



2006 SECOND QUARTER REPORT

For the six month period ended June 30, 2006

SASKATCHEWAN OPPORTUNITIES CORPORATION



MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis for 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 six months ended June 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 percent (Regina has 0 percent 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. The greatest opportunity for increased revenue is from the development of new buildings.

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 in Saskatoon on a fee-for-service basis. The Centre extracts active compounds from plant material, primarily for the cosmetic and specialized food industries. Approximately 40 companies have utilized the Centre, with approximately half coming from Saskatchewan.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	Three Months Ended June 30			Six Months Ended June 30		
	2006	2005	Change	2006	2005	Change
Financial						
<i>(in thousands)</i>						
Net Income	\$1,148	\$1,624	(\$476)	\$2,265	\$3,255	(\$990)
Cash Provided by Operating Activities	\$1,059	\$1,854	(\$795)	\$2,069	\$3,405	(\$1,336)

	As at	As at
	June 30 2006	December 31 2005
Operational		
Total employment within the Parks	3,370	3,245
Vacancy	6.08%	6.12%
		125
		(0.04%)

FINANCIAL RESULTS

REVENUE

	Three Months Ended June 30			Six Months Ended June 30		
	2006	2005	Change	2006	2005	Change
Rental	\$5,045	\$4,607	\$438	\$9,901	\$9,291	\$610
Bio Processing Centre	711	689	22	1,191	1,332	(141)
Other	182	118	64	307	270	37
Total Revenue	\$5,938	\$5,414	\$524	\$11,399	\$10,893	\$506

Rental Revenue

The Corporation's newest building, the Saskatchewan Forest Centre in Prince Albert, was completed in March 2005. Accordingly, 2005 rental revenue includes rent from four months, compared to six months in 2006. In addition to the impact of the additional two months rent, occupancy has also gone up in the building, resulting in a net increase in rental revenue of \$165,000 for the three month period ended June 30, 2006, and \$333,200 for the six month period ended June 30, 2006.

With the increase in rental operations expense, there is also an increase in occupancy cost recovery revenue. The increase for the three month period ended June 30, 2006 was \$156,000. The increase for the six month period ended June 30, 2006 was \$244,000.

Bio Processing Centre Revenue

While revenue for the three month period ended June 30, 2006 was marginally higher than in the prior year, the slow first quarter of 2006 results in a net unfavourable variance for the six month period ended June 30, 2006 of \$141,000.

EXPENSES

	Three Months Ended June 30			Six Months Ended June 30		
	2006	2005	Change	2006	2005	Change
Administration	\$964	\$778	\$186	\$1,872	\$1,393	\$479
Rental Operations	3,061	2,442	619	5,928	5,089	839
Bio Processing Operations	555	507	48	992	1,036	(44)
Amortization	210	63	147	342	120	222
Total Expenses	\$4,790	\$3,790	\$1,000	\$9,134	\$7,638	\$1,496

Administration

\$89,000 of the increase in expenses for the three months ended June 30, 2006, and \$269,000 of the increase for the six months ended June 30, 2006, relate to salaries and benefits. This is due to new staff positions added in 2005 and general salary increases.

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

Rental Operations

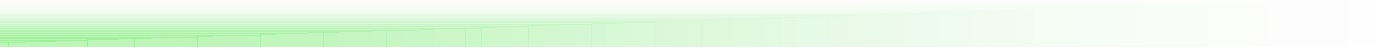
Included in the second quarter expenditures is \$176,000 for grants-in-lieu of property taxes for one building that had been paid for directly by the tenant in prior years. The expenditure has been recovered through increased occupancy cost recoveries (rental revenue).

\$71,000 of the variance for the three months ended June 30, 2006 relates to increased expenditures for the Saskatchewan Forest Centre due to increased occupancy. The year-to-date expense includes six months in 2006 compared to only four months in 2005. The net increase for the six months ended June 30, 2006 is \$240,000.

The remaining increase is due to general increases for various operating expenses.

CAPITAL EXPENDITURES

Capital expenditures for the first six months of 2006 totaled \$5,581,000, with the majority of this total being related to a 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 June 30, 2006, the total cost incurred for 121 Research Drive was \$6,983,000. The project is expected to be completed within budget and according to plan.

NOTES PAYABLE

During the first six months of 2006 the Corporation borrowed \$6,000,000 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.

OUTLOOK

Forecasted net income for 2006 is expected to be \$4,489,000, a \$1,005,000 decrease from 2005. The 2006 forecast represents a \$412,000 unfavorable variance from the 2006 budgeted net income of \$4,901,000, primarily from decreased rental revenue forecasted due to changing leasing assumptions for vacant space in Saskatoon. Also contributing to the unfavourable variance is increased rental operations expenditures and increased amortization expense.

Total capital expenditures for 2006 are forecasted to be \$22,101,000 representing a \$3,023,000 decrease from the 2006 budget of \$25,124,000. The forecast includes \$17,262,000 for the construction of 121 Research Drive and \$1,767,000 for the preliminary design, tendering and construction costs of two proposed buildings at the Research Park in Regina. Regina currently has zero per cent vacancy, with sufficient demand to warrant the new construction. If approval is obtained for the new building submissions, construction of the first building is expected to commence fall 2006, with the other building starting spring 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 (IN THOUSANDS \$)

	June 30 2006	June 30 2005
ASSETS		
Cash	\$ 4,540	\$ 2,875
Accounts Receivable and Prepaid Expenses	5,345	3,505
Property, Plant and Equipment	12,928	3,392
	\$ 22,813	\$ 9,772
 LIABILITIES AND EQUITY		
Accounts Payable and Accrued Liabilities	\$ 5,331	\$ 2,526
Deferred Revenue	303	571
Notes Payable	6,000	-
	11,634	3,097
Province of Saskatchewan's Equity		
Retained Earnings	11,179	6,675
	\$ 22,813	\$ 9,772

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

	Three months ended June 30 2006	Three months ended June 30 2005	Six months ended June 30 2006	Six months ended June 30 2005
REVENUE				
Rental	\$ 5,045	\$ 4,607	\$ 9,901	\$ 9,291
Bio Processing Centre	711	689	1,191	1,332
Other	182	118	307	270
	5,938	5,414	11,399	10,893
EXPENSES				
Administration	964	778	1,872	1,393
Rental Operations	3,061	2,442	5,928	5,089
Bio Processing Centre Operations	555	507	992	1,036
Amortization	210	63	342	120
	4,790	3,790	9,134	7,638
NET INCOME	1,148	1,624	2,265	3,255
Retained Earnings, Beginning of Period	10,031	5,051	8,914	3,420
Retained Earnings, End of Period	\$ 11,179	\$ 6,675	\$ 11,179	\$ 6,675

STATEMENT OF CASH FLOWS

UNAUDITED (IN THOUSANDS \$)

	Three months ended June 30 2006	Three months ended June 30 2005	Six months ended June 30 2006	Six months ended June 30 2005
OPERATING ACTIVITIES				
Net Income	\$ 1,148	\$ 1,624	\$ 2,265	\$ 3,255
Add non-cash item:				
Amortization	210	63	342	120
Change in non-cash operating items:				
Decrease in Accounts Receivable and Prepaid Expenses	(1,050)	(187)	(482)	(144)
Decrease in Accounts Payable and Accrued Liabilities	943	334	195	216
(Decrease) Increase in Deferred Revenue	(192)	20	(251)	(42)
Cash Provided by Operating Activities	1,059	1,854	2,069	3,405
INVESTING ACTIVITIES				
Decrease in Accounts Payable for Capital	1,488	(425)	856	(1,719)
Investment in Property, Plant and Equipment	(4,353)	(773)	(5,581)	(1,882)
Cash Used in Investing Activities	(2,865)	(1,198)	(4,725)	(3,601)
FINANCING ACTIVITIES				
Net Change in Notes Payable	3,000	-	6,000	-
Cash Provided by Financing Activities	3,000	-	6,000	-
Increase (Decrease) in Cash Position for the Period	1,194	656	3,344	(196)
Cash, Beginning of Period	3,346	2,219	1,196	3,071
Cash, End of Period	\$ 4,540	\$ 2,875	\$ 4,540	\$ 2,875
Supplementary Information:				
Interest Paid on Notes Payable and Long-Term Debt	\$ 35	\$ -	\$ 46	\$ -

NOTES TO FINANCIAL STATEMENTS

June 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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