

20

SEMI - ANNUAL REPORT

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EXIT HIGHLIGHT  
FACTORY OPTICAL

SECTOR: CONSUMER DISCRETIONARY

On October 1st, 2019, SaskWorks exited its position in the Factory Optical group of companies by means of a sale of the business to a privately-held strategic buyer.

Since its establishment in 1983, with one location in Regina, Saskatchewan, the Factory Optical group of companies has grown to 24 stores across Western Canada. SaskWorks supported an experienced and focused management team with growth capital to open new stores and fund technological improvements to laboratory facilities as the industry evolved. SaskWorks also provided working capital to support this continued growth.

SaskWorks initially invested in the Factory Optical group of companies in June 2008 and completed multiple follow-on investments in support of their initiatives. The investment was supported by strong macroeconomic fundamentals as well as a large and fragmented addressable Canadian marketplace.

## TO OUR VALUED SHAREHOLDERS,

It is with a heavy heart we are required to report on different items than intended in this report to our shareholders. In January of this year, we were preparing to report on a sell-out for the fund – again raising \$35 million from our shareholders and reaching a sell out on January 14th, 2020, faster than ever before. We would also have discussed the successful exit of the Factory Optical Group of Companies in the fall of 2019 that returned more than \$12.73MM to SaskWorks, and new investments that we're excited about moving into 2020 and beyond.

Unfortunately, we are experiencing very turbulent market behaviour brought on by the rapid spread of the novel coronavirus – Covid-19. Our immediate concern as a fund manager is for the health and safety of our staff and the staff of all our portfolio companies. We have been working with our portfolio companies to ensure that they have proper policies and procedures in place to protect their staff, customers and suppliers from the spread of this virus.

Ensuring that we all do our part to limit the spread of Covid-19 will help to ensure that the market turbulence associated with this outbreak is limited and will result in the least amount of strain on our medical systems and the global economy.

It is part of SaskWorks' investment philosophy to help our portfolio companies maintain their financial strength through the conservative use of debt. We prefer that our portfolio companies never become over-levered and so most of our portfolio companies have entered this time of instability with a strong balance sheet. This financial resilience will help those companies to weather this storm and be stronger coming out of it relative to their competition.

Thanks to you, our shareholders, SaskWorks also has a healthy cash balance going into this market correction. The fund successfully raised \$35 million in the 2020 RRSP season. This capital

will be used judiciously to help Saskatchewan-based companies through this challenging time. Companies with strong financial support will make it through this downturn with enough financial health to be able to act on acquisition opportunities, invest in additional capacity or take other actions to improve and grow their business once the crisis has passed.

Over SaskWorks' 20-year history we have experienced large market fluctuations, including the 2008 financial crisis, and have seen recoveries take place every time. The full impact that Covid-19 will have on the global economy is unknowable at this time, and the impact on the Saskatchewan economy is even harder to predict. Over time the global economy will rebalance from this crisis, but the timing is very uncertain.

Patience is the most important response in times like these. Markets tend to correct themselves, and there are often investment opportunities when markets are panicked. We will continue to monitor this situation very closely and invest the capital that you have entrusted to us in only those companies that can survive the current crises with enough strength to prosper once it has passed.

SaskWorks' manager, PFM Capital Inc. and all of our service providers have detailed crises management policies in place which, at this time, we expect will result in no change of service level from the fund for any of our shareholders.

We appreciate your support and patience in these trying times.

Sincerely,




**Randy Beattie**  
President & CEO



**Terry Schneider**  
Chair

Ensuring that we all do our part to limit the spread of Covid-19 will help to ensure that the market turbulence associated with the outbreak is limited and will result in the least amount of strain on our medical systems and the global economy.





INVESTEE HIGHLIGHT  
STEEL REEF  
INFRASTRUCTURE CORP.

SECTOR: ENERGY

Formed in 2012 and initially capitalized in 2013, Steel Reef Infrastructure Corp. is a privately held business that acquires and builds midstream assets involved in gathering/transportation, processing and storage of petroleum products, with operations primarily focused in Saskatchewan and North Dakota. Funds managed by PFM Capital Inc., including the SaskWorks Venture Fund were founding shareholders in Steel Reef, comprising approximately 30% of the initial \$66.3 million equity raise in March 2013 and have subsequently continued to support the Company with follow-on capital. Since inception, the Company has spent over \$975 million to build a cohesive portfolio of high-quality assets secured with long term take-or-pay contracts while focusing on maintaining modest leverage and a consistent dividend payout ratio relative to peers.

Throughout 2019, Steel Reef completed and commissioned an international pipeline at its existing North Portal facility, completed the acquisition of the Lignite Gas Plant in North Dakota, and added a new Chief Financial Officer to the executive management team. On November 15th, 2019, Steel Reef entered into a definitive agreement to acquire 9 natural gas gathering and processing facilities as well as 2 gas sales pipelines in Saskatchewan from Crescent Point Energy Corp. for consideration of \$500 million. The transaction successfully closed on January 20, 2020 and essentially doubles the size of Steel Reef from a market cap and run-rate EBITDA perspective.



# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance contains financial highlights but does not contain the complete semi-annual financial statements of the Fund. The complete semi-annual financial statements of the Fund are included later in this semi-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](http://www.saskworks.ca) or SEDAR at [www.sedar.com](http://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 purpose of this section is to summarize the performance of SaskWorks Venture Fund Inc. ("SaskWorks" or "the Fund") for the six months ended February 29, 2020.

Unless otherwise indicated, references to amounts at February 29, 2020 or to the six-month period ended February 29, 2020 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 and International Financial Reporting Standards ("IFRS") apply.

Beginning January 1, 2016, the Fund offered 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.

## COVID-19 AND OIL PRICE DECLINE

At February 29, 2020 the economic impact of the COVID-19 pandemic and oil price decline events were not yet known. Venture investment valuations will be adjusted after the end of the period as these impacts become known and are better understood. It is expected that these events will have a significant negative effect on the net assets of the both Class A and Class R shares.

## INVESTMENT OBJECTIVE AND STRATEGIES

The Fund invests in small and medium-sized Saskatchewan eligible businesses, with the objective of achieving long term capital appreciation. In addition, the Fund may participate in investment groups and consortia in situations where the 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 five 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 have 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 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 considering 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 an exit 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.

SaskWorks has continued to see robust deal opportunities in 2020 and is poised to continue to partner with companies as the economy recovers from Covid-19.

**Jeff Linner**  
Chief Investment Officer  
SaskWorks Venture Fund

## INTERIM 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 which are valued using available market prices.

During the six months ended February 29, 2020, the Fund continued to demonstrate its ability to identify and close on eligible venture investment opportunities. The Fund's Class A shares purchased \$6,852 (2019 -

\$35,939) and the Class R shares purchased \$nil (2019 - \$388) of venture investments over the period. In addition, \$4,959 has been committed by the Fund's Class A shares and \$537 by Class R shares to approved, but not yet disbursed, transactions.

With respect to liquidity risk, the Fund continues to demonstrate its ability to exit its investments, with \$1,669 (2019 - \$13,611) at cost dispositions of venture investments from Class A and \$16 (2019 - \$7,185) at cost from Class R shares over the six-month period ended February 29/28.

Regarding 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)

The Fund increased its venture investment portfolio at fair value by \$7,308 (Class A) and \$465 (Class R) over the six months ended February 29, 2020.

Venture investments, at cost, made up 54.7% of Class A's and 80.0% of Class R's net assets at February 29, 2020, as compared to 53.4% of Class A's and 68.1% of Class R's net assets at August 31, 2019. Venture investments at fair value (cost plus/minus unrealized appreciation/depreciation) comprised 75.1% of Class A's and 82.9% of Class R's net assets at February 29, 2020, as compared to 73.3% of Class A's and 69.7% of Class R's net assets at August 31, 2019.

The Fund's cash, long-term, and short-term investments totaled \$127,430 in Class A and \$12,789 in Class R (August 31, 2019 - \$135,129 in Class A and \$23,657 in Class R). When the Fund's objective of maintaining a proportion of share capital in investment grade securities and approved but undisbursed transactions are considered, \$76,981 (Class A) and \$3,053 (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 end of the reporting period coincides with the Fund's primary fund-raising cycle. Lastly, a reserve is maintained to satisfy potential redemption requests related to shares that have matured, but which remain outstanding.

The loan receivable attributable to Class A shares decreased from \$10,057 at August 31, 2019 to \$9,270 at February 29, 2020 and the loan receivable attributable to Class R shares decreased from \$1,551 to \$1,082 over the same period. 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 in Class A increased from \$38,994 at August 31, 2019 to \$39,114 in Class A and decreased from \$6,066 to \$4,680 in Class R at February 29, 2020. These changes are due to the performance of the portfolio over the six-month period ended February 29, 2020 and payment to the fund manager in September 2019 of a portion of the accrued bonus pertaining to realized gains that had occurred in the 2019 fiscal year. Of the total incentive participation amount as at February 29, 2020, \$2,483 (Class A) and \$nil (Class R) relates to profitably exited investments which

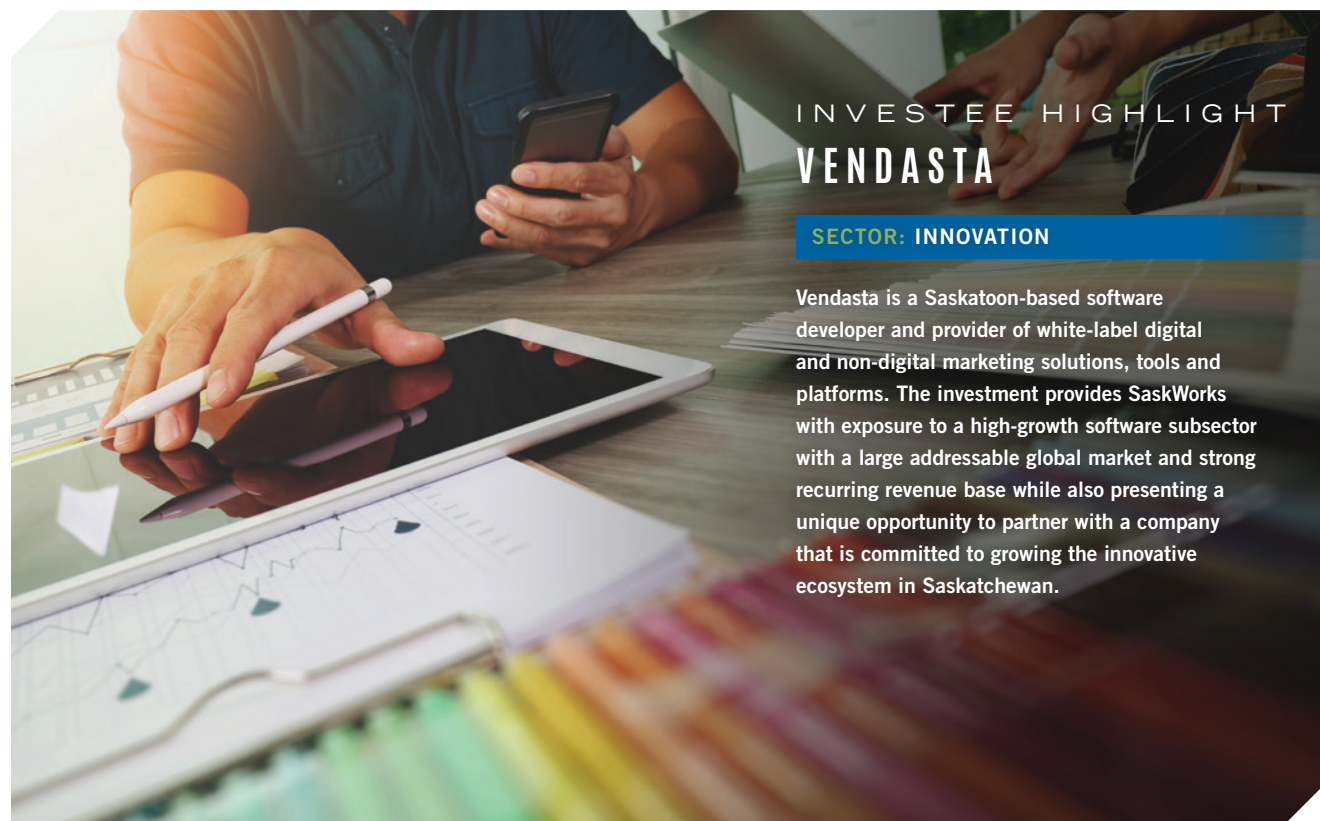
meet the incentive participation amount criteria, whereas the balance is an accrual amount which may change based on the future carrying values and performance of the venture investment portfolio. Proceeds on the issue of Class A Series A shares were \$24,641 during the six-month period ending February 29, 2020, a 3.6% decrease over the same period in 2019. Proceeds on the issue of Class R Series A shares were \$869 during the six-month period ending February 29, 2020, a 36.6% decrease over 2019. Proceeds on issue of Class A Series F shares were \$1,885 (2019 - \$1,920) and proceeds on issue of Class R Series F were \$18 (2019 - \$47) for the same period. Redemptions of Class A Series A shares were \$34,587 during the six-month period ending February 29, 2020 compared to \$29,306 during the same period in 2019. Redemptions of Class R Series A shares were \$9,354 during the six-month period ending February 29, 2020, as compared to \$7,910 for the same period in 2019. 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 \$5,841 for the six months ended February 28, 2019 to \$7,606 for the same period in 2020 and the revenues related to Class R shares decreased from \$592 in 2019 to \$414 in 2020. As a component of revenues, income from the Fund's venture investments increased from \$3,597 to \$5,711 for Class A shares and decreased from \$356 to \$181 for Class R shares over the reporting period. The increase/decrease in income from venture investments in Class A shares was a result of a change in the number of income-producing investments in the portfolio.

The expenses of the Fund, excluding provision for incentive participation amount, related to Class A shares increased from \$8,378 for the six months ended February 28, 2019 to \$8,969 in 2020 and the expenses of the Fund related to Class R shares decreased from

\$1,622 in 2019 to \$1,378 in 2020. Most of the recurring expenses of the Fund are a function of net assets or share activity. As the Fund's net assets or share activity increase/decrease so do expenses increase/decrease. The net investment loss of the Fund attributable to Class A shares for the six-month period, before gains and losses on dispositions of venture investments, net changes in unrealized appreciation on venture investments and provision for incentive participation amount, was \$1,881 (2019 - \$3,406). 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 are considered, the Class A shares had an increase in net assets from operations for the first six months of 2020 of \$8,325 (2019 - decrease \$1,836). The comparative period in 2020 had significantly more unrealized gains, than the same period in 2019, primarily attributable to two investees.

The net investment loss of the Fund attributable to Class R shares for the six-month period, before gains and losses on dispositions of venture investments, net changes in unrealized appreciation on venture investments and provision for incentive participation amount, was \$998 (2019 - \$1,105). When gains and losses on dispositions of venture investments, the net change in unrealized appreciation on venture investments, and the provision for incentive participation amount are factored in, the Class R shares had a decrease in net assets attributable to the R shares from operations for the first six months of 2020 of \$705 (2019 - increase \$53). The comparative period in 2019 featured an investment exit at a significant gain while 2020 had no such gains.



**INVESTEE HIGHLIGHT**  
**VENDASTA**  
**SECTOR: INNOVATION**

Vendasta is a Saskatoon-based software developer and provider of white-label digital and non-digital marketing solutions, tools and platforms. The investment provides SaskWorks with exposure to a high-growth software subsector with a large addressable global market and strong recurring revenue base while also presenting a unique opportunity to partner with a company that is committed to growing the innovative ecosystem in Saskatchewan.



## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE (CONTINUED)

### RECENT DEVELOPMENTS

(in thousands of dollars)

At the Fund's Annual General Meeting of Shareholders held on December 13, 2019, the Fund's sponsor, as the holder of the Class B shares, resolved to re-elect Terry Schneider as a director for a three-year term. The holders of Class A and R shares resolved to re-elect Kevin Stangeland as a director for a three-year term and Michael Fix as a director for a one-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 2022); William Johnson, Q.C., B.A., LL.B., B.C.L. (OXON), lawyer and partner of the law firm of Gerrard 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, 2019 fiscal year end.

The Provincial Government announced continued support for the labour-sponsored program in Saskatchewan, with the provincial tax credit remaining steady at 17.5% and a maximum annual sales cap of \$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 \$5,291 (2019 - \$5,021) in management fees related to Class A shares and \$757 (2019 - \$870) related to Class R in the six months ended February 29, 2020. In addition, the provision for the incentive participation amount payable to the manager, subject to the fulfillment of specific payment criteria, increased by \$120 related to Class A shares and decreased \$1,386 related to Class R shares for the first six months of the 2020 fiscal year, to a total provision of \$39,114 related to Class A shares and \$4,680 related to Class R shares.

### FINANCIAL HIGHLIGHTS

(in thousands of dollars except number of shares/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 unaudited semi-annual and audited annual financial statements.

#### The Fund's Net Assets per Class A Shares

Series A	2020 Interim	2019	2018	2017	2016
Net Assets, beginning of period <sup>(1)</sup>	\$ 21.07	\$ 20.79	\$ 18.24	\$ 15.82	\$ 15.64
<b>Increase from operations:</b> <sup>(2)</sup>					
Total revenue	\$ 0.40	\$ 0.60	\$ 0.65	\$ 0.57	\$ 0.57
Total expenses	\$ (0.68)	\$ (1.19)	\$ (1.84)	\$ (1.61)	\$ (1.09)
Realized gains (losses) for the period	\$ 0.61	\$ 0.61	\$ 3.97	\$ 1.45	\$ 0.58
Unrealized (losses) gains for the period	\$ 0.11	\$ 0.26	\$ (0.24)	\$ 2.02	\$ 0.13
<b>Total increase from operations</b>	\$ 0.44	\$ 0.28	\$ 2.54	\$ 2.43	\$ 0.19
<b>Net Assets, end of period <sup>(1)</sup></b>	\$ 21.50	\$ 21.07	\$ 20.79	\$ 18.24	\$ 15.82

Series F	2020 Interim	2019	2018	2017	2016
Net Assets, beginning of period <sup>(1)</sup>	\$ 23.04	\$ 22.20	\$ 18.96	\$ 16.01	\$ -
<b>Increase from operations:</b> <sup>(2)</sup>					
Total revenue	\$ 0.68	\$ 2.21	\$ 0.80	\$ 1.02	\$ 0.54
Total expenses	\$ (1.17)	\$ (4.43)	\$ (2.26)	\$ (2.84)	\$ (0.73)
Realized gains (losses) for the period	\$ 1.05	\$ 2.28	\$ 4.88	\$ 2.56	\$ (0.19)
Unrealized (losses) gains for the period	\$ 0.18	\$ 0.96	\$ (0.29)	\$ 3.57	\$ 1.00
<b>Total increase from operations</b>	\$ 0.74	\$ 1.02	\$ 3.13	\$ 4.31	\$ 0.62
<b>Net Assets, end of period <sup>(1)</sup></b>	\$ 23.76	\$ 23.04	\$ 22.20	\$ 18.96	\$ 16.01

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

<sup>(2)</sup> 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.



**INVESTEE HIGHLIGHT**  
**COCONUT SOFTWARE INC.**

**SECTOR: INNOVATION**

Coconut Software is a Saskatoon-based enterprise software-as-a-service provider focused on creating scheduling efficiencies, workforce optimizations and providing personalized data insight into the financial services sector. The Company's service is modernizing how banks and credit unions interact with their clients as they move between online and brick-and-mortar sales channels. SaskWorks's investment was part of a larger Series A-2 financing round to fund add-on product development, team expansion and working capital.

## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE (CONTINUED)

### Ratios and Supplemental Data - Class A Shares

Series A	2020 Interim	2019	2018	2017	2016
Total net asset value (000's) <sup>(1)</sup>	\$ 389,586	\$ 391,481	\$ 395,181	\$ 348,978	\$ 301,374
Number of shares outstanding <sup>(1)</sup>	18,117,147	18,576,382	19,006,174	19,128,069	19,049,874
Management expense ratio <sup>(2)</sup>	6.49%	6.06%	9.29%	9.64%	6.89%
Management expense ratio excluding IPA <sup>(3)</sup>	4.47%	4.22%	4.25%	4.32%	4.33%
Trading expense ratio <sup>(4)</sup>	0.00%	0.01%	0.07%	0.40%	0.00%
Net asset value per share	\$ 21.50	\$ 21.07	\$ 20.79	\$ 18.24	\$ 15.82

Series F	2020 Interim	2019	2018	2017	2016
Total net asset value (000's) <sup>(1)</sup>	\$ 10,284	\$ 8,131	\$ 5,756	\$ 2,966	\$ 900
Number of shares outstanding <sup>(1)</sup>	432,571	352,955	259,165	156,362	56,221
Management expense ratio <sup>(2)</sup>	5.12%	5.26%	7.82%	7.81%	5.79%
Management expense ratio excluding IPA <sup>(3)</sup>	3.49%	3.64%	3.53%	3.43%	3.13%
Trading expense ratio <sup>(4)</sup>	0.00%	0.01%	0.07%	0.40%	0.00%
Net asset value per share	\$ 23.76	\$ 23.04	\$ 22.20	\$ 18.96	\$ 16.01

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

### The Fund's Net Assets per Class R Shares

Series A	2020 Interim	2019	2018	2017	2016
Net Assets, beginning of period <sup>(1)</sup>	\$ 11.65	\$ 11.57	\$ 11.43	\$ 11.85	\$ 13.53
<b>Increase (decrease) from operations:</b> <sup>(2)</sup>					
Total revenue	\$ 0.08	\$ 0.18	\$ 0.16	\$ 0.17	\$ 0.18
Total expenses	\$ (0.31)	\$ (0.76)	\$ (0.85)	\$ (0.70)	\$ (0.62)
Realized (losses) gains for the period	\$ -	\$ 1.45	\$ (0.32)	\$ 0.48	\$ (0.09)
Unrealized gains (losses) for the period	\$ 0.09	\$ (0.79)	\$ 1.15	\$ (0.37)	\$ (1.14)
<b>Total increase (decrease) from operations</b>	\$ (0.14)	\$ 0.08	\$ 0.14	\$ (0.42)	\$ (1.67)
<b>Net Assets, end of period</b> <sup>(1)</sup>	\$ 11.53	\$ 11.65	\$ 11.57	\$ 11.43	\$ 11.85

Series F	2020 Interim	2019	2018	2017	2016
Net Assets, beginning of period <sup>(1)</sup>	\$ 12.16	\$ 11.96	\$ 11.73	\$ 12.03	\$ -
<b>Increase (decrease) from operations:</b> <sup>(2)</sup>					
Total revenue	\$ -	\$ 0.54	\$ 0.26	\$ 0.23	\$ 0.15
Total expenses	\$ (0.01)	\$ (2.29)	\$ (1.40)	\$ (0.94)	\$ (0.33)
Realized (losses) gains for the period	\$ -	\$ 4.34	\$ (0.53)	\$ 0.65	\$ -
Unrealized gains (losses) for the period	\$ -	\$ (2.35)	\$ 1.89	\$ (0.49)	\$ (0.69)
<b>Total increase (decrease) from operations</b>	\$ (0.01)	\$ 0.24	\$ 0.22	\$ (0.55)	\$ (0.87)
<b>Net Assets, end of period</b> <sup>(1)</sup>	\$ 12.14	\$ 12.16	\$ 11.96	\$ 11.73	\$ 12.03

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

<sup>(2)</sup> 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.

### Ratios and Supplemental Data - Class R Shares

Series A	2020 Interim	2019	2018	2017	2016
Total net asset value (000's) <sup>(1)</sup>	\$ 51,929	\$ 61,118	\$ 70,004	\$ 73,411	\$ 78,051
Number of shares outstanding <sup>(1)</sup>	4,505,122	5,245,264	6,052,222	6,425,411	6,587,598
Management expense ratio <sup>(2)</sup>	5.55%	6.82%	7.50%	6.07%	4.85%
Management expense ratio excluding IPA <sup>(3)</sup>	4.78%	4.69%	4.85%	4.79%	4.62%
Trading expense ratio <sup>(4)</sup>	0.00%	0.03%	0.08%	0.00%	0.00%
Net asset value per share	\$ 11.53	\$ 11.65	\$ 11.57	\$ 11.43	\$ 11.85

Series F	2020 Interim	2019	2018	2017	2016
Total net asset value (000's) <sup>(1)</sup>	\$ 152	\$ 135	\$ 78	\$ 50	\$ 12
Number of shares outstanding <sup>(1)</sup>	12,589	11,072	6,582	4,321	1,000
Management expense ratio <sup>(2)</sup>	4.17%	5.51%	5.89%	4.49%	3.42%
Management expense ratio excluding IPA <sup>(3)</sup>	3.59%	3.80%	3.81%	3.53%	3.20%
Trading expense ratio <sup>(4)</sup>	0.00%	0.03%	0.08%	0.00%	0.00%
Net asset value per share	\$ 12.14	\$ 12.16	\$ 11.96	\$ 11.73	\$ 12.03

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

## INTERIM 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.

#### Class A Series A Shares



### PAST PERFORMANCE

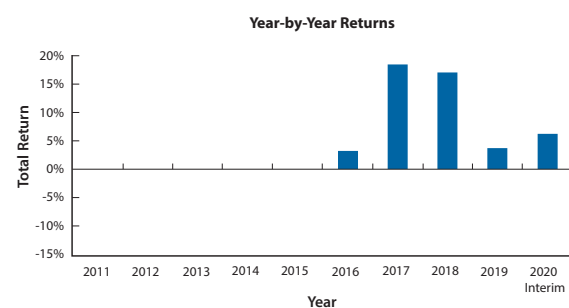
#### General

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

The charts below illustrate:

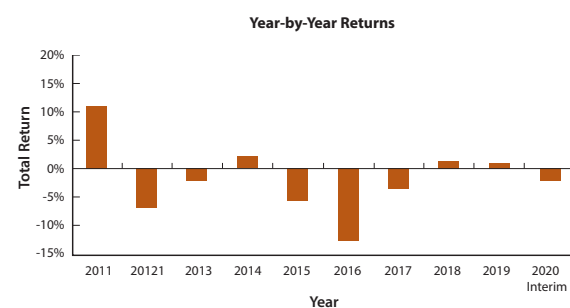
- ▶ the annualized performance of each series of shares for the periods shown, and how the series' performance has changed from period to period (September 1 to August 31 or September 1 to February 28/29 for interim); and
- ▶ in percentage terms, how much an investment made in each series of shares on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

### 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 Steel Reef Infrastructure Fund		Class A common, voting shares	\$ 39,690	9.93%
2 Conexus Credit Union Term Deposit	3.25%	13-Jun-20	25,000	6.25%
3 Auctus Property Fund LP		Partnership units	14,845	3.71%
4 Moody's Equipment Partnership		Partnership units	14,551	3.64%
5 Agco Ag Ventures LP		Partnership units	12,605	3.15%
6 Al-Fab Building Components Inc.		Class A common, voting shares	11,685	2.92%
7 Conexus Credit Union Term Deposit	2.70%	3-Apr-20	10,000	2.50%
8 Affinity Credit Union Term Deposit	2.82%	4-Apr-20	10,000	2.50%
9 Caltex Resources Ltd.		Class A common, voting shares	8,839	2.21%
10 StorageVault Canada Inc.		Class A common, voting shares	8,835	2.21%
11 TAM International Inc.		Class A common, voting shares	8,770	2.19%
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 James Hill Road Villa LP		Partnership units	7,208	1.80%
15 Vendasta Technologies Inc.		Preferred shares	6,664	1.67%
16 Affinity Credit Union Term Deposit	2.80%	15-Aug-20	5,452	1.36%
17 James Hill Road Villa LP	5.55%	Term loan	5,429	1.36%
18 Concentra Bank	2.92%	23-Apr-21	5,000	1.25%
19 New Community Credit Union Term Deposit	3.15%	9-Jul-21	5,000	1.25%
20 Conexus Credit Union Term Deposit	2.83%	29-Aug-21	5,000	1.25%
21 Concentra Bank	2.99%	25-Oct-21	5,000	1.25%
22 Weyburn Credit Union Term Deposit	2.75%	18-Dec-21	5,000	1.25%
23 New Community Credit Union Term Deposit	3.25%	9-Jan-22	5,000	1.25%
24 Conexus Credit Union Term Deposit	2.80%	23-Oct-20	5,000	1.25%
25 Conexus Credit Union Term Deposit	2.83%	14-Nov-20	5,000	1.25%
			<b>\$ 245,179</b>	<b>61.30%</b>

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	\$ 88,919	40.65%
Financials	45,827	20.95%
Consumer Discretionary	28,029	12.82%
Industrials, Information Technology, Telecommunications and Consumer Staples	55,938	25.58%
	<b>\$ 218,713</b>	<b>100.00%</b>



## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE (CONTINUED)

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 Firesky Energy Inc.		Class A common, voting shares	\$ 9,166	17.60%
2 Caltex Resources Ltd.		Class A common, voting shares	6,278	12.05%
3 Avalon Oil & Gas Ltd.		Class A common, voting shares	5,670	10.89%
4 Stampede Drilling Inc.		Class A common, voting shares	4,735	9.09%
5 Steel Reef Infrastructure Fund		Class A common, voting shares	3,736	7.17%
6 Karve Energy Inc.		Class A common, voting shares	3,000	5.76%
7 Spur Petroleum Ltd.		Class A common, voting shares	1,801	3.46%
8 Turnstone Energy Inc.		Class A common, voting shares	1,707	3.28%
9 Chronos Resources Ltd.		Class A common, voting shares	1,474	2.83%
10 Burgess Creek Exploration Inc.		Class A common, voting shares	1,430	2.75%
11 Sun Country Well Servicing Inc.		Class A common, voting shares	1,000	1.92%
12 Plains Environmental Inc.	13.00%	Subordinated loan	714	1.37%
13 Plains Environmental Inc.		Class A common, voting shares	296	0.57%
14 Terra Grain Fuels Inc.	12.00%	Subordinated loan	252	0.48%
15 Plains Environmental Inc.	10.50%	Subordinated loan	237	0.46%
16 TAM International Inc.		Class A common, voting shares	186	0.36%
			<b>\$ 41,682</b>	<b>80.04%</b>

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	\$ 41,682	100.00%
	<b>\$ 41,682</b>	<b>100.00%</b>

SASKWORKS VENTURE FUND INC.

## INTERIM FINANCIAL STATEMENTS

*As at February 29, 2020 and for the six-month period ended February 29, 2020*

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

The attached statement of financial position of SaskWorks Venture Fund Inc. (the "Fund") as at February 29, 2020, statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the periods ended February 29, 2020 and February 28, 2019 and statements of investment portfolio as at February 29, 2020 were not audited. The Fund's auditor has not performed a review of these interim financial statements.

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

## STATEMENT OF FINANCIAL POSITION

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

Unaudited

	February 29, 2020			August 31, 2019		
	Class A	Class R	Total	Class A	Class R	Total
<b>Assets</b>						
Venture investments (Note 5)	\$ 300,301	\$ 43,168	\$ 343,469	\$ 292,993	\$ 42,703	\$ 335,696
Loan receivable (Note 6)	9,270	1,082	10,352	10,057	1,551	11,608
Long-term investments	32,000	-	32,000	7,000	-	7,000
Short-term investments	70,452	-	70,452	82,605	-	82,605
Other assets	91	17	108	80	17	97
Accounts receivable and accrued income	4,333	-	4,333	3,976	2	3,978
Cash	24,978	12,789	37,767	45,524	23,657	69,181
	<u>441,425</u>	<u>57,056</u>	<u>498,481</u>	<u>442,235</u>	<u>67,930</u>	<u>510,165</u>
<b>Liabilities</b>						
Accrued provision for incentive participation amount	39,114	4,680	43,794	38,994	6,066	45,060
Accounts payable and accrued liabilities	2,441	295	2,736	3,629	611	4,240
	<u>41,555</u>	<u>4,975</u>	<u>46,530</u>	<u>42,623</u>	<u>6,677</u>	<u>49,300</u>
Net assets attributable to holders of redeemable shares	<u>\$ 399,870</u>	<u>\$ 52,081</u>	<u>\$ 451,951</u>	<u>\$ 399,612</u>	<u>\$ 61,253</u>	<u>\$ 460,865</u>
<b>Shares outstanding (Note 7)</b>						
Series A	18,117,147	4,505,122		18,576,382	5,245,264	
Series F	432,751	12,589		352,955	11,072	
<b>Net assets attributable to holders of redeemable shares</b>						
Series A	\$ 389,586	\$ 51,929		\$ 391,481	\$ 61,118	
Series F	10,284	152		8,131	135	
<b>Net assets attributable to holders of redeemable shares per share</b>						
Series A	\$ 21.50	\$ 11.53		\$ 21.07	\$ 11.65	
Series F	23.76	12.14		23.04	12.16	
Commitments (Note 15)						

See accompanying notes to the financial statements

On behalf of the Board:  Director  Director

SASKWORKS VENTURE FUND INC.

## STATEMENT OF COMPREHENSIVE INCOME

For the Six-Month Period Ended

(in thousands of dollars except per share amounts)

Unaudited

	February 29, 2020			February 28, 2019		
	Class A	Class R	Total	Class A	Class R	Total
<b>Income</b>						
Investment income - Dividends, royalties and distributions	\$ 4,768	\$ 181	\$ 4,949	\$ 2,214	\$ 356	\$ 2,570
Investment income - Interest	943	-	943	1,383	-	1,383
Interest income - Cash and short-term investments	1,878	230	2,108	2,234	233	2,467
Other income	17	3	20	10	3	13
	<u>7,606</u>	<u>414</u>	<u>8,020</u>	<u>5,841</u>	<u>592</u>	<u>6,433</u>
<b>Expenses</b>						
Management fees (Note 8)	5,291	757	6,048	5,021	870	5,891
Service fees	1,372	238	1,610	1,250	317	1,567
Trailer commissions	985	145	1,130	981	173	1,154
Provision for incentive participation amount (Note 8)	518	34	552	869	75	944
Shareholder recordkeeping and marketing	531	122	653	494	139	633
Professional fees	307	20	327	236	26	262
Shareholder reporting	175	40	215	169	47	216
Legal fees	139	23	162	92	22	114
Other	52	6	58	70	10	80
Audit fees	28	6	34	27	7	34
Custodial fees	46	11	57	22	6	28
Directors fees and expenses	42	9	51	15	4	19
Independent review committee fees	1	1	2	1	1	2
	<u>9,487</u>	<u>1,412</u>	<u>10,899</u>	<u>9,247</u>	<u>1,697</u>	<u>10,944</u>
<b>Net investment loss</b>	<u>(1,881)</u>	<u>(998)</u>	<u>(2,879)</u>	<u>(3,406)</u>	<u>(1,105)</u>	<u>(4,511)</u>
Realized gain on disposition of venture investments	11,707	-	11,707	12,081	8,463	20,544
Realized loss on disposition of venture investments	-	-	-	(5)	-	(5)
Net change in unrealized appreciation of venture investments	2,035	481	2,516	(9,422)	(6,836)	(16,258)
Provision for incentive participation amount (Note 8)	(3,536)	(188)	(3,724)	(1,084)	(469)	(1,553)
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations</b>	<u>\$ 8,325</u>	<u>\$ (705)</u>	<u>\$ 7,620</u>	<u>\$ (1,836)</u>	<u>\$ 53</u>	<u>\$ (1,783)</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations</b>						
Series A	\$ 8,052	\$ (704)		\$ (1,869)	\$ 52	
Series F	273	(1)		33	1	
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations per average share outstanding</b>						
Series A	\$ 0.44	\$ (0.14)		\$ (0.10)	\$ 0.01	
Series F	0.69	(0.02)		0.11	0.03	

See accompanying notes to the financial statements



## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

For the Six-Month Period Ended

(in thousands of dollars)

Unaudited

	February 29, 2020			February 28, 2019		
	Class A	Class R	Total	Class A	Class R	Total
<b>Series A</b>						
<b>Operating activities</b>						
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	\$ 8,052	\$ (704)	\$ 7,348	\$ (1,869)	\$ 52	\$ (1,817)
<b>Capital transactions</b>						
Proceeds on issue of shares	24,641	869	25,510	25,569	1,370	26,939
Redemption of shares	(34,587)	(9,354)	(43,941)	(29,306)	(7,910)	(37,216)
	<u>(9,946)</u>	<u>(8,485)</u>	<u>(18,431)</u>	<u>(3,737)</u>	<u>(6,540)</u>	<u>(10,277)</u>
<b>(Decrease) increase in net assets attributable to holders of redeemable shares</b>	<b>(1,894)</b>	<b>(9,189)</b>	<b>(11,083)</b>	<b>(5,606)</b>	<b>(6,488)</b>	<b>(12,094)</b>
Net assets attributable to holders of redeemable shares, beginning	391,480	61,118	452,598	395,181	70,003	465,184
<b>Net assets attributable to holders of redeemable shares, ending</b>	<b>\$ 389,586</b>	<b>\$ 51,929</b>	<b>\$ 441,515</b>	<b>\$ 389,575</b>	<b>\$ 63,515</b>	<b>\$ 453,090</b>
<b>Series F</b>						
<b>Operating activities</b>						
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	\$ 273	\$ (1)	\$ 272	\$ 33	\$ 1	\$ 34
<b>Capital transactions</b>						
Proceeds on issue of shares	1,885	18	1,903	1,920	47	1,967
Redemption of shares	(4)	-	(4)	(19)	-	(19)
	<u>1,881</u>	<u>18</u>	<u>1,899</u>	<u>1,901</u>	<u>47</u>	<u>1,948</u>
<b>Increase in net assets attributable to holders of redeemable shares</b>	<b>2,154</b>	<b>17</b>	<b>2,171</b>	<b>1,934</b>	<b>48</b>	<b>1,982</b>
Net assets attributable to holders of redeemable shares, beginning	8,130	135	8,265	5,753	79	5,832
<b>Net assets attributable to holders of redeemable shares, ending</b>	<b>\$ 10,284</b>	<b>\$ 152</b>	<b>\$ 10,436</b>	<b>\$ 7,687</b>	<b>\$ 127</b>	<b>\$ 7,814</b>

See accompanying notes to the financial statements

## STATEMENT OF CASH FLOWS

For the Six-Month Period Ended

(in thousands of dollars)

Unaudited

	February 29, 2020			February 28, 2019		
	Class A	Class R	Total	Class A	Class R	Total
<b>Cash provided by (used in):</b>						
<b>Operating activities</b>						
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	\$ 8,325	\$ (705)	\$ 7,620	\$ (1,836)	\$ 53	\$ (1,783)
Purchases of venture investments	(6,852)	-	(6,852)	(35,939)	(388)	(36,327)
Repayments from venture investments	208	16	224	9	-	9
Repayments on disposition of venture investments	1,461	-	1,461	13,602	7,185	20,787
Purchase of long-term and short-term investments	(45,000)	-	(45,000)	(16,647)	-	(16,647)
Matured long-term and short-term investments	32,151	-	32,151	29,365	4,566	33,931
<b>Items not affecting cash:</b>						
Realized loss on disposition of venture investments	-	-	-	5	-	5
Net amortization of discount/premium on venture investment debt	(90)	-	(90)	(188)	-	(188)
Net change in unrealized appreciation of venture investments	(2,035)	(481)	(2,516)	9,422	6,836	16,258
Net change in balances other than cash and investments (Note 9)	(649)	(1,231)	(1,880)	(16,701)	420	(16,281)
	<u>(12,481)</u>	<u>(2,401)</u>	<u>(14,882)</u>	<u>(18,908)</u>	<u>18,672</u>	<u>(236)</u>
<b>Financing activities</b>						
Proceeds on issue of shares	26,526	887	27,413	27,489	1,417	28,906
Redemption of shares	(34,591)	(9,354)	(43,945)	(29,325)	(7,910)	(37,235)
	<u>(8,065)</u>	<u>(8,467)</u>	<u>(16,532)</u>	<u>(1,836)</u>	<u>(6,493)</u>	<u>(8,329)</u>
<b>(Decrease) increase in cash</b>	<b>(20,546)</b>	<b>(10,868)</b>	<b>(31,414)</b>	<b>(20,744)</b>	<b>12,179</b>	<b>(8,565)</b>
Cash, beginning	45,524	23,657	69,181	76,081	14,620	90,701
<b>Cash, ending</b>	<b>\$ 24,978</b>	<b>\$ 12,789</b>	<b>\$ 37,767</b>	<b>\$ 55,337</b>	<b>\$ 26,799</b>	<b>\$ 82,136</b>
See accompanying notes to the financial statements						
Interest received	\$ 677	\$ -	\$ 677	\$ 776	\$ -	\$ 776
Dividends received	2,221	163	2,384	1,014	356	1,370

## STATEMENT OF INVESTMENT PORTFOLIO - CLASS A SHARES

As at February 29, 2020 (in thousands of dollars)

Unaudited

Venture Investments					
Investee	Instrument	Interest Rate	Maturity Date	Outstanding at Cost	Fair Value
<b>Energy</b>					
Avalon Oil & Gas Ltd.	Class A common, voting shares			\$ 2,726	
Burgess Creek Exploration Inc.	Class A common, voting shares			1,430	
Caltex Resources Ltd.	Class A common, voting shares			8,839	
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	
Stampede Drilling Inc.	Class A common, voting shares			1,729	
Plains Environmental Inc.	Class A common, voting shares			1,009	
	Subordinated loan	13.00%	1-May-20	2,430	
	Subordinated loan	10.50%	1-May-20	806	
Spur Petroleum Ltd.	Class A common, voting shares			683	
Steel Reef Infrastructure Fund	Class A common, voting shares			39,690	
TAM International Inc.	Class A common, voting shares			8,770	
Terra Grain Fuels Inc.	Subordinated loan	12.00%	1-Jan-20	3,437	
Turnstone Energy Inc.	Class A common, voting shares			3,590	
				\$ 88,919	\$ 108,017
<b>Financials</b>					
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-19	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	3,990	
Parkside Townhomes	Class B preferred, cumulative, non-voting shares			707	
	Class A common, voting shares			2,915	
Saskatchewan Entrepreneurial Fund Inc.	Joint venture units			20	
Urban Heights Inc.	Preferred shares			1,140	
	Class A common, voting shares			2,530	
Yorkterra Development LP	Partnership units			225	
				\$ 45,827	\$ 63,611

## STATEMENT OF INVESTMENT PORTFOLIO - CLASS A SHARES (CONTINUED)

As at February 29, 2020 (in thousands of dollars)

Unaudited

Venture Investments					
Investee	Instrument	Interest Rate	Maturity Date	Outstanding at Cost	Fair Value
<b>Consumer Discretionary</b>					
James Hill Road Villa LP	Partnership units			\$ 7,208	
	Subordinated loan	15.00%	1-Dec-21	1,751	
	Subordinated loan	3.95%	On demand	175	
	Subordinated loan	15.00%	On demand	196	
	Term loan	5.55%	On demand	5,429	
	Partnership units			1,513	
Pines Power Sports & Marine Ltd.	Class A common, voting shares			300	
	Subordinated loan	12.00%	1-Jul-20	1,869	
	Subordinated loan	6.00%	1-Jul-20	718	
StorageVault Canada Inc.	Class A common, voting shares			8,835	
Village Care Home Inc.	Class A common, voting shares			35	
Visima Holdings Inc.	Class A common, voting shares			-	
				\$ 28,029	\$ 80,824
<b>Industrials, Information Technology, Telecommunications and Consumer Staples</b>					
All-Fab Building Components Inc.	Class A common, voting shares			\$ 11,685	
Biktrix Enterprises Inc.	Preferred shares			1,000	
	Subordinated loan	10.00%	7-Feb-26	1,003	
Coconut Software Inc.	Preferred shares			1,650	
Community Electric Ltd.	Subordinated loan	11.50%	31-May-23	1,750	
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			460	
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	
Prairie Soil Services Inc.	Subordinated loan	12.00%	24-Mar-20	2,790	
	Class A common, voting shares			4,359	
SafetyTek Software Ltd.	Convertible promissory note	4.00%	19-Sep-21	217	
SalonScale Technology Inc.	Convertible promissory note	4.00%	22-Jul-21	87	
TaiV Inc.	Convertible promissory note	4.00%	13-Nov-23	65	
Vendasta Technologies Inc.	Preferred shares			6,664	
				\$ 55,938	\$ 47,850
				\$ 218,713	\$ 300,302



## STATEMENT OF INVESTMENT PORTFOLIO - CLASS A SHARES (CONTINUED)

As at February 29, 2020 (in thousands of dollars)

Unaudited

## Long-term Investments

Issuer	Interest Rate	Maturity Date	Cost	Fair Value
Concentra Bank Term Deposit	2.92%	23-Apr-21	\$ 5,000	
New Community Credit Union Term Deposit	3.25%	15-May-21	2,000	
New Community Credit Union Term Deposit	3.15%	9-Jul-21	5,000	
Conexus Credit Union Term Deposit	2.83%	29-Aug-21	5,000	
Concentra Bank Term Deposit	2.99%	25-Oct-21	5,000	
Weyburn Credit Union Term Deposit	2.75%	18-Dec-21	5,000	
New Community Credit Union Term Deposit	3.25%	9-Jan-22	5,000	
		<b>Total long-term investments</b>	<b>\$ 32,000</b>	<b>\$ 32,000</b>

## Short-term Investments

Issuer	Interest Rate	Maturity Date	Cost	Fair Value
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	
Affinity Credit Union Term Deposit	2.80%	15-Aug-20	5,452	
Conexus Credit Union Term Deposit	2.80%	23-Oct-20	5,000	
Conexus Credit Union Term Deposit	2.83%	14-Nov-20	5,000	
Conexus Credit Union Term Deposit	2.83%	23-Jan-21	5,000	
Affinity Credit Union Term Deposit	2.70%	28-Feb-21	5,000	
		<b>Total short-term investments</b>	<b>\$ 70,452</b>	<b>\$ 70,452</b>

## STATEMENT OF INVESTMENT PORTFOLIO - CLASS R SHARES

As at February 29, 2020 (in thousands of dollars)

Unaudited

## Venture Investments

Investee	Instrument	Interest Rate	Maturity Date	Outstanding at Cost	Fair Value
<b>Energy</b>					
Avalon Oil & Gas Ltd.	Class A common, voting shares			\$ 5,670	
Burgess Creek Exploration Inc.	Class A common, voting shares			1,430	
Caltex Resources Ltd.	Class A common, voting shares			6,278	
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	
Stampede Drilling Inc.	Class A common, voting shares			4,735	
Plains Environmental Inc.	Class A common, voting shares			296	
	Subordinated loan	13.00%	1-May-20	714	
	Subordinated loan	10.50%	1-May-20	237	
Spur Petroleum Ltd.	Class A common, voting shares			1,801	
Steel Reef Infrastructure Fund	Class A common, voting shares			3,736	
Sun Country Well Servicing Inc.	Class A common, voting shares			1,000	
TAM International Inc.	Class A common, voting shares			186	
Terra Grain Fuels Inc.	Subordinated loan	12.00%	1-Jan-20	252	
Turnstone Energy Inc.	Class A common, voting shares			1,707	
			<b>Total venture investments</b>	<b>\$ 41,682</b>	<b>\$ 43,168</b>

## STATEMENT OF INVESTMENT PORTFOLIO

As at February 29, 2020 (in thousands of dollars)

Unaudited

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

## Class A Shares

as at February 29, 2020

Industry sector	Cost	Fair Value	% of Cost	% of Fair Value
Energy	\$ 88,919	\$ 108,017	40.7	36.0
Financials	45,827	63,611	21.0	21.2
Consumer Discretionary	28,029	80,824	12.8	26.9
Industrials, Information Technology, Telecommunications and Consumer Staples	55,938	47,850	25.5	15.9
	<b>\$ 218,713</b>	<b>\$ 300,302</b>	<b>100.0</b>	<b>100.0</b>

as at August 31, 2019

Industry sector	Cost	Fair Value	% of Cost	% of Fair Value
Energy	\$ 87,808	\$ 102,218	41.1	34.9
Financials	46,043	62,053	21.6	21.2
Consumer Discretionary	27,748	81,790	13.0	27.9
Industrials, Information Technology, Telecommunications and Consumer Staples	51,930	46,932	24.3	16.0
	<b>\$ 213,529</b>	<b>\$ 292,993</b>	<b>100.0</b>	<b>100.0</b>

## Class R Shares

as at February 29, 2020

Industry sector	Cost	Fair Value	% of Cost	% of Fair Value
Energy	\$ 41,682	\$ 43,168	100.0	100.0

as at August 31, 2019

Industry sector	Cost	Fair Value	% of Cost	% of Fair Value
Energy	\$ 41,697	\$ 42,703	100.0	100.0

## STATEMENT OF INVESTMENT PORTFOLIO (CONTINUED)

As at February 29, 2020 (in thousands of dollars)

Unaudited

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

## Class A Shares

as at February 29, 2020

	Cost	Fair Value	% of Cost	% of Fair Value
Private equity securities	\$ 176,156	\$ 205,785	80.6	68.5
Private debt securities	31,993	22,752	14.6	7.6
Publicly traded equity securities	10,564	71,763	4.8	23.9
	<b>\$ 218,713</b>	<b>\$ 300,300</b>	<b>100.0</b>	<b>100.0</b>

as at August 31, 2019

	Cost	Fair Value	% of Cost	% of Fair Value
Private equity securities	\$ 177,336	\$ 212,309	83.1	72.5
Private debt securities	25,629	16,222	12.0	5.5
Publicly traded equity securities	10,564	64,462	4.9	22.0
	<b>\$ 213,529</b>	<b>\$ 292,993</b>	<b>100.0</b>	<b>100.0</b>

## Class R Shares

as at February 29, 2020

	Cost	Fair Value	% of Cost	% of Fair Value
Private equity securities	\$ 35,744	\$ 40,547	85.7	93.9
Publicly traded equity securities	4,735	2,621	11.4	6.1
Private debt securities	1,203	-	2.9	-
	<b>\$ 41,682</b>	<b>\$ 43,168</b>	<b>100.0</b>	<b>100.0</b>

as at August 31, 2019

	Cost	Fair Value	% of Cost	% of Fair Value
Private equity securities	\$ 35,744	\$ 39,503	85.7	92.5
Publicly traded equity securities	4,735	3,187	11.4	7.5
Private debt securities	1,218	13	2.9	-
	<b>\$ 41,697</b>	<b>\$ 42,703</b>	<b>100.0</b>	<b>100.0</b>



# NOTES TO THE FINANCIAL STATEMENTS

*As at February 29, 2020 and for the Six-Month Period ended February 29, 2020*

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

*Unaudited*

## 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 offered 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 and adoption of IFRS

### (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 April 2, 2020.

### (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:

*As at February 29, 2020 and for the Six-Month Period ended February 29, 2020 • (in thousands of dollars except number of shares and per share amounts)*

### 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 based on 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 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. If a loan is impaired because there is no longer reasonable assurance of the timely collection of the full amount of principal a write-down or other provision is established, through unrealized depreciation, to reduce the carrying value to the estimated fair value of the underlying security.

## (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
255 2nd Ave. Properties Ltd.	Associate	50.00%	Yes
All-Fab Building Components Inc.	Associate	40.07%	-
Elgin Development	Associate	25.81%	Yes
Foundation Developments Inc.	Associate	30.40%	Yes
Hi-Tec Profiles Inc.	Associate	39.96%	-
James Hill Road Villa LP	Subsidiary	61.90%	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
TAM International Inc.	Associate	43.85%	-
Terra Grain Fuels Inc.	Associate	33.25%	Yes
Urban Heights Inc.	Associate	79.93%	-
Yorkterra Development LP	Associate	32.37%	Yes

## 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 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%.

## (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 and future redemptions of shares, subscription proceeds and investment gains 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

A sales commission, based on the value of a subscription, is paid to the selling agent on the sale of Class A Series A and Class R Series A shares.

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.

An annual additional commission, based on the total value of all subscriptions, is paid annually to the agent for the Fund for subscriptions to Class A Series A, Class A series F, Class R Series A, and Class R Series F shares.

## (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, subject to the eligible investment and the investment portfolio as a whole meeting certain minimum return thresholds, 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, future 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:

- Amendments to IFRS 3 *Business Combinations*
- Amendments to IFRS 9 *Financial Instruments*
- Amendments to IAS 1 *Presentation of Financial Statements*
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to IAS 28 *Investments in Associates and Joint Ventures*
- Annual Improvements (2015 – 2017 Cycle)

## 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.

As at February 29, 2020 and for the Six-Month Period ended February 29, 2020 • (in thousands of dollars except number of shares and per share amounts)

## Class A

As at February 29, 2020

	Level 1	Level 2	Level 3	Total
Equity investments	\$ 71,763	\$ -	\$ 205,786	\$ 277,549
Debt investments	-	-	22,752	22,752
	\$ 71,763	\$ -	\$ 228,538	\$ 300,301

As at August 31, 2019

	Level 1	Level 2	Level 3	Total
Equity investments	\$ 64,462	\$ -	\$ 212,309	\$ 276,771
Debt investments	-	-	16,222	16,222
	\$ 64,462	\$ -	\$ 228,531	\$ 292,993

## Class R

As at February 29, 2020

	Level 1	Level 2	Level 3	Total
Equity investments	\$ 2,621	\$ -	\$ 40,547	\$ 43,168
Debt investments	-	-	-	-
	\$ 2,621	\$ -	\$ 40,547	\$ 43,168

As at August 31, 2019

	Level 1	Level 2	Level 3	Total
Equity investments	\$ 3,188	\$ -	\$ 39,502	\$ 42,690
Debt investments	-	-	13	13
	\$ 3,188	\$ -	\$ 39,515	\$ 42,703

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

	2020		August 31, 2019	
	Class A	Class R	Class A	Class R
Balance, beginning	\$ 228,531	\$ 39,515	\$ 201,157	\$ 48,380
Venture investments purchased	6,159	-	52,995	709
Venture investments repaid	(976)	(15)	(20,745)	(6,188)
Realized loss on disposition of venture investments	-	-	(53)	-
Net change in unrealized appreciation of venture investments	(5,176)	1,047	(4,823)	(3,386)
<b>Balance, ending</b>	<b>\$ 228,538</b>	<b>\$ 40,547</b>	<b>\$ 228,531</b>	<b>\$ 39,515</b>

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.

## Class A

As at February 29, 2020

Classification	Fair value	Valuation technique	Unobservable Inputs	Weighted average input	Sensitivity +/-	Change in valuation +/-
Productive debt	\$ 20,243	Discounted cash flow	Discounted rate	9.26%	1%	\$ 202/\$ (202)
Non-productive debt	2,509	Estimated realizable value	Impairment provision	25%	25%	627/(627)
Productive equity	161,084	% Discount to expected value	EBITDA multiple	25%	10%	21/(21)
		Capitalization rate	NOI cap rate	6.63%	0.25%	1,088/(1,016)
		Cost	% variance	100%	10%	605/(605)
		Equity raise	Cost	100%	10%	853/(853)
		Multiple of cash flow	Cash flow multiple	4.3x	0.5x	533/(495)
		Multiple of EBITDA	EBITDA multiple	6.3x	0.5x	6,791/(6,791)
		Multiple of production	EV/boe multiple	\$ 38	\$ 5	2,809/(2,608)
		NAV/unit	% variance	100%	10%	3,098/(3,098)
		Net asset value	% variance	92%	5%	130/(130)
		Secondary market pricing	% variance	100%	10%	408/(408)
Non-productive equity	44,702	Capitalization rate	NOI cap rate	6.25%	0.25%	2,241/(2,064)
		Cost	% variance	100%	10%	798/(798)
		Multiple of EBITDA	% variance	5.0x	0.5x	1,502/(1,502)
		Multiple of EBITDA	EBITDA multiple	4.5x	0.50x	1,030/(1,030)
		Multiple of production	\$/boe/d multiple	\$ 31	\$ 5	706/(707)
		Net asset value	% variance	100%	10%	237/(237)

boe = Barrels of oil equivalent

NAV = Net asset value

EBITDA = Earnings before interest, taxes, depreciation and amortization

NOI cap rate = Net operating income capitalization rate

EV = Enterprise value

As at August 31, 2019

Classification	Fair value	Valuation technique	Unobservable Inputs	Weighted average input	Sensitivity +/-	Change in valuation +/-
Productive debt	\$ 16,053	Discounted cash flow	Discounted rate	10.78%	1%	\$ 162/\$ (162)
Non-productive debt	169	Estimated realizable value	Impairment provision	25%	25%	42/(42)
Productive equity	166,231	Capitalization rate	NOI cap rate	6.63%	0.25%	1,072/(999)
		Cost	% variance	100%	10%	1,608/(1,608)
		Equity raise	% variance	100%	10%	6,747/(6,747)
		Multiple of cash flow	Cash flow multiple	4.2x	0.5x	2,205/(2,436)
		Multiple of EBITDA	EBITDA multiple	6.9x	0.5x	2,027/(2,180)
		Multiple of production	EV/boe multiple	\$55/boe/d	\$5/boe/d	85/(85)
		NAV/unit	% variance	100%	10%	2,978/(2,978)
		Put value	% variance	100%	10%	-/(21)
		Secondary market pricing	% variance	100%	10%	408/(408)
Non-productive equity	46,078	Capitalization rate	NOI cap rate	6.17%	0.25%	2,241/(2,064)
		Cost	% variance	100%	10%	798/(798)
		Equity raise	Cost	100%	10%	-/(-)
		Multiple of EBITDA	% variance	5.0x	0.5x	1,502/(1,502)
		Multiple of EBITDA	EBITDA multiple	3.9x	0.5x	-/(-)
		Multiple of production	\$/boe/d multiple	\$33/boe/d	\$5/boe/d	516/(544)

boe = Barrels of oil equivalent

EV = Enterprise value

boe/d = Barrels of oil equivalent per day

NAV = Net asset value

EBITDA = Earnings before interest, taxes, depreciation and amortization

NOI cap rate = Net operating income capitalization rate

## Class R

As at February 29, 2020

Classification	Fair value	Valuation technique	Unobservable Inputs	Weighted average input	Sensitivity +/-	Change in valuation +/-
Non-productive debt	\$-	Estimated realizable value	Impairment provision	-%	-%	\$/(-)
Productive equity	34,889	Equity raise	% variance	100%	10%	735/(735)
		Multiple of cash flow	Cash flow multiple	4.3x	0.5x	533/(495)
		Multiple of EBITDA	EBITDA multiple	6.7x	0.5x	14/(14)
		Multiple of production	EV/boe multiple	\$38	\$5	2,270/(2,157)
		Secondary market pricing	% variance	100%	10%	200/(200)
Non-productive equity	5,658	Multiple of EBITDA	EBITDA multiple	4.0x	0.5x	-/(-)
		Multiple of production	% variance	4.0x	0.5x	86/(86)
		Multiple of production	EV/boe multiple	\$ 27	\$ 5	843/(845)
		Multiple of TBV	TBV multiple	0.5x	0.2x	148/(148)

boe = Barrels of oil equivalent

EBITDA = Earnings before interest, taxes, depreciation and amortization

EV = Enterprise value

TBV = Tangible book value

As at August 31, 2019

Classification	Fair value	Valuation technique	Unobservable Inputs	Weighted average input	Sensitivity +/-	Change in valuation +/-
Non-productive debt	\$ 13	Estimated realizable value	Impairment provision	25%	25%	\$ 3/\$ (3)
Productive equity	33,695	Cost	% variance	100%	10%	19/(19)
		Equity raise	Cost	100%	10%	909/(909)
		Multiple of cash flow	Cash flow multiple	4.2x	0.5x	1,551/(1,693)
		Multiple of production	EV/boe multiple	\$55/boe/d	\$5/boe/d	225/(225)
		Secondary market pricing	% variance	100%	10%	200/(200)
Non-productive equity	5,807	Equity raise	Cost	100%	10%	-/(-)
		Multiple of production	\$/boe/d multiple	\$33/boe/d	\$5/boe/d	734/(763)
		Multiple of TBV	TBV multiple	0.5x	0.2x	148/(148)

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:

	2020		August 31, 2019	
	Class A	Class R	Class A	Class R
Equity instruments at cost	\$ 186,719	\$ 40,479	\$ 187,900	\$ 40,479
Debt instruments at cost	31,993	1,203	25,629	1,218
<b>Venture investments at cost</b>	<b>218,712</b>	<b>41,682</b>	<b>213,529</b>	<b>41,697</b>
Unrealized appreciation (depreciation)	81,589	1,486	79,464	1,006
<b>Venture investments at fair value</b>	<b>\$ 300,301</b>	<b>\$ 43,168</b>	<b>\$ 292,993</b>	<b>\$ 42,703</b>

During the year, venture investments changed as follows:

	2020		August 31, 2019	
	Class A	Class R	Class A	Class R
Venture investments at fair value, beginning	\$ 292,993	\$ 42,703	\$ 255,970	\$ 54,483
Venture investments purchased	6,852	-	53,688	709
Venture investments repaid	(1,669)	(16)	(22,095)	(7,907)
Realized loss on disposition of venture investments	-	-	(53)	-
Net increase/(decrease) in unrealized appreciation of venture investments	2,035	481	5,188	(4,852)
Amortization of discount on venture investment debt	90	-	295	-
<b>Venture investments at fair value, ending</b>	<b>\$ 300,301</b>	<b>\$ 43,168</b>	<b>\$ 292,993</b>	<b>\$ 42,703</b>

**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 \$22,750 (August 31, 2019 - \$24,300) 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	2020		August 31, 2019	
		Class A	Class R	Class A	Class R
January 1, 2012	\$ -	\$ -	\$ -	\$ 310	\$ 182
January 1, 2013	485	383	103	765	206
January 1, 2014	352	580	123	869	185
January 1, 2015	318	795	159	1,059	212
January 1, 2016	319	1,075	203	1,343	253
January 1, 2017	324	1,419	203	1,703	243
January 1, 2018	335	1,871	141	2,183	164
January 1, 2019	314	2,078	118	1,825	106
January 1, 2020	TBD	1,069	32	-	-
		<b>\$ 9,270</b>	<b>\$ 1,082</b>	<b>\$ 10,057</b>	<b>\$ 1,551</b>

As at February 29, 2020 and for the Six-Month Period ended February 29, 2020 • (in thousands of dollars except number of shares and per share amounts)

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:

	2020		August 31, 2019	
	Shares	\$	Shares	\$
<b>Class A Series A</b>				
Balance, beginning	18,576,382	292,131	19,006,174	287,234
Issued	1,148,210	24,631	1,566,287	32,256
Redeemed (at cost)	(1,607,443)	(22,209)	(1,996,079)	(27,359)
Balance, ending	<b>18,117,149</b>	<b>294,553</b>	<b>18,576,382</b>	<b>292,131</b>
<b>Class A Series F</b>				
Balance, beginning	352,955	6,829	259,165	4,749
Issued	79,968	1,883	95,144	2,103
Redeemed (at cost)	(172)	(3)	(1,354)	(23)
Balance, ending	<b>432,751</b>	<b>8,709</b>	<b>352,955</b>	<b>6,829</b>
<b>Class R Series A</b>				
Balance, beginning	5,245,264	72,254	6,052,222	84,201
Issued	75,991	869	168,148	1,949
Redeemed (at cost)	(816,133)	(11,947)	(975,106)	(13,896)
Balance, ending	<b>4,505,122</b>	<b>61,176</b>	<b>5,245,264</b>	<b>72,254</b>
<b>Class R Series F</b>				
Balance, beginning	11,072	133	6,582	80
Issued	1,520	18	4,490	53
Redeemed (at cost)	(3)	-	-	-
Balance, ending	<b>12,589</b>	<b>151</b>	<b>11,072</b>	<b>133</b>
<b>Class B</b>				
Balance, ending	<b>10</b>	<b>1</b>	<b>10</b>	<b>1</b>

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 \$294,553 (August 31, 2019 - \$292,131) and retained earnings of \$95,033 (August 31, 2019 - \$99,350). The net assets attributable to the holders of the Fund's Class A Series F redeemable shares consist of issued share capital of \$8,709 (August 31, 2019 - \$6,829) and retained earnings of \$1,575 (August 31, 2019 - \$1,302). The net assets attributable to the holders of the Fund's Class R Series A redeemable shares consist of issued share capital of \$61,176 (August 31, 2019 - \$72,254) and deficit of \$9,247 (August 31, 2019 - \$11,136). The net assets attributable to the holders of the Fund's Class R Series F redeemable shares consist of issued share capital of \$151 (August 31, 2019 - \$133) and retained earnings of \$1 (August 31, 2019 - \$2).

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 \$5,039 (2019 - \$4,782) 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 \$721 (2019 - \$829) 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:

- 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;
- earned sufficient income from the particular eligible venture investment to provide a cumulative investment return, before expenses, at an average annual rate in excess of 10% since investment; and
- 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 particular 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 \$3,747 (2019 - \$16,971), plus applicable taxes, of IPA was paid to the Fund Manager and for Class R shares \$1,531 (2019 - \$357), plus applicable taxes, of IPA was paid to the Fund Manager.

For Class A shares the accrued provision for incentive participation amount is \$39,114 (August 31, 2019 - \$38,994), a net increase, after payments, of \$120 (2019 - decrease \$15,865). In respect of realized and unrealized gains, the provision for IPA increased by \$3,536 (2019 - \$1,084) and in respect of income earned, the provision for IPA increased by \$518 (2019 - \$869) during the year.

For Class R shares the accrued provision for incentive participation amount is \$4,680 (August 31, 2019 - \$6,066), a net decrease, after payments, of \$1,386 (2019 - increase \$169). In respect of realized and unrealized gains, the provision for IPA increased by \$188 (2019 - \$469) and in respect of income earned, the provision for IPA increased by \$34 (2019 - \$75) 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

	2020		February 28, 2019	
	Class A	Class R	Class A	Class R
Loan receivable	\$ 787	\$ 469	\$ 1,483	\$ 632
Accounts receivable and accrued income	(357)	2	(948)	24
Other assets	(11)	-	(11)	-
Accrued provision for incentive participation amount	120	(1,386)	(15,865)	169
Accounts payable and accrued liabilities	(1,188)	(316)	(1,360)	(405)
	<b>\$ (649)</b>	<b>\$ (1,231)</b>	<b>\$ (16,701)</b>	<b>\$ 420</b>

#### 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.

#### 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 \$684 (2019 - \$888) with respect to Class A shares and \$98 (2019 - \$109) with respect to Class R shares respectively. The effective 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;

As at February 29, 2020 and for the Six-Month Period ended February 29, 2020 • (in thousands of dollars except number of shares and per share amounts)

- 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 2020 and 2019 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 five 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 meet its innovation pacing requirement at February 29, 2020 and August 31, 2019. If the fund does not meet its innovation pacing requirement any new investments will not count towards the Fund's overall 75% pacing requirement until the Fund is onside with the innovation pacing requirement.

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 \$22,750 (August 31, 2019 - \$24,300) on deposit.

The Fund is in compliance with all the above restrictions.

## 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:

	2020		February 28, 2019	
	IPA included	IPA excluded	IPA included	IPA excluded
Class A Series A	6.49%	4.47%	5.24%	4.25%
Class A Series F	5.12%	3.49%	4.46%	3.59%
Class R Series A	5.55%	4.78%	6.34%	4.75%
Class R Series F	4.17%	3.59%	5.06%	3.79%

## 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
2039	10,293	-
	<u>\$ 10,293</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. There were no non-monetary transactions during the period.

**15. Commitments**

The Fund has committed to advance \$4,959 (August 31, 2019 - \$7,053) of additional financing to existing Class A investees and \$537 (August 31, 2019 - \$544) of additional financing to Class R existing investees, provided certain conditions are met.

The Fund has issued irrevocable letters of credit in the amount of \$2,854 (August 31, 2019 - \$2,854) 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. Investment portfolio**

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.

**17. 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 (2019 - \$35,000) of share capital during the period from April 1, 2020 to March 31, 2021 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.

**18. Net assets of the Fund**

As part of the annual 2019 and 2018 audits, the Fund's auditors, MNP LLP, Chartered Professional Accountants, 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. No such review was performed for this interim period.

**19. Subsequent events**

At February 29, 2020 the economic impact of the COVID-19 pandemic and oil price decline events were not yet known. Venture investment valuations will be adjusted after the end of the period as these impacts become known and are better understood. It is expected that these events will have a significant negative effect on the net assets attributable to holders of redeemable Class A and Class R shares and net assets attributable to holders of redeemable Class A and Class R shares per share.

## CORPORATE INFORMATION

**DIRECTORS**

Terry Schneider

*Chair*

Brent Banda <sup>2</sup>

*Vice-Chair*

Ron Carlson <sup>2, 3</sup>

Michael Fix <sup>1</sup>

Doug Frondall <sup>1, 3</sup>

David Meyers

Daryl Schwartz <sup>2</sup>

Kevin Stangeland <sup>1, 2</sup>

Kathy Zwick <sup>3</sup>

<sup>1</sup> Audit/Valuation Committee

<sup>2</sup> Investment Committee

<sup>3</sup> Governance and Nominating Committee

**OFFICERS**

Randy Beattie

*President & Chief Executive Officer*

Rob Duguid

*Vice President, Chief Financial Officer,  
& Corporate Secretary*

Chris Selness

*Vice President*

Mike Merth

*Chief Compliance Officer*

Eric Clark

*Chief Operating Officer*

Jeff Linner

*Chief Investment Officer*

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