of \$1,427 to an investee's financial institution. If the Fund does not pay amounts due the investee's financial institution may present its claim for payment to the Fund's financial institution through which the letter of credit was issued.

16. Capital management

Share capital is the source of capital for the Fund. The Province of Saskatchewan has authorized the Fund to issue up to \$35,000 (2017 - \$40,000) of share capital during the period from April 1, 2018 to March 31, 2019 and annually thereafter.

The Fund's capital management objectives are to enhance the net assets of the Fund through managing its funds to maximize cash flows from investments and for sufficient liquidity to:

- fund venture investments in new eligible companies and follow-on investments in existing companies;
- meet the annual investment obligations required in The Labour-sponsored Venture Capital Corporations Act (Saskatchewan);
- fund the redemption of shares requested by shareholders; and
- fund ongoing operations.

The Fund actively monitors the cash position and financial performance of the Fund to ensure there are sufficient resources to meet venture investment requirements and shareholder redemptions. However, in the event of insufficient resources, SaskWorks may be required to delay the redemption of Class A Series A, Class A Series F, Class R Series A and Class R Series F shares tendered for redemption.

There were no changes in capital management policies during the year.

17. Subsequent events

After year-end the Fund declared and paid a deemed capital gains dividend on its Class A shares in the amount of \$11,533 by capitalizing the appropriate amount of its realized capital gains pro-rata to the stated capital account for its Class A shares. In accordance with the Fund's policy on the treatment of realized capital gains for income tax purposes (see Note 13), these deemed capital gains dividends entitle the Fund to a refund of tax otherwise payable and thereby minimize tax at the Fund level.

18. Net assets of the Fund

In 2018 and 2017, the Fund's auditors, MNP LLP, Chartered Professional Accountants, as an integral part of their audit procedures, reviewed the fair value of the Fund's portfolio in the aggregate, as presented in the Statements of Investment Portfolio, to determine that such fair value is, in all material respects, reasonable. The auditors employ a Chartered Business Valuator as a member of the audit team.



PFM Capital Inc., the fund manager of SaskWorks Venture Fund, is a founding partner of the Saskatchewan Financial Literacy Network. Working directly in the financial services industry we understand the need for comprehensive education with regard to financial literacy.

The Saskatchewan Financial Literacy Network was established with the purpose of improving the financial comprehension of Saskatchewan residents. The network is a group of various organizations and stakeholders set on working together to improve this significant problem.

Beyond its ultimate goal of improving financial literacy, the network will also:

- Communicate the merits of financial literacy knowledge
- Manage a website providing important information, programs and contacts
- Maintain a contact list of experts from financial institutions, agencies and businesses who can provide support in terms of consulting, workshops or training courses
- Organize an annual conference to provide information, share the results of the network and gain knowledge from stakeholders

“Developing money management skills is a necessary function in order to make financially responsible decisions – decisions that are integral to our every-day lives. Establishing the Saskatchewan Financial Literacy Network is an essential step towards the growth and greater success of our province and PFM is excited to be one of the founding partners of the network.”

- RANDY BEATTIE

FOUNDING PARTNER, PRESIDENT, PFM CAPITAL

For more information, visit www.sfln.ca



CORPORATE INFORMATION

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Daryl Schwartz

Kevin Stangeland ^{1, 2}

Kathy Zwick ³

¹ Audit/Valuation Committee
² Investment Committee
³ Governance and Nominating Committee

OFFICERS

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Officer and Corporate Secretary*

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Eric Clark
Chief Operating Officer

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