



# Sask. biotech sec

## Profitable year for terminal

By Adrian Ewins

# Opportunity in Saskatchewan

Weyburn Inland Terminal has reported net after-tax earnings of \$2.7 million for 2002.

## Enterprise

### DRILLING RECORD SET

Saskatchewan has set a record for natural gas drilling for the fifth year in a row, with 2,124 gas wells to date, smashing a record of 1,874 set in 2001.

## Investing in Saskatchewan a golden opportunity

Investment Fund Inc. says last year, it was the strength of Saskatchewan and CEO of the company... who have... \$25 million in 18 different... companies... of the last province in Canada... to get the same... in a...





# MESSAGE FROM FUND MANAGEMENT

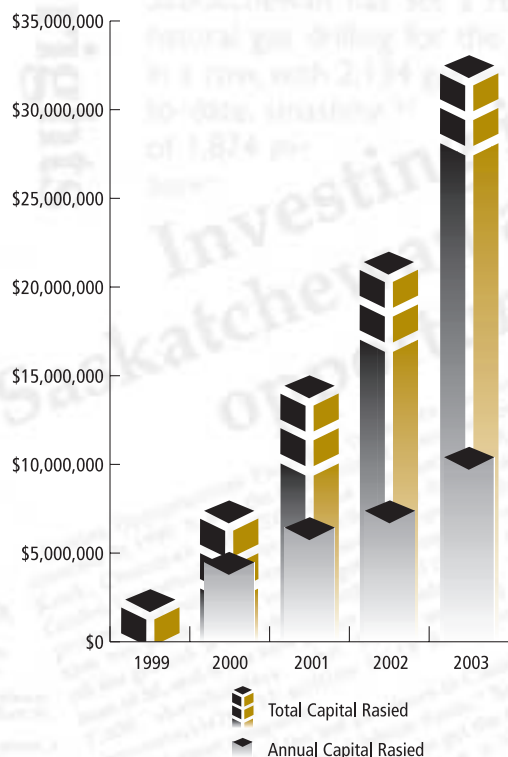
## To Our Valued Shareholders:

Fiscal year 2003 reinforced the message we heard from Saskatchewan residents in 2002 "Golden Opportunities is the People's Choice of Labour Funds in Saskatchewan", with the fourth consecutive increase in new funds raised since our launch. The Fund raised new capital of approximately \$10.5 million in 2003 representing an increase of 45% over that raised in 2002. To date, the Fund has raised total Share Capital of \$33 million in the province. In addition, for the second year in a row, Golden Opportunities Fund is the number one selling labour fund in Saskatchewan, accounting for approximately fifty percent of total market sales in the province in 2003. With an estimated one in every one hundred Saskatchewan tax payers holding shares in the Fund, we have made great strides in becoming a significant economic influence on our local economy and growth oriented companies.

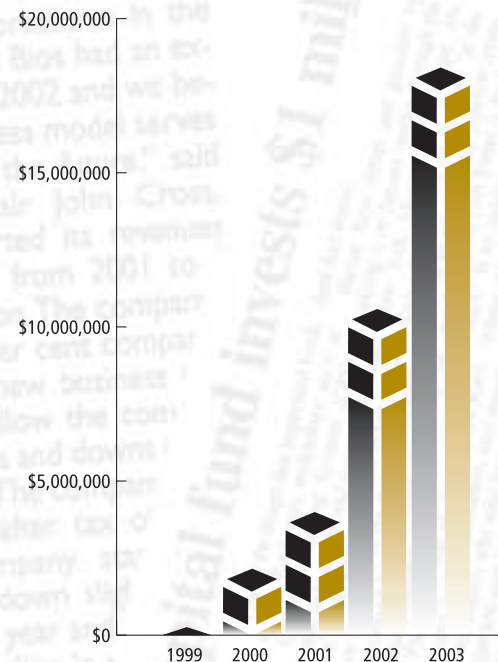
The Fund's trend of record new sales each and every year is significant to our shareholders for a number of key reasons:

1. *Continuing record new sales confirms credibility and support for the Fund's management, investment principles and performance.*
2. *Increased capitalization ensures long term stability of the Fund.*
3. *Increased capitalization will lead the Fund to operating efficiencies.*
4. *Increased capitalization will provide for more effective risk management of the portfolio.*

### Growth of the Fund



### Invested Capital



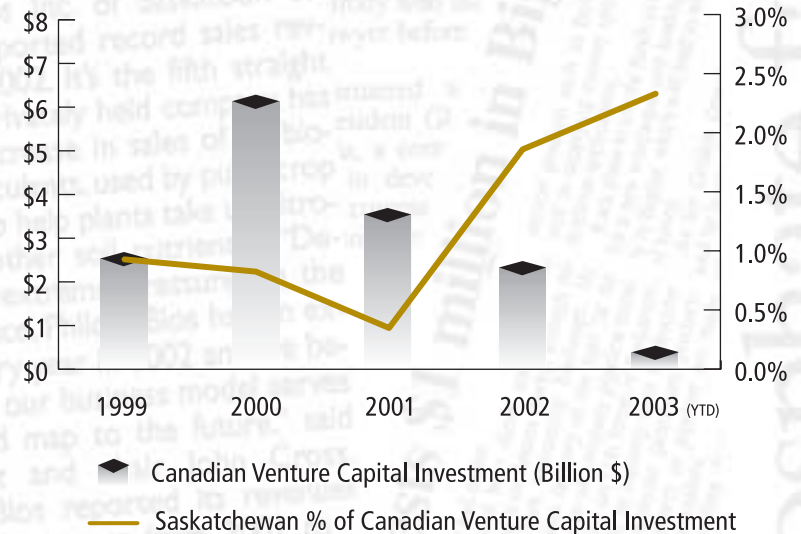
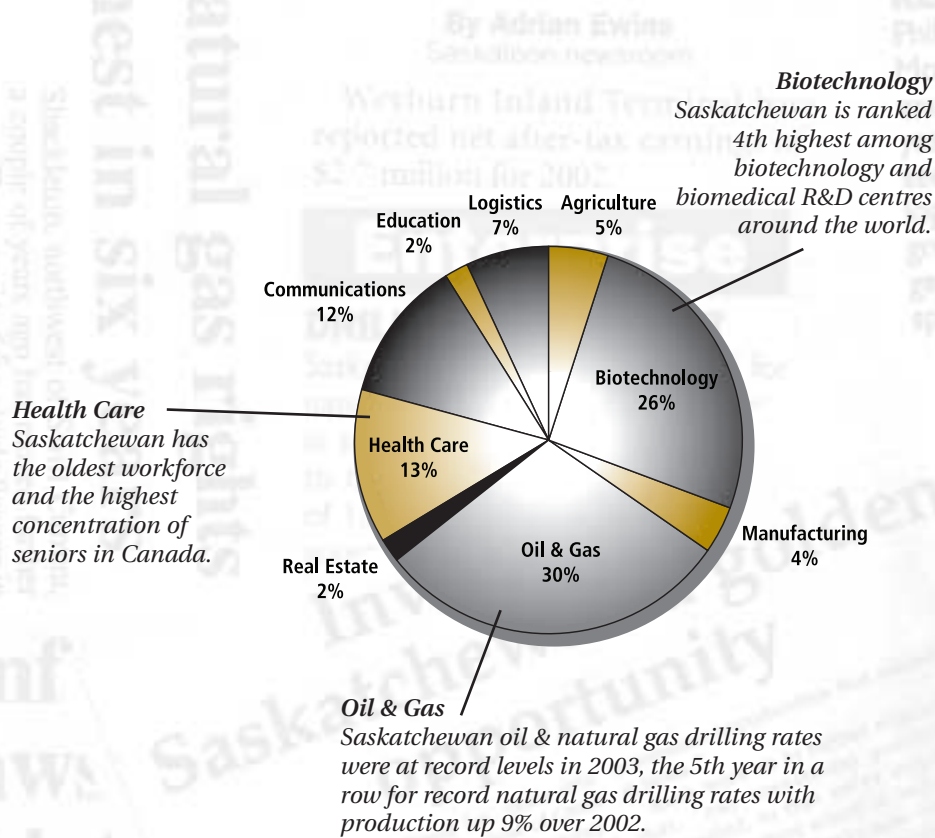
In order to ensure continued success of the Fund, it is equally important that there is ongoing investment into strategic Saskatchewan growth companies. In fiscal 2003, including subsequent transactions, Golden Opportunities Fund completed eight investment transactions for a total investment of \$7.75 million and cumulative investment amount of \$18.5 million since inception.



# M E S S A G E F R O M F U N D M A N A G E M E N T

This year's investments were consistent with the Fund's policy of diversification, with investment into the following industries; biotech, oil and gas, education, communication and health care. *Our portfolio is diversified across nine different industry sectors in 22 distinct companies, creating economic activity in all corners of Saskatchewan. Golden Opportunities Fund is putting Saskatchewan investment to work for our future!*

## Investment Climate Changing in Favour of Saskatchewan



*Investment in small cap companies is the driving force to an economic recovery.* Golden Opportunities Fund and our 6,500 shareholders are making a difference in this province. The statistics prove it. In the year 2000, a record breaking \$6.3 billion in venture capital was invested across Canada. In that same year Saskatchewan companies received less than 1.0% of the amount invested. Since 2000 the amount of patient venture capital being invested across Canada has posted sharp declines each year, reaching as low as \$2.5 billion in 2002. In contrast to this trend, Saskatchewan has had a sharp increase in the percentage of venture capital local companies have received compared to those across Canada. In the first two quarters of 2003, Saskatchewan growth companies received almost 2.5% of the venture capital investment made in Canada. Your decision to invest in Golden Opportunities Fund has changed the Canadian statistics in favor of Saskatchewan.



# M E S S A G E F R O M F U N D M A N A G E M E N T

The success of Golden Opportunities Fund today and in the future will be based on numerous measurements which will include the return to shareholders and impact on the growth and success of Saskatchewan companies. The Fund's financial benefit to shareholders is already being experienced as are the economic benefits to the province of Saskatchewan.

- According to Globefund, an independent rating service, Golden Opportunities Fund has been one of the top five performing labour funds in Canada since inception. Unit value increases as of August 31, 2003 over that of fiscal year end 2002 are a result of stabilizing investment yields and drilling success in the Fund's oil and gas portfolio. With a more attractive oil and gas environment, record drilling activity in the province, and strong prices, this portfolio sector will continue to provide positive results for the Fund.
- Saskatchewan growth companies have prospered from the Fund's activities thereby impacting Saskatchewan's economic climate. This is what some companies have to say about the Fund:

*"The investment climate within Saskatchewan could be characterized as "conservative to pessimistic" at best. The investment made by Golden Opportunities Fund has encouraged our company that venture capital financing is plausible today. Investment into small companies like Prairie Plant Systems is critical to realize new opportunities presented by the combination of advancing technologies and new markets."*

**Brent H. Zettl, President & CEO**  
*Prairie Plant Systems Inc.*

*"Golden Opportunities Fund has supported our management team in past ventures through their investment in Empire Energy Inc. Our new company, Romulus, specializes in the exploration, acquisition, and production of oil and gas in Saskatchewan. We have had a busy summer and are confident that Romulus will be another successful investment for the Fund."*

**Les Guzowski, President & CEO**  
*Romulus Exploration Inc.*

*"As a shareholder in Weyburn Inland Terminal, Golden Opportunities Fund is helping to support Saskatchewan agriculture as our company focuses on providing innovative products, services and information to help our customers farm as efficiently and productively as possible."*

**Rob Davies, CEO**  
*Weyburn Inland Terminal*

The long term success of a business initiative is often determined in the first five years of its launch. As Golden Opportunities Fund approaches its fifth year of operation, all indications are that Saskatchewan's First Provincial Labour Sponsored Fund is poised for an exciting future. When we look at the Fund's objectives that were established in 1999, we are pleased to report that we are meeting our goals:

- *To become the "Labour Fund of Choice in Saskatchewan".*
- *To ensure proper capitalization of Saskatchewan's First Provincial Labour Fund.*
- *To maintain a timely investment pace into strategic Saskatchewan companies.*
- *To maintain a diversified investment portfolio for risk management.*
- *To provide valuable capital to growth oriented companies across the Province of Saskatchewan.*
- *To create and sustain job opportunities at home.*
- *To become a key economic influence in moving Saskatchewan forward.*
- *To maximize shareholder value over the long term.*
- *To operate in a professional and ethical manner with integrity and honesty.*

We thank you for being a part of this vision and for being instrumental in the success the Fund has achieved to date and that which is to come. It has been about investing at home and making a difference, and **Golden Opportunities Fund is making a difference!**



Sincere regards,

**Grant Kook**  
Chairman/CEO



# I N V E S T M E N T S



***BAY TRAIL ENVIRONMENTAL INC.*** \$422,650 Secured Debenture

Located in Humboldt, Saskatchewan BAY TRAIL ENVIRONMENTAL INC. is involved in the lease and rental of recycle bins in the oil, gas and agricultural sectors. Bay Trail's recycle bins have a unique design that sorts dangerous and non-dangerous waste resulting in greater efficiency in the oil and gas industry.



***CWS LOGISTICS LTD.*** \$1,250,000 Preferred Shares & Class A Common Shares

CWS LOGISTICS LTD. is one of western Canada's largest independent logistics service providers offering a full range of logistics and warehousing management solutions. Golden Opportunities Fund's investment assisted the company in the establishment of a fertilizer logistics facility, in agreement with IMC Canada, at Belle Plain, Saskatchewan.



***OCTANE ENERGY SERVICES LTD.*** \$1,250,000 Secured Convertible Debenture & Convertible Preferred Shares

OCTANE ENERGY SERVICES LTD. provides oilfield, pipeline and facilities construction as well as reclamation services to the oil and gas industry in western Canada. Octane has become a significant provider of these services within the industry and continues to pursue growth through acquisitions as well as internal initiatives.



***PHILOM BIOS INC.*** \$1,986,465 Class A Common Shares

PHILOM BIOS INC. is one of Canada's leading innoculant biotechnology companies engaged in research, development and commercialization of biological inputs for the plant growing industry. The company manufactures and markets widely used agricultural products such as Jump Start, N-Prove and Tag Team.



***PHENOMENOME DISCOVERIES INC.*** \$1,000,000 Secured Convertible Debenture & Warrants

PHENOMENOME DISCOVERIES INC. provides contract research services to the agriculture, biotechnology, pharmaceutical and nutraceutical industries in the area of Metabolic Expression Analysis. The proprietary process involves the use of a high resolution spectrometer. Golden Opportunities' investment funded the purchase of the first such spectrometer in Canada.

# I N V E S T M E N T S

Retractable Preferred Shares & Class A Common Shares \$685,000 **PRAIRIE PLANT SYSTEMS INC.**

PRAIRIE PLANT SYSTEMS INC. provides innovative expertise and service into plant based systems for environmental and commercial applications. The company has secured contracts with National Research Council, Agriculture Canada and Health Canada for the Therapeutic Products Programme and the Medicinal Marijuana Project.



**Prairie Plant  
Systems Inc.**

Convertible Preferred Shares \$620,000 **QCC TECHNOLOGIES INC.**

QCC TECHNOLOGIES INC. is an advanced technology and engineering company trading on the TSX Venture Exchange. QCC provides specialized engineering services to client companies in the form of system analysis, specification design, applications and integration, consulting and support specifically relating to data communication. In addition, QCC has grown its outsourced IT services through its wholly owned subsidiary, Graycon Systems.



Class A Common Shares \$600,000 **QUARTUS ENERGY LTD.**

QUARTUS ENERGY LTD. is a private emerging oil and gas exploration, development and production company. Quartus has previously managed gas properties in southwestern Saskatchewan and excels in shallow gas optimization and maintaining and understanding geological settings.



**QUARTUS**

Retractable Preferred Shares & Class A Common Shares \$1,000,000 **RACK PETROLEUM LTD.**

RACK PETROLEUM LTD. has become a major supplier of bulk farm fuel and fertilizer as well as crop protection products and animal feed from its warehouse facility near Biggar and retail locations in Biggar, Rosetown, Perdue and Unity. In addition, the company has become a leader in crop consulting services through its expertise in Global Positioning Systems and Variable Rate Technology to assist with fertility planning.



Trust Units \$300,000 **TRINIDAD DRILLING LTD.**

TRINIDAD DRILLING LTD. provides oilfield drilling services to customers throughout the Western Canadian Sedimentary Basin. The company has grown primarily through the construction and acquisition of oil rigs and the development of long term drilling service relationships with customers.





# I N V E S T M E N T S



**UPTON RESOURCES INC.** \$339,188 Class A Common Shares

UPTON RESOURCES INC. is an oil and natural gas exploration and production company focusing on creating shareholder value through drilling and exploitation of internally generated prospects in southeast Saskatchewan, the northern US and northwest Alberta.



**WEYBURN INLAND TERMINAL LTD.** \$877,470 Class A Common Shares

WEYBURN INLAND TERMINAL INC. is a farmer owned and managed independent inland terminal and grain condominium complex on CP Rail's Soo line near Weyburn, Saskatchewan. The company's business focus is on processing, handling and marketing cereal grains and oil seeds to satisfy the specific demands of its customers. WIT was the first inland grain terminal in Canada to create grain condominiums for resale to farmers.



**PERFORMANCE PLANTS INC.** \$1,000,000 Convertible Preferred Shares & Warrants

PERFORMANCE PLANTS INC. is a leader in the genetic modification of plants with research focusing on stress reduction in crops that are faced with drought to allow for increased yield without negative effects during optimal growing seasons. The company has developed strategic partnerships with major seed production and distribution companies to commercialize its proprietary technologies.



**IMAGE WIRELESS COMMUNICATIONS INC.** \$1,500,000 Secured Debenture

IMAGE WIRELESS COMMUNICATIONS INC. is building a wireless telecommunications network across Saskatchewan. The company has created a Multichannel Multipoint Distribution System which can bring digital pictures and cd-quality stereo sound and wireless internet connection to clients.



**AVALON RESOURCES LTD.** \$1,000,000 Common Shares

AVALON RESOURCES LTD. is a private company that focuses on the exploration, development, acquisition and production of oil and gas in Saskatchewan. Avalon is currently focusing its exploration activities in the northwestern part of the province where it has experienced extremely positive drilling success.



# I N V E S T M E N T S

Redeemable Preferred Shares \$333,500 ***DEL-AIR SYSTEMS LTD.***

DEL-AIR SYSTEMS LTD. located in Humbolt, Saskatchewan, is a diversified manufacturer and distributor of air exchange units for use in the hog industry and playground structures, under the "Romperland" name, through various operating subsidiaries.



Class A Common Shares and Warrants \$1,000,000 ***ROMULUS EXPLORATION INC.***

ROMULUS EXPLORATION INC. is a private oil and gas company under the direction of a proven management team that has previously built and divested of Empire Energy Inc. in which Golden Opportunities Fund realized a 60% capital gain. Romulus specializes in the exploration, development, acquisition and production of oil and gas reserves.

ROMULUS EXPLORATION INC.

Trust Units \$81,990 ***TGS NORTH AMERICAN REAL ESTATE INVESTMENT TRUST***

TGS NORTH AMERICAN REAL ESTATE INVESTMENT TRUST was formed through the reorganization of TGS Properties. TGS REIT specializes in the aquisition of commercial real estate in western Canada.



Class A Common Shares and Convertible Debenture \$2,280,000 ***GOLDEN HEALTH CARE INC.***

GOLDEN HEALTH CARE INC. is focused on the development of long term care facilities for elderly residents. The facilities will be constructed in key centres across the province with the first facility located in Prince Albert, Saskatchewan.

GOLDEN HEALTH CARE INC.

***HEINZE TRAINING INSTITUTE OF APPLIED COMPUTER TECHNOLOGY***

\$350,000 Secured Debenture

HEINZE TRAINING INSTITUTE OF APPLIED COMPUTER TECHNOLOGY, is one of the largest private vocational schools in the province of Saskatchewan specializing in information technology training.



# F I N A N C I A L S

## Management's Responsibility for Financial Reporting

To the Shareholders of Golden Opportunities Fund Inc.

The financial statements are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management based on the information available to October 8, 2003, except as to Note 14, which is as of October 30, 2003, and are in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgments.

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

The Board of Directors discharges its duties relating to the financial statements primarily through the activities of its Audit and Valuation Committee (the "Committee"), which is composed of members of the Board of Directors.

The Committee has a responsibility for determining the value of the Fund's assets, the net asset value of the fund and the net asset value of the Class A Shares of the Fund at August 31, 2003. Hergott Duval Stack & Partners LLP, audited the value of the Class A Shares as at August 31, 2003, and concluded that the valuation determined by the Committee is materially correct.

The Committee meets with management to ensure that management is performing responsibly to maintain financial controls and systems, and to review the financial statements of the Fund. The Committee also meets with the independent auditors to discuss the audit approach, the review of internal account controls and the results of their examination, prior to submitting the financial statements to the Board of Directors and recommending their approval by the shareholders, and the engagement or re-appointment of the external auditors.

The financial statements have been audited by Hergott Duval Stack & Partners LLP, Chartered Accountants. The auditors' report outlines the scope of their audits and their opinions on the financial statements.

October 30, 2003



Grant Kook  
President and CEO



Boris Slipchuk  
Chief Financial Officer

# F I N A N C I A L S

## HERGOTT DUVAL STACK & PARTNERS LLP

CHARTERED ACCOUNTANTS

### PARTNERS

LYLE ZDUNICH, CA, PC Inc.  
R. JOE PARKER, B.COMM., CA  
THOMAS J. STACK, B.A., CA  
BARRY FRANK, B.COMM., CA  
BLAIR DAVIDSON, B.COMM., F.C.A.  
BERNIE A. BROUGHTON, B.COMM., CA  
DAVID W. BALLANTYNE, C.B.V., F.C.A.  
CRAIG HERMANN, B.COMM., CA  
CAROL MAILLOUX, CA, PC Ltd.  
EVAN SHOFOROST, CA, PC Ltd.

### SENIOR COUNSEL

LEE HERGOTT, B.COMM., CA  
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## Auditors' Report

### 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, 2003 and 2002, the statement of investment portfolio as at August 31, 2003 and the statements of operations, changes in net assets, and cash flows 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 Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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, 2003 and 2002, the results of its operations and the changes in net assets and cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

SASKATOON, SASKATCHEWAN

October 8, 2003

(except as to Note 14, which is as of October 30, 2003)



Chartered Accountants

# F I N A N C I A L S

## Statement of Net Assets

AUGUST 31, 2003

	<u>2003</u>	<u>2002</u>
<b><i>ASSETS</i></b>		
Cash	\$ 772,291	\$ 398,737
Marketable securities, at market value (a)	13,893,710	9,636,351
Subscriptions receivable	3,290	3,596
Accrued interest and other receivables	428,317	158,382
Prepaid expenses and deposits	7,140	5,123
Venture investments, at fair value (a)	16,183,067	10,092,119
Deferred charges, net of accumulated amortization of \$671,412 (2002 - \$386,055)	1,907,212	1,396,037
	<u>33,195,027</u>	<u>21,690,345</u>
<b><i>LIABILITIES</i></b>		
Accounts payable and accrued liabilities	179,506	113,904
Contingent incentive participation amount	430,349	54,414
Capital taxes payable	4,800	3,202
	<u>614,655</u>	<u>171,520</u>
<b><i>NET ASSETS</i></b>		
Net assets (Note 3)	<u>\$ 32,580,372</u>	<u>\$ 21,518,825</u>
Class A shares outstanding (Note 3)	<u>2,614,457</u>	<u>1,765,980</u>
Net asset value per Class A share	<u>\$ 12.46</u>	<u>\$ 12.19</u>

(a) Refer to Statement of Investment Portfolio for cost values.

Approved by the Board

Director



Boris Slipchuk

Director



Douglas W. Banzet

# F I N A N C I A L S

## Statement of Investment Portfolio

AUGUST 31, 2003

### Marketable securities

<u>Par Value/ Number of Shares</u>	<u>Issuer and Description of Security</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Market Value</u>
2,000,000	Newfoundland and Labrador Hydro, 3.31% treasury bill	September 22, 2003	\$ 1,971,580	\$ 1,971,580
3,967,000	Province of Newfoundland, 2.81% treasury bill	October 23, 2003	3,939,390	3,939,390
1,000,000	Business Development Bank of Canada, 3.33% promissory note	October 24, 2003	984,640	984,640
1,217,000	Government of Canada, 3.12% treasury bill	November 20, 2003	1,199,463	1,199,463
2,731,000	Government of Canada, 2.77% treasury bill	December 18, 2003	2,699,457	2,699,457
3,129,000	Province of Ontario, 2.68% treasury bill	January 6, 2004	3,099,180	3,099,180
<b>Marketable securities (42.6%)*</b>			<b>13,893,710</b>	<b>13,893,710</b>



# F I N A N C I A L S

## Statement of Operations

YEAR ENDED AUGUST 31, 2003

### *Investment income*

Interest  
Dividends  
Negotiation fees  
RRSP administration fees  
Other

### *Expenses*

Administration fees  
Audit  
Capital tax  
Custodian fees  
Directors' fees and expenses  
Legal  
Management fees  
Office  
Other costs  
Printing and reproduction  
Service fees

### *Investment loss for the year*

Net realized (loss) gain on disposition of venture investments  
Incentive participation amount (Note 4)  
Increase in contingent incentive participation amount (Note 4)  
Increase in unrealized appreciation of venture investments

### *Total net results of operations for the year*

### *Per Class A share* (a)

### *Investment loss for the year*

Realized and unrealized gains and losses, net of incentive participation amounts

Total net results of operations per share

	<u>2003</u>		<u>2002</u>
	\$		\$
	624,596		369,618
	436,460		140,060
	59,000		91,250
	14,805		13,335
	5,819		5,881
	<b>1,140,680</b>		<b>620,144</b>
	246,533		202,123
	73,451		24,227
	4,800		3,202
	18,117		12,516
	13,245		12,674
	13,177		2,130
	714,807		482,962
	38,623		27,800
	21,388		16,396
	36,946		33,246
	135,877		43,764
	<b>1,316,964</b>		<b>861,040</b>
	<b>(176,284)</b>		<b>(240,896)</b>
	(8,510)		261,225
	-		(52,245)
	(375,936)		(54,414)
	1,606,142		176,209
	<b>1,221,696</b>		<b>330,775</b>
	<b>\$ 1,045,412</b>		<b>\$ 89,879</b>
	<b>\$ (0.08)</b>		<b>\$ (0.16)</b>
	0.55		0.22
	<b>\$ 0.47</b>		<b>\$ 0.06</b>

(a) The per Class A share information provided above is calculated based on the average number of Class A shares outstanding during the year.

# F I N A N C I A L S

## Statement of Changes in Net Assets

YEAR ENDED AUGUST 31, 2003

### *Operating activities*

Total net results of operations for the year

### *Capital transactions*

Proceeds from the issuance of Class A shares

Redemption of Class A shares

Amortization of deferred charges

### *Increase in net assets during the year*

Net assets, beginning of year

### *Net assets, end of year*

### *Net asset value per Class A share* (a)

### *Realized gain on venture investments* (b)

### *Venture investments, at cost, beginning of year*

Venture investments purchased during the year

Venture investments repaid during the year

### *Venture investments, at cost, end of year*

Carrying cost of venture investment dispositions

Proceeds from disposition of venture investments

### *Net realized (loss) gain on disposition of venture investments*

	<u>2003</u>	<u>2002</u>
	\$ 1,045,412	\$ 89,879
	10,406,940	7,154,818
	(105,449)	(90,096)
	(285,356)	(194,161)
	<u>10,016,135</u>	<u>6,870,561</u>
	11,061,547	6,960,440
	21,518,825	14,558,385
	<u>\$ 32,580,372</u>	<u>\$ 21,518,825</u>
	\$ 12.46	\$ 12.19
	\$ 9,902,985	\$ 3,864,929
	5,682,489	6,976,906
	(264,454)	(73,820)
	15,201,020	10,768,015
	<u>14,387,790</u>	<u>9,902,985</u>
	933,230	865,030
	924,720	1,126,255
	<u>\$ (8,510)</u>	<u>\$ 261,225</u>

(a) Net asset value per Class A share: 2001 - \$12.33; 2000 - \$13.88; 1999 - \$9.79

(b) Marketable securities transactions - See Note 5



# F I N A N C I A L S

## Statement of Cash Flows

YEAR ENDED AUGUST 31, 2003

### *Cash flows from operating activities*

Investment loss for the year  
 Venture investments purchased  
 Venture investments repaid  
 Proceeds on disposition of venture investments  
 Incentive participation amount  
 Increase in contingent incentive participation amount  
 Net change in marketable securities  
 Net change in non-cash working capital balances relating to operations

### *Cash flows from financing activities*

Proceeds from the issuance of Class A shares  
 Increase in deferred charges  
 Redemption of Class A shares

### *Net increase in cash*

Cash, beginning of year

### *Cash, end of year*

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

Decrease in subscriptions receivable  
 (Increase) decrease in accrued interest and other receivables  
 Increase in prepaid expenses and deposits  
 Increase in accounts payable and accrued liabilities  
 Increase in capital taxes payable  
 Increase in contingent incentive participation amount

	<u>2003</u>	<u>2002</u>
	\$ (176,284)	\$ (240,896)
	(5,682,489)	(6,976,906)
	264,454	73,820
	924,720	1,126,255
	-	(52,245)
	(375,935)	(54,414)
	(4,257,359)	(298,071)
	171,487	143,447
	<u>(9,131,406)</u>	<u>(6,279,010)</u>
	10,406,940	7,154,818
	(796,531)	(578,286)
	(105,449)	(90,096)
	<u>9,504,960</u>	<u>6,486,436</u>
	373,554	207,426
	398,737	191,311
	<u>\$ 772,291</u>	<u>\$ 398,737</u>
	\$ 306	\$ 9,929
	(269,936)	40,110
	(2,017)	(1,063)
	65,601	36,855
	1,598	3,202
	375,935	54,414
	<u>\$ 171,487</u>	<u>\$ 143,447</u>

# F I N A N C I A L S

## Notes to the Financial Statements

AUGUST 31, 2003

### ***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").

# F I N A N C I A L S

## Notes to the Financial Statements

AUGUST 31, 2003

### 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 valued at cost unless there is an independent valuation, arm's length transaction or material event that establishes a new 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.

#### **Contingent incentive participation amount**

An incentive participation amount ("IPA") equal to 20% of any return derived from a venture investment in any fiscal year is payable to the Fund Manager, based on realized gains and provided specific criteria are met (see Note 4). The contingent IPA is an estimate, based on unrealized gains of the IPA that would have been payable had the fund disposed of its entire venture investment portfolio as at August 31, 2003.

#### **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.

# F I N A N C I A L S

## Notes to the Financial Statements

AUGUST 31, 2003

### 3. *Net assets and share capital*

The net assets of the Fund represent the issued share capital together with the cumulative operating retained earnings (deficit), net realized and unrealized gains on investments and amortization of deferred charges. As at August 31, 2003, the cumulative operating deficit including realized gains and losses on investments of the Fund and amortization of deferred charges amounted to \$995,861 (2002 - \$525,703).

The following is a description of the authorized and issued share capital:

#### Authorized

An unlimited number of

Class A shares, issued at an initial offering price of \$10 per share and thereafter issued at the net asset value to eligible investors and certain RRSPs, are subject to restrictions on transfer and redemption in accordance with legislation governing labour-sponsored venture capital corporations. The shares are voting, entitled to elect a minority of the Directors of the Fund, entitled to receive dividends at the discretion of the Board of Directors and may be transferred to certain RRIFs. The shares are redeemable at the net asset value less any redemption fee.

Class C shares, issuable in one or more series, with the number of shares, designation, 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

10 Class B shares, issuable only to the Sponsor or permissible employee organizations, are non-participating, voting and entitled to elect a simple 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*

	2003		2002	
	Shares	\$	Shares	\$
<b>Class A shares</b>				
Beginning of the year	1,765,980	\$ 21,909,708	1,181,148	\$ 14,844,986
Shares issued	857,160	10,406,940	592,257	7,154,818
Share redemptions	(8,683)	(105,449)	(7,425)	(90,096)
End of year	<b>2,614,457</b>	<b>32,211,199</b>	<b>1,765,980</b>	<b>21,909,708</b>
<b>Class B shares</b>				
Beginning of the year	10	100	10	100
Shares issued	-	-	-	-
End of year	<b>10</b>	<b>100</b>	<b>10</b>	<b>100</b>
<b>Total</b>	<b>2,614,467</b>	<b>\$ 32,211,299</b>	<b>1,765,990</b>	<b>\$ 21,909,808</b>

# F I N A N C I A L S

## Notes to the Financial Statements

AUGUST 31, 2003

### 4. *Expenses*

#### Management expenses

The Fund has retained Westcap Mgt. Ltd., a related party (Note 9), 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 entitled to an IPA equal to 20% of any return derived from a venture investment of the Fund in any fiscal year provided that: the Fund has earned sufficient income to generate a rate of return on all venture investments which is greater than the five-year average GIC rate of Co-operative Trust Company of Canada plus 1.5% on an annualized basis; has earned sufficient income from the particular investment to provide a cumulative investment return at an average annual rate in excess of 10% since investment; and, has recouped an amount from the venture investment, through income earned, liquidation of the investment, or otherwise, equal to all the principal invested in the particular venture investment. During the year, an IPA was paid to the Manager in the amount of \$0 (2002 - \$52,245) on the net realized gain on the disposition of a venture investment.

An estimated contingent IPA in the amount of \$430,349 (2002 - \$54,414) has been reflected in the statements in respect of unrealized gains as at August 31, 2003.

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 Unisen Inc. ("Unisen") to provide certain services to the Fund, including processing of sales orders and maintaining shareholder records. In the prior year, the January 14, 1998 agreement was assigned to Unisen as a result of the original service provider selling its fund accounting and record keeping business. 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.

#### 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 year, the Fund did not incur any commission expense on its liquid portfolio transactions.

#### Service fees

On April 1, 2002, the Fund began paying a quarterly service fee to its selling agents equal to .5% of the aggregate net asset value of the Fund. During the year, the Fund incurred service fees of \$135,877 (2002 - \$43,764).

# F I N A N C I A L S

## Notes to the Financial Statements

AUGUST 31, 2003

### 5. *Note to the Statement of Changes in Net Assets*

The changes in marketable securities at cost are as follows:

	<u>2003</u>	<u>2002</u>
<b>Marketable securities</b>		
Marketable securities, beginning of year	\$ 9,636,351	\$ 9,338,280
Marketable securities purchased during the year	33,077,438	24,678,155
Proceeds on marketable securities redeemed during the year	28,820,079	24,380,084
	<hr/>	<hr/>
Marketable securities at cost, end of year	<u>\$ 13,893,710</u>	<u>\$ 9,636,351</u>

### 6. *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% of the selling price 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, 2003 amount to \$702,469 (2002 - \$483,863).

### 7. *Income taxes*

Under the Income Tax Act (Canada) ("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. For the year ended August 31, 2003, the Fund did not distribute any deemed dividends.

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, 2003, the Fund has non-capital losses available for carryforward of \$2,304,859 that will begin to expire in 2006. No benefit from these losses has been recognized in the financial statements.

## Notes to the Financial Statements

AUGUST 31, 2003

**8. Management expense ratio**

The management expense ratio ("MER") of 6.31% (2002 - 5.37%; 2001 - 2.59%; 2000 - 8.17%; 1999 - 8.73% annualized) for the year ended August 31, 2003, includes the contingent IPA provision and all other fees and expenses paid or payable (excluding any commissions and brokerage fees on the purchase and sale of portfolio securities), and is expressed as a percentage of the average net assets administered during the year. If the contingent IPA provision was excluded from this calculation, the MER would have been 4.91% (2002 - 5.07%; 2001 - 4.75%; 2000 - 4.74%; 1999 - 8.73% annualized).

In 2001, 2000, and 1999, the Manager elected to waive a portion of its management fees and the Directors waived a portion of their fees. Without these waivers, the MER for 2001 would have been 2.87% (2000 - 8.81%; 1999 - 10.32% annualized). If the contingent IPA was excluded from this calculation, the MER for 2001 would have been 5.03% (2000 - 5.38%; 1999 - 10.32% annualized). As no Manager or Director's fees were waived during the previous two years, there is no impact on the 2003 MER of 6.31% and 2002 MER of 5.37%.

The 1999 comparative MER figures reflect a doubling of the actual management expenses since the Fund commenced active operations on March 1, 1999, while the 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.

**9. Related party transactions**

During the year, management fees, including GST, of \$714,807 (2002 - \$482,962) were paid and payable to the Manager, Westcap Mgt. Ltd., a company controlled by the Chief Executive Officer of the Fund. An IPA was paid to the Manager in the amount of \$0 (2002 - \$52,245) and a contingent IPA was accrued in the amount of \$430,349 (2002 - \$54,414).

Office and other costs, including rent, secretarial, janitorial and photocopying expenses totalling \$13,577 (2002 - \$12,935), were paid and payable to Tri-Sec Financial Group Ltd. ("Tri-Sec"), a company controlled by the Chief Executive Officer of the Fund.

At year end, the accounts payable and accrued liabilities balance includes management fees payable of \$72,760 (2002 - \$49,600) due to the Manager.

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

# F I N A N C I A L S

## Notes to the Financial Statements

AUGUST 31, 2003

### ***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, 2003 will be provided without charge on request to the Fund at Suite 1300, 410-22nd Street East, Saskatoon, Saskatchewan, S7K 5T6.

### ***11. Fair value of financial assets and liabilities***

Venture investments are carried at amounts in accordance with the valuation methods set out in Note 2. In management's opinion, the carrying values of other financial assets and liabilities approximate fair value.

### ***12. Eligible investments***

At the time of the initial investment, Quartus Energy Ltd. ("Quartus") was an eligible investment as defined under the Saskatchewan Act. Subsequently the investment has become ineligible with regards to certain Saskatchewan employment targets. As required under the Act the Fund has notified the minister. The Fund is working with senior management of Quartus to rectify the employment criteria issue.

### ***13. Comparative figures***

Certain of the comparative figures have been reclassified to conform to the current year's presentation.



## Notes to the Financial Statements

AUGUST 31, 2003

**14. Subsequent event**

- a) On September 4, 2003, the Fund committed to a \$350,000 convertible debenture investment in Heinze Institute of Applied Computer Technology ("HICAT"). HICAT is one of the largest private vocation schools in the province of Saskatchewan and specializes in information technology training.
- b) On September 30, 2003, the Fund sold the \$120,000 debenture it held in TGS Properties Inc. at par.
- c) On October 30, 2003, the Fund committed \$2,280,000 for common shares and a convertible debenture investment in Golden Health Care Inc. ("GHC") GHC is developing long term health care facilities for elderly residents in the Province of Saskatchewan.
- d) On October 30, 2003, the Fund committed to exercise Avalon Resources Ltd. ("Avalon") share purchase warrants in the amount of \$400,000. Avalon is a private emerging oil and gas exploration and development company.
- e) Consistent with industry practice, and as described in Note 2, it has been the Fund's policy to capitalize sales commissions related to the sale of shares as deferred charges and to amortize the deferred charges on a straight line basis over eight years.

In July 2003, the Canadian Institute of Chartered Accountants (CICA) issued a new recommendation which revised the definition of Generally Accepted Accounting Principles (GAAP). The result of this change is that, after a transitional period which will end not later than September 1, 2004, the Fund will no longer be able to account for sales commissions as deferred charges, but rather they will be accounted for as share issuance costs and recorded as a capital transaction in the statement of net assets, as incurred.

Due to the CICA's recommendation, on October 9, 2003, the Saskatchewan Financial Services Commission - Securities Division (the "Commission") indicated that National Instrument 81-106 "Investment Fund Continuous Disclosure," expected to be effective on July 1, 2004, would prohibit labour sponsored investment funds (LSIFs) from reflecting sales commissions as a deferred charge. The Commission has indicated that those LSIFs that cease adding new sales commissions to the existing deferred charge by December 31, 2003, will be provided transitional relief to allow the continued amortization of the deferred charge established prior to January 1, 2004, for purposes of calculating the net asset value of the LSIF's shares for purchases and redemptions of such shares.

## Directors / Officers

Grant J. Kook  
CEO/Chairman  
of the Board

Boris Slipchuk  
Chief Financial  
Officer/Director

Honorable  
William McKnight  
Director

John W. H. Green  
Director

Brian L. Barber  
Director

Marlene K. Moleski  
Director

Douglas W. Banzet  
Director

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

*Corporate Counsel • MacPherson Leslie & Tyerman LLP • 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 • Unisen Inc. • 2920 Matheson Boulevard East • Mississauga, ON L4W 5J4*

*Fund Dealer Code No. GOF-501*

*Saskatchewan's First and Largest Provincial  
Labour-sponsored Venture Capital Corporation*

Capitalizing on Saskatchewan's golden opportunities

# Sask. biotech sector still growing

Biotech company nurtured in at has had a global impact. keynote speaker Thursday investment forum says Brody says the cap of the "high mushroom" in Saskatchewan should tag biotech and all other IT and tech will be the stem support

## Profitable year for terminal

By Adrian Ewins  
Saskatoon newsroom

Weyburn Inland Terminal have reported net after-tax earnings of \$2.7 million for 2002.

## Enterprise

### DRILLING RECORD SET

Saskatchewan has set a record for natural gas drilling for the fifth year in a row, with 2,134 gas wells to date, smashing the record of 1,874 gas wells set in 1997.

## Investing in Saskatchewan a golden opportunity

Golden Opportunities Fund Inc. came into existence in 1999. It was the brainchild of Grant Kook, Chairman and CEO of the company. Golden Opportunities was Saskatchewan's first provincial labour-sponsored venture fund, and it took two years of hard work to get the company off the ground. It has now grown to include some 7,000 shareholders who have invested approximately \$35 million in 18 different Saskatchewan companies.

"We were one of the last provinces in Canada to get their own provincial labour funds," Kook said, "and it took two years to get the fund running because it was a very meticulous process dealing with various provincial governments."

## Enterprise

### RECORD SALES REVENUE

Philom Bios Inc. of Saskatoon on Monday reported record sales revenue for 2002. It's the fifth straight year the privately held company has seen an increase in sales of its biological inoculants, used by pulse crop growers to help plants take up nitrogen and other soil nutrients. "Despite the extreme pressures in the marketplace, Philom Bios had an extraordinary year in 2002 and we believe that our business model serves as a road map to the future," said president and chair John Cross. Bios reported its revenues increased 174 per cent from 2001 to 2002, to \$9.88 million. The company reported its revenues increased 174 per cent compared to 2001 when a new business model was implemented to allow the company to weather the ups and downs of the market cycle. The company's revenues after tax of \$1.5 million in 2002, a 100 per cent increase over 2001. The company started in 1999 and has had a steady decline in revenue over the last few years.

links between businesses and universities is a better position to develop a biotech industry. Brody who says the cap of the "high mushroom" in Saskatchewan should tag biotech and all other IT and tech will be the stem support

One of the things that impressed Kook is that Ract uses technology such as Global Positioning Systems (GPS) to take soil samples and make precise maps of a field's nutrient needs. When fertilizer is applied to the field, the amount is increased or decreased depending on what's required. That's just one of the services Ract provides its farm customers, said owner Dennis Bulant, who sold farm inputs under the name Bulant Agri. Last year, he adopted the Ract Petroleum name when he became a Ract Petroleum customer.

## Venture capital fund invests \$1 million in Biggar enterprise

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# \$1.5M phosphate facility

## Sale of oil, natural gas rights in April highest in six years

By Bruce Johnstone  
Saskatchewan News Network

Shackleton, northwest of Swift Current, a couple of years ago has moved farther west. The top price for a single licence in the Swift Current area was \$664,750 in the vicinity of Saskatchewan Landing

## Conf draws n biot

Delegates from 20 countries gathered in Saskatoon

By Murray Lyons  
Saskatoon News Network

Local anti-globalization activists are planning to disrupt the opening of the fourth Agricultural Biotechnology Conference (ABIC) in Saskatoon. The president of Ag-West Biotech of Saskatoon, says the conference will be a success. The president of Ag-West Biotech of Saskatoon, says the conference will be a success. The president of Ag-West Biotech of Saskatoon, says the conference will be a success.

# Sask. biotech sector still growing

## Profitable year for terminal

By Adrian Ewins  
Saskatoon newsroom

Westburn Inland Terminal have reported net after-tax earnings of \$2.5 million for 2002.

Each company featured in at least had a global impact. Kynate speaker Dancley... finally says the cap of the "high school" in Saskatchewan should... up Saskatchewan and all other IT and... will be the winners.

### Enterprise

#### RECORD SALES REVENUE

Phillon Bios Inc. of Saskatoon on Monday reported record sales revenue for 2002. It's the fifth straight year the privately held company has seen an increase in sales of its biological inoculants, used by pulse crop growers to help plants take up nitrogen. The company had an extraordinary year in 2002 and we believe that our business model serves as a road map to the future," said president and chair John Cross. Bios reported its revenue rose 174 per cent from 2001 to \$2.88 million. The company reported a 174 per cent increase when a new business was added to allow the company to take on more work.

I think between... a better job... to develop a... really well... lawyer before.

*Investing in Your Future ~ Investing in Saskatchewan*

## Investing in Saskatchewan a golden opportunity



Golden Opportunities Fund Inc.  
Suite,1300, 410 22nd Street East  
Saskatoon, Saskatchewan S7K 5T6  
Tel: (306) 652-5557  
[www.goldenopportunities.ca](http://www.goldenopportunities.ca)

venture capital fund invests \$1 million in Biggar enterprise  
\$1.5M phosphate facility  
set for Belle Plaine