



2011 Interim Financial Statements (unaudited) For the period ended February 28, 2011

GrowthWorks Atlantic Venture Fund Ltd.

Balanced Series

GIC Series

Growth Series

Financial Services Series

Performance Diversification Know-How

A large, light blue, stylized graphic in the bottom right corner of the page. It depicts two human figures from the waist up, facing each other with their arms raised and hands held together in a supportive or celebratory gesture. The lines are thick and rounded, creating a sense of movement and connection.

To our investors:

The first half of our fiscal year was very active, with a new investment in Newfoundland and Labrador, the acquisition of Virtual Expert Clinics Inc. in Fredericton by a California company and the approval for an investment in a New Brunswick-based technology company.

Our portfolio companies, meanwhile, continue to make good headway, with many reporting higher revenues as Canadian and global economies slowly recover from the recession. However, fundraising during the 2010-2011 RRSP season was difficult, with the Fund raising \$2.9 million from investors, as many Canadians chose not to invest through their RRSP despite the upturn in Canada's economy.

Virtual Expert Clinics acquired by California company

In September, Virtual Expert Clinics Inc. (VEC) of Fredericton was acquired by California-based Trumpet Search LLC. As part of the acquisition, the Fund maintains an interest in Trumpet Search. VEC is now part of a much larger enterprise focussed on services within the autism space and we foresee better growth potential for the combined companies as a result. Trumpet Search, which operates Trumpet Behavioral Health, plans to grow through acquisitions and to maintain VEC's presence in New Brunswick.

Fund invests \$1 million in ClearRisk of Newfoundland and Labrador

The Fund helped diversify economic growth in Atlantic Canada by investing \$1 million in **ClearRisk Inc.**, a Newfoundland and Labrador-based company that provides web-based risk-management solutions for small to medium-size enterprises. The Fund's investment, its second in Newfoundland and Labrador, was part of a \$1.3 million financing with First Angel Network, a not-for-profit organization that facilitates high net worth individuals to invest in early stage companies in Atlantic Canada.

We believe that ClearRisk has significant growth potential with its unique product offering and strong management team. The company anticipates using proceeds to keep pace with sales growth, and accelerate expansion into markets such as New England, Chicago and the southeastern United States.

The Fund also completed a follow-on investment of \$500,000 in **Impath Networks** Canada Inc. of Halifax. Impath develops video surveillance systems used to monitor transportation systems, bridges and tunnels, government and military facilities, airports and city centres, among other facilities.

New investment in Moncton software company approved

Most recently, positive deal flow in New Brunswick has resulted in the Fund's approval for a \$1.35 million investment in **Lymbix Inc.** of Moncton. This promising software company develops tools that help organizations measure the tone and emotional impact of words in everyday written language. When applied to the huge volume of social media, Lymbix' real-time sentiment technology helps companies better understand their customers and prospects by measuring real emotions like friendliness, enjoyment, sadness, anger, and shame on an individual message level in any domain. The financing was approved by the end of February and closed in March 2011.

Portfolio companies growing revenues

A number of our portfolio companies continue to grow revenues and we are looking for them to post even better performance in 2011.

- **Virtual Marine Technology Inc.** (VMT) of St. John's, which develops simulators for survival and fast-response marine craft, and high-speed electronic navigation training, will supply a lifeboat simulator and training courseware to Duncan y Cossio S.A. of Mexico. Duncan, one of Mexico's leading providers of inspection, maintenance and recertification services for lifeboats, will install the simulator at its lifeboat service facility in Ciudad del Carmen. VMT also received DNV certification for its MissionQuest fast-response craft and SurvivalQuest-Freefall lifeboat simulators. The certification from DNV, one of the world's most recognized maritime classification societies, will help the company develop a key growth market in simulation training.
- **Sampling Technologies Inc.** (STI) of Halifax, has added staff, increased revenues and moved to larger office space in response to growing demand for its innovative health care marketing solutions. STI has contracted with over 60 customers for more than 250 programs that give patients and health care

providers greater convenience. Its smart-card system, for instance, provides patients a number of benefits, including immediate financial assistance when purchasing drugs at a pharmacy.

Venture Portfolio Composition

The following tables summarize certain information on the Fund's holdings as of February 28, 2011.

Asset Class Weighting by Market Value

- Private venture 51%
- Public venture 4%
- Fixed income 25%
- Income notes 17%
- Index notes 3%

Industry Weighting by Net Asset Value

- Information technology 80%
- Biotech 19%
- Entertainment & other 1%

Top-10 Holdings by Market Value

1. Azorus Inc.
2. AnyWare Group Inc
3. Origin Biomed Inc.
4. Sampling Technologies Inc.
5. Virtual Marine Technologies Inc.
6. Impath Networks Canada Corporation
7. ClearRisk Inc.
8. Spectral Diagnostics Inc.
9. Virtual Expert Clinics
10. DHX Media Ltd.

Holdings by Province

- Newfoundland and Labrador 2
- New Brunswick 6
- Nova Scotia 5

For more information on our portfolio companies, visit www.growthworks.ca/atlantic and choose “Portfolio.” Then click on the link to the respective company’s website.

Venture capital supply remains tight

Deal flow continues to be good, although the tight supply of venture capital in Atlantic Canada is making it difficult to find venture partners to invest alongside the Fund. Recently, however, Nova Scotia Premier Darrell Dexter announced that the province is exploring forming a privately managed venture capital fund.

Premier Dexter intends to approach other Atlantic provinces and the federal government about establishing a regional fund to invest in clean technology, life sciences, information technology and other high-growth sectors. We applaud this initiative and the progress being made on regional co-operation for a stronger and more prosperous Atlantic Canada.

Diversified Series consolidated into Balanced Series

In December, shareholders approved the consolidation of the Fund’s Diversified Series shares into Balanced Series shares. The consolidation was effected through a conversion of Diversified Series shares into Balanced Series shares based on the relative net asset value (NAV) per share of the two series.

Our outlook

Venture capital by definition is long-term, patient capital. It can take several years, and numerous rounds of financing, before an early stage company generates a return on investment through a liquidation event, such as an initial public offering (IPO) or merger and acquisition (M&A) transaction.

For the Fund's venture capital portfolio, we have witnessed gratifying progress in several companies over the past 6 months following a period of slower growth because of the recession. We are also seeing positive trends globally in M&A and IPO transactions. We believe, therefore, that one or more of our portfolio companies could be acquired in 2011. In the meantime, we continue to work closely with the management of our portfolio companies to help them achieve their business development and growth objectives.

I thank our shareholders for their confidence and trust, and I welcome new shareholders. I also thank our portfolio company management teams for their hard work and achievements.

Sincerely,



Thomas J. Hayes

President and CEO

GrowthWorks Atlantic Venture Fund Ltd.

This report contains forward looking statements that are not based on historical or current fact, including statements containing the words "believes," "may," "anticipates," "estimates," "expects" or "will". These statements primarily relate to assessments of the future economic and market conditions for the Fund, the plans and prospects of, and results achieved by, portfolio companies, deal flow and future capital raising and investment activity, expectations for divesting from investments in the Fund's venture portfolio and new government programs that may increase the availability of venture capital. Events or circumstances may cause actual results to differ materially from those expressed or implied by such forward looking statements as a result of numerous known and unknown risks, including but not limited to economic and market conditions, results achieved by portfolio companies, deal flow and future capital raising and investment activity, timing of and proceeds from divestments of portfolio investments, changing government policies and those risks referenced in the Fund's filings with Canadian securities regulators. Most of these factors are beyond the control of the Fund and its manager. Neither the Fund nor its manager assumes any obligation to update any of the forward-looking statements made in this report.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Net Assets - Balanced Series

| | At February 28, 2011 | At August 31, 2010 |
|---|-------------------------|-----------------------|
| | (unaudited) | |
| Assets | | |
| Short-term investments and bonds | \$ 3,223,239 | \$ 4,441,900 |
| Bank instruments | 3,143,915 | 3,191,720 |
| Income notes | 4,847,230 | 4,172,501 |
| Total non-venture assets | 11,214,384 | 11,806,121 |
| Venture investments | 14,585,789 | 13,825,335 |
| Total portfolio assets | 25,800,173 | 25,631,456 |
| Cash | 546,361 | 1,124,782 |
| Subscriptions receivable | - | - |
| Accounts Receivable | - | - |
| Accrued interest receivable | 2,110,601 | 1,820,039 |
| Income and capital taxes recoverable | 307,857 | 309,164 |
| Future income tax asset [Note 7] | - | - |
| Inter-series receivable [Note 6(c)] | - | - |
| | 28,764,992 | 28,885,441 |
| Liabilities | | |
| Accounts payable and accrued liabilities [Note 9] | 206,361 | 409,262 |
| Income and capital taxes payable | - | - |
| Inter-series payable [Note 6(c)] | 344,772 | 496,548 |
| | 551,133 | 905,810 |
| Net assets | \$ 28,213,859 | \$ 27,979,631 |
| Shares outstanding [Note 5] | 3,554,235 | 3,469,872 |
| Net assets per share | \$ 7.94 | \$ 8.06 |

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Operations - Balanced Series

| | Six month period ended February 28, 2011 | Six month period ended February 28, 2010 |
|---|---|---|
| | (unaudited) | (unaudited) |
| Investment income: | | |
| Interest - short-term investments and bonds | \$ 62,631 | \$ 74,885 |
| Interest - bank instruments | 43,598 | 42,057 |
| Interest - income notes | 150,243 | 165,967 |
| Interest - venture investments | 236,829 | 367,774 |
| Interest - other | - | 16,884 |
| | 493,301 | 667,567 |
| Expenses: | | |
| Management fees [Note 6(a)] | 277,895 | 284,266 |
| Administration fees [Note 6(a)] | 277,895 | 284,266 |
| Capital retention administration fee [Note 6(a)] | 134,612 | 131,679 |
| Service fees [Note 5] | 66,372 | 67,008 |
| Capital taxes | - | 4,949 |
| Other | 122,259 | 243,915 |
| | 879,033 | 1,016,083 |
| Net investment income (loss) before income taxes | (385,732) | (348,516) |
| Provision for income taxes (expense) recoverable | (25,262) | - |
| Future income tax recovery (expense) | - | 157,262 |
| Net investment income (loss) | (410,994) | (191,254) |
| Net realized gain (loss) from: | | |
| Sale of short-term investments and bonds | - | (20) |
| Venture investments | - | 62,141 |
| | - | 62,121 |
| Change in unrealized appreciation (depreciation) of: | | |
| Short-term investments and bonds | (17,873) | (18,189) |
| Bank instruments | (16,816) | 34,561 |
| Income notes | 649,372 | 694,431 |
| Venture investments | (641,112) | 82,550 |
| | (26,429) | 793,353 |
| Increase (decrease) in net assets from operations | \$ (437,423) | \$ 664,220 |
| Increase (decrease) in net assets from operations per share | \$ (0.13) | \$ (0.19) |

See accompanying notes to financial statements.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Changes in Net Assets - Balanced Series

| | Six month period ended February 28, 2011 | Six month period ended February 28, 2010 |
|---|---|---|
| | (unaudited) | (unaudited) |
| Net assets, beginning of period | \$ 27,979,631 | \$ 27,725,420 |
| Changes during period: | | |
| Increase (decrease) in net assets from operations | (437,423) | 664,220 |
| Capital transactions: | | |
| Shares issued on conversion of Diversified Series Class A shares [Note 8] | 309,776 | - |
| Proceeds from issuance of Class A shares | 1,246,642 | 2,013,420 |
| Amounts paid for Class A shares redeemed | (884,767) | (634,008) |
| | 671,651 | 1,379,412 |
| Net assets, end of period | \$ 28,213,859 | \$ 29,769,052 |

See accompanying notes to financial statements.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Cash Flows - Balanced Series

| | Six month period ended February 28, 2011 | Six month period ended February 28, 2010 |
|---|---|---|
| | (unaudited) | (unaudited) |
| Cash flows provided by (used for): | | |
| Cash flows from operating activities: | | |
| Net investment income (loss) | \$ (410,994) | \$ (191,254) |
| Changes in non-cash operating accounts: | | |
| Accrued interest receivable | (290,560) | (282,977) |
| Accounts receivable | - | - |
| Accounts payable and accrued liabilities | (210,501) | (212,296) |
| Income and capital taxes payable (recoverable) | 8,035 | 42,298 |
| Future income taxes payable (receivable) | - | (157,262) |
| Inter-series payable (receivable) | 151,170 | (671,641) |
| Total used in operations | (752,850) | (1,473,132) |
| Cash flows from investing activities: | | |
| Proceeds of disposition of portfolio assets | | |
| Disposition of venture investments | 11,500 | 574,287 |
| Disposition of short-term investments and bonds | 1,840,000 | 7,783,895 |
| Disposition of bank instruments | - | - |
| Disposition of index notes | - | - |
| Purchase of portfolio assets | | |
| Purchase of venture investments | (1,500,000) | (1,337,000) |
| Purchase of short-term investments and bonds | (538,946) | (5,531,225) |
| Purchase of bank instruments | - | - |
| Purchase of income notes | - | - |
| Total used for investing activities | (187,446) | 1,489,957 |
| Cash flows from financing activities: | | |
| Proceeds from issuance of Class A shares | 1,246,642 | 2,013,420 |
| Payment on redemption of Class A shares | (884,767) | (634,008) |
| Subscriptions receivable | - | - |
| Total from financing activities | 361,875 | 1,379,412 |
| Net increase (decrease) in cash position | (578,421) | 1,396,237 |
| Cash position, beginning of period | 1,124,782 | 403,277 |
| Cash position, end of period | \$ 546,361 | \$ 1,799,514 |
| Supplemental Cash Flow information: | | |
| Allocation of investment assets and inter-series payable (receivable) | \$ 185,120 | \$ (725,774) |
| Non cash increase in net assets due to merger of Diversified series | \$ 309,776 | \$ - |

See accompanying notes to financial statements.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Balanced Series, as at February 28, 2011

Discussion of Financial Risk Management (Note 4)

Liquidity Risk

At the period end, all of the Fund's financial liabilities are due within one year. Total financial liabilities of the Series as at February 28, 2011 were \$551,133 (August 31, 2010: \$905,810). In addition, as of February 28, 2011, there was \$2.1 million (August 31, 2010: \$1.8 million) in shares that were eligible for redemption without penalty. The Fund is not required to redeem all eligible shares upon request. Refer to Note 5 (Share Capital) for details regarding limitations and restrictions.

Credit Risk

The maximum exposure to credit risk at February 28, 2011 is \$18.7 million (August 31, 2010: \$19.7 million) which represents approximately 66.6% (August 31, 2010: 70.5%) of the Series' net assets. This is comprised of \$5.5 million (August 31, 2010: \$6.0 million) of venture investments, \$3.2 million (August 31, 2010: \$4.4 million) of short-term investments and bonds, \$3.1 million (August 31, 2010: \$3.2 million) of bank instruments, \$4.8 million (August 31, 2010: \$4.2 million) of income notes and \$2.1 million (August 31, 2010: \$1.9 million) in receivables.

- Venture Investments:

An analysis of the fair value of venture debt investments owned by the Fund that are past due and/or impaired as at February 28, 2011 and August 31, 2010 is as follows:

| Venture Investments Debt | Impaired only | | Past Due only | | Past Due and Impaired | | Total Past Due and/or Impaired | |
|--------------------------|---------------|--------------|---------------|------|-----------------------|------|--------------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current | \$ 900,000 | \$ 1,500,000 | \$ - | \$ - | \$ - | \$ - | \$ 900,000 | \$ 1,500,000 |
| Total | \$ 900,000 | \$ 1,500,000 | \$ - | \$ - | \$ - | \$ - | \$ 900,000 | \$ 1,500,000 |

The Fund holds no collateral on these investments as security. Cumulative unrealized loss recorded in the valuation of the Fund's net assets for all venture debt investments is \$2.9 million (August 31, 2010: \$2.3 million). No other investments are past due or impaired at February 28, 2011.

- Short-term Investments, Bonds, and Bank Instruments:

An analysis of the credit ratings of the Series' short-term investments, bonds and bank instruments as at February 28, 2011 and August 31, 2010 is as follows:

| Short-term Investments, Bonds and Bank Instruments by Credit Rating | Fair Value | | Percentage of Portfolio | | Percentage of Net Assets | |
|---|---------------------|---------------------|-------------------------|---------------|--------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | AAA | \$ 1,543,989 | \$ 1,045,118 | 24.2% | 13.7% | 5.5% |
| AA | 3,807,126 | 5,566,812 | 59.8% | 72.9% | 13.5% | 19.9% |
| A | 266,039 | 271,690 | 4.2% | 3.6% | 0.9% | 1.0% |
| Not available | 750,000 | 750,000 | 11.8% | 9.8% | 2.7% | 2.7% |
| Total | \$ 6,367,154 | \$ 7,633,620 | 100.0% | 100.0% | 22.6% | 27.3% |

These credit ratings were obtained from credit rating services. Where more than one rating exists for a short-term investment, bond or bank instrument, the lower rating has been used.

- Income Notes:

The Series' portfolio of income notes are issued by National Bank of Canada, a Canadian Schedule I bank. Given the strength and standing of this institution, the Manager does not perceive a significant risk of credit loss to the Series' holdings in these investments.

Currency Risk

There was no exposure to foreign currencies at the period end.

Interest Rate Risk

At February 28, 2011 short-term investments, bonds, and bank instruments, comprising approximately 22.6% (August 31, 2010: 27.3%) of the Series' net assets, are exposed to interest rate risk. The Manager does not consider the Series' venture debt investments to be exposed to interest rate risk as discussed in note 4(b)(iii). At February 28, 2011, if market interest rates had increased or decreased by 1% with all other factors remaining constant, net assets for the Series would have decreased or increased respectively by approximately \$134,000 (August 31, 2010: \$200,000), representing approximately 0.5% (August 31, 2010: 0.7%) of the Series' net assets. In practice, actual results may differ from the sensitivity analysis, and the difference could be material. The following table summarizes the Series' exposure to interest rate risk analyzed by maturity date:

| Short-term Investments, Bonds, and Bank Instruments by maturity date | Fair Value | | Percentage of portfolio | | Percentage of net assets | |
|--|---------------------|---------------------|-------------------------|---------------|--------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Less than 1 year | \$ 781,741 | \$ 967,755 | 12.3% | 12.6% | 2.8% | 3.5% |
| 1 - 3 years | 3,238,271 | 3,764,469 | 50.8% | 49.3% | 11.5% | 13.4% |
| 3 - 5 years | 2,347,142 | 2,370,253 | 36.9% | 31.1% | 8.3% | 8.5% |
| 5-7 years | - | 531,143 | - | 7.0% | - | 1.9% |
| Total | \$ 6,367,154 | \$ 7,633,620 | 100.0% | 100.0% | 22.6% | 27.3% |

Other Price Risk

As at February 28, 2011 the Series is exposed to other price risk from public venture investments and income notes. Public venture investments represent \$1.0 million (August 31, 2010: \$1.2 million) or 3.7% (August 31, 2010: 4.2%) of the Series' net assets. Investments in income notes represent approximately \$4.8 million (August 31, 2010: \$4.2 million) or 17.2% (August 31, 2010: 14.9%) of the Series' net assets. At February 28, 2011, a 1% increase or decrease in the related portfolio benchmark would have the following increase or decrease, respectively, on the fair value of the various portfolios:

| Portfolio | Benchmark | Effect on Net Assets | | Percentage effect on Net Assets | |
|-----------------------|-----------------------------------|----------------------|------------------|---------------------------------|-------------|
| | | 2011 | 2010 | 2011 | 2010 |
| Venture (public only) | S&P/TSX Small Cap Index | \$ 12,604 | \$ 32,687 | 0.0% | 0.1% |
| Income Notes | S&P/TSX Capped Income Trust Index | 25,690 | 59,250 | 0.1% | 0.2% |
| | | \$ 38,294 | \$ 91,937 | 0.1% | 0.3% |

Therefore, if each portfolio benchmark increased or decreased by 1% simultaneously, the fair value of the portfolio would increase or decrease, respectively, by approximately \$38,294 (August 31, 2010: \$91,937) or 0.1% (August 31, 2010: 0.3%) of net assets. This sensitivity analysis is based on the risk and return characteristics of the respective portfolio benchmarks compared to the actual Series portfolio holding calculated using regression analysis based on monthly observations and holding all other factors constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Net Assets – GIC Series

| | At February 28, 2011 | At August 31, 2010 |
|---|-------------------------|-----------------------|
| | (unaudited) | |
| Assets | | |
| Short-term investments and bonds | \$ - | \$ - |
| Guaranteed investment certificates | 725,000 | 670,000 |
| Venture investments | 275,690 | 303,068 |
| Total portfolio assets | 1,000,690 | 973,068 |
| Cash | 27,526 | - |
| Subscriptions receivable | 219,657 | 109,402 |
| Accounts receivable | - | - |
| Accrued interest receivable | - | - |
| Income and capital taxes recoverable | 17,851 | 20,178 |
| Future income tax asset [Note 7] | - | - |
| Inter-series receivable [Note 6(c)] | 39,281 | 5,032 |
| | 1,305,005 | 1,107,680 |
| Liabilities | | |
| Accounts payable and accrued liabilities [Note 9] | 6,360 | 7,035 |
| Income and capital tax payable | - | - |
| Inter-series payable [Note 6(c)] | - | - |
| | 6,360 | 7,035 |
| Net assets | \$ 1,298,645 | \$ 1,100,645 |
| Shares outstanding [Note 5] | 144,672 | 118,152 |
| Net assets per share | \$ 8.98 | \$ 9.32 |

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Operations - GIC Series

| | Six month period ended February 28, 2011 | Six month period ended February 28, 2010 |
|---|---|---|
| | (unaudited) | (unaudited) |
| Investment income: | | |
| Interest - short-term investments and bonds | \$ - | \$ - |
| Interest - GIC | 2,839 | - |
| Interest - venture investments | 4,986 | 6,077 |
| Interest - other | - | 587 |
| | 7,825 | 6,664 |
| Expenses: | | |
| Management fees [Note 6(a)] | 10,984 | 5,643 |
| Administration fees [Note 6(a)] | 10,984 | 5,643 |
| Capital retention administration fee [Note 6(a)] | 4,563 | 2,241 |
| Service fees [Note 5] | 2,640 | 1,360 |
| Capital taxes | - | 612 |
| Other | 4,900 | 3,836 |
| | 34,071 | 19,335 |
| Net investment income (loss) before income taxes | (26,246) | (12,671) |
| Provision for income taxes (expense) recoverable | - | - |
| Future income tax recovery (expense) | - | 6,168 |
| Net investment income (loss) | (26,246) | (6,503) |
| Net realized gain (loss) from: | | |
| Sale of short-term investments and bonds | - | - |
| Sale of guaranteed investment certificates | - | - |
| Venture investments | - | 1,011 |
| | - | 1,011 |
| Change in unrealized appreciation (depreciation) of: | | |
| Short-term investments and bonds | - | - |
| Guaranteed investment certificates | - | - |
| Venture investments | (14,335) | 810 |
| | (14,335) | 810 |
| Increase (decrease) in net assets from operations | \$ (40,581) | \$ (4,682) |
| Increase (decrease) in net assets from operations per share | \$ (0.33) | \$ (0.07) |

See accompanying notes to financial statements.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Changes in Net Assets - GIC Series

| | Six month period ended February 28, 2011 | Six month period ended February 28, 2010 |
|---|---|---|
| | (unaudited) | (unaudited) |
| Net assets, beginning of period | \$ 1,100,645 | \$ 538,458 |
| Changes during year: | | |
| Increase (decrease) in net assets from operations | (40,581) | (4,682) |
| Capital transactions: | | |
| Proceeds from issuance of Class A shares | 250,431 | 413,657 |
| Amounts paid for Class A shares redeemed | (11,850) | - |
| | 238,581 | 413,657 |
| Net assets, end of period | \$ 1,298,645 | \$ 947,433 |

See accompanying notes to financial statements.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Cash Flows - GIC Series

| | Six month period ended February 28, 2011 | Six month period ended February 28, 2010 |
|---|---|---|
| | (unaudited) | (unaudited) |
| Cash flows provided by (used for): | | |
| Cash flows from operating activities: | | |
| Net investment income (loss) | \$ (26,246) | \$ (6,503) |
| Changes in non-cash operating accounts: | | |
| Accrued interest receivable | - | - |
| Accounts receivable | - | - |
| Accounts payable and accrued liabilities | (675) | 441 |
| Income and capital taxes payable (receivable) | 2,327 | 612 |
| Future income taxes payable (receivable) | - | (6,168) |
| Inter-series payable (receivable) | (21,207) | 16,981 |
| Total used in operations | (45,801) | 5,363 |
| Cash flows from investing activities: | | |
| Proceeds of disposition of portfolio assets | | |
| Disposition of venture investments | - | - |
| Disposition of short term investments and bonds | - | - |
| Disposition of guaranteed investment certificates | 1,350,000 | 960,000 |
| Purchase of portfolio assets | | |
| Purchase of venture investments | - | - |
| Purchase of short term investments and bonds | - | - |
| Purchase of guaranteed investment certificates | (1,404,999) | (1,000,000) |
| Total used for investing activities | (54,999) | (40,000) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of Class A shares | 250,431 | 413,657 |
| Payment on redemption of Class A shares | (11,850) | - |
| Subscriptions receivable | (110,255) | (198,397) |
| Total from financing activities | 128,326 | 215,260 |
| Net increase (decrease) in cash position | 27,526 | 180,623 |
| Cash position, beginning of period | - | - |
| Cash position, end of period | \$ 27,526 | \$ 180,263 |
| Supplemental Cash Flow information: | | |
| Allocation of investment assets and inter-series payable (receivable) | \$ 13,042 | \$ (102,516) |

See accompanying notes to financial statements.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

GIC Series, as at February 28, 2011

Discussion of Financial Risk Management (Note 4)

Liquidity Risk

At the period end, all of the Fund's financial liabilities are due within one year. Total financial liabilities of the Series as at February 28, 2011 were \$ 6,360 (August 31, 2010: \$7,035). In addition, as of February 28, 2011, there was \$7,567 (August 31, 2010: \$3,350) in shares that were eligible for redemption without penalty. The Fund is not required to redeem all eligible shares upon request. Refer to Note 5 (Share Capital) for details regarding limitations and restrictions.

Credit Risk

The maximum exposure to credit risk at February 28, 2011 is \$1.0 million (August 31, 2010: \$ 910,469) which represents approximately 80.7% (August 31, 2010: 82.7%) of the Series' net assets. This is comprised of \$103,261 (August 31, 2010: \$131,067) of venture investments, \$725,000 (August 31, 2010: \$670,000) of GIC's, \$219,657 (August 31, 2010: \$109,402) in receivables.

- Venture Investments:

An analysis of the fair value of venture debt investments owned by the Fund, that are past due and/or impaired as at February 28, 2011 and August 31, 2010 is as follows:

| Venture Investments Debt | Impaired only | | Past Due only | | Past Due and Impaired | | Total Past Due and/or Impaired | |
|--------------------------|---------------|--------------|---------------|------|-----------------------|------|--------------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current | \$ 900,000 | \$ 1,500,000 | \$ - | \$ - | \$ - | \$ - | \$ 900,000 | \$ 1,500,000 |
| Total | \$ 900,000 | \$ 1,500,000 | \$ - | \$ - | \$ - | \$ - | \$ 900,000 | \$ 1,500,000 |

The Fund holds no collateral on these investments as security. Cumulative unrealized loss recorded in the valuation of the Fund's net assets for all venture debt investments is \$2.9 million (August 31, 2010: \$2.3 million). No other investments are past due or impaired at February 28, 2011.

- Guaranteed Investment Certificates ("GICs"):

An analysis of the credit ratings of the Series' GICs as at February 28, 2011 and August 31, 2010 is as follows:

| GIC's by Credit Rating | Fair Value | | Percentage of Portfolio | | Percentage of Net Assets | |
|------------------------|-------------------|-------------------|-------------------------|---------------|--------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| AAA | \$ - | \$ - | - | - | - | - |
| AA | - | - | - | - | - | - |
| A | - | - | - | - | - | - |
| Not available | 725,000 | 670,000 | 100.0% | 100.0% | 55.8% | 60.9% |
| Total | \$ 725,000 | \$ 670,000 | 100.0% | 100.0% | 55.8% | 60.9% |

These credit ratings were obtained from credit rating services. Where more than one rating exists for a short-term investment, bond or bank instrument, the lower rating has been used.

Currency Risk

There was no exposure to foreign currencies at the period end.

Interest Rate Risk

At February 28, 2011 the GIC portfolio comprising approximately 55.8% (August 31, 2010: 60.9%) of the Series' net assets, are exposed to interest rate risk. The Manager considers the exposure to interest rate risk insignificant for GIC's as discussed in note 4(b)(iii). Further the Manager does not consider the Series' venture debt investments to be exposed to interest rate risk as discussed in note 4(b)(iii). Given the nature of the holdings, a sensitivity analysis has not been provided as it would not be considered meaningful. The following table summarizes the Series' potential exposure to interest rate risk analyzed by maturity date:

| GIC by maturity date | Fair Value | | Percentage of portfolio | | Percentage of net assets | |
|----------------------|------------|------------|-------------------------|--------|--------------------------|-------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| less than 1 year | \$ 725,000 | \$ 670,000 | 100.0% | 100.0% | 55.8% | 60.9% |
| Total | \$ 725,000 | \$ 670,000 | 100.0% | 100.0% | 55.8% | 60.9% |

Other Price Risk

As at February 28, 2011 the Series is exposed to other price risk from public venture investments. Public venture investments represent \$19,816 (August 31, 2010: \$25,320) or 1.5% (August 31, 2010: 2.3%) of the Series' net assets. At February 28, 2011, a 1% increase or decrease in the related portfolio benchmark would have the following increase or decrease, respectively, on the fair value of the venture investments:

| Portfolio | Benchmark | Effect on Net Assets | | Percentage effect on Net Assets | |
|-----------------------|-------------------------|----------------------|--------|---------------------------------|------|
| | | 2011 | 2010 | 2011 | 2010 |
| Venture (public only) | S&P/TSX Small Cap Index | \$ 238 | \$ 717 | 0.0% | 0.1% |
| | | \$ 238 | \$ 717 | 0.0% | 0.1% |

Therefore, if each portfolio benchmark increased or decreased by 1% simultaneously, the fair value of the portfolio would increase or decrease, respectively, by approximately \$238 (August 31, 2010: \$717) or 0.0% (August 31, 2010: 0.1%) of net assets. This sensitivity analysis is based on the risk and return characteristics of the respective portfolio benchmarks compared to the actual Series portfolio holding calculated using regression analysis based on monthly observations and holding all other factors constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Net Assets – Growth Series

| | At February 28, 2011 | At August 31, 2010 |
|---|-------------------------|-----------------------|
| | (unaudited) | |
| Assets | | |
| Short-term investments and bonds | \$ 9,907 | \$ 45,292 |
| Index notes | 264,502 | 201,037 |
| Total non-venture portfolio assets | 274,409 | 246,329 |
| Venture investments | 521,504 | 427,379 |
| Total portfolio assets | 795,913 | 673,708 |
| Cash | - | - |
| Subscriptions receivable | 69,615 | - |
| Accounts receivable | - | - |
| Accrued interest receivable | - | - |
| Income and capital taxes recoverable | 13,798 | 18,649 |
| Future income tax asset [Note 7] | - | - |
| Inter-series receivable [Note 6(c)] | 168,389 | 197,379 |
| | 1,047,715 | 889,736 |
| Liabilities | | |
| Accounts payable and accrued liabilities [Note 9] | 5,178 | 8,647 |
| Income and capital taxes payable | - | - |
| Inter-series payable [Note 6(c)] | - | - |
| | 5,178 | 8,647 |
| Net assets | \$ 1,042,537 | \$ 881,089 |
| Shares outstanding [Note 5] | 127,079 | 107,263 |
| Net assets per share | \$ 8.20 | \$ 8.21 |

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Operations - Growth Series

| | Six month period ended February 28, 2011 | Six month period ended February 28, 2010 |
|---|---|---|
| | (unaudited) | (unaudited) |
| Investment income: | | |
| Interest - short-term investments and bonds | \$ 125 | \$ 47 |
| Interest - venture investments | 7,441 | 8,744 |
| Interest - other | - | 395 |
| | <u>7,566</u> | <u>9,186</u> |
| Expenses: | | |
| Management fees [Note 6(a)] | 8,844 | 6,949 |
| Administration fees [Note 6(a)] | 8,844 | 6,949 |
| Capital retention administration fee [Note 6(a)] | 3,853 | 2,918 |
| Service fees [Note 5] | 2,104 | 1,658 |
| Capital taxes | - | 230 |
| Other | 3,908 | 4,978 |
| | <u>27,553</u> | <u>23,682</u> |
| Net investment income (loss) | (19,987) | (14,496) |
| Provision for income taxes (expense) recoverable | - | - |
| Future income tax recovery (expense) | - | 6,984 |
| Net investment income (loss) | <u>(19,987)</u> | <u>(7,512)</u> |
| Net realized gain (loss) from | | |
| Sale of short-term investments and bonds | - | - |
| Sale of index notes | - | - |
| Venture investments | - | 1,440 |
| | <u>-</u> | <u>1,440</u> |
| Change in unrealized appreciation (depreciation) of: | | |
| Short-term investments and bonds | 6 | (1) |
| Index notes | 39,660 | 10,131 |
| Venture investments | (19,950) | 1,029 |
| | <u>19,716</u> | <u>11,159</u> |
| Increase (decrease) in net assets from operations | <u>\$ (271)</u> | <u>\$ 5,087</u> |
| Increase (decrease) in net assets from operations per series share | <u>\$ (0.00)</u> | <u>\$ 0.06</u> |

See accompanying notes to financial statements.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Changes in Net Assets - Growth Series

| | Six month period ended February 28, 2011 | Six month period ended February 28, 2010 |
|---|---|---|
| | (unaudited) | (unaudited) |
| Net assets, beginning of period | \$ 881,089 | \$ 673,855 |
| Changes during period: | | |
| Increase (decrease) in net assets from operations | (271) | 5,087 |
| Capital transactions: | | |
| Proceeds from issuance of Class A shares | 165,563 | 149,372 |
| Amounts paid for Class A shares redeemed | (3,844) | (616) |
| | 161,719 | 148,756 |
| Net assets, end of period | \$ 1,042,537 | \$ 827,698 |

See accompanying notes to financial statements.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Cash Flows - Growth Series

| | Six month period ended February 28, 2011 | Six month period ended February 28, 2010 |
|---|---|---|
| | (unaudited) | (unaudited) |
| Cash flows provided by (used for): | | |
| Cash flows from operating activities: | | |
| Net investment income (loss) | \$ (19,987) | \$ (7,512) |
| Changes in non-cash operating accounts: | | |
| Accrued interest receivable | - | - |
| Accounts receivable | - | - |
| Accounts payable and accrued liabilities | (3,469) | 37 |
| Income and capital taxes payable (receivable) | 4,851 | 231 |
| Future income taxes payable (receivable) | - | (6,984) |
| Inter-series payable (receivable) | (73,499) | (163,532) |
| Total used in operations | (92,104) | (177,760) |
| Cash flows from investing activities: | | |
| Proceeds of disposition of portfolio assets | | |
| Disposition of venture investments | - | - |
| Disposition of short-term investments and bonds | - | - |
| Disposition of bank instruments | - | - |
| Disposition of income notes | - | - |
| Purchase of portfolio assets | | |
| Purchase of venture investments | - | - |
| Purchase of short-term investments and bonds | - | - |
| Purchase of bank instruments | - | - |
| Purchase of income notes | - | - |
| Total used for investing activities | - | - |
| Cash flows from financing activities: | | |
| Proceeds from issuance of Class A shares | 165,563 | 149,372 |
| Payment on redemption of Class A shares | (3,844) | (616) |
| Subscriptions receivable | (69,615) | 29,004 |
| Total from financing activities | 92,104 | 177,760 |
| Net increase (decrease) in cash position | - | - |
| Cash position, beginning of period | - | - |
| Cash position, end of period | \$ - | \$ - |
| Supplemental Cash Flow information: | | |
| Allocation of investment assets and inter-series payable (receivable) | \$ (102,489) | \$ (51,561) |

See accompanying notes to financial statements.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Growth Series, as at February 28, 2011

Discussion of Financial Risk Management (Note 4)

Liquidity Risk

At the period end, all of the Fund's financial liabilities are due within one year. Total financial liabilities of the Series as at February 28, 2011 were \$5,178 (August 31, 2010: \$8,647). In addition, as of February 28, 2011, there were no shares that were eligible for redemption without penalty. The Fund is not required to redeem all eligible shares upon request. Refer to Note 5 (Share Capital) for details regarding limitations and restrictions.

Credit Risk

The maximum exposure to credit risk at February 28, 2011 is \$539,355 (August 31, 2010: \$431,156) which represents approximately 51.7% (August 31, 2010: 49.7%) of the Series' net assets. This is comprised of \$195,331 (August 31, 2010: \$184,827) of venture investments, \$9,907 (August 31, 2010: \$45,292) of short-term investments and bonds, \$264,502 (2010: \$201,037) of index notes and \$69,615 (2010: nil) in receivables.

- Venture Investments:

An analysis of the fair value of venture debt investments owned by the Fund, that are past due and/or impaired as at February 28, 2011 and August 31, 2010 is as follows:

| Venture Investments Debt | Impaired only | | Past Due only | | Past Due and Impaired | | Total Past Due and/or Impaired | |
|--------------------------|---------------|--------------|---------------|------|-----------------------|------|--------------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current | \$ 900,000 | \$ 1,500,000 | \$ - | \$ - | \$ - | \$ - | \$ 900,000 | \$ 1,500,000 |
| Total | \$ 900,000 | \$ 1,500,000 | \$ - | \$ - | \$ - | \$ - | \$ 900,000 | \$ 1,500,000 |

The Fund holds no collateral on these investments as security. Cumulative unrealized loss recorded in the valuation of the Fund's net assets for all venture debt investments is \$2.9 million (August 31, 2010: \$2.3 million). No other investments are past due or impaired at February 28, 2011.

- Short-term Investments and Bonds:

An analysis of the credit ratings of the Series' short-term investments, bonds and bank instruments as at February 28, 2011 and August 31, 2010 is as follows:

| BA's by Credit Rating | Fair Value | | Percentage of Portfolio | | Percentage of Net Assets | |
|-----------------------|------------|-----------|-------------------------|--------|--------------------------|------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| AAA | \$ 9,907 | \$ - | 100.0% | - | 1.0% | - |
| AA | - | 45,292 | - | 100.0% | - | 5.1% |
| Total | \$ 9,907 | \$ 45,292 | 100.0% | 100.0% | 1.0% | 5.1% |

These credit ratings were obtained from credit rating services. Where more than one rating exists for a short-term investment, bond or bank instrument, the lower rating has been used.

- Index Notes:

The Series' portfolio of income notes are issued by National Bank of Canada, a Canadian Schedule I bank. Given the strength and standing of this institution, Management does not perceive a significant risk of credit loss to the Series' holdings in these investments.

Currency Risk

There was no exposure to foreign currencies at the period end.

Interest Rate Risk

At February 28, 2011 short-term investments and bonds, comprising approximately 1.0% (August 31, 2010: 5.1%) of the Series' net assets, are exposed to interest rate risk. The Manager does not consider the Series' venture debt investments to be exposed to interest rate risk as discussed in note 4(b)(iii). At February 28, 2011, if market interest rates had increased or decreased by 1% with all other factors remaining constant, net assets for the Series would have increased or decreased respectively by approximately \$10 (August 31, 2010: \$140), representing approximately 0.0% (August 31, 2010: 0.0%) of the Series' net assets. In practice, actual results may differ from the sensitivity analysis, and the difference could be material. The following table summarizes the Series' exposure to interest rate risk analyzed by maturity date:

| Short-term Investments and Bonds by maturity date | Fair Value | | Percentage of portfolio | | Percentage of net assets | |
|---|------------|-----------|-------------------------|--------|--------------------------|------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Less than 1 year | \$ 9,907 | \$ 14,169 | 100.0% | 31.3% | 1.0% | 1.6% |
| 1 -3 years | - | 31,123 | - | 68.7% | - | 3.5% |
| 3 - 5 years | - | - | - | - | - | - |
| Total | \$ 9,907 | \$ 45,292 | 100.0% | 100.0% | 1.0% | 5.1% |

Other Price Risk

As at February 28, 2011 the Series is exposed to other price risk from public venture investments and index notes. Public venture investments represent \$37,485 (August 31, 2010: \$35,705) or 3.6% (August 31, 2010: 4.1%) of the Series' net assets. Investments in index notes represent approximately \$264,502 (August 31, 2010: \$201,037) or 25.4% (August 31, 2010: 23.2%) of the Series' net assets. At February 28, 2011, a 1% increase or decrease in the related portfolio benchmark would have the following increase or decrease, respectively, on the fair value of the various portfolios:

| Portfolio | Benchmark | Effect on Net Assets | | Percentage effect on Net Assets | |
|-----------------------|--------------------------------------|----------------------|----------|---------------------------------|------|
| | | 2011 | 2010 | 2011 | 2010 |
| Venture (public only) | S&P/TSX Small Cap Index | \$ 451 | \$ 1,010 | 0.1% | 0.1% |
| Index Notes | S&P/TSX 60 Capped Total Return Index | 2,513 | 2,011 | 0.2% | 0.2% |
| | | \$ 2,964 | \$ 3,021 | 0.3% | 0.3% |

Therefore, if each portfolio benchmark increased or decreased by 1% simultaneously, the fair value of the portfolio would increase or decrease, respectively, by approximately \$2,964 (August 31, 2010: \$3,021) or 0.3% (August 31, 2010: 0.3%) of net assets. This sensitivity analysis is based on the risk and return characteristics of the respective portfolio benchmarks compared to the actual Series portfolio holding calculated using regression analysis based on monthly observations and holding all other factors constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Net Assets – Financial Services Series

| | At February 28, 2011 | At August 31, 2010 |
|---|-------------------------|-----------------------|
| | (unaudited) | |
| Assets | | |
| Short-term investments and bonds | \$ 14,720 | \$ 71,407 |
| Index notes | 442,228 | 362,694 |
| Total non-venture portfolio assets | 456,948 | 434,101 |
| Venture investments | 774,910 | 673,800 |
| Total portfolio assets | 1,231,858 | 1,107,901 |
| Cash | - | - |
| Accounts receivable | - | - |
| Accrued interest receivable | - | - |
| Subscriptions receivable | 154,065 | 46,632 |
| Income and capital taxes recoverable | 24,253 | 34,300 |
| Future income tax asset [Note 7] | - | - |
| Inter-series receivable [Note 6(c)] | 137,101 | 204,349 |
| | 1,547,277 | 1,393,182 |
| Liabilities | | |
| Accounts payable and accrued liabilities [Note 9] | 7,911 | 9,236 |
| Income and capital taxes recoverable | - | - |
| Inter-series payable [Note 6(c)] | - | - |
| | 7,911 | 9,236 |
| Net assets | \$ 1,539,366 | \$ 1,383,946 |
| Shares outstanding [Note 5] | 188,828 | 169,110 |
| Net assets per share | \$ 8.15 | \$ 8.18 |

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Operations – Financial Services Series

| | Six month period ended February 28, 2011 | Six month period ended February 28, 2010 |
|--|---|---|
| | (unaudited) | (unaudited) |
| Investment income: | | |
| Interest - short-term investments and bonds | \$ 194 | \$ 88 |
| Interest - index notes | - | - |
| Interest - venture investments | 11,545 | 16,263 |
| Interest - other | - | 717 |
| | 11,739 | 17,068 |
| Expenses: | | |
| Management fees [Note 6(a)] | 13,719 | 13,038 |
| Administration fees [Note 6(a)] | 13,719 | 13,038 |
| Capital retention administration fee [Note 6(a)] | 6,162 | 5,516 |
| Service fees [Note 5] | 3,289 | 3,128 |
| Capital taxes | - | 357 |
| Other | 5,976 | 9,240 |
| | 42,865 | 44,317 |
| Net investment income (loss) | (31,126) | (27,249) |
| Provision for income taxes (expense) recoverable | - | - |
| Future income tax recovery (expense) | - | 13,134 |
| Net investment income (loss) | (31,126) | (14,115) |
| Net realized gain (loss) from | | |
| Sale of short-term investments and bonds | - | (1) |
| Sale of index notes | - | - |
| Venture investments | - | 2,688 |
| | - | 2,687 |
| Change in unrealized appreciation (depreciation) of: | | |
| Short-term investments and bonds | 10 | (1) |
| Index notes | 57,447 | 8,344 |
| Venture investments | (31,130) | 1,972 |
| | 26,327 | 10,315 |
| Increase (decrease) in net assets from operations | \$ (4,799) | \$ (1,113) |
| Increase (decrease) in net assets from operations per share | \$ (0.03) | \$ (0.01) |

See accompanying notes to financial statements.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Changes in Net Assets – Financial Services Series

| | Six month period ended February 28, 2011 | Six month period ended February 28, 2010 |
|---|---|---|
| | (unaudited) | (unaudited) |
| Net assets, beginning of period | \$ 1,383,946 | \$ 1,302,644 |
| Changes during year: | | |
| Increase (decrease) in net assets from operations | (4,799) | (1,113) |
| Capital transactions: | | |
| Proceeds from issuance of Class A shares | 161,333 | 138,854 |
| Amounts paid for Class A shares redeemed | (1,114) | (4,759) |
| | 160,219 | 134,095 |
| Net assets, end of period | \$ 1,539,366 | \$ 1,435,626 |

See accompanying notes to financial statements.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Cash Flows - Financial Services Series

| | Six month period ended February 28, 2011 | Six month period ended February 28, 2010 |
|---|---|---|
| | (unaudited) | (unaudited) |
| Cash flows provided by (used for): | | |
| Cash flows from operating activities: | | |
| Net investment income (loss) | \$ (31,126) | \$ (14,115) |
| Changes in non-cash operating accounts: | | |
| Accrued interest receivable | - | - |
| Accounts receivable | - | - |
| Accounts payable and accrued liabilities | (1,325) | (581) |
| Income and capital taxes payable (receivable) | 10,047 | 357 |
| Future income taxes payable (receivable) | - | (13,134) |
| Inter-series payable (receivable) | (30,382) | (79,468) |
| Total used in operations | (52,786) | (106,941) |
| Cash flows from investing activities: | | |
| Proceeds of disposition of portfolio assets | | |
| Disposition of venture investments | - | - |
| Disposition of short-term investments and bonds | - | - |
| Disposition of bank instruments | - | - |
| Disposition of income notes | - | - |
| Purchase of portfolio assets | | |
| Purchase of venture investments | - | - |
| Purchase of short-term investments and bonds | - | - |
| Purchase of bank instruments | - | - |
| Purchase of income notes | - | - |
| Total used for investing activities | - | - |
| Cash flows from financing activities: | | |
| Proceeds from issuance of Class A shares | 161,333 | 138,854 |
| Payment on redemption of Class A shares | (1,114) | (4,759) |
| Subscriptions receivable | (107,433) | (27,154) |
| Total from financing activities | 52,786 | 106,941 |
| Net increase (decrease) in cash position | - | - |
| Cash position, beginning of year | - | - |
| Cash position, end of year | \$ - | \$ - |
| Supplemental Cash Flow information: | | |
| Allocation of investment assets and inter-series payable (receivable) | \$ (97,630) | \$ (18,345) |

See accompanying notes to financial statements.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Financial Services Series, as at February 28, 2011

Discussion of Financial Risk Management (Note 4)

Liquidity Risk

At the period end, all of the Fund's financial liabilities are due within one year. Total financial liabilities of the Series as at February 28, 2011 were \$7,911 (August 31, 2010: \$9,236). In addition, as of February 28, 2011, there was \$1,307 (August 31, 2010: \$1,180) in shares that were eligible for redemption without penalty. The Fund is not required to redeem all eligible shares upon request. Refer to Note 5 (Share Capital) for details regarding limitations and restrictions.

Credit Risk

The maximum exposure to credit risk at February 28, 2011 is \$ 901,258 (August 31, 2010: \$ 772,129) which represents approximately 58.5% (August 31, 2010: 56.8%) of the Series' net assets. This is comprised of \$290,245 (August 31, 2010: \$291,396) of venture investments, \$14,720 (August 31, 2010: \$71,407) of short-term investments and bonds \$442,228 (August 31, 2010: \$362,694) of index notes and \$154,065 (August 31, 2010: \$46,632) in receivables.

- Venture Investments:

An analysis of the fair value of venture debt investments owned by the Fund that are past due and/or impaired as at February 28, 2011 and August 31, 2010 is as follows:

| Venture Investments Debt | Impaired only | | Past Due only | | Past Due and Impaired | | Total Past Due and/or Impaired | |
|--------------------------|---------------|--------------|---------------|------|-----------------------|------|--------------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current | \$ 900,000 | \$ 1,500,000 | \$ - | \$ - | \$ - | \$ - | \$ 900,000 | \$ 1,500,000 |
| Total | \$ 900,000 | \$ 1,500,000 | \$ - | \$ - | \$ - | \$ - | \$ 900,000 | \$ 1,500,000 |

The Fund holds no collateral on these investments as security. Cumulative unrealized loss recorded in the valuation of the Fund's net assets for all venture debt investments is \$2.9 million (August 31, 2010: \$2.3 million). No other investments are past due or impaired at February 28, 2011.

- Short-term Investments and Bonds

An analysis of the credit ratings of the Series' short-term investments, bonds and bank instruments as at February 28, 2011 and August 31, 2010 is as follows:

| BA's by Credit Rating | Fair Value | | Percentage of Portfolio | | Percentage of Net Assets | |
|-----------------------|------------|-----------|-------------------------|--------|--------------------------|------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| AAA | \$ 14,720 | \$ - | 100.0% | - | 1.0% | - |
| AA | - | 71,407 | - | 100.0% | - | 5.1% |
| Total | \$ 14,720 | \$ 71,407 | 100.0% | 100.0% | 1.0% | 5.1% |

These credit ratings were obtained from credit rating services. Where more than one rating exists for a short-term investment, bond or bank instrument, the lower rating has been used.

- Index Notes:

The Series' portfolio of income notes are issued by National Bank of Canada, a Canadian Schedule I bank. Given the strength and standing of this institution, Management does not perceive a significant risk of credit loss to the Series' holdings in these investments.

Currency Risk

There was no exposure to foreign currencies at the period end.

Interest Rate Risk

At February 28, 2011 short-term investments and bonds, comprising approximately 1.0% (August 31, 2010: 5.1%) of the Series' net assets, are exposed to interest rate risk. The Manager does not consider the Series' venture debt investments to be exposed to interest rate risk as discussed in note 4(b)(iii). At February 28, 2011, if market interest rates had increased or decreased by 1% with all other factors remaining constant, net assets for the Series would have increased or decreased respectively by approximately \$15 (August 31, 2010: \$220), representing approximately 0.0% (August 31, 2010: 0.0%) of the Series' net assets. In practice, actual results may differ from the sensitivity analysis, and the difference could be material. The following table summarizes the Series' exposure to interest rate risk analyzed by maturity date:

| Short-term Investments by maturity date | Fair Value | | Percentage of portfolio | | Percentage of net assets | |
|---|------------|-----------|-------------------------|--------|--------------------------|------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Less than 1 year | \$ 14,720 | \$ 22,338 | 100.0% | 31.3% | 1.0% | 1.6% |
| 1 -3 years | - | 49,069 | - | 68.7% | - | 3.5% |
| 3 - 5 years | - | - | - | - | - | - |
| Total | \$ 14,720 | \$ 71,407 | 100.0% | 100.0% | 1.0% | 5.1% |

Other Price Risk

As at February 28, 2011 the Series is exposed to other price risk from public venture investments and index notes. Public venture investments represent \$55,699 (August 31, 2010: \$9,064) or 3.6% (August 31, 2010: 0.7%) of the Series' net assets. Investments in index notes represent approximately \$442,228 (August 31, 2010: \$362,694) or 28.7% (August 31, 2010: 26.7%) of the Series' net assets. At February 28, 2011, a 1% increase or decrease in the related portfolio benchmark would have the following increase or decrease, respectively, on the fair value of the various portfolios:

| Portfolio | Benchmark | Effect on Net Assets | | Percentage effect on Net Assets | |
|-----------------------|-----------------------------------|----------------------|----------|---------------------------------|------|
| | | 2011 | 2010 | 2011 | 2010 |
| Venture (public only) | S&P/TSX Small Cap Index | \$ 668 | \$ 1,593 | 0.1% | 0.1% |
| Index Notes | S&P/TSX Capped Financial Services | | | | |
| | Total Return Index | 3,228 | 3,554 | 0.2% | 0.3% |
| | | \$ 3,896 | \$ 5,147 | 0.3% | 0.4% |

Therefore, if each portfolio benchmark increased or decreased by 1% simultaneously, the fair value of the portfolio would increase or decrease, respectively, by approximately \$3,872 (August 31, 2010: \$3,627) or 0.3% (August 31, 2010: 0.3%) of net assets. This sensitivity analysis is based on the risk and return characteristics of the respective portfolio benchmarks compared to the actual Series portfolio holding calculated using regression analysis based on monthly observations and holding all other factors constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Investment Portfolio

Venture Investments – Balanced Series, GIC Series, Growth Series, and Financial Services Series

As at February 28, 2011

| VENTURE INVESTMENTS | Number of | Debt | Equity | Percentage | |
|---|----------------|---------------------|---------------------|---------------------|--------------|
| Investee Companies | shares or | at cost | at cost | Total | of total |
| | par value (\$) | | | | net assets |
| Information Technology: | | | | | |
| Anyware Group Inc., | | | | | |
| convertible debenture | | | | | |
| - 10.00%, Jan. 15, 2012 | 1,000,000 | \$ 1,000,000 | \$ - | \$ 1,000,000 | |
| - 12.00%, Jan. 15, 2012 | 500,000 | 500,000 | - | 500,000 | |
| - 13.33%, Jan. 15, 2012 | 499,500 | 499,500 | - | 499,500 | |
| - 6.00%, Jan. 15, 2012 | 702,500 | 702,500 | - | 702,500 | |
| Azorus Inc., | | | | | |
| - demand note 10% on demand | 200,000 | 200,000 | - | 200,000 | |
| - preferred shares C 8%, Dec. 20, 2010 | 291,666 | - | 350,000 | 350,000 | |
| - preferred shares 8%, Dec. 20, 2010 | 313,546 | - | 352,740 | 352,740 | |
| - preferred shares G | 1,130,700 | - | 644,499 | 644,499 | |
| - preferred shares A | 999,932 | - | 899,940 | 899,940 | |
| - preferred shares D | 495,472 | - | 371,604 | 371,604 | |
| - preferred shares F | 361,902 | - | 325,712 | 325,712 | |
| Clear Risk Inc. | | | | | |
| - preferred shares B | 401,606 | - | 1,000,000 | 1,000,000 | |
| Impath Networks Canada Corporation | | | | | |
| - preferred shares | 2,380,952 | - | 1,500,000 | 1,500,000 | |
| Inocom Inc., - common shares | | | | | |
| | 81,667 | - | 61,250 | 61,250 | |
| Sampling Technologies Inc., | | | | | |
| convertible debenture | | | | | |
| - 10.00%, Jan. 13, 2013 | 2,000,000 | 2,000,000 | - | 2,000,000 | |
| SG5 Innovation Inc., | | | | | |
| - preferred shares | 362,500 | - | 400,000 | 400,000 | |
| - convertible debenture, 16.00%, due on demand | 500,000 | 500,000 | - | 500,000 | |
| Virtual Expert Clinics Inc., | | | | | |
| convertible debenture, | | | | | |
| - 10.00%, due on demand | 575,000 | 575,000 | - | 575,000 | |
| - 13.00%, Mar. 23, 2013 | 500,000 | 500,000 | - | 500,000 | |
| - 13.00%, Mar. 31, 2011 | 300,000 | 300,000 | - | 300,000 | |
| - 13.00%, Dec. 15, 2011 | 1,000,000 | 1,000,000 | - | 1,000,000 | |
| - 16.00%, due on demand | 450,000 | 450,000 | - | 450,000 | |
| - 16.00%, Dec. 15, 2010 | 175,000 | 175,000 | - | 175,000 | |
| Virtual Marine Technology Inc. | | | | | |
| - class A preferred shares | 58,470 | - | 1,100,000 | 1,100,000 | |
| - class B preferred shares | 46,080 | - | 600,000 | 600,000 | |
| Total Information Technology | | \$ 8,402,000 | \$ 7,605,745 | \$16,007,745 | 49.9% |
| Entertainment and Tourism: | | | | | |
| DHX Media Ltd. – common shares | | | | | |
| | 237,837 | \$ - | \$ 440,000 | \$ 440,000 | |
| Total Entertainment and Tourism | | \$ - | \$ 440,000 | \$ 440,000 | 1.4% |

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Investment Portfolio (continued)

Venture Investments – Balanced Series, GIC Series, Growth Series, and Financial Services Series

As at February 28, 2011

| VENTURE INVESTMENTS | Number of shares or par value (\$) | Debt at cost | Equity at cost | Total | Percentage of total net assets |
|--|--|---------------------|----------------------|----------------------|--------------------------------------|
| Investee Companies | | | | | |
| Biotechnology: | | | | | |
| Origin Biomed Inc. | | | | | |
| - preferred shares | 1,241,379 | \$ - | \$ 1,800,000 | \$ 1,800,000 | |
| - convertible debt 15% Feb. 26, 2013 | 250,000 | 250,000 | - | 250,000 | |
| Spectral Diagnostics Inc. | | | | | |
| - Common Shares | 3,125,000 | - | 1,250,000 | 1,250,000 | |
| Total Biotechnology | | \$ 250,000 | \$ 3,050,000 | \$ 3,300,000 | 10.3% |
| Others: | | | | | |
| Coast to Coast Publishing Inc. | | | | | |
| - class B common shares | 125,000 | \$ - | \$ 125,000 | \$ 125,000 | |
| - convertible debentures, 14%, Jun. 1, 2013 | 251,998 | 251,998 | - | 251,998 | |
| Total Others | | \$ 251,998 | \$ 125,000 | \$ 376,998 | 1.2% |
| Total venture investments, at cost | | \$ 8,903,998 | \$ 11,220,745 | \$ 20,124,743 | 62.8% |
| Unrealized appreciation (depreciation) of venture investments | | | | (3,966,850) | |
| Venture investments, at estimated fair value | | | | \$ 16,157,893 | 50.3% |
| Venture Investments, per Series: | | | | | |
| | | | | Fair Value | |
| Balanced | | | | \$ 14,585,789 | |
| GIC | | | | 275,690 | |
| Growth | | | | 521,504 | |
| Financial services | | | | 774,910 | |
| | | | | \$ 16,157,893 | |

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Investment Portfolio (continued)

Venture Investments – Balanced Series, GIC Series, Growth Series, and Financial Services Series

As at February 28, 2011

| Stage of Development | Number of investee companies | Cost (\$) | Percentage of venture investments at cost (%) | Fair value (\$) | Percentage of venture investments at fair value (%) |
|----------------------|------------------------------|------------|---|-----------------|---|
| Early stage | 9 | 15,757,745 | 78.3% | 12,415,245 | 76.8% |
| Expansion | 4 | 4,366,998 | 21.7% | 3,742,648 | 23.2% |
| | 13 | 20,124,743 | 100.0% | 16,157,893 | 100.0% |

| Portfolio Holdings | Fair value |
|--------------------|---------------|
| Public | \$ 1,161,398 |
| Private | 14,996,495 |
| | \$ 16,157,893 |

See accompanying notes to financial statements.

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Investment Portfolio (continued)

Short-term Investments, Bonds, Bank Instruments, Income notes, and Index Notes

– Balanced Series, GIC Series, Growth Series, and Financial Services Series

As at February 28, 2011

| | Interest rate | Maturity date | Par value | Cost | Fair value | Percentage of net assets |
|--|---------------|---------------|---------------------|---------------------|---------------------|--------------------------|
| Bonds ⁽¹⁾ | | | | | | |
| Government of Canada | 3.75% | 1-Jun-12 | \$ 1,000,000 | \$ 1,005,447 | \$ 1,028,287 | |
| Province of New Brunswick | 5.80% | 12-Jul-11 | 150,000 | 150,803 | 152,577 | |
| Bank of Montreal | 5.20% | 21-Jun-12 | 314,000 | 327,469 | 326,407 | |
| CIBC | 5.15% | 6-Jun-13 | 319,000 | 337,290 | 336,803 | |
| | | | \$ 1,783,000 | \$ 1,821,009 | \$ 1,844,074 | |
| Corporate Notes ⁽¹⁾ | | | | | | |
| Plazacorp Retail Properties Ltd. | 7.50% | 31-Mar-15 | \$ 750,000 | \$ 750,000 | \$ 750,000 | |
| Manulife | 6.82% | 31-May-11 | 112,000 | 112,551 | 113,463 | |
| | | | \$ 862,000 | \$ 862,551 | \$ 863,463 | |
| Total Bonds and Corporate Notes | | | \$ 2,645,000 | \$ 2,683,560 | \$ 2,707,537 | 8.4% |
| Bankers' Acceptances | | | | | | |
| TD Bank ⁽²⁾ | | 31-Mar-2011 | \$ 302,000 | \$ 301,691 | \$ 301,700 | |
| TD Bank ⁽¹⁾ | | 1-Apr-2011 | 239,000 | 238,594 | 238,629 | |
| Total Bankers' Acceptances | | | \$ 541,000 | \$ 540,285 | \$ 540,329 | 1.7% |
| Bank Instruments ⁽¹⁾ | | | | | | |
| TD Bank | 5.14% | 19-Nov-12 | \$ 972,000 | \$ 1,015,429 | \$ 1,021,826 | |
| Bank of Nova Scotia | 5.25% | 01-Nov-17 | 500,000 | 520,079 | 524,948 | |
| Royal Bank | 4.97% | 05-Jun-14 | 1,000,000 | 1,056,640 | 1,067,308 | |
| Bank of Montreal | 4.78% | 30-Apr-14 | 500,000 | 525,138 | 529,833 | |
| Total Bank Instruments | | | \$ 2,972,000 | \$ 3,117,286 | \$ 3,143,915 | 9.8% |
| Income notes ⁽¹⁾ | | | | | | |
| National Bank of Canada Income Note | 7.60% | 16-Feb-23 | \$ 5,000,000 | \$ 4,990,054 | \$ 4,847,230 | 15.1% |
| Index Notes | | | | | | |
| National Bank of Canada Index notes-60 Capped ⁽³⁾ | | 31-Jul-16 | \$ 208,805 | \$ 208,805 | \$ 264,502 | |
| National Bank of Canada Index notes-Capped Financials ⁽⁴⁾ | | 31-Jul-16 | 372,087 | 372,087 | 442,228 | |
| Total Index Notes | | | \$ 580,892 | \$ 580,892 | \$ 706,730 | 2.2% |
| Guaranteed Investment Certificates ⁽⁵⁾ | | | | | | |
| Royal Bank | 1.05% | 24-May-11 | \$ 725,000 | \$ 725,000 | \$ 725,000 | |

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Statement of Investment Portfolio (continued)

Short-term Investments, Bonds, Bank Instruments, Income notes, Index Notes and GICs

– Balanced Series, Growth Series, and Financial Services Series

As at February 28, 2011

| | Par value (\$) | Cost (\$) | Fair value (\$) | Percentage of net assets |
|---|-------------------|-------------------|--------------------------|-----------------------------|
| Short-term investments, bonds, bank instruments, income notes, index notes, and GIC's at cost | <u>12,463,892</u> | <u>12,637,077</u> | <u>12,670,741</u> | <u>37.2%</u> |
| Unrealized appreciation of bonds | | 23,975 | | |
| Unrealized depreciation of short-term investments | | 46 | | |
| Unrealized appreciation of bank instruments | | 26,628 | | |
| Unrealized depreciation of income notes | | (142,823) | | |
| Unrealized appreciation of index notes | | <u>125,838</u> | | |
| Short-term investments, bonds, bank instruments income notes, index notes, and GIC's – at estimated fair value | | | <u><u>12,670,741</u></u> | |
| Short-term investments, bonds, bank instruments, income notes, index notes and GIC's per series: | | | | |
| Balanced | | 11,214,384 | | |
| GIC | | 725,000 | | |
| Growth | | 274,409 | | |
| Financial Services | | <u>456,948</u> | | |
| | | | <u>12,670,741</u> | |

See accompanying notes to financial statements.

- (1) Held by Balanced Series only
- (2) Held by Balanced Series, Growth Series, and Financial Services Series
- (3) Held by Growth Series only
- (4) Held by Financial Services Series only
- (5) Held by GIC Series only

For the six month period ended February 28, 2011

1. CORPORATE STATUS, ACTIVITIES AND MANAGEMENT

GrowthWorks Atlantic Venture Fund Ltd. (the "Fund") was incorporated under the Canada Business Corporations Act on November 16, 2004. The Fund is registered as a labour-sponsored venture capital corporation under the *Income Tax Act* (Canada), the *Equity Tax Credit Act* (Nova Scotia) (the "Nova Scotia Act") and the *Labour-Sponsored Venture Capital Tax Credit Act* (Newfoundland and Labrador) (the "Newfoundland and Labrador Act") and as a prescribed registered labour-sponsored venture capital corporation under the *New Brunswick Income Tax Act* (the "New Brunswick Act"), which allows individuals resident in those provinces to obtain federal and provincial tax credits in connection with an investment in Class A Shares of the Fund.

The Fund offers different series of Class A Shares (the "Series"), each constituting a separate investment fund under applicable securities laws. The Fund currently offers Series 6 ("GIC Series"), Series 7 ("Balanced Series"), Series 8 ("Growth Series"), and Series 9 ("Financial Services Series"). The Fund previously offered Series 1 ("Original Balanced Series"), Series 2 ("05 Commercialization Series"), Series 3 ("06 Commercialization Series"), Series 4 ("07 Commercialization Series") and Series 10 ("Diversified Series"), each of which has merged into the Balanced Series (Note 8). The Fund created but never offered Series 5 ("08 Commercialization Series"). The Fund may offer or otherwise issue additional series of Class A Shares in the future. Each of these share series currently or previously offered is referred to as a "Series", and collectively all Series are referred to as "Class A Shares".

On December 17, 2010, the Diversified Series shares were consolidated with the Balanced Series shares in accordance with shareholder approval received at the Fund's annual general meeting on December 8, 2010.

The Fund's investment objective is to achieve long term capital appreciation by investing in a mix of venture investments and non-venture investments.

GrowthWorks Atlantic Ltd. is the Manager of the Fund (the "Manager"). The Fund, under a management agreement, pays the Manager certain management and administration fees (Note 6).

These financial statements should be read in conjunction with the interim management reports of fund performance of the respective series of the Fund for the period ended February 28, 2011, which may be found on the Fund's website at

<http://www.growthworks.ca/funds/atlantic-provinces/gw-atlantic-venture-fund/publications.asp> and at www.sedar.com.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), including Accounting Guideline 18, Investment Companies.

b) Venture investments

Venture investments are recorded at estimated fair value. Fair value is the value that would be agreed upon between knowledgeable and willing parties dealing at arm's length without constraint. Investment transactions are accounted for on a trade date basis. Changes in unrealized appreciation or depreciation of venture investments, the differences between fair value and cost of these investments, are recorded in results of operations.

i) Publicly-traded

Venture investments having quoted market values that are publicly traded on a recognized stock exchange are recorded at values based on the closing bid quotations.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) Privately-owned

New venture investments in securities not having quoted market values are initially recorded at cost, generally for one year, which approximates fair value, and thereafter at estimated fair value. Estimated fair value is determined on the basis of generally accepted valuation methods which best and most objectively reflect the expected realizable value that would be agreed upon in an open and unrestricted market between fully informed, knowledgeable and willing parties dealing at arm's length and without constraints. If there is a recent significant arm's length, bona fide, enforceable offer or transaction with respect to an investment, values used in such an offer or transaction will be used in the valuation of the investment.

The process of valuing venture investments for which no public market exists is based on inherent uncertainties, and the resulting values may differ from values that would have been used had a ready market existed for the venture investments. These differences could be material to the fair value of the Fund's venture investment portfolio.

The Fund's prospectus sets out the policies, procedures and methodologies that have been adopted and approved by the Audit and Valuation Committee of the Board of Directors for determining fair value.

c) **Short-term investments and bonds, income notes, index notes, bank instruments and guaranteed investment certificates ("GICs")**

New purchases and sales of short-term investments and bonds, income notes, index notes, bank instruments and GICs are recorded on a trade-date basis, and are subsequently valued on the basis of bid quotations. The difference between the fair value and cost is recorded as an unrealized appreciation (depreciation) of short-term investments and bonds, income notes, index notes, bank instruments or GICs as applicable. Each Series holds investments in one or more of these categories based on the investment strategy of that Series, as follows:

Balanced Series - Bonds and deposits, income notes and bank instruments

GIC Series – GICs

Growth Series - Bonds and deposits and index notes

Financial Services Series - Bonds and deposits and index notes

d) **Income recognition**

Interest from investments is recorded on an accrual basis. Interest income includes accretion of discounts and amortization of premiums on debt securities. Realized gains and losses arising from the sale of investments are determined using the weighted average cost basis and are recorded in each Series' Statement of Operations.

e) **Income taxes**

Income taxes are recorded using the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are recognized for the future consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. The effect on future income tax assets and liabilities of a change in tax rates is recognized in operations in the period that enactment or substantive enactment occurs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund files an income tax return that encompasses all Series. Income taxes recorded within each Series' financial statements are determined on an individual Series basis as if each Series were filing a separate income tax return. Where a Series utilizes tax deductions of another Series, the transfer of these tax deductions may be reflected in each Series' statement of operations within income tax expense or recovery, as appropriate, and in each Series' statement of net assets as an inter-series receivable or payable.

f) Per share values

Net assets per share is calculated based on the number of shares outstanding at the period end. Increase (decrease) in net assets from operations per series share is calculated based on the weighted-average number of shares of the respective series outstanding during the period. While net assets for financial reporting purposes of some investment funds differ from net asset value (NAV) used to transact share sales and redemptions, in the Fund's current situation, net assets and NAV are the same.

g) Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires estimates and assumptions that affect the reported amount of certain assets and liabilities at the date of these financial statements and the reported amounts of certain revenue and expenses during the period.

Areas requiring the use of significant management estimates include estimations of the fair value of investments, including assessments of the financial condition of investees that might indicate a change in value of a particular investment. Assumptions underlying investment valuations are limited by the availability of reliable data and the uncertainty of predictions concerning future events. Accordingly, investment valuations include a subjective element. Financial results as determined by actual events could differ from those estimates and assumptions, and the difference could be material.

h) Financial Instruments

The Series' financial instruments may consist of cash, receivables, short-term investments, bonds, bank instruments, index notes, income notes, GICs, venture investments and accounts payable and accrued liabilities.

The estimated fair values of cash, receivables, and accounts payables and accrued liabilities approximate carrying values due to the relatively short-term nature of the instruments. Short-term investments, bonds, bank instruments, index notes, income notes, GICs and venture investments are carried at estimated fair value in accordance with the valuation methodologies set out above, and in accordance with Section 3855 "Financial Instruments – Recognition and Measurement" and Accounting Guideline 18 "Investment Companies" of the Handbook of the Canadian Institute of Chartered Accountants.

i) IPA Dividends and contingent incentive participation amounts

Incentive participation dividends ("IPA Dividends") and contingent incentive participation dividends on Class C Shares are recorded and expensed in the statement of operations on an accrual basis. IPA Dividends are accrued weekly, but only payable quarterly, when certain conditions are met (see Note 5). Provision for contingent incentive participation dividends, if any, is recognized based on the assumption that all of the venture investments are liquidated at their estimated fair value as at the date of the financial statements. To the extent that unrealized gains are not ultimately realized, the related contingent incentive participation dividend will be adjusted.

j) Comparative figures

Certain comparative figures have been reclassified to conform to the classification adopted in the current period.

k) Current or Future accounting changes

i) The Accounting Standards Board ("AcSB") ratified a strategic plan in 2006 that would have resulted in Canadian GAAP, as used by the Fund, converging with International Financial Reporting Standards ("IFRS")

For the six month period ended February 28, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

over a transitional period that was initially expected to be completed by 2011. In June 2010, the AcSB issued an Exposure Draft "Adoption of IFRS by Investment Companies", which proposed adoption of IFRS by investment companies like the Fund in interim and annual financial statements to begin on or after January 1, 2012 instead of January 1, 2011, as previously announced, with earlier adoption permitted under certain circumstances. This proposal was finalized on October 1, 2010 by the AcSB and it was decided that Investment Companies should adopt IFRS for the first time no later than interim and annual financial statements relating to annual periods beginning on or after January 1, 2012. In January 2011, the AcSB approved an additional one year extension, to January 1, 2013 for the adoption of IFRS by investment funds as the International Accounting Standards Board's ("IASB") investment company project has been delayed and a final standard will not likely be issued before January 1, 2012, the original mandatory adoption date. Accordingly, the Fund will be implementing IFRS effective September 1, 2013 for its interim and annual financial statements.

The Manager has established a transition plan and a team of key individuals responsible for overseeing the conversion process. This transition plan includes identifying differences which exist in accounting policies, selecting the policies which are appropriate for the Fund, identifying the impact of policies selected, identifying exemptions to full restatement, establishing the timing of implementation, identifying the appropriate disclosure in financial statements prepared under IFRS and identifying the internal training required.

The identification and review of major differences from existing accounting policies, new IFRS accounting policies and exemptions, and the preparation of appropriate disclosures in the Fund's IFRS financial statements is ongoing. As each IFRS accounting policy is chosen, the Manager will review its impact on internal controls over financial reporting and disclosures and make changes where necessary. The Manager's internal training of key personnel is ongoing.

As at February 28, 2011, the Manager expects that the impact of adopting IFRS is going to be mainly in presentation and additional disclosure requirements in the financial statements of the Series.

3. ALLOCATION OF INVESTMENT PORTFOLIO

The Balanced Series, GIC Series, Growth Series, and Financial Services Series participate in shared portfolios of venture and non-venture investments. Each Series is allocated its share of the venture series portfolio on a proportionate basis unless otherwise provided for in the Series' investment strategy.

The Balanced Series may hold National Bank of Canada issued income notes as part of their non-venture portfolios. The GIC Series' non-venture investment portfolio consists entirely of GICs. The Growth Series and Financial Services Series may invest in Index Notes.

Realized and unrealized gains/losses and interest income arising from the Series' venture portfolio are allocated to each Series based on the respective Series' proportionate share in the venture portfolio.

For the six month period ended February 28, 2011

4. FINANCIAL RISK MANAGEMENT

The following is a summary of the financial asset and liability classifications as at February 28, 2011 and August 31, 2010:

| | Balanced Series* | | GIC Series | | Growth Series | | Financial Services Shares | |
|------------------------------------|----------------------|----------------------|---------------------|---------------------|---------------------|-------------------|---------------------------|---------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Assets | | | | | | | | |
| Held for trading | \$ 26,346,534 | \$ 26,756,238 | \$ 1,028,216 | \$ 973,068 | \$ 795,913 | \$ 673,708 | \$ 1,231,858 | \$ 1,107,901 |
| Loans and receivables | 2,110,601 | 1,820,039 | 258,938 | 114,434 | 238,004 | 197,379 | 291,166 | 250,981 |
| <i>Total financial assets</i> | <i>\$ 28,457,135</i> | <i>\$ 28,576,277</i> | <i>\$ 1,287,154</i> | <i>\$ 1,087,502</i> | <i>\$ 1,033,917</i> | <i>\$ 871,087</i> | <i>\$ 1,523,024</i> | <i>\$ 1,358,882</i> |
| Liabilities | | | | | | | | |
| Held for trading | - | - | - | - | - | - | - | - |
| Financial liabilities | 551,133 | 905,810 | 6,360 | 7,035 | 5,178 | 8,647 | 7,911 | 9,236 |
| <i>Total financial liabilities</i> | <i>\$ 551,133</i> | <i>\$ 905,810</i> | <i>\$ 6,360</i> | <i>\$ 7,035</i> | <i>\$ 5,178</i> | <i>\$ 8,647</i> | <i>\$ 7,911</i> | <i>\$ 9,236</i> |

*The Diversified Series consolidated with the Balanced Series on December 17, 2010 as discussed in Note 8

The Fund uses a three-tier hierarchy as a framework for disclosing fair value of investments based on inputs used to value the Fund's investments. The fair value measurements are classified into three levels as follows:

- (1) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- (2) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (3) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following is a summary of the inputs used as of February 28, 2011 and August 31, 2010 in valuing the Fund's investments carried at fair values:

As at February 28, 2011

*The Diversified Series consolidated with the Balanced Series on December 17, 2010 as discussed in Note 8

| Quoted prices in active markets for identical assets (Level 1): | Balanced Series* | GIC Series | Growth Series | Financial Services Series | TOTAL |
|--|----------------------|-------------------|------------------|---------------------------|----------------------|
| Short-term investments & bonds | \$ 3,223,239 | \$ - | \$ 9,907 | \$ 14,720 | \$ 3,247,866 |
| Bank securities | 3,143,915 | - | - | - | 3,143,915 |
| Income notes | 4,847,230 | - | - | - | 4,847,230 |
| Index notes | - | - | - | - | - |
| GICs | - | 725,000 | - | - | 725,000 |
| Venure Investments | 1,048,398 | 19,816 | 37,485 | 55,699 | 1,161,398 |
| <i>Total Investments (Level 1)</i> | <i>\$ 12,262,782</i> | <i>\$ 744,816</i> | <i>\$ 47,392</i> | <i>\$ 70,419</i> | <i>\$ 13,125,409</i> |

| Significant other observable inputs (Level 2): | Balanced Series* | GIC Series | Growth Series | Financial Services Series | TOTAL |
|---|------------------|-------------|-------------------|---------------------------|-------------------|
| Short-term investments & bonds | \$ - | \$ - | \$ - | \$ - | \$ - |
| Bank securities | - | - | - | - | - |
| Index notes | - | - | 264,502 | 442,228 | 706,730 |
| Income notes | - | - | - | - | - |
| GICs | - | - | - | - | - |
| Venure Investments | - | - | - | - | - |
| <i>Total Investments (Level 2)</i> | <i>-</i> | <i>\$ -</i> | <i>\$ 264,502</i> | <i>\$ 442,228</i> | <i>\$ 706,730</i> |

For the six month period ended February 28, 2011

4. FINANCIAL RISK MANAGEMENT (continued)

| Significant unobservable inputs (Level 3): | Balanced Series* | GIC Series | Growth Series | Financial Services Series | | TOTAL |
|---|----------------------|---------------------|-------------------|---------------------------|-------------|-------------------|
| Short-term investments & bonds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Bank securities | - | - | - | - | - | - |
| Income notes | - | - | - | - | - | - |
| Index notes | - | - | - | - | - | - |
| GICs | - | - | - | - | - | - |
| Venture Investments | 13,537,391 | 255,874 | 484,019 | 719,211 | \$ - | 14,996,495 |
| <i>Total Investments (Level 3)</i> | <i>\$ 13,537,391</i> | <i>\$ 255,874</i> | <i>\$ 484,019</i> | <i>\$ 719,211</i> | <i>\$ -</i> | <i>14,996,495</i> |
| Total Investments (all levels) | \$ 25,800,173 | \$ 1,000,690 | \$ 795,913 | \$ 1,231,858 | \$ - | 28,828,634 |

As at August 31, 2010

| Quoted prices in active markets for identical assets (Level 1): | Balanced Series | GIC Series | Growth Series | Financial Services Series | | Diversified Series | Total |
|--|----------------------|-------------------|------------------|---------------------------|------------------|--------------------|-------------------|
| Short-term investments & bonds | \$ 4,441,900 | \$ - | \$ 45,292 | \$ 71,407 | \$ 16,104 | \$ - | \$ 4,574,703 |
| Bank instruments | 3,191,720 | - | - | - | - | - | 3,191,720 |
| Income notes | 4,172,501 | - | - | - | 23,433 | - | 4,195,934 |
| Index notes | - | - | - | - | - | - | - |
| GICs | - | 670,000 | - | - | - | - | 670,000 |
| Venture Investments | 1,155,031 | 25,320 | 35,705 | 56,292 | 12,695 | - | 1,285,043 |
| <i>Total Investments (Level 1)</i> | <i>\$ 12,961,152</i> | <i>\$ 695,320</i> | <i>\$ 80,997</i> | <i>\$ 127,699</i> | <i>\$ 52,232</i> | <i>\$ -</i> | <i>13,917,400</i> |

| Significant other observable inputs (Level 2): | Balanced Series | GIC Series | Growth Series | Financial Services Series | | Diversified Series | Total |
|---|-----------------|-------------|-------------------|---------------------------|------------------|--------------------|----------------|
| Short-term investments & bonds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Bank instruments | - | - | - | - | - | - | - |
| Income notes | - | - | - | - | - | - | - |
| Index notes | - | - | 201,037 | 362,694 | 42,459 | - | 606,190 |
| GICs | - | - | - | - | - | - | - |
| Venture Investments | - | - | - | - | - | - | - |
| <i>Total Investments (Level 2)</i> | <i>\$ -</i> | <i>\$ -</i> | <i>\$ 201,037</i> | <i>\$ 362,694</i> | <i>\$ 42,459</i> | <i>\$ -</i> | <i>606,190</i> |

| Significant unobservable inputs (Level 3): | Balanced Series | GIC Series | Growth Series | Financial Services Series | | Diversified Series | Total |
|---|----------------------|-------------------|-------------------|---------------------------|-------------------|--------------------|-------------------|
| Short-term investments & bonds | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Bank instruments | - | - | - | - | - | - | - |
| Income notes | - | - | - | - | - | - | - |
| Index notes | - | - | - | - | - | - | - |
| GICs | - | - | - | - | - | - | - |
| Venture Investments | 12,670,304 | 277,748 | 391,674 | 617,508 | 139,261 | - | 14,096,495 |
| <i>Total Investments (Level 3)</i> | <i>\$ 12,670,304</i> | <i>\$ 277,748</i> | <i>\$ 391,674</i> | <i>\$ 617,508</i> | <i>\$ 139,261</i> | <i>\$ -</i> | <i>14,096,495</i> |
| Total Investments (all levels) | \$ 25,631,456 | \$ 973,068 | \$ 673,708 | \$ 1,107,901 | \$ 233,952 | \$ - | 28,620,085 |

During the period ended February 28, 2011, there were no transfers between Level one and Level two. The reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

As at February 28, 2011

| | Balanced Series | GIC Series | Growth Series | Financial Services Series | | Diversified Series | Total |
|--|-----------------|------------|---------------|---------------------------|------------|--------------------|---------------|
| Beginning balance, September 1, 2010 | \$ 12,670,304 | \$ 277,748 | \$ 391,674 | \$ 617,508 | \$ 139,261 | \$ - | \$ 14,096,495 |
| Purchases | 1,354,055 | 25,593 | 48,414 | 71,938 | - | - | 1,500,000 |
| Sales | (10,380) | (196) | (372) | (552) | - | - | (11,500) |
| Inter-Series portfolio reallocations | (84,609) | (37,230) | 63,298 | 58,541 | - | - | - |
| Conversion of Class A shares (Note 8) | 139,261 | - | - | - | (139,261) | - | - |
| Net transfers into and/or out of Level 3 | - | - | - | - | - | - | - |
| Realized gains/(losses) | - | - | - | - | - | - | - |
| Change in unrealized depreciation | (531,240) | (10,041) | (18,995) | (28,224) | - | - | (588,500) |
| Ending balance, February 28, 2011 | \$ 13,537,391 | \$ 255,874 | \$ 484,019 | \$ 719,211 | \$ - | \$ - | \$ 14,996,495 |

For the six month period ended February 28, 2011

4. FINANCIAL RISK MANAGEMENT (continued)

As at August 31, 2010

| Venture Investments | Financial Services | | | | | Total |
|---|--------------------|------------|---------------|------------|--------------------|---------------|
| | Balanced Series | GIC Series | Growth Series | Series | Diversified Series | |
| Beginning balance, September 1, 2009 | \$ 13,740,149 | \$ 213,408 | \$ 322,916 | \$ 612,780 | \$ 128,446 | \$ 15,017,699 |
| Purchases | 1,497,445 | 124,593 | 155,028 | 155,910 | 43,456 | 1,976,432 |
| Sales | (2,208,667) | (32,123) | (48,607) | (92,240) | (19,335) | (2,400,972) |
| Increase (decrease) due to converted shares | 932,807 | - | - | - | - | 932,807 |
| Net transfers into and/or out of Level 3 | - | - | - | - | - | - |
| Realized gains/(losses) | (4,014,876) | (45,627) | (123,100) | (194,563) | (43,970) | (4,422,136) |
| Change in unrealized depreciation | 2,723,446 | 17,497 | 85,437 | 135,621 | 30,664 | 2,992,665 |
| Ending balance, August 31, 2010 | \$ 12,670,304 | \$ 277,748 | \$ 391,674 | \$ 617,508 | \$ 139,261 | \$ 14,096,495 |

a) Risks and Risk Management

Financial instruments in the Fund's portfolios may be exposed to liquidity risk, credit risk, currency risk, interest rate risk and other price risk. The Discussion of Financial Risk Management following each Series' financial statements provides information and analysis of the risks specific to the applicable Series' financial instruments. The following discussion is of risks which are applicable to the financial instruments of all Series. See the Fund's prospectus, management reports of fund performance and statement of investment portfolio for other information, including the risks associated with investing in the Fund.

The Fund typically makes venture investments in early to mid stage private companies. These investments take several years to mature, and losses on unsuccessful investments are often realized before gains on successful investments. The primary venture investment strategy for the Fund is to diversify its venture portfolio by business sector and by stage of development. The Fund manages the risks associated with investing in developing companies through the use of experienced venture capital managers, careful selection of investment opportunities, ongoing monitoring of portfolio companies' operations and managing divestment opportunities. The Fund's Manager seeks to add value and manage risk by participating on portfolio companies boards of directors and assisting in recruiting key personnel, securing additional financing and formulating long-term strategic plans.

The Fund's holdings in short-term investments, bonds, bank instruments and GICs are exposed to interest rate risk and credit risk. There is minimal fair value sensitivity to interest rate fluctuations on cash and cash equivalents invested at market interest rates. The fair value of a debt investment represents the maximum exposure to credit risk.

Funds that are not invested or expected to be invested in venture investments are referred to as "Directed Funds". Directed Funds investments vary depending on the particular Series' investment strategy, and may range from GICs to investments linked to Canadian market equities. The values of certain of these investments fluctuate relative to movements in the market value of the securities to which the index, instruments or notes are linked. The Fund's strategy for limiting its exposure is to limit the proportion of a Series' assets which can be invested in Directed Funds investments, as mandated by the individual Series' investment strategy for Directed Funds.

Liquidity Risk

Liquidity risk is the risk that the Fund will have difficulty meeting obligations associated with financial liabilities. Liquidity risk for the Fund also arises from the need to meet share redemptions. Redemptions of Class A Shares, new and follow-on venture investments and other operational commitments all draw on the Fund's liquidity. Venture capital investments in private companies are generally illiquid and it often takes several years for investments to mature and present a divestment opportunity. If the Fund does not have sufficient liquidity to fund follow-on investments, it may incur dilution, or a loss of value on the investment if the portfolio company cannot secure required financing from alternative sources. Further, if the Fund is forced to sell a

4. FINANCIAL RISK MANAGEMENT (continued)

venture investment before it matures, it may incur a loss or make less of a gain. Class A Shares must generally be held for eight years from the date of purchase in order for the holder to retain the benefit of tax credits claimed in respect of the shares. Accordingly, for liquidity management purposes the Fund considers shares to be redeemable only after expiry of this eight-year period. All references to “redeemable” shares should be read accordingly. As at the end of the period, all of the Fund’s financial liabilities are due within one year.

The Fund manages liquidity risk through the use of an annual liquidity model that forecasts the Fund’s short and long term liquidity needs over 90-days, and the next two annual sales cycles ending March 31, based on projected levels of capital raising, investment and divestment activity, Class A Share redemptions and other operational commitments. Using this model, the Fund strives to maintain a minimum level of excess liquidity greater than 35% of projected redemptions over a rolling 90-day period. As at the end of the period, the Fund met this level of excess liquidity.

b) Venture Investment Portfolio

i) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge a payment obligation owed to the Fund under the instrument, causing a financial loss. While the Fund’s venture investments include debt instruments, which expose the Fund to credit risk, most debt instruments held are convertible into equity securities and are expected to be converted well before a divestment opportunity arises. Upon conversion, the credit risk associated with the debt instrument may be replaced by other price risk associated with the equity securities, as discussed below. If not converted or redeemed upon maturity, the instruments generally become due on demand. Classification of debt instruments after maturity as due on demand does not represent a renegotiation of the original debt agreement. Given the expectation that debt instruments will be converted into equity securities, and thereby subject to other price risk, the credit risk associated with the Fund’s venture portfolio is not considered to be significant.

ii) Currency Risk

Currency risk is the risk that financial instruments denominated in a currency other than Canadian dollars, which is the Fund’s reporting currency, will fluctuate due to changes in the exchange rate between the Canadian dollar and the currency in which the investment is denominated. The Fund manages currency risk associated with its venture portfolio by seeking to minimize the number of venture investments denominated in currencies other than Canadian dollars. As at the end of the period, the Fund did not hold any investments in currencies other than Canadian dollars.

iii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund’s venture investment portfolio contains debt instruments, which are generally convertible into equity and expected to be converted before or in connection with a divestment. Accordingly, the Manager does not consider venture investments to be subject to significant interest rate risk as their valuation is generally based on the underlying equity securities of the entity into which the debt is convertible. The values of the underlying equity securities generally do not change with changes in market interest rates and, as the interest rates of these instruments are fixed, changes in market interest rates will not impact cash flows of the Fund.

4. FINANCIAL RISK MANAGEMENT (continued)

iv) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than changes caused by interest rate or currency risk), whether caused by factors specific to an individual investment, affecting the sector in which the investee operates or all sectors.

The Fund generally makes investments in private companies. The Fund holds publicly traded investments in its venture investment portfolio as a result of initial public offerings by such companies or through divestitures of companies in exchange for publicly traded securities. While all venture investments held by the Fund present a risk of loss of capital due to business failures, the values of publicly traded investments are linked to movements in the stock market. In some circumstances, it may prove difficult for the Fund to quickly liquidate investments in less readily traded securities without unduly affecting the market price of the securities. Private company holdings are also linked to general market trends to the extent that poor market conditions may place downward pressure on valuations of the Fund's holdings due to reduced levels of activity in the initial public offering and merger and acquisition markets. The Fund seeks to manage other price risk by managing the level of public company holdings, including through market and private sales of these investments.

Public venture investments are grouped in each Series. Once grouped, a regression analysis can be undertaken for each group of holdings to identify the correlation between the value of investments in the public venture investment portfolio grouping and the benchmark. The results and sensitivity analysis relevant to each individual Series is reported in the Discussion of Financial Risk Management following each Series' financial statements.

Private venture investments are generally in early and expansion-stage companies, and accordingly, there is a limited history of operations and revenues from which to forecast the fair value of these investments. Further, the fair value of these companies will primarily fluctuate in response to specific company developments rather than in response to general market conditions. Therefore, while indices such as the NASDAQ Composite Index, which is the Fund's chosen broad-based index for benchmarking purposes, may be an indicator of the merger and acquisition ("M&A") and Initial Public Offering ("IPO") activity within the business sectors in which the Fund invests, it is difficult to identify a direct correlation between published indices or sector metrics and actual performance of private venture investments. Changes in the value of this index and other sub-sector indices may therefore differ materially from changes in the value of the Fund's private venture investments. Accordingly, a sensitivity analysis that would measure the impact on the Fund's net assets relative to changes in an index has not been provided as it is not considered meaningful.

c) Short-term Investments and Bonds

The Fund's short-term investments include investments in bankers' acceptances, treasury bills, and GICs. The Fund invests in Canadian dollar denominated short-term investments and bonds, and as such is not exposed to currency risk on these investments.

i) Credit Risk

Credit rating agencies rate issuers based on how much credit risk they represent; the higher the credit rating, the lower the credit risk. The Fund manages this risk by generally investing in short-term investments, bonds and GICs issued by governments, financial institutions and issuers with credit ratings at the higher end of the range.

Other than in exceptional circumstances, transactions in these securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

4. FINANCIAL RISK MANAGEMENT (continued)

ii) *Interest Rate Risk*

The Fund's short-term investments and bonds may be subject to interest rate risk, which would affect the value of traded instruments and the Fund's income. When market interest rates rise, the value of traded interest-bearing instruments held by the Fund generally falls due to a decline in demand for lower yielding instruments. While higher interest rates may increase the Fund's income through higher yields on newly acquired instruments, the increase may be more than offset by a decrease in the overall value of traded instruments held by the Fund. The Fund's strategy for managing this risk is to monitor and adjust its interest-bearing portfolio holdings in light of prevailing and expected movements in short, medium and long-term interest rates and bond prices. This may include incurring early redemption penalties so as to allow re-investment of capital at higher rates.

d) **Directed Funds Investments**

The Fund's Directed Funds investments may include investments in GICs, index notes, income notes and bank instruments. The Fund invests in Canadian dollar denominated Directed Funds investments, and as such is not exposed to currency risk on these investments.

i) *Credit Risk*

Directed Funds investments in debt instruments such as GICs, index notes, income notes, and bank instruments give rise to credit risk, which is managed in the same manner as credit risk associated with short-term investments and bonds (Note 4(c)(i)). The Fund's portfolios of index notes and income notes are issued by National Bank of Canada, a Canadian Schedule 1 bank. Management does not consider there to be a significant risk of loss to the Fund's holdings in the investments due to credit risk.

ii) *Interest Rate Risk*

Directed Funds investments are also subject to interest rate risk, however the extent of exposure for GICs and income notes is considered to be low due to the fact that these investments have fixed interest rates, are redeemable, and the maximum penalty for early redemption is loss of accrued interest. The interest rate risk management strategy is the same as that discussed for the short-term investments and bonds (Note 4(c)(ii)).

iii) *Other Price Risk*

Other price risk arises due to movements in the quoted prices of the securities underlying index notes and income notes. The Fund manages other price risk by limiting investments in, monitoring the composition of, and adjusting the concentration of these investments.

5. SHARE CAPITAL

Authorized:

- Unlimited number of Class A Shares, issuable in series. All Series have the following rights and restrictions: voting, discretionary dividend entitlement, restrictions on transfer, and redeemable by the holder at the net asset value per share less any redemption fee and subject to certain restrictions and withholding of tax credits required to be repaid. Class A Shares are entitled to elect 6 of 15 directors that form the Board of Directors of the Fund.
- Unlimited number of Class B Shares, issuable only to the sponsor of the Fund. Class B shares have the following rights and restrictions: voting, no dividend entitlement, restrictions on transfer. Class B shares are entitled to elect 9 of the 15 directors that form the Board of Directors of the Fund.
- Unlimited number of non-voting Class C Shares ("IPA Shares"), issuable only to a person acting as manager or investment manager of the Fund. The owner of the Class C shares is entitled to receive

For the six month period ended February 28, 2011

5. SHARE CAPITAL (continued)

dividends (“IPA Dividends”) equal to 25% of realized gains and income from each of the Fund's venture investments. Before any IPA Dividends can be paid in respect of an investment, the following conditions must be met:

Portfolio Test – the annualized rate of return generated by the total net realized and unrealized gains and income of the Fund from its portfolio of venture investments must exceed a cumulative annualized threshold rate of return equal to the average annual rate of return on a five-year guaranteed investment certificate offered by the Royal Bank of Canada plus 2%;

Venture Investment Test – the compounded annual internal rate of return (including realized and unrealized gains and income from prior partial dispositions of that venture investment or otherwise) from the venture investment since its acquisition by the Fund must equal or exceed 12% per year; and

Principal Test – the Fund must have fully recovered a cash amount equal to the principal invested in the venture investment.

For the purposes of payment to the Manager, the IPA Dividends are calculated and payable quarterly. To the extent they are not declared by the Board and paid when payable, they are cumulative.

The contingent IPA Dividend is an estimate of IPA Dividends that would have been payable to the Manager had the Fund's entire venture portfolio been disposed of at the estimated fair value as of the date of the financial statements; however, the total IPA Dividends that will actually be paid over the life of the Fund is currently not determinable, as it will depend on the value ultimately realized from the venture portfolio. There were no IPA Dividends or contingent IPA Dividends for the periods ended February 28, 2011 or 2010 as the above tests were not met.

Fee structure

All of the Class A Shares of the Fund are subject to the same fee and cost structure, except that certain shares of the Balanced Series issued under the merger with Workers Investment Fund Inc. on December 16, 2005 are not subject to an early redemption fee.

Class A Shares

Redemption and subscription data includes switching of shares of one series for shares of another series. The following shares were issued and redeemed during the period ended February 28, 2011:

| Class A Shares | Outstanding Shares at Beginning of Period | Issue of Shares | Conversion of Shares – Diversified Series to Balanced Series (Note 8) | Redemption of Shares | Outstanding Shares at End of Period |
|---------------------------|---|-----------------|---|----------------------|-------------------------------------|
| Balanced Series | 3,469,872 | 156,801 | 38,807 | (111,245) | 3,554,235 |
| GIC Series | 118,152 | 27,840 | - | (1,320) | 144,672 |
| Growth Series | 107,263 | 20,288 | - | (472) | 127,079 |
| Financial Services Series | 169,110 | 19,856 | - | (138) | 188,828 |

For the six month period ended February 28, 2011

5. SHARE CAPITAL (continued)

The following shares were issued and redeemed during the year ended August 31, 2010:

| Class A Shares | Outstanding Shares at Beginning of Period | Issue of 07 Commercialization to Balanced Series | Conversion of Shares – | Redemption of Shares | Outstanding Shares at End of Period |
|---------------------------|---|--|------------------------|----------------------|-------------------------------------|
| Balanced Series | 3,342,068 | 473,561 | 99,641 | (445,398) | 3,469,872 |
| GIC Series | 55,028 | 64,190 | - | (1,066) | 118,152 |
| Growth Series | 78,544 | 29,928 | - | (1,209) | 107,263 |
| Financial Services Series | 149,049 | 20,710 | - | (649) | 169,110 |
| Diversified Series | 31,242 | 7,050 | - | (154) | 38,138 |

Class B Shares

1,000 Class B shares were outstanding throughout the six month period ended February 28, 2011 and the year ended August 31, 2010.

Class C Shares

100 Class C shares were outstanding throughout the six month period ended February 28, 2011 and the year ended August 31, 2010.

Redemption of Class A Shares

A shareholder may redeem all or part of a series of Class A Shares held at the net asset value per series share at the time of redemption, subject to certain restrictions. In any fiscal year, the Fund is not required to redeem issued Class A Shares having an aggregate redemption price greater than an amount equal to: 20% of the net asset value

of Class A Shares issued for 8 years or more, plus 10% of the net asset value of Class A Shares issued for less than 8 years, as at the last day of the immediately preceding financial year. If the Fund does not redeem Class A Shares upon request, it will redeem those shares in the following financial year, subject to the above limit, before it redeems any other Class A Shares that it has been requested to redeem. For such purposes, the requests to redeem such shares will be deemed to have been received by the Fund on the first day of the following fiscal year in the order that they were originally received by the Fund. The Fund may also suspend the right to redeem shares if it has received the necessary consents of securities regulators.

Service Fees for Class A Shares

During the period, a total of \$74,405 (2010: \$75,244) was incurred by the Fund as distribution costs for Class A shares. The Series allocation was as follows:

| Class A shares - Service Costs: | 2011 | 2010 |
|---------------------------------|-----------|-----------|
| Balanced Series | \$ 66,372 | \$ 68,422 |
| GIC Series | 2,640 | 1,360 |
| Growth Series | 2,104 | 1,658 |
| Financial Services Series | 3,289 | 3,128 |
| Diversified Series (Note 8) | - | 676 |

The Diversified Series was consolidated with the Balanced Series on December 17, 2010 as discussed in Note 8.

6. RELATED PARTY TRANSACTIONS

a) Management fees and administration fees

The Fund entered into a Management Agreement with the Manager, a related party by virtue of the agreement, dated for reference December 24, 2004. Under the terms of the Management Agreement, the Manager provides certain management services; including management of day-to-day operations, portfolio advisory and investment management, compliance with securities laws, and monitoring and enforcing agreements on behalf of the Fund, as well as various administrative services which are recorded at transaction values. Under the Management Agreement, in return for providing or arranging for management and administration services, the Manager receives:

1. a management fee of 2.0% per annum of the average net asset value of the Fund;
2. an annual administration fee of 2.00% of average net asset value of the Fund; and
3. an annual capital retention fee of 0.75% of the original purchase price of Class A Shares which remain issued and unredeemed.

These fees are calculated and paid monthly. The fee based on capital retention ceases in respect of any Class A Shares which were originally issued more than eight years previously.

Unless terminated by the Fund or the Manager, the Management Agreement will remain in effect until dissolution, wind-up or termination of the Fund.

b) IPA Dividends

As the holder of the IPA Shares, the Manager is entitled to receive IPA Dividends (see Note 5)

c) Inter-series receivable and payable

The Fund, and in some cases the Balanced Series, may be stated as the owner of certain investment and other assets, including cash, that are allocated among multiple Series in the records of the Fund in accordance with the Fund's valuation policies and procedures through the use of inter-series receivable and payable accounts. The Series also incur inter-series receivables and payables on the transfer of tax deductions between the Series or on inter-series borrowings. All inter-series balances are non-interest bearing, unsecured and have no specified repayment terms. As all the Series of the Fund are currently reporting a non-capital loss for the period, there is no current tax benefit that can be utilized between Series for the current period.

7. INCOME TAXES

Income taxes

Under the Income Tax Act (Canada), income taxes payable by the Fund on net realized capital gains will be fully refundable on a formula basis when shares are redeemed or capital gains dividends are paid or deemed to be paid by the Fund to its shareholders. Taxes payable on net investment income, other than capital gains, and certain dividends received from Canadian corporations will be partially refundable upon the payment or deemed payment of taxable dividends, other than capital gains dividends.

The Fund records the refundable portion of its income taxes as an asset, as it intends to recover all of its refundable income taxes through the deemed distribution of a Class A Share dividend from its net investment income and/or its realized capital gains on investments in the year in which the capital gains occur. If and to the extent the Fund distributes, or is deemed to have distributed, a dividend, the holder of the shares will be deemed to have received a Canadian taxable dividend and/or a realized capital gain, and the adjusted cost base of the shareholder's shares will be increased by the amount of any deemed dividend.

Future income taxes

Temporary differences between the carrying amounts of assets and liabilities for accounting and income tax purposes and non-capital loss carry forwards may result in future tax assets and liabilities. When the fair value of

For the six month period ended February 28, 2011

7. INCOME TAXES (continued)

a security exceeds the cost base, a future tax liability arises. This future tax liability may be eliminated by refundable taxes generated by payment of capital gains dividends. When the cost base of a security exceeds the fair value, a future tax asset arises. Due to the uncertainty of such future tax assets ultimately being realized, to date a full valuation allowance has been applied.

The components of future income tax balances as at February 28, 2011 and August 31, 2010 are as follows:

| | Balanced Series | | GIC Series | |
|---|-----------------|--------------|------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Future income tax assets (liabilities) | | | | |
| Tax loss carryforwards | \$ 1,033,731 | \$ 1,116,830 | \$ 23,522 | \$ 29,279 |
| Deferred finance fees | 87,736 | 196,029 | 3,049 | 3,827 |
| Net unrealized losses on portfolio assets | 922,851 | 800,239 | 26,165 | 20,385 |
| Valuation allowance | (2,044,318) | (2,113,098) | (52,736) | (53,491) |
| Net Future income tax asset (liability) | \$ - | \$ - | \$ - | \$ - |

| | Growth Series | | Financial Services | |
|---|---------------|-----------|--------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Future income tax assets: (liabilities) | | | | |
| Tax loss carryforwards | \$ 35,850 | \$ 41,954 | \$ 56,426 | \$ 68,945 |
| Deferred finance fees | 2,608 | 4,412 | 4,259 | 8,073 |
| Net unrealized losses on portfolio assets | 18,041 | 16,191 | 30,006 | 28,295 |
| Valuation allowance | (56,499) | (62,557) | (90,691) | (105,313) |
| Net Future income tax asset (liability) | \$ - | \$ - | \$ - | \$ - |

Investment requirements

The Income Tax Act (Canada), the New Brunswick Act, the Newfoundland and Labrador Act, and the Nova Scotia Act set minimum levels of qualifying venture investments required to be made by the Fund. If the required minimum level of qualifying venture investments is not met under each statute, the Fund may be subject to taxes and penalties.

Income tax-loss carry forwards

As calculated at February 28, 2011, the Fund has an available non-capital loss of approximately \$543,636 (August 31, 2010: \$560,420) that may be carried forward and used to offset future income for tax purposes. The following table summarizes the amount of the carry forward attributable to each Series as at February 28, 2011.

| | Non-capital loss carryforwards | Capital loss carryforwards |
|---------------------------|-----------------------------------|-------------------------------|
| Balanced Series | \$456,842 | \$3,645,965 |
| GIC Series | 28,610 | 40,985 |
| Growth Series | 22,727 | 110,577 |
| Financial Services Series | 35,457 | 174,771 |
| | \$543,636 | \$3,972,298 |

GROWTHWORKS ATLANTIC VENTURE FUND LTD.

Notes to the Financial Statements

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8. CONSOLIDATION OF THE DIVERSIFIED SERIES

On December 17, 2010, the Diversified Series was consolidated with the Balanced Series based on the relative NAV of each of the series. The NAV of the Balanced Series was \$7.98, and the NAV for the Diversified Series was \$8.12. Each Diversified Series share was converted into 1.02 of a Balanced Series Share.

The consolidation of the Diversified Series into the Balanced Series occurred in accordance with shareholder approval received at the Fund's annual general meeting on December 3, 2010.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of short-term obligations arising primarily from related party transactions (Note 6) and accrued incentives relating to service fees the Fund pays quarterly to registered dealers at an annual rate of 0.5% of the average net asset value of the Class A Shares held by the dealers' clients.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (continued)

The following table provides the detail by significant category for the period ended February 28, 2011 and the year ended August 31, 2010:

| | Balanced Series | | GIC Series | | Growth Series | |
|--|-----------------|------------|------------|----------|---------------|----------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Accrued management fees | \$ 132,939 | \$ 135,548 | \$ 5,260 | \$ 5,167 | \$ 4,289 | \$ 4,182 |
| Accrued incentives | 21,514 | 24,872 | 857 | 970 | 693 | 784 |
| Accrued redemptions payable | 38,939 | 214,558 | - | - | - | 2,888 |
| Other payables/liabilities | 12,969 | 34,284 | 243 | 898 | 196 | 793 |
| Accounts payable and accrued liabilities | \$ 206,361 | \$ 409,262 | \$ 6,360 | \$ 7,035 | \$ 5,178 | \$ 8,647 |

| | Financial Services Series | |
|--|---------------------------|----------|
| | 2011 | 2010 |
| Accrued management fees | \$ 6,546 | \$ 6,660 |
| Accrued incentives | 1,064 | 1,245 |
| Accrued redemptions payable | - | - |
| Other payables/liabilities | 301 | 1,331 |
| Accounts payable and accrued liabilities | \$ 7,911 | \$ 9,236 |

10. INDEPENDENT REVIEW COMMITTEE ("IRC") FEES

For the six month period ended February 28, 2011, the Fund paid a total of \$1,250 (2010: \$1,000) to the members of the IRC, excluding fees paid to IRC members in their capacity as directors or members of other board committees.

11. INDEPENDENT VALUATOR

Pursuant to the independent valuation requirements of National Instrument 81-106, the Fund requires an independent review to assess whether or not the fair value of the Fund's venture portfolio is, in all material respects, reasonable. Qualified chartered business valuers within the Valuations Practice of KPMG LLP, the Fund's independent auditor, performed this review at the Fund's most recent year ended (August 31, 2010) and concluded that the fair value was, in all material respects, reasonable.

GROWTHWORKS
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