



Saskatchewan Opportunities Corporation

2005 Third Quarter Report
For the nine months ended September 30, 2005

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Management Discussion and Analysis

The following management discussion and analysis for the Saskatchewan Opportunities Corporation, ('the Corporation') should be read in conjunction with the Corporation's unaudited interim financial statements and notes to those statements for the nine months ended September 30, 2005. What follows will provide the context within which the Corporation's unaudited interim financial statements should be analyzed. SOCO's Board of Directors has approved the interim financial statements. For additional information relative to its operations and financial position, refer to the Corporation's Annual Report for the year ended December 31, 2004.

Profile

The corporate mission is to support the growth and success of the Saskatchewan technology sector through the development and operation of research parks. The Corporation was established as a Crown Corporation in 1994. As such, the Corporation takes its strategic direction from Crown Investments Corporation of Saskatchewan (CIC), the holding company for provincial Crown corporations, whose board of directors are elected Cabinet Ministers.

The Corporation leases high quality space and services to tenants at Saskatchewan's two Research Parks; Innovation Place adjacent to the University of Saskatchewan, and the Regina Research Park adjacent to the University of Regina. Research park tenants have the capability and the opportunity to share information with others, resulting in synergies (clusters) and innovation. The Corporation also leases high quality space in Prince Albert at the Saskatchewan Forest Centre Building.

The Corporation also operates the Bio Processing Centre (BPC) which supports the bio-products industry by providing custom, toll processing on a contract basis for the nutraceutical, cosmetic and agri-food industries.

Financial Results

Net income in the three months ended September 30, 2005 was \$1,655,000 a \$313,000 decrease from 2004. Net income for the nine months ended September 30, 2005 was \$4,910,000, a \$394,000 increase from the first nine months of 2004.

Revenue

<i>(in thousands)</i>	Three Months Ended September 30			Nine Months Ended September 30		
	2005	2004	Change	2005	2004	Change
Rental and Development Revenue	\$5,653	\$5,427	\$226	\$16,546	\$15,830	\$716
Operating Contribution	-	-	-	-	\$1,803	(\$1,803)
Total Revenue	\$5,653	\$5,427	\$226	\$16,546	\$17,633	(\$1,087)

Rental and Development Revenue

The \$716,000 increase for the nine months ended September 30 is due to the completion of the Saskatchewan Forest Centre Building in the first quarter of 2005 and the continued decrease in vacancy levels at Innovation Place and Regina Research Park.

Operating Contribution

As a result of the transfer of assets and liabilities to the General Revenue Fund in fiscal 2004, the Corporation no longer received an operating contribution from the General Revenue Fund.

Expenses

<i>(in thousands)</i>	Three Months Ended September 30			Nine Months Ended September 30		
	2005	2004	Change	2005	2004	Change
Operating and Administration	\$841	\$639	\$202	\$2,234	\$1,964	\$270
Interest	-	(9)	9	-	1,820	(1,820)
Rental and Development	3,058	2,783	275	9,183	8,142	1,041
Amortization	99	46	53	219	1,191	(972)
Total Expenses	\$3,998	\$3,459	\$539	\$11,636	\$13,117	(\$1,481)

Operating and Administration

The increase of \$270,000 for the nine months ended September 30 from the prior year is mainly due to increased staff costs for positions filled in late 2004 and in 2005.

Interest

The \$1,820,000 decrease in interest expense for the nine months ended September 30 is a result of the transfer of assets and liabilities to the General Revenue Fund that occurred in 2004.

Rental & Development

The increase of \$1,041,000 for the nine months ended September 30 from the prior year is due to several factors. The 2005 results include expenses related to the Saskatchewan Forest Centre Building which was completed in the first quarter. The 2005 results also include significant increases in various expenses including property taxes and janitorial costs. Also contributing to the increase is significant recovery of an old receivable item in 2004 that had previously been allowed for.

Amortization

As a result of the transfer of rental assets to the General Revenue Fund in 2004, amortization expense has decreased \$972,000.

Cash Flow Statement

<i>(in thousands)</i>	Three Months Ended September 30			Nine Months Ended September 30		
	2005	2004	Change	2005	2004	Change
Cash Provided by Operating Activities	\$(608)	\$2,164	\$(2,772)	\$2,797	\$6,092	\$(3,295)
Cash Used in Investing Activities	(1,482)	(1,998)	516	(5,083)	(7,964)	2,881
Cash Provided by Financing Activities	-	-	-	-	781	(781)
Change in Cash Position	\$(2,090)	\$166	(2,256)	\$(2,286)	\$(1,091)	\$(1,195)

Cash Provided by Operating Activities

The decrease of \$3,295,000 for the nine months ended September 30 from the prior year is due primarily to changes in non-cash operating balances. Excluding the impact of the transfer of assets and liabilities to the General Revenue Fund in 2004, the Corporation recognized a considerable decrease in accounts payables. In addition, total accounts receivable increased significantly due primarily to a large outstanding progress claim on a third party construction contract.

Cash Used in Investing Activities

Cash used in investing activities decreased \$2,881,000 for the first nine months of 2005 compared to 2004. Cash used in investing activities is a function of the Corporation's annual capital plan. In addition to various capital maintenance and tenant improvements that fluctuate year over year, the Corporation expended approximately \$5,042,000 on the Saskatchewan Forest Centre Building during the first nine months of 2004 compared only to \$1,555,000 during the same period in 2005.

Risks

Bio Processing Centre

The BPC provides toll processing services primarily to small, developing, plant based biotechnology companies. The BPC provides clients with assistance for product development, process scale up testing and production for sale. These small companies often face business challenges including availability of capital, availability and variability of raw material, and the ability to attract the attention of the market and larger business partners. Therefore, even though clients pre book processing time extenuating circumstances may keep a client from actually having the processing done. This can lead to variability in BPC's financial results. The BPC seeks to mitigate this risk by working closely with clients to understand their issues and assist where possible; often this means rescheduling work with other clients. The BPC also seeks to expand its "book of business" through several marketing initiatives including participating in industry trade shows and events, maintaining contact with research organizations and direct marketing.

Lack of Inventory

Both Innovation Place and Regina Research Park do not have enough inventory to meet the growth requirements of tenants and demand for space from outside the parks in the short term. Vacancy rates are extremely low in both parks; less than 1% for office space at Innovation Place and 0% overall at Regina Research Park. The addition of 121 Research Drive will help alleviate some of the pressures at Innovation Place. Regina Research Park is continuing to work with tenants to alleviate shortages and staff will be proposing additional buildings for construction starting in 2006. Due to the time it takes to build new buildings management is going to be under pressure to help their tenants manage growth and accommodate the space needs of new tenants over the next 12 to 24 months.

Significant Transactions

New Development

Development activity is underway at both Innovation Place and Regina Research Park. The announcement regarding the construction of the new Provincial Lab at Regina Research Park on October 6, 2005 will bring much anticipated activity to the park. The 70,000 square foot, \$27.0 million facility will bring approximately 150 new employees to the park. Construction is expected to start in 2006 and it will be ready for occupancy in 2008.

The announcement regarding the construction of 121 Research Drive at Innovation Place on October 14, 2005 is another sign of renewed activity. The 151,000 square foot, \$25.0 million building will provide room for the continued growth and consolidation of the engineering and information technology sectors and the opportunity for new tenants to relocate to Innovation Place. Construction began immediately and the building will be ready for occupancy by the end of 2007.

Financing Policy

The Corporation's Board of Directors approved a new financial policy in the third quarter. The objective of the new policy is to ensure long term financial sustainability while still meeting the Corporation's economic development mandate. New development will be financed with a combination of debt and equity, with the maximum amount of debt being limited to the amount the project can sustain from a cash flow perspective. Equity will generally consist of cash flow from operations but may also include contributions from third parties.

Outlook

Forecasted net income for December 31, 2005 is expected to be \$5,806,000, a \$258,000 decrease from December 31, 2004. The December 31, 2005 forecast represents a \$132,000 favorable variance from the 2005 budgeted net income of \$5,674,000.

Total capital expenditures for 2005 are forecasted to be \$7,351,000 representing a \$436,000 decrease from the budget of \$7,787,000. The forecast includes \$2,288,000 for the Saskatchewan Forest Centre Building and \$1,815,000 for the construction of 121 Research Drive.

The BPC has polled its clients relative to their anticipated processing needs in 2006. Current indications are that BPC sales in 2006 may be approximately 10% less than the Forecast for 2005 (\$2.3 million in 2006 versus \$2.56 million in 2005). However several clients are working on significant business opportunities which if successful would mean the actual BPC sales in 2006 will likely exceed the budget. BPC is also continuing to expand its marketing program to expand its client base.

Management's Responsibility for Financial Statements

The accompanying unaudited interim financial statements of the Saskatchewan Opportunities Corporation have been prepared by corporate management in accordance with Canadian generally accepted accounting principles and necessarily include amounts based on informed judgment and management estimates. Financial information presented elsewhere in this quarterly report is consistent with that in the financial statements.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal controls, policies and procedures to provide reasonable assurance that all financial transactions are recorded on a timely basis with proper approvals and result in reliable financial statements.

The interim Board of Directors has reviewed and approved these unaudited interim financial statements. The entire interim Board acts as an audit and finance committee and meets periodically with management.

On behalf of management,



Douglas Tastad
President & Chief Executive Officer



Charlene Callander
Vice President, Planning & Financial Reporting

STATEMENT OF FINANCIAL POSITION - Unaudited
(In Thousands)

	September 30 2005 (unaudited)	September 30 2004 (unaudited)
ASSETS		
Cash	\$ 785	\$ 1,550
Accounts Receivable and Prepaid Expenses	4,974	3,255
Property, Plant and Equipment	4,756	3,993
	\$ 10,515	\$ 8,798
LIABILITIES AND EQUITY		
Accounts Payable and Accrued Liabilities	\$ 1,658	\$ 2,133
Due to GRF	-	4,673
Deferred Revenue	527	120
	2,185	6,926
Province of Saskatchewan's Equity (Deficit)		
Retained Earnings (Deficit)	8,330	1,872
	\$ 10,515	\$ 8,798

STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

(In Thousands)

	Three Months Ended September 30 2005 (unaudited)	Three Months Ended September 30 2004 (Unaudited)	Nine Months Ended September 30 2005 (Unaudited)	Nine Months Ended September 30 2004 (Unaudited)
REVENUE				
Rental and Development Income	\$ 5,653	\$ 5,427	\$ 16,546	\$ 15,830
Operating Contribution - General Revenue Fund	-	-	-	1,803
	5,653	5,427	16,546	17,633
EXPENSES				
Operating and Administration	841	639	2,234	1,964
Interest	-	(9)	-	1,820
Rental and Development	3,058	2,783	9,183	8,142
Amortization	99	46	219	1,191
	3,998	3,459	11,636	13,117
Net Income	1,655	1,968	4,910	4,516
Retained Earnings (Deficit), Beginning of Period	6,675	(96)	3,420	(2,644)
Retained Earnings (Deficit), End of Period	\$ 8,330	\$ 1,872	\$ 8,330	\$ 1,872

STATEMENT OF CASH FLOWS

(In Thousands)

	Three Months Ended September 30 2005 (unaudited)	Three Months Ended September 30 2004 (Unaudited)	Nine Months Ended September 30 2005 (Unaudited)	Nine Months Ended September 30 2004 (Unaudited)
OPERATING ACTIVITIES				
Net Income	\$ 1,655	\$ 1,968	\$ 4,910	\$ 4,516
Add non-cash item:				
Amortization	99	46	219	1,191
Change in non-cash operating items:				
(Increase) Decrease in Accounts Receivable and Prepaid Expenses	(1,469)	175	(1,613)	(28)
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(849)	715	(633)	(1,351)
(Decrease) Increase in Deferred Revenue	(44)	(740)	(86)	120
Non-cash Balances Transferred to GRF	-	-	-	1,644
Cash Provided by Operating Activities	(608)	2,164	2,797	6,092
INVESTING ACTIVITIES				
Decrease in Accounts Payable for Capital	(19)	(714)	(1,738)	(1,470)
Investment in Property, Plant and Equipment	(1,463)	(1,284)	(3,345)	(6,494)
Cash Used in Investing Activities	(1,482)	(1,998)	(5,083)	(7,964)
FINANCING ACTIVITIES				
Net Change in Notes Payable	-	-	-	1,168
Non-repayable Contributions for Capital	-	-	-	-
Net Change in Long-Term Debt	-	-	-	(387)
Cash Provided by Financing Activities	-	-	-	781
(Decrease) Increase in Cash Position for the Period	(2,090)	166	(2,286)	(1,091)
Cash, Beginning of Period	2,875	1,384	3,071	2,641
Cash, End of Period	\$ 785	\$ 1,550	\$ 785	\$ 1,550

NOTES TO FINANCIAL STATEMENTS

September 30

Saskatchewan Opportunities Corporation (the "Corporation") was incorporated under *The Saskatchewan Opportunities Corporation Act*, which was proclaimed and came into force on August 15, 1994. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown Corporation is subject to neither federal nor provincial income tax. The financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan (CIC).

The Corporation's mandate is to create, encourage and facilitate business opportunities in the Saskatchewan technology sector, primarily through the development and operation of research and development parks.

1. ACCOUNTING POLICIES

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are consistent with those used and described in the 2004 annual financial statements.

2. COMPARATIVE FIGURES

Certain amounts for the comparative period have been reclassified to conform with current period financial statement presentation.

CORPORATE INFORMATION

Interim Board of Directors

Blair Swystun, Chair

Vice President & Chief Financial Officer
Crown Investments Corporation of Saskatchewan
Regina, SK

Kathy Buitenhuis

Executive Director, Innovation and Research
Crown Investments Corporation of Saskatchewan
Regina, SK

Glen Veikle

Associate Deputy Minister
Industry and Resources
Regina, SK

Senior Management

Douglas Tastad, President and Chief Executive Officer

Ken Loeppky, Vice President, Research Park Operations

Charlene Callander, Vice President, Planning and Financial Reporting

Brent Sukenik, Executive Director, Financial Reporting

Gord Joorisity, Executive Director, Project Management

Lorne Vinish, Executive Director, Finance and Business Services

Austin Beggs, Director, Corporate Relations

Rob Trimble, Director, Client Services

Gregg Willie, Manager, Bio Processing Centre

Pennie Bainbridge, Executive Assistant to the President

CONTACT INFORMATION

Innovation Place

114 - 15 Innovation Boulevard
Saskatoon, Saskatchewan S7N 2X8
Telephone: (306) 933-6295
Fax: (306) 933-8215
www.innovationplace.com
Email: info@innovationplace.com

Regina Research Park

140 - 10 Research Drive
Regina, Saskatchewan S4S 7J7
Telephone: (306) 798-7275
Fax: (306) 787-8601



SASKATCHEWAN OPPORTUNITIES CORPORATION