



Saskatchewan Opportunities Corporation

2006 First Quarter Report

For the three months ended March 31, 2006

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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 three months ended March 31, 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 is a Saskatchewan Crown corporation with a direct reporting relationship 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. SOCO fulfills this mission through the development and operations of research parks on the campuses of the Province's two universities in Saskatoon and Regina as well as a forest sector building in downtown Prince Albert.

Core Business

SOCO designs and constructs specialized buildings primarily for technology companies. Revenue is generated from leasing space in these buildings to a wide range of tenants that support each other's success. A typical lease arrangement would include a five year term with fixed revenue, adjusted annually for any increase in operating costs. Typical vacancy within buildings is approximately 5%.

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. The greatest opportunity for increased revenue is from the development of new buildings.

SOCO attempts to provide 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 is not only intended to enhance operating productivity and tenant innovation but to assist tenants in employee recruitment and corporate marketing.

Innovation Place Bio Processing Centre

SOCO operates this fee-for-service processing centre in Saskatoon. It extracts active compounds from plant material, primarily for cosmetic and specialized food purposes. Approximately 20 Saskatchewan companies have used the centre for their processing requirements as have a similar number from outside the province.

Financial and Operational Highlights

	Three Months Ended March 31		
	2006	2005	Change
Financial (in thousands)			
Net Income	\$1,117	\$1,631	(\$514)
Cash Provided by Operating Activities	1,010	1,551	(\$541)
Operational			
Total employment within the Parks	3,334	3,245 *	89
Vacancy	6.41%	6.12% *	(0.29%)

* As at December 31, 2005

Financial Results

Revenue

<i>(in thousands)</i>	Three Months Ended March 31		
	2006	2005	Change
Rental	\$4,856	\$4,684	\$172
Bio Processing	480	642	(162)
Other	125	153	(28)
Total Revenue	\$5,461	\$5,479	(\$18)

Rental Revenue

The Corporation's newest building, the Saskatchewan Forest Centre Building in Prince Albert, was considered complete in March 2005. Accordingly, 2005 rental revenue includes only one month of rent from this building compared to a full three months in 2006 accounting for \$168,000 of the increase.

Bio Processing Revenue

January 2006 was a slow month for the Bio Processing Centre compared to January 2005 with the variance in revenue being \$127,000. While activity did increase for the months of February and March, it was slightly lower than the activity in the prior year resulting in the total decrease for the three month period of \$162,000.

Expenses

<i>(in thousands)</i>	Three Months Ended March 31		
	2006	2005	Change
Administration	\$908	\$615	\$293
Rental Operations	2,867	2,648	219
Bio Processing Operations	437	528	(91)
Amortization	132	57	75
Total Expenses	\$4,344	\$3,848	\$496

Administration

\$180,000 of the increase relates to salaries and benefits. This increase is due to new staff positions added in 2005 and general salary increases.

The remaining portion of the increase is attributable to additional staff costs related to the new positions (system licenses, office expenses, training and development, conferences, and travel)

Rental Operations

The increase of \$219,000 for the three months is due to several factors. The 2006 total includes three months of expenses related to the Saskatchewan Forest Centre Building compared to only one in 2005 resulting in an increase of \$169,000. The remaining increase is due to general increases for various operating expenses.

Bio Processing Centre Operations

The total expense for the three month period decreased \$91,000 due to the level of activity being lower in 2006.

Capital Expenditures

Capital expenditures for the first three months of 2006 totaled \$1,228,000 with the majority of this total being related to the new building (121 Research Drive) under construction at Innovation Place. 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 March 31, 2006, the total cost incurred for 121 Research Drive was \$3,474,000. The project is projected to be completed within budget and on-schedule.

Notes Payable

In February 2006, the Corporation borrowed \$3,000,000 of short-term debt through the Saskatchewan Department of Finance. The borrowings are required to finance the construction of 121 Research Drive. Upon project completion, the short-term debt will be repaid through a combination of long-term debt and cash flow from operations.

Outlook

Forecasted net income for 2006 is expected to be \$4,352,000, a \$1,142,000 decrease from 2005. The 2006 forecast represents a \$549,000 unfavorable variance from the 2005 budgeted net income of \$4,901,000. The unfavourable variance results primarily from decreased revenue forecasted for the Bio Processing Centre and changing leasing assumptions for vacant space at Innovation Place.

Total capital expenditures for 2006 are forecasted to be \$22,854,000 representing a \$2,270,000 decrease from the 2006 budget of \$25,124,000. The forecast includes \$16,947,000 for the construction of 121 Research Drive and \$2,870,000 for the construction of two new buildings at Regina Research Park. In response to zero vacancy at Regina Research Park, and sufficient identified demand to warrant the construction of additional buildings, the Corporation is anticipating taking two building submissions to the Board for approval in 2006, with construction of one building expected to commence in the fall of 2006 and the other in the spring of 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
Vice President, Planning & Financial Reporting

STATEMENT OF FINANCIAL POSITION - Unaudited
AS AT MARCH 31

	2006	2005
	(000s)	(000s)
ASSETS		
Cash	\$ 3,346	\$ 2,219
Accounts Receivable and Prepaid Expenses	4,295	3,318
Property, Plant and Equipment	8,785	2,682
	<u>\$ 16,426</u>	<u>\$ 8,219</u>
 LIABILITIES AND EQUITY		
Accounts Payable and Accrued Liabilities	\$ 2,900	\$ 2,617
Deferred Revenue	495	551
Notes Payable	3,000	-
	<u>6,395</u>	<u>3,168</u>
Province of Saskatchewan's Equity		
Retained Earnings	10,031	5,051
	<u>\$ 16,426</u>	<u>\$ 8,219</u>

STATEMENT OF OPERATIONS AND RETAINED EARNINGS - Unaudited
 FOR THE THREE MONTHS ENDED MARCH 31

	2006		2005
	(000s)		(000s)
REVENUE			
Rental	\$ 4,856	\$	4,684
Bio Processing	480		642
Other	125		153
	<u>5,461</u>		<u>5,479</u>
EXPENSES			
Administration	908		615
Rental Operations	2,867		2,648
Bio Processing Operations	437		528
Amortization	132		57
	<u>4,344</u>		<u>3,848</u>
Net Income	1,117		1,631
Retained Earnings, Beginning of Period	8,914		3,420
Retained Earnings, End of Period	<u>\$ 10,031</u>	\$	<u>5,051</u>

STATEMENT OF CASH FLOWS - Unaudited
FOR THE THREE MONTHS ENDED MARCH 31

	2006	2005
	(000s)	(000s)
OPERATING ACTIVITIES		
Net Income	\$ 1,117	\$ 1,631
Add non-cash item:		
Amortization	132	57
Change in non-cash operating items:		
Decrease in Accounts Receivable and Prepaid Expenses	568	43
Decrease in Accounts Payable and Accrued Liabilities	(748)	(118)
Decrease in Deferred Revenue	(59)	(62)
Cash Provided by Operating Activities	<u>1,010</u>	<u>1,551</u>
INVESTING ACTIVITIES		
Decrease in Accounts Payable for Capital	(632)	(1,294)
Investment in Property, Plant and Equipment	(1,228)	(1,109)
Cash Used in Investing Activities	<u>(1,860)</u>	<u>(2,403)</u>
FINANCING ACTIVITIES		
Net Change in Notes Payable	3,000	-
Cash Provided by Financing Activities	<u>3,000</u>	<u>-</u>
Increase (Decrease) in Cash Position for the Period	2,150	(852)
Cash, Beginning of Period	1,196	3,071
Cash, End of Period	<u>\$ 3,346</u>	<u>\$ 2,219</u>

Supplementary Information:

Interest Paid on Notes Payable and Long-Term Debt	\$ 11	\$ -
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NOTES TO FINANCIAL STATEMENTS

MARCH 31

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 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).

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 2005 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

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SASKATCHEWAN OPPORTUNITIES CORPORATION