



2006 THIRD QUARTER REPORT

For the nine month period ended September 30, 2006

SASKATCHEWAN OPPORTUNITIES CORPORATION



MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis for the Saskatchewan Opportunities Corporation (SOCO; 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, 2006. 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, 2005.

This discussion includes forward-looking statements about SOCO's corporate direction and financial objectives. Due to the risks and uncertainties inherent in any forecast, the actual results could differ materially from those anticipated.

CORPORATE OVERVIEW

SOCO, a Saskatchewan Crown corporation, reports directly to the provincial government through the Crown Investments Corporation (CIC). The corporate mission is to support the growth and success of Saskatchewan's technology sector through the development and operation of research parks. SOCO currently operates parks on the campuses of the University of Saskatchewan and the University of Regina, as well as a forest industry complex in Prince Albert.

CORE BUSINESS

SOCO designs, constructs and manages specialized buildings, primarily for technology companies. Revenue is generated from leasing space in these buildings to a wide range of tenants. A typical lease arrangement includes a five-year term with fixed revenue, adjusted annually for any increase in operating costs. Typical vacancy within the parks is approximately 5 per cent (Regina has 0 per cent vacancy).

Major categories of operating costs include utilities, grants-in-lieu of taxes, building and grounds maintenance and corporate administration. For the most part both revenue and expenses are not subject to rapid change. Profitability is tightly linked to local real estate market conditions.

SOCO provides its clients with a superior working environment that contributes directly to their success. A diverse mix of research and service tenants, a dynamic social atmosphere and high-quality facilities work together to create a community that encourages interaction and collaboration.

The quality of the environment in the parks not only enhances operating productivity and tenant innovation, but assists tenants in employee recruitment and corporate marketing.



INNOVATION PLACE BIO PROCESSING CENTRE

SOCO operates the Bio Processing Centre (BPC) in Saskatoon on a fee-for-service basis. The BPC extracts active compounds from plant material, primarily for the cosmetic and specialized food industries. Around 40 companies have utilized the BPC, with approximately half coming from Saskatchewan.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three Months Ended September 30			Nine Months Ended September 30		
	2006	2005	Change	2006	2005	Change
Financial						
<i>(in thousands)</i>						
Net Income	\$1,686	\$1,655	\$31	\$3,951	\$4,910	(\$959)
Cash Provided by Operating Activities	695	(608)	\$1,303	2,764	2,797	(\$33)
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	As at	As at				
	September	December				
	30 2006	31, 2005				
Operational						
Total employment within the parks	3,277	3,245	32			
Vacancy	6.20%	6.12%	0.08%			

FINANCIAL RESULTS

REVENUE

	Three Months Ended September 30			Nine Months Ended September 30		
	2006	2005	Change	2006	2005	Change
Rental	\$4,735	\$4,874	(\$139)	\$14,428	\$14,013	\$415
Bio Processing Centre	806	591	215	1,997	1,923	74
Other	148	112	36	455	382	73
Total Revenue	\$5,689	\$5,577	\$112	\$16,880	\$16,318	\$562

Rental Revenue

The \$139,000 variance for the three month period ended September 30 is due to a revenue recognition adjustment made in the third quarter of 2005 relating to The Forest Centre.

The \$415,000 increase for the nine month period ended September 30 is due primarily to the following:

- the completion of The Forest Centre in 2005 contributes to \$121,000 of the increase; and
- with the budgeted increase in rental operations expense, there is also an increase in occupancy cost recovery revenue. The increase for the nine month period ended September 30, 2006 was \$248,000.

Bio Processing Centre Revenue

Increased activity for the three month period ended September 30, 2006 resulted in an increase in revenue of \$215,000 compared to the same period in 2005.

EXPENSES

	Three Months Ended September 30			Nine Months Ended September 30		
	2006	2005	Change	2006	2005	Change
Administration	\$873	\$841	\$32	\$2,745	\$2,234	\$511
Rental Operations	2,429	2,478	(49)	8,149	7,415	734
Bio Processing Centre Operations	522	504	18	1,514	1,540	(26)
Interest	2	-	2	2	-	2
Amortization	177	99	78	519	219	300
Total Expenses	\$4,003	\$3,922	\$81	\$12,929	\$11,408	\$1,521

Administration

Staffing changes made in 2005 and the first nine months of 2006 have resulted in increased administration expenses of \$87,000 for the three months ended September 30, 2006, and \$356,000 for the nine months ended September 30, 2006.

These expenses include salaries and benefits as well as additional costs related to the new positions such as system licenses, office expenses, training and development, conferences and travel.

The increase in staff costs is offset by a decrease in promotional expenses of \$47,000 for the three month period ended September 30, 2006. The decrease is attributable to the anniversary celebrations held in 2005.

Rental Operations

The net \$49,000 decrease in rental operations expense for the three month period is due to an adjustment in property taxes made in July. Excluding the adjustment, expenses increased \$107,000 due to general increases for various operating expenses.

The variance for the nine month period ended September 30, 2006 is due to general increases for various operating expenses.

CAPITAL EXPENDITURES

Capital expenditures for the first nine months of 2006 totaled \$12,761,000, with the majority of this total being related to the new building (121 Research Drive) under construction in Saskatoon. Construction of the 151,000 square foot, \$25,000,000 building commenced in October 2005 and is scheduled for occupancy near the end of 2007.

As at September 30, 2006, the total cost incurred for 121 Research Drive was \$13,494,000. The project is expected to be completed within budget, but is approximately one month behind schedule.

NOTES PAYABLE

During the first nine months of 2006 the Corporation borrowed \$12,000,000 of short-term debt through the Saskatchewan Department of Finance. The financing is for the construction of 121 Research Drive as well as a significant tenant improvement project being completed at Innovation Place. Upon completion of 121 Research Drive, the short-term debt will be repaid through a combination of long-term debt and cash flow from operations. The short-term debt associated with the tenant improvement project will be repaid over the term of the associated lease.

O U T L O O K

Forecasted net income for 2006 is expected to be \$4,912,000, a \$582,000 decrease from 2005. The 2006 forecast represents a \$11,000 favorable variance from the 2006 budgeted net income of \$4,901,000.

Total capital expenditures for 2006 are forecasted to be \$19,028,000 representing a \$6,096,000 decrease from the 2006 budget of \$25,124,000. The forecast includes \$15,619,000 for the construction of 121 Research Drive and \$700,000 for preliminary design and tendering of a proposed building at the Research Park in Regina. The variance from original budget is the result of the delay in start of construction for two new buildings in Regina.

Regina currently has zero per cent vacancy, with sufficient demand to warrant new construction. It is anticipated that a submission will be presented for Board approval in January 2007. Assuming the submission is approved, construction will commence in March 2007. While conceptual design was completed for a second building project in Regina, the detailed design phase has been pushed to 2007.

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
Chief Financial Officer

STATEMENT OF FINANCIAL POSITION

UNAUDITED (IN THOUSANDS \$)

	September 30 2006	September 30 2005
ASSETS		
Cash	\$ 4,709	\$ 785
Accounts Receivable and Prepaid Expenses	4,858	4,974
Property, Plant and Equipment	19,931	4,756
	\$ 29,498	\$ 10,515
 LIABILITIES AND EQUITY		
Accounts Payable and Accrued Liabilities	\$ 4,181	\$ 1,658
Deferred Revenue	452	527
Notes Payable	12,000	-
	16,633	2,185
Province of Saskatchewan's Equity		
Retained Earnings	12,865	8,330
	\$ 29,498	\$ 10,515

STATEMENT OF OPERATIONS AND RETAINED EARNINGS UNAUDITED (IN THOUSANDS \$)

	Three months ended September 30 2006	Three months ended September 30 2005	Nine months ended September 30 2006	Nine months ended September 30 2005
REVENUE				
Rental	\$ 4,735	\$ 4,874	\$ 14,428	\$ 14,013
Bio Processing Centre	806	591	1,997	1,923
Other	148	112	455	382
	5,689	5,577	16,880	16,318
EXPENSES				
Administration	873	841	2,745	2,234
Rental Operations	2,429	2,478	8,149	7,415
Bio Processing Centre Operations	522	504	1,514	1,540
Interest	2	-	2	-
Amortization	177	99	519	219
	4,003	3,922	12,929	11,408
NET INCOME	1,686	1,655	3,951	4,910
Retained Earnings, Beginning of Period	11,179	6,675	8,914	3,420
Retained Earnings, End of Period	\$ 12,865	\$ 8,330	\$ 12,865	\$ 8,330

STATEMENT OF CASH FLOWS

UNAUDITED (IN THOUSANDS \$)

	Three months ended September 30 2006	Three months ended September 30 2005	Nine months ended September 30 2006	Nine months ended September 30 2005
OPERATING ACTIVITIES				
Net Income	\$ 1,686	\$ 1,655	\$ 3,951	\$ 4,910
Add non-cash item:				
Amortization	177	99	519	219
Change in non-cash operating items:				
Decrease (Increase) in Accounts Receivable and Prepaid Expenses	487	(1,469)	5	(1,613)
Decrease in Accounts Payable and Accrued Liabilities	(1,804)	(849)	(1,609)	(633)
Increase (Decrease) in Deferred Revenue	149	(44)	(102)	(86)
Cash Provided by Operating Activities	695	(608)	2,764	2,797
INVESTING ACTIVITIES				
Increase (Decrease) in Accounts Payable for Capital	654	(19)	1,510	(1,738)
Investment in Property, Plant and Equipment	(7,180)	(1,463)	(12,761)	(3,345)
Cash Used in Investing Activities	(6,526)	(1,482)	(11,251)	(5,083)
FINANCING ACTIVITIES				
Net Change in Notes Payable	6,000	-	12,000	-
Cash Provided by Financing Activities	6,000	-	12,000	-
Increase (Decrease) in Cash Position for the Period	169	(2,090)	3,513	(2,286)
Cash, Beginning of Period	4,540	2,875	1,196	3,071
Cash, End of Period	\$ 4,709	\$ 785	\$ 4,709	\$ 785
Supplementary Information:				
Interest Paid on Notes Payable and Long-Term Debt	\$ 91	\$ -	\$ 137	\$ -

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30

Saskatchewan Opportunities 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 the 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).

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 2005 annual financial statements.

2. COMPARATIVE FIGURES

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

CONTACT INFORMATION

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