Golden Opportunities Fund Inc.

1999 annual report

INVESTING IN YOUR FUTURE

Investing in Saskatchewan

Saskatchewan's First
Provincial Labour-sponsored
Venture Capital Corporation

golden opportunities fund inc. 1998-1999

- 20% PROVINCIAL TAX CREDIT
- 15% FEDERAL TAX CREDIT
- RRSP ELIGIBLE
- ENHANCED FOREIGN CONTENT

Auditors
Hergott Duval Stack & Partners
Suite 1200, 410 22nd St. E.
Saskatoon, SK S7K 5T6

Corporate Counsel
MacPherson Leslie & Tyerman
Suite 1500, 410 22nd St. E.
Saskatoon, SK S7K 5T6

Corporate Head Office
Suite 1300, 410 22nd St. E.
Saskatoon, SK S7K 5T6

Custodian
Co-operative Trust Company of Canada
333 - 3rd Avenue North
Saskatoon, SK S7K 2M2

Fund Manager
Westcap Mgt. Ltd.
Suite 1300, 410 22nd St. E.
Saskatoon, SK S7K 5T6

Principal Distributor
Sanderson Securities Ltd.
101 - 901, 3rd Ave N.
Saskatoon, SK S7K 2K4

Sponsor
Construction and General Workers' Union, Local 890
Unit 403, 230 22nd St. E.
Saskatoon, SK S7K 0E9

Transfer Agent
The Toronto-Dominion Bank
TD Securities Services
P.O. Box , Toronto Dominion Centre
Commercial Union Tower, 7th Floor
100 Wellington Street West
Toronto, ON M5K 1A2

Directors/Officers

Grant J. Kook
CEO/Chairman of the Board

Boris Slipchuk
Director/Chief Financial Officer

Honorable William McKnight
Director

John W. H. Green
Director

Brian L. Barber
Director

Marlene K. Moleski
Director

Douglas W. Banzet
Director

Fund Dealer Code No.
GOF-501

a message from CEO & Chairman

Dear Shareholder,

After successfully surpassing our minimum offering in February 1999 we commenced operations on March 1, 1999 with a capital base of $2.58 million. Despite a slow RRSP season we obtained widespread support from all regions of Saskatchewan, enabling us to surpass the inaugural sales of many of the 24 labour funds in existence across Canada. This confirmed the people of Saskatchewan demanded a new RRSP alternative where the funds were reinvested into Saskatchewan companies by a fund management team that understood the opportunities at home. With continued support from employee deduction plans the net asset value grew to $2.8 million by year end August, 31, 1999.

The capitalization of a critical asset base for venture funds is a continual process which occurs over time. With LSVCC's the asset base increases significantly once a year during the RRSP season in February. Management recognized that it is important for the long term asset growth of the Fund and subsequently its shareholders to minimize operational costs in the early stages to ensure asset growth continues. Westcap Mgt. Ltd., the Fund Manager, immediately agreed to forego 20% of its annual management fee until the Year 2000 moving it from 2.5% to 2.0%. The Board of Directors of Golden Opportunities unanimously followed suit by agreeing to forego all director per diems for the same period. As a result of this action and overall philosophy we were pleased to record a management expense ratio of only 4.07% for the operating period March 1—August 31, 1999 (given the size of our asset base and early stage.)

In the 1999 marketing campaign Golden Opportunities Fund stated "there are opportunities at home in Saskatchewan and as an experienced Saskatchewan Fund Manager we will be able to invest the capital in a more orderly and timely fashion with the objective of increasing shareholder unit values more expediently." Golden Opportunities is proud to report that as of year end, August 31, 1999, the Fund had committed to two strategic investments, the first being completed during the year and the second subsequent to the year end.

The Fund was quick to get off the mark by investing $270,000 in Saskatchewan's resurging oil sector through Empire Energy Inc., and then participated in taking a Saskatchewan technology company public by investing $270,000 into QCC Technologies Inc. After accounting for the latter transaction, completed after year end, Golden Opportunities Fund is pleased to have committed approximately 19.2% of its net asset value at August 31, 1999 into venture investments. Although the Fund's unit value initially dropped due to the costs of launching the Fund, unit values have already began to turn back up due to our investment philosophy and activities.

We thank you for your confidence and support as an inaugural shareholder. Management believes we can increase shareholder value by ensuring a timely investment process and minimizing operating expenses. We accomplished both in our partial operating year ending August 31, 1999 and anticipate early and positive results.

Grant Kook, CEO
Chairman of the Board
Golden Opportunities Fund Inc.

QUALIFIED SMALL BUSINESS PROPERTY

Golden Opportunities Fund shares qualify as "Small Business Property" and as such create the opportunity for a Self-Directed RRSP that holds Golden Opportunities shares to increase its percentage of foreign content investments to a maximum of 40%.

RRSPs are subject to maximum limits on the amount of "foreign property" investments. The maximum limit can be increased if the RRSP holds certain small business investments. Up to three times the cost of a small business investment can be allocated to foreign property investments so long as total foreign property in the RRSP does not exceed 40% of the total book value of the RRSP plan.

The allowable foreign content is increased for any self-directed RRSP that has held Golden Opportunities Fund Inc.'s shares for more than three months. The RRSP foreign property room is increased by three times the book value of Golden Opportunities Fund Inc.'s shares (subject to the 40% total book value limit).

For example: A $100,000 SELF-DIRECTED RRSP

rrsp

Amount of Golden Opportunities in Portfolio	*Allowable Foreign Content*
$0	$20,000 or 20%
$5,000 investment	$35,000 or 35%
$6,667 investment	$40,000 or 40%
$15,000 investment	$40,000 or 40%

- 20% PROVINCIAL TAX CREDIT
- 15% FEDERAL TAX CREDIT
- RRSP ELIGIBLE
- ENHANCED FOREIGN CONTENT

annual report

1998

1999

first six months **Highlights**

Sales Continue to Grow

The Fund's sales in its inaugural year surpassed that achieved in the first year by many of the 24 labour funds in existence across Canada, raising approximately $2.8 million to year end August 31, 1999.

Fund Manager Immediately Foregoes Fees

The Fund Manager's first commitment to shareholders was on March 1, 1999 by reducing its management fee by .50% moving from 2.5% to 2.0%, representing a 20% reduction until the Year 2000.

Board of Directors Forego Per Diems

The board of directors unanimously elected to follow the cost cutting measures of the Fund Manager, and eliminated their per diems until the Year 2000.

Immediate Investment Activity

The Fund successfully identified and committed to two investment targets representing 19.2% of its net asset value (see "Fund Investments" pages 4 & 5) as of year end, August 31, 1999.

UNIQUE FEATURES OF GOLDEN OPPORTUNITIES FUND INC.

- Eligible for a 20% Provincial Tax Credit up to a $5,000 investment (surpassing federal labour funds which receive a 15% tax credit up to a $3,500 investment).
- Eligible for a 15% Federal Tax Credit up to a $5,000 investment.
- Golden Opportunities Fund's shares are 100% RRSP Eligible.
- Golden Opportunities' shares qualify as small business property, enabling you to increase your foreign content in your RRSP up to 40%.
- Experienced Fund Manager and Board of Directors who reside in Saskatchewan and understand the investment opportunities in our province.

We believe our investment into Empire Energy is a solid investment for Golden Opportunities, but also an economic benefit for Saskatchewan people.

In the Spring of 1999, one of Saskatchewan's primary industries, the oil and gas sector, turned on a dime, with Saskatchewan newspapers reporting "2000 Boom Predicted for Drilling." Golden Opportunities' first investment target upon closing its minimum offering on March 1, 1999 was in the resurging oil sector in Southern Saskatchewan. The Canadian Association of Petroleum Producers that represents the countries large exploration and production companies anticipates approximately 15,000 wells to be drilled next year and strong commodity prices. Although commodity prices are difficult to predict, many private analysts predict a healthy rebound from the sluggish activity over the past two years.

Golden Opportunities Fund Inc. immediately made an investment of $270,000, 10% of the net asset value of the Fund at the time, into Empire Energy Inc., an Alberta based company whose operation and focus is in the exploration, development, acquisition and production of light oil in South East Saskatchewan. The Fund participated in a syndication of $4.0 million to finance a 43 well in-house and farm-in drilling program in South East Saskatchewan. Golden Opportunities Fund acquired 450,000 Special Warrants. Each Special Warrant entitled the Fund to one common share at $0.60 and 50% warrant coverage exercisable at $0.75 for the first twelve months and $0.90 for the second twelve months. With a net asset value of approximately $10.0 million, largely due to proven reserves, and a well rounded, experienced management team in respect to oil development in South East Saskatchewan and public companies, Golden Opportunities anticipates future capital gains in Empire, our inaugural investment.

In 1998, Saskatchewan's second largest export was petroleum, which saw $1.7 billion worth of Saskatchewan produced crude oil and natural gas products being exported, making Saskatchewan the second largest oil producing province in Canada. Given the rebound from ten year lows, Golden Opportunities believes that the time was ideal for an investment into a Saskatchewan sector that has created over $400 million in royalties and land bonus bids to the Saskatchewan Government which in turn is reinvested into our health care, education and social system. In addition, the industry employs in excess of 30,000 people across Saskatchewan creating tremendous economic benefit and spin-off activities.

QCC Technologies Inc.

An investment into QCC Technologies should provide short term yields and long term capital gains for the Fund, while having assisted Saskatchewan employees to meet their dream of going public.

The technology sector in the next Millennium is anticipated to be as active as it was in the 20th Century. In fact, the Canadian Venture Capital Association reports that in 1998, 70% of all capital invested by venture capital firms were to technology based companies. More specifically, the computer related sector continued to be the most active in 1998, both in terms of deals that were done and dollars invested. Golden Opportunities' entrance into this exciting sector was marked by the investment of $270,000, 10% of the Fund's net asset value at the time, into QCC Technologies Inc. QCC provides specialized engineering services to client companies in the form of system analysis, specification design, applications and integration, consulting reporting as well as software engineering development. The Company's particular area of expertise lies in the area of data communication and data networking. In addition, the company maintains a second operating subsidiary which provides for enhanced facsimile messaging services to customers over the Special FX Messaging Network. Some of the companies' major clients include Nortel and MERX, the Government of Canada's electronic tendering service.

Golden Opportunities Fund Inc. participated in a syndicated financing to take QCC Technologies public on the Alberta Stock Exchange, acquiring 1,350,000 Series I, 8% fixed, cumulative, convertible, non-voting preferred shares at $0.20 per share for a total investment of $270,000. The preferred shares are convertible into publicly traded Class A Shares at $0.20 for the first two years, $0.25 in the third year, $0.30 in the fourth year, and $0.35 in the fifth year.

Fund Management believes that the attractive before tax yield obtained by the Fund, together with the favourable conversion terms over the next five years, in an exciting industry, will provide for immediate and long term capital gains. In addition, Golden Opportunities is pleased to have been instrumental in the 24 employee owned company going public. As confirmed by Mr. David Criddle, President of QCC, "the presence of Golden Opportunities in Saskatchewan was important to the public financing coming together. The Fund was the catalyst to other institutions coming to the table."

HERGOTT DUVAL STACK & PARTNERS

CHARTERED ACCOUNTANTS
LEE HERGOTT, B.COMM., C.A.
MAURICE DUVAL, B.COMM., C.A.
LYLE ZDUNICH, B.COMM., C.A.
R. JOE PARKER, B.COMM., C.A
THOMAS J. STACK, B.A., C.A.
BARRY FRANK, B.COMM., C.A.
BLAIR DAVIDSON, B.COMM., C.A.
BERNIE A. BROUGHTON, B.COMM., C.A.
DAVID W. BALLANTYNE, C.B.V., F.C.A.
CRAIG HERMANN, B.COMM., C.A.

Suite 1200, 410 22nd St. E.
Saskatoon, SK S7K 5T6

Telephone (306) 934-8000
Facsimile (306) 653-5859

To the Shareholders of Golden Opportunities Fund Inc.,

We have audited the statement of net assets of Golden Opportunities Fund Inc. as at August 31, 1999 and 1998, the statement of investment portfolio as at August 31, 1999 and the statements of operations and deficit, changes in net assets, cash flows and financial highlights for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Fund's management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at August 31, 1999 and 1998, the investments held at August 31, 1999 and the results of its operations and the changes in net assets, cash flows and financial highlights for the years then ended in accordance with generally accepted accounting principles.

Saskatoon, Saskatchewan

September 28, 1999 Chartered Accountants

financials

statement of **Net Assets**

As at August 31		1999		1998
ASSETS				
Cash	$	130,430	$	100
Marketable securities		2,173,710		-
Subscriptions receivable		16,667		-
Accounts receivable		15,024		-
Prepaid expenses and deposits		13,476		-
Venture investments		270,000		-
Deferred charges (net of accumulated amortization of $14,214)		219,612		-
		2,838,919		**100**
LIABILITIES				
Accounts payable and accrued liabilities		32,836		-
Net assets	**$**	**2,806,083**	**$**	**100**
SHAREHOLDERS' EQUITY				
Share Capital (Note 3)	$	2,863,437	$	100
Deficit		(57,354)		-
	$	**2,806,083**	**$**	**100**
Class A shares outstanding		**286,720**		**-**
Net asset value per Class A share	**$**	**9.79**	**$**	**-**

Approved by the Board

Boris Slipchuk
Director

Douglas W. Banzet
Director

statement of Operations & Deficit

For the year ended August 31		1999		1998
INVESTMENT INCOME				
Interest	$	52,270	$	-
Other		22,028		-
		74,298		-
EXPENSES				
Administration fees (Note 4)		49,986		-
Audit		3,000		-
Custodian fees		2,368		-
Directors' fees and expenses		11,647		-
Legal		10,256		-
Management fees		33,772		-
Office		10,956		-
Other costs		16,907		-
		138,892		-
Loss before the undernoted items		**(64,594)**		-
Directors' fees waived (Note 4)		11,200		-
Office and other costs waived (Note 8)		3,500		-
Management fees waived (Note 8)		6,754		-
		21,454		-
Net investment loss		**(43,140)**		-
Amortization of deferred charges		(14,214)		-
Deficit, end of year	$	**(57,354)**	$	-
Net investment loss per Class A share	$	**0.15**	$	-

statement of Changes in Net Assets

For the year ended August 31		1999		1998
INVESTMENT ACTIVITIES				
Net investment loss for the year	$	(43,140)	$	-
CAPITAL TRANSACTIONS				
Proceeds from the issuance of Class A shares		2,863,337		-
Proceeds from the issuance of Class B shares		-		100
Amortization of deferred charges		(14,214)		-
		2,849,123		**100**
Increase in net assets during the year		**2,805,983**		**100**
Net assets, beginning of year		100		-
Net assets, end of year	**$**	**2,806,083**	**$**	**100**
Net asset value per Class A share, end of year	**$**	**9.79**	**$**	**-**

statement of Cash Flows

For the year ended August 31	1999	1998
OPERATING ACTIVITIES		
Net investment loss	$ (43,140)	$ -
Net change in non-cash working capital balances		
relating to operations	(12,331)	-
	(55,471)	-
INVESTING ACTIVITIES		
Purchase of venture investments	(270,000)	-
Purchase of marketable securities	(2,173,710)	-
	(2,443,710)	-
FINANCING ACTIVITIES		
Proceeds from the issuance of Class A shares	2,863,337	-
Proceeds from the issuance of Class B shares	-	100
Increase in deferred charges	(233,826)	-
Proceeds from promissory note	67,387	-
Repayment of promissory note	(67,387)	-
	2,629,511	**100**
Cash provided during the year	**130,330**	**100**
Cash, beginning of year	100	-
Cash, end of year	**$ 130,430**	**$ 100**

The net change in non-cash working capital balances is comprised of the following:

(Increase) in subscriptions receivable	$ (16,667)	$ -
(Increase) in accounts receivable	(15,024)	-
(Increase) in prepaid expenses and deposits	(13,476)	-
Increase in accounts payable and accrued liabilities	32,836	-
	$ (12,331)	**$ -**

statement of Financial Highlights

For the year ended August 31		1999		1998
DATA PER SHARE				
Net asset value per Class A share, beginning of year (a) & (b)	$	10.00	$	-
Income from investment operations				
Net investment loss (c) & (d)		(0.16)		-
Amortization of deferred charges		(0.05)		-
Net asset value per Class A share, end of year	**$**	**9.79**	**$**	**-**
SUPPLEMENTAL DATA				
Weighted average number of Class A shares		274,533		-
Total net assets, end of year	$	2,806,083	$	-
Weighted average net assets (e)	$	2,690,745	$	-

(a) Represents the initial net asset value per share.

(b) Class A shares were approved for sale by the Saskatchewan Securities Commission on November 6, 1998.

(c) Net investment income per unit is calculated based on the weighted average number of units outstanding commencing March 1, 1999.

(d) Golden Opportunities Fund Inc. commenced accepting orders for Class A shares on March 1, 1999.

(e) Weighted average net assets is calculated based on the weighted average net assets commencing March 1, 1999.

As at August 31, 1999

MARKETABLE SECURITIES

Par Value/ Number of Shares	*Issuer and Description of Security*	*Maturity Date*	*Cost*	*Fair Value*
54,309.725	Royal Premium Money Market, mutual fund units		$ 543,097	$ 543,097
	Stars Trust, 4.77% discount note	Oct. 13, 1999	1,630,613	1,630,613
	Marketable securities (77.5%)		**$ 2,173,710**	**$ 2,173,710**

VENTURE INVESTMENTS

Par Value/ Number of Shares	*Issuer and Description of Security*	*Cost*	*Fair Value*
450,000	Empire Energy Inc., special warrants	$ 270,000	$ 270,000
	Venture investments (9.6%)	**270,000**	**270,000**
Total investments (87.1%)		**$ 2,443,710**	**$ 2,443,710**

Note: Percentages shown relate investments at fair value to total net assets.

1. CORPORATE STATUS AND ACTIVITIES

Golden Opportunities Fund Inc. (the "Fund") was incorporated under the laws of Saskatchewan by Articles of Incorporation on December 8, 1997. The Fund is registered as a labour-sponsored investment fund corporation under the Labour-sponsored Venture Capital Corporations Act (Saskatchewan) (the "Saskatchewan Act"). The Fund is taxable as a mutual fund corporation and is a prescribed Labour-sponsored Venture Capital Corporation under the Income Tax Act (Canada) (the "Federal Act"). The Federal and Saskatchewan Acts allow an individual to invest in Class A shares of the Fund and obtain a personal income tax credit.

The Fund issued Class A shares at an initial offering price of $10 per share and thereafter, at a continuous offering price equal to the net asset value per Class A share. The Fund commenced active operations on March 1, 1999 on the initial issue of its Class A shares.

The Fund makes investments in small and medium-sized eligible Saskatchewan businesses, as defined in the Saskatchewan Act, with the objective of achieving long-term capital appreciation.

The sponsor of the Fund is the Construction and General Workers' Union Local 890 (the "Sponsor").

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with generally accepted accounting principles. The significant accounting policies are as follows:

Marketable Securities
Marketable securities are valued at amortized cost, which approximates market value.

Venture Investments
Venture investments in eligible businesses, having quoted market values and being publicly traded on a recognized stock exchange and not otherwise restricted or thinly traded, are recorded at values based on the quoted market prices.

Venture investments in eligible businesses, not having quoted market values or in restricted securities are recorded at cost or the estimated net realizable fair value. Writedowns to estimated net realizable fair value are done as required. Estimated net realizable fair value is determined on the basis of the expected realizable value of the investments if they were disposed of in an orderly fashion over a reasonable period of time. Details regarding the valuation process of the Fund's investments in eligible businesses are included in its annual prospectus.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. The process of valuing venture investments in eligible businesses for which no quoted market values exist is inevitably based on inherent uncertainties and the resulting values may be higher or lower by a material amount than those that would have been used had a ready market existed for the investments.

Deferred Charges
Sales commissions and share issuance costs related to the sale of the Class A shares are capitalized as deferred charges. The Fund amortizes such deferred charges on a straight-line basis over eight years from the date of the issue of the related shares.

Investment Transactions and Income Recognition
Investment transactions are accounted for on the trade date. Gains or losses arising from the sale of investments are determined using the average cost basis. Income from investments is recorded on an accrual basis. Dividend income is recorded as earned.

3. SHARE CAPITAL

Authorized

An unlimited number of

Class A shares, issued at an initial offering price of $10 per share and thereafter at the net asset value only to individuals and certain RRSP's, are subject to restrictions on transfer and redemption in accordance with legislation governing labour-sponsored venture capital funds. The shares are voting, entitled to elect a minority of the Directors of the Fund and entitled to receive dividends at the discretion of the Board of Directors. The shares are redeemable at the net asset value less any redemption fee.

Class C shares issuable in series, with the rights, privileges, restrictions and conditions attached to each series to be determined by the Board of Directors, as approved by the Saskatchewan Minister, at the time of creation of a particular series.

A limited number of

Ten Class B shares issuable only to the Sponsor or permissible employee organizations, are non-participating, voting, and entitled to elect a majority of the Board of Directors of the Fund. The shares are redeemable at the option of the Fund at the subscription price.

Issued for cash	1999 Shares	$	1998 Shares	$
Class A Shares				
Beginning of the year	-	$ -	-	$ -
Shares issued	286,720	2,863,337	-	-
End of year	286,720	2,863,337	-	-
Class B Shares				
Beginning of the year	10	100	-	-
Shares issued	-	-	10	100
End of year	**10**	**100**	**10**	**100**
Total	**286,730**	**$2,863,437**	**10**	**$ 100**

4. EXPENSES

Management Expenses

The Fund has retained Westcap Mgt. Ltd., a related party (Note 8), as the Fund Manager ("Manager") by agreement dated January 13, 1998, to manage all aspects of the Fund. In consideration of the performance by the Manager of its duties, the Manager received an annual management fee, calculated and payable monthly, equal to 2.5% of the aggregate net asset value as at each valuation date. In addition, the Manager is also entitled to an incentive participation amount equal to 20% of any return derived from an eligible investment of the Fund in any fiscal year providing the return on all eligible investments and the return on the particular eligible investment exceeds specified thresholds, and as well the Fund has recouped an amount equal to all the principal invested in the particular eligible investment. No incentive participation amount was paid to the Manager during the year ended August 31, 1999.

The Manager currently acts as a manager of the Fund's liquid portfolio. The Fund is responsible for any fees and expenses paid to any third party for liquid portfolio management services should the Manager no longer provide these services to the Fund.

Administration Expenses

The Fund has retained the Toronto-Dominion Bank ("TD Bank") by agreement dated January 1, 1998, to provide certain services to the Fund, including processing of sales orders and maintaining shareholder records.

4. EXPENSES *(continued)*

The Fund has retained Co-operative Trust Company of Canada as the Fund's Custodian and Bare Trustee by agreements dated December 22, 1997 and December 17, 1997 respectively.

Directors' Fees and Expenses

During the period, the Board of Directors of the Fund waived all director fees amounting to $11,200.

Organization Expenses

The initial fund organization expenses have been paid by the Manager and are not recoverable from the Fund by the Manager.

Direct Expenses

The Fund pays all direct costs and expenses incurred in the operation of the Fund, such as directors' fees, custodian fees, insurance, legal, audit, valuation and marketing expenses. During the period, the Fund did not incur any commission expense on its liquid portfolio transactions.

5. SALES COMMISSIONS

The Fund's principal distributor (the "Agent") established a selling group of dealers to distribute the Class A shares in Saskatchewan. The Fund pays to the Agent and members of the selling group originating the sale, a sales commission equal to 6.00% of the selling prices for each Class A share. In addition, the Fund pays to the Agent an additional commission equal to .75% of the selling price for each Class A share for distribution services.

Commissions on sales of Class A shares paid to the Agent and the dealers in the selling group during the year ended August 31, 1999 amount to $192,150.

6. INCOME TAXES

Under the Federal Act, no taxes generally are payable by the Fund on dividends received from Canadian corporations, and income taxes payable on capital gains are fully refundable on a formula basis when shares of the Fund are redeemed or capital gains dividends are paid or deemed to be paid by the Fund to its shareholders. A portion of the income taxes payable on net interest income earned by the Fund is also refundable on payment or deemed payment of taxable dividends to the shareholders.

The Fund intends to recover all of its refundable income taxes annually through the deemed payment of a dividend by capitalizing the appropriate amount of its income as paid-up capital pro rata on its Class A shares. If and to the extent that the Fund increases the paid-up capital of the Class A shares, the holder of the shares will be deemed to have received a dividend and the adjusted cost base of the holder's shares will be increased by the deemed dividend.

The Saskatchewan Act sets minimum levels of eligible investments for the Fund. If the minimum level of qualifying eligible investments is not met, the Fund may be subject to defined penalties.

As at August 31, 1999, the Fund has non-capital losses available for carryforward of $89,906, that will expire in 2006. No benefit from these losses has been recognized in the financial statements.

7. MANAGEMENT EXPENSE RATIO

The management expense ratio ("MER") of 4.07% for the year ended August 31, 1999 (8.14% annualized) includes all fees and expenses paid or payable (excluding any commissions and brokerage fees on the purchase and sale of portfolio securities, goods and services tax, capital tax and the amortization of deferred charges) and is expressed as a percentage of the weighted average net assets administered during the year.

The Manager elected to waive a portion of its management fee (Note 8), a related company waived a portion of its costs (Note 8) and the Directors waived all their fees (Note 4). Without these waivers, the ratio of expenses to weighted average net assets would have been 4.87% (annualized 9.74%).

The projected (annualized) MER's noted herein reflect a doubling of the actual management expenses incurred since the Fund commenced active operations on March 1, 1999, while the weighted average net assets factor remains constant throughout the annualized period and no consideration was given for any new capital that may be raised by the Fund.

The commencement period for the calculation of the MER is the date the Fund commenced active operations on March 1, 1999.

8. RELATED PARTY TRANSACTIONS

During the year, management fees of $28,788 were paid to the Manager, Westcap Mgt. Ltd., a company owned by the chief executive officer of the Fund. The Manager elected to waive $6,754, representing 20% of the total management fee paid and payable.

At year end, the accounts payable and accrued liabilities balance includes $4,984 due to the Manager.

Office and other costs including rent, secretarial, janitorial and photocopying expenses totalling $7,983 were paid to Tri-Sec Financial Group Ltd. ("Tri-Sec"), a related company of the chief executive officer of the Fund. During the year, Tri-Sec elected to waive $3,500 of these expenses.

The above mentioned transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. FINANCIAL INSTRUMENTS

The carrying amount of marketable securities, subscriptions receivable, accounts receivable, and accounts payable and accrued liabilities approximate their fair value because of the short-term maturities of these items.

10. STATEMENT OF PORTFOLIO TRANSACTIONS

In accordance with the Regulations under The Securities Act, 1988 (Saskatchewan), the unaudited statement of portfolio transactions for the year ended August 31, 1999 will be provided without charge on request to the Fund at Suite 1300, 410 22nd Street East, Saskatoon, Saskatchewan, S7K 5T6.

11. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations.

The Fund relies heavily on third party suppliers for its operations and financial reporting. The Fund has conducted a review and risk assessment of the readiness of all its third party suppliers and is reasonably satisfied as to their Year 2000 preparedness. The Fund has completed an internal review and is satisfied as to its Year 2000 readiness.

The mutual fund industry has extensively tested its Y2K readiness. The tests achieved a high success rate and demonstrated the use of all major systems utilized within the industry by both fund companies and mutual fund dealers and brokers.

It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Fund, including those related to the suppliers or other third parties, will be fully resolved.

12. SUBSEQUENT EVENTS

As at September 20, 1999, the Board of Directors of the Fund completed its second venture investment of $270,000 in QCC Technologies Inc. ("QCC"), a publicly traded company on the Alberta Stock Exchange. QCC is an advanced technology engineering service company, providing specialized engineering services to client companies in the form of systems analysis, specification and design, application integration and overall software engineering. Capitalizing on its strengths, QCC will begin to share the risk on certain projects for commercial exploitation. The investment was structured by way of redeemable (at the option of QCC) and convertible preferred shares. The preferred shares bear a fixed cumulative dividend of 8% for five years. The dividend on the convertible preferred shares will be payable annually.

✪ 20% PROVINCIAL TAX CREDIT

✪ 15% FEDERAL TAX CREDIT

✪ RRSP ELIGIBLE

✪ ENHANCED FOREIGN CONTENT

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