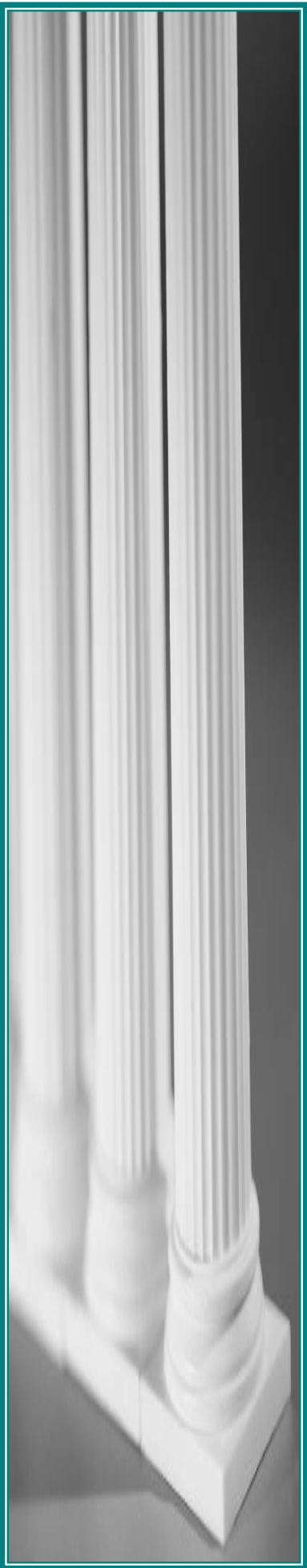


2008

Quarter Three Financial Report September 30

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Introduction

Crown Investments Corporation of Saskatchewan (CIC) is the provincial government's holding company for its commercial Crown corporations. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations.

The purpose of the following discussion is to provide users of CIC's financial statements with an overview of the Corporation's financial performance and the various measures CIC uses to evaluate its financial health. This narrative on CIC's 2008 third quarter financial results should be read in conjunction with the December 31, 2007 audited consolidated and non-consolidated financial statements.

To facilitate greater transparency and accountability, CIC prepares two different sets of financial statements: CIC's consolidated financial statements that report on the Crown sector; and CIC's non-consolidated financial statements that reflect its role as a holding corporation for the Province.

CIC Consolidated Financial Statements

These statements show CIC's results consolidated with the results of its subsidiary Crown corporations. The financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and include:

- Financial results of subsidiary Crown corporations:

Information Services Corporation of Saskatchewan (ISC),	Saskatchewan Government Insurance (SGI),
Investment Saskatchewan Inc. (IS),	Saskatchewan Opportunities Corporation (SOCO),
SaskEnergy Incorporated (SaskEnergy),	Saskatchewan Power Corporation (SaskPower),
Saskatchewan Development Fund Corporation (SDFC),	Saskatchewan Telecommunications Holding Corporation (SaskTel),
Saskatchewan Gaming Corporation (SGC),	Saskatchewan Telecommunications,
Saskatchewan Government Growth Fund Management Corporation (SGGFMC),	Saskatchewan Transportation Company (STC),
	Saskatchewan Water Corporation (SaskWater);

- CIC's wholly-owned share capital subsidiary CIC Economic Holdco Ltd.;
- CIC's wholly-owned share capital subsidiary CIC Apex Equity Holdco Ltd.;
- CIC's wholly-owned share capital subsidiary First Nations and Métis Fund Inc.;
- Costs incurred from its wholly-owned non-profit subsidiary Gradworks Inc.;
- Dividends paid by CIC to the General Revenue Fund (GRF); and
- CIC's operating costs, public policy expenditures and interest income on cash balances.

CIC Non-Consolidated Financial Statements

CIC's non-consolidated financial statements are used by CIC to determine dividend capacity to the Province's GRF. The non-consolidated statements have not been and are not intended to be prepared in accordance with GAAP. These statements are intended to isolate the corporation's cash-flow, capital support for certain subsidiary Crown corporations and public policy expenditures. These financial statements include:

- Dividends of subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy, SGI, SGC, IS, and ISC);
- Dividends paid by CIC to the GRF;
- Grants to subsidiary corporations; and
- CIC's interest income on cash balances, operating costs and public policy expenditures.

Consolidated Financial Statements

Management's Discussion and Analysis

Forward-Looking Information

Throughout the quarterly report are forward-looking statements. By their nature, forward-looking statements require assumptions based on current information, management experience and historical performance. Forward-looking information is subject to uncertainties, and, as a result, forward-looking statements are not a guarantee about the future performance of CIC and its subsidiary Crown corporations.

Readers should not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ materially from estimates, predictions and assumptions. Other factors that can influence performance include, but are not limited to: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance and competition in the Crown sector, and the regulatory environment. Given these uncertainties, assumptions contained in forward-looking statements may or may not occur.

Major Lines of Business

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures and partnerships, held either directly by CIC or through its wholly-owned subsidiaries. Effective April 1, 2008, SGC was designated a CIC Crown Corporation and has been consolidated as part of CIC's operations since that date. SGC is involved in the entertainment business line and operates gaming facilities at Casino Regina and Casino Moose Jaw in Saskatchewan.

Management's Discussion & Analysis (MD&A) highlights the primary factors that have an impact on the consolidated financial results and operations of CIC. It should be read in conjunction with CIC's unaudited interim consolidated financial statements and supporting notes for the nine months ended September 30, 2008. These interim financial statements have been prepared in accordance with CICA Handbook Section 1751.

The unaudited interim consolidated financial statements do not contain all the disclosures included in CIC's annual audited consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with CIC's December 31, 2007, annual audited financial statements.

Management's Discussion and Analysis (continued)

For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity. The following table lists the subsidiaries and investments, including the respective business line that CIC consolidates in its financial statements.

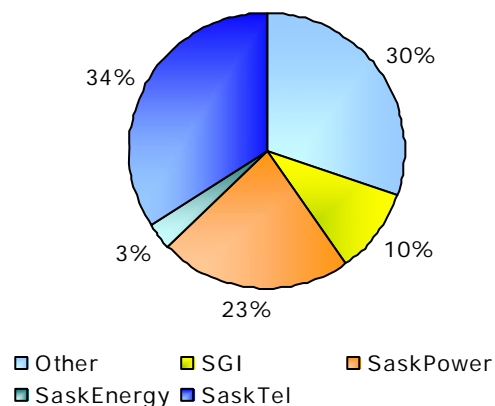
Investment	Major Business Line	Form of Investment
Saskatchewan Power Corporation (SaskPower)	Electricity	wholly-owned subsidiary
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications	wholly-owned subsidiary
SaskEnergy Incorporated (SaskEnergy)	Natural Gas	wholly-owned subsidiary
Saskatchewan Water Corporation (SaskWater)	Water and Wastewater	wholly-owned subsidiary
Information Services Corporation of Saskatchewan (ISC)	Land and Property Registration Services	wholly-owned subsidiary
Saskatchewan Government Insurance (SGI)	Property and Casualty	wholly-owned subsidiary
Saskatchewan Gaming Corporation (SGC)	Entertainment	wholly-owned subsidiary
Investment Saskatchewan Inc. (IS)	Investments	wholly-owned subsidiary
Saskatchewan Opportunities Corporation (SOCO)	Infrastructure	wholly-owned subsidiary
Saskatchewan Development Fund Corporation (SDFC)	Mutual Fund	wholly-owned subsidiary
Saskatchewan Government Growth Fund Management Corporation (SGGFC)	Immigrant Investor	wholly-owned subsidiary
Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation	wholly-owned subsidiary

■ Utilities
 ■ Insurance
 ■ Entertainment
 ■ Investment and Economic Growth
 ■ Transportation

Crown Corporation Earnings	September 30, 2008	September 30, 2007
For the nine months ended (millions of dollars) (unaudited)		
SaskPower	\$ 70.0	\$ 96.7
SaskTel	104.0	75.7
SaskEnergy	9.0	46.8
SGI	30.9	10.0
Investment Saskatchewan	61.7	36.0
SGC	13.3	-
ISC	21.7	16.9
SaskWater	0.0	0.3
STC	0.0	(0.1)
SOCO	4.0	2.8
CIC (non-consolidated) and Other	(7.0)	34.6
Total	\$ 307.6	\$ 319.7

Results of Operations

Earnings Contribution by Corporation



Management's Discussion and Analysis (continued)

The Corporation reports a \$46.6 million loss for the third quarter beginning July 1, 2008 and ending September 30, 2008 (2007 - earnings - \$129.3 million). Excluding an income tax recovery of \$0.2 million (2007 - \$0.1 million), and revenue from non-recurring and discontinued operations of \$1.8 million (2007 - \$34.5 million), the loss from ongoing operations for the three month period was \$48.6 million (2007 - earnings - \$94.7 million).

Year to date earnings for the nine months ending September 30, 2008 were \$307.6 million (2007 - \$319.7 million) which was a decrease of \$12.1 million from the same period in 2007. Increased earnings at SaskTel, SGI, Investment Saskatchewan, ISC and SOCO as well as the inclusion of SGC results beginning in the second quarter of 2008, were more than offset by decreased earnings at SaskPower and SaskEnergy as well as the exclusion of NewGrade Energy Inc. from 2008 earnings due to its sale in November, 2007.

Revenue

Revenues for the first nine months of 2008 were \$3,502.4 million (2007 - \$3,295.0 million), an increase of \$207.4 million.

Revenue from the sale of products and services for the first nine months of 2008 was \$3,343.3 million (2007 - \$3,212.1 million). The \$131.2 million increase was due to many factors. SaskEnergy revenue increased by \$39.9 million due mainly to higher gas marketing sales, partially offset by a decrease in natural gas sales caused by lower year over year commodity rates. SaskTel revenues increased \$58.0 million due to continued growth in cellular, *Max* Entertainment and internet services. SGI revenues increased by \$22.6 million due to policy growth and increased premiums resulting from higher property values in Saskatchewan. ISC revenues increased \$6.2 million due to higher land and property registration revenue related to significantly higher Saskatchewan real estate sales volumes and prices. The Corporation also realized an incremental \$65.0 million in SGC gaming revenues since its acquisition on April 1, 2008. Increased revenues from SaskEnergy, SaskTel, SGI, ISC and SGC were partially offset by: (1) a \$60.2 million decrease in Investment Saskatchewan revenue due mainly to the sale of its operations in Meadow Lake Pulp Limited Partnership (MLPLP) in 2007 and lower hog based commodity sales and; (2) a \$6.4 million decrease in SaskPower revenue related to decreased export sales, which were only partially offset by higher residential and oilfield electricity sales volumes.

Investment earnings for the first nine months of 2008 were \$120.1 million (2007 - \$55.8 million). The \$64.3 million increase is mainly due to higher earnings from Investment Saskatchewan's equity investment in Saskferco, and higher interest earned on cash balances held by CIC.

Expenses

Expenses for the first nine months of 2008 were \$3,209.6 million (2007 - \$3,039.8 million), an increase of \$169.8 million. The increase in expenses is primarily due to: (1) a \$79.0 million increase in expenses at SaskEnergy largely resulting from unfavourable impacts on the cost of gas sold for gas marketing activities due to fair market value losses on natural gas contracts; (2) a \$25.5 million increase in SaskTel expenses in support of telecommunications revenue growth and the impact on salaries of SaskTel's 2007 collective bargaining increases; (3) consolidation of an incremental \$33.0 million of SGC operating expenses since its acquisition on April 1, 2008; (4) a \$23.1 million increase in SaskPower expenses due primarily to increased fuel and purchased power costs resulting from an unfavorable change in fuel mix and higher average fuel costs; (5) an overall increase of \$18.6 million in amortization expenses related to higher property, plant and equipment balances; and (6) a \$17.9 million increase in Saskatchewan taxes and resource payments mainly related to the required payment of a portion of SGC gaming profits to the General Revenue Fund pursuant to **The Saskatchewan Gaming Corporation Act, 1994**. These increases were partially offset by: (1) \$31.0 million in lower Investment Saskatchewan expenses due mainly to the 2007 sale of its operations in MLPLP, net of higher feed costs for hog operations and;

Management's Discussion and Analysis (continued)

Expenses (continued)

(2) \$16.4 million in decreased interest expenses related to lower net interest rates on the Corporation's long-term debt balances.

Capital Spending

In the first nine months of 2008, CIC spent \$954.9 million (2007 - \$971.7 million) on investment and capital acquisitions. Although the Corporation increased capital spending by \$70.8 million compared to the same period last year, this was more than offset by \$87.6 million in reduced investment purchases. Higher capital spending was due mainly to increased customer connections at SaskEnergy and SaskPower given the improved Saskatchewan economy and several electrical generation capital projects at SaskPower including a \$66.0 million refurbishment of the Poplar River Power Station. The Corporation reduced investment purchases by \$87.6 million due mainly to: (1) a decrease of \$45.0 million in purchases by SGI given that the downturn in market conditions in 2008 resulted in less turnover of SGI investments compared to the strong 2007 financial market and; (2) a \$36.4 million reduction in investment purchases at Investment Saskatchewan primarily related to a non-recurring \$26.9 million investment in Terra Grain Fuels Inc. in 2007 for construction of an ethanol production plant.

Debt at September 30, 2008 was \$3,938.1 million (December 31, 2007 - \$3,858.0 million), an increase of \$80.1 million. The increase was primarily related to higher debt requirements at SaskEnergy.

Liquidity

CIC and its subsidiary Crowns finance their capital requirements through internally generated cash flow and borrowing. The GRF borrows in capital markets on behalf of Crowns. The GRF has sufficient access to capital markets for anticipated borrowing requirements.

Province of Saskatchewan Credit Ratings on Long-Term Debt as at September 30, 2008

Moody's Investor Service	Aa1
Standard & Poor's	AA
Dominion Bond Rating Service	AA (low)

Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars)	For the Nine Months Ended	
	September 30 2008	September 30 2007
Cash from operations	\$ 549.2	\$ 1,034.4
Cash used in investing activities	(240.7)	(333.5)
Dividends paid	(415.0)	(167.0)
Debt proceeds received	288.6	189.8
Debt repaid	(428.6)	(181.6)
Other financing activities	235.0	(26.6)
(Decrease) increase in cash	\$ (11.5)	\$ 515.5

Management's Discussion and Analysis (continued)

Operating, Investing and Financing Activities

Cash from operations for the nine months ended September 30, 2008 was \$549.2 million (2007 - \$1,034.4 million). The \$485.2 million decrease was primarily due to a lower net change in non-cash working capital balances resulting from CIC selling its short term investments and reinvesting those monies in cash equivalents with a maturity of less than 90 days.

Cash used in investing activities for the nine months ended September 30, 2008 was \$240.7 million (2007 - \$333.5 million) which was a \$92.8 million decrease from 2007. The Corporation realized \$204.2 million in higher proceeds from the sale and collection of investments primarily due to CIC selling its short term investments and reinvesting those monies in cash equivalents with a maturity of less than 90 days. The Corporation reduced investment purchases by \$87.6 million due mainly to: (1) a decrease of \$45.0 million in purchases by SGI given that the downturn in market conditions in 2008 resulted in less turnover of SGI investments compared to the strong 2007 financial market and; (2) a \$36.4 million reduction in investment purchases at Investment Saskatchewan primarily related to a non-recurring \$26.9 million investment in Terra Grain Fuels Inc. in 2007 for construction of an ethanol production plant. Offsetting these cash inflows were a \$111.3 million increase in other assets, a \$16.9 million decrease in proceeds from the sale of property, plant and equipment, and a \$70.8 million increase in capital expenditures resulting from customer connections at SaskEnergy and SaskPower due to the improved economy in Saskatchewan, and several electrical generation capital projects at SaskPower.

Cash used in financing activities for the nine months ended September 30, 2008 was \$320.0 million (2007 - \$185.5 million). The \$134.5 million increase results from \$248.0 million in higher dividends paid to the GRF and a net increase in debt repayments of \$148.2 million, partially offset by a \$56.6 million increase in net sinking fund redemptions and a \$205.1 million increase in notes payable, other liabilities, and restricted cash and cash equivalents.

Debt Management

CIC and its subsidiary Crowns prudently manage their debt to maintain and enhance their financial flexibility. The CIC Board has approved debt targets for CIC and its commercial subsidiaries that take into account their individual circumstances and industry benchmarks.

Outlook

The Corporation's outlook related to net earnings is highly dependent upon the performance and management of the subsidiary Crown Corporations. Based on the year-to-date performance of the subsidiary Crown Corporations and the projected Crown Corporation performance for the remaining balance of the year, the Corporation prudently anticipates consistently solid earnings in 2008. However, the earnings expectations are subject to many variables including: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance and competition in the Crown sector, and the regulatory environment. The Corporation anticipates continued competitive pressures within the telecommunications and property and casualty insurance industries in 2008, and anticipates increased capital expenditures for electrical operations at SaskPower.

2008 consolidated earnings will be favourably impacted by the sale of the Corporation's interest in Saskferco Products Inc. to Yara International ASA. The sale was completed on October 1, 2008, for estimated net proceeds of \$820.1 million, resulting in a gain of approximately \$683.0 million which will be reported as part of the Corporation's consolidated net income in the fourth quarter of 2008.

Management's Discussion and Analysis (continued)

Future Accounting Changes - International Financial Reporting Standards (IFRS)

In February, 2008, the Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board confirmed that publicly accountable enterprises, including the Corporation and its subsidiaries, will be required to adopt IFRS in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

The Corporation, in tandem with its subsidiaries, has commenced an IFRS conversion project including initiating the development of high level IFRS implementation plans for CIC and each subsidiary which include stakeholder identification, milestones and deadlines, planned scope and approach, risks and mitigations, project governance and accountability responsibilities, and resource requirements. An external advisor has been engaged to assist with the development of plans and to perform a detailed review of major differences between current Canadian GAAP and IFRS. Board members have been briefed on IFRS, in general, with CIC and subsidiary project plans expected to be reviewed by the related Board of Directors early in the first quarter of 2009.

Management and staff from CIC and its subsidiaries have participated in detailed IFRS training seminars. Project teams have completed an initial assessment of those international financial reporting standards with the highest potential for impacts on either individual Crowns or for the Crown sector as a whole. Based on the analysis to date, the most significant areas of difference are related to accounting for property, plant and equipment, asset retirement obligations, joint ventures, employee future benefits, and financial statement disclosures. Working groups have been formed to review identified standards in detail and discuss specific issues as a basis for ensuring common understanding and, where possible, consistency in approaches to issue resolution. Selection of cross sector and/or subsidiary specific accounting policies has begun. At this time, the impact of IFRS on the Corporation's processes, systems, internal controls over financial reporting and disclosures, future financial position and results of operations is not reasonably determinable. Draft impacts on processes, systems and controls as well as draft IFRS financial statement presentation formats are anticipated in the second half of 2009.

As part of the IFRS implementation, the Corporation plans to make changes to certain processes and systems before 2010 to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation date.

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Financial Position
(unaudited)
(thousands of dollars)

	September 30	December 31
	<u>2008</u>	<u>2007</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 841,288	\$ 848,238
Investments	66,348	356,824
Accounts receivable	429,456	526,466
Derivative financial assets	43,040	38,436
Inventories	454,341	338,868
Prepaid expenses	<u>125,931</u>	<u>124,790</u>
	1,960,404	2,233,622
Restricted cash and cash equivalents (Note 3)	261,994	21,447
Investments	1,138,505	1,164,715
Property, plant, and equipment	6,115,643	5,952,489
Other assets	<u>340,457</u>	<u>256,705</u>
	<u>\$ 9,817,003</u>	<u>\$ 9,628,978</u>
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Bank indebtedness	\$ 33,629	\$ 29,082
Accounts payable and accrued liabilities	501,823	556,097
Derivative financial liabilities	72,117	50,580
Notes payable	336,247	140,484
Dividend payable to General Revenue Fund	-	200,000
Deferred revenue	255,477	223,559
Income taxes payable	1,593	8,092
Long-term debt due within one year	<u>90,840</u>	<u>490,520</u>
	1,291,726	1,698,414
Long-term debt	3,510,970	3,226,998
Other liabilities (Note 3)	<u>780,596</u>	<u>521,945</u>
	<u>5,583,292</u>	<u>5,447,357</u>
Province of Saskatchewan's Equity		
Equity advances	1,181,152	1,181,152
Contributed surplus	605	605
Retained earnings	3,064,275	2,973,441
Accumulated other comprehensive (loss) income	<u>(12,321)</u>	<u>26,423</u>
	<u>4,233,711</u>	<u>4,181,621</u>
	<u>\$ 9,817,003</u>	<u>\$ 9,628,978</u>
Contingencies (Note 5)		
Commitments (Note 6)		
(See accompanying notes)		

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Operations and Retained Earnings
(unaudited)

For The Period
(thousands of dollars)

	2008 July 1 to September 30	2008 January 1 to September 30	2007 July 1 to September 30	2007 January 1 to September 30
REVENUE				
Sales of products and services	\$ 1,227,746	\$ 3,343,261	\$ 1,024,266	\$ 3,212,073
Investment	39,702	120,050	17,822	55,755
Other	<u>8,181</u>	<u>39,060</u>	<u>12,937</u>	<u>27,168</u>
	<u>1,275,629</u>	<u>3,502,371</u>	<u>1,055,025</u>	<u>3,294,996</u>
EXPENSES				
Operating costs other than those listed below	1,106,210	2,565,831	760,881	2,416,115
Interest	59,816	184,097	58,799	200,529
Amortization	127,337	368,009	118,547	349,433
Saskatchewan taxes and resource payments	<u>30,839</u>	<u>91,655</u>	<u>22,078</u>	<u>73,757</u>
	<u>1,324,202</u>	<u>3,209,592</u>	<u>960,305</u>	<u>3,039,834</u>
(Loss) earnings before the following	(48,573)	292,779	94,720	255,162
Income tax recovery (expense)	189	4,074	88	(1,050)
Earnings from discontinued operations	-	-	13,200	19,593
NewGrade Energy Inc. net earnings	-	-	21,312	45,980
Non-recurring items	<u>1,737</u>	<u>10,780</u>	<u>-</u>	<u>-</u>
NET (LOSS) EARNINGS	(46,647)	307,633	129,320	319,685
RETAINED EARNINGS, BEGINNING OF PERIOD	3,110,922	2,973,441	2,665,591	2,471,351
ADJUSTMENT DUE TO CHANGE IN ACCOUNTING POLICY (Note 1 c))	-	(1,799)	-	3,875
DIVIDEND TO GENERAL REVENUE FUND	<u>-</u>	<u>(215,000)</u>	<u>-</u>	<u>-</u>
RETAINED EARNINGS, END OF PERIOD	<u>\$ 3,064,275</u>	<u>\$ 3,064,275</u>	<u>\$ 2,794,911</u>	<u>\$ 2,794,911</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Comprehensive (Loss) Income
(unaudited)

For The Period
(thousands of dollars)

	2008	2008	2007	2007
	July 1	January 1	July 1	January 1
	to	to	to	to
	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>
NET (LOSS) EARNINGS	\$ (46,647)	\$ 307,633	\$ 129,320	\$ 319,685
Foreign currency translation adjustment	191	475	(3,163)	122
Net derivative adjustment	(482)	(195)	-	-
Unrealized (loss) gain on cash flow hedges	(4,738)	(4,538)	3,373	9,126
Unrealized (loss) gain on available-for-sale financial assets arising during the period	(24,618)	(28,294)	(220)	8,832
Reclassification for realized gains on sale of investments included in operations	<u>(113)</u>	<u>(6,192)</u>	<u>(2,181)</u>	<u>(6,819)</u>
Other comprehensive (loss) income net of income tax	<u>(29,760)</u>	<u>(38,744)</u>	<u>(2,191)</u>	<u>11,261</u>
COMPREHENSIVE NET (LOSS) INCOME	\$ (76,407)	\$ 268,889	\$ 127,129	\$ 330,946

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Consolidated Statement of Accumulated Other Comprehensive (Loss) Income
(unaudited)

For The Period
(thousands of dollars)

	2008	2008	2007	2007
	July 1	January 1	July 1	January 1
	to	to	to	to
	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>	<u>September 30</u>
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME				
Balance, beginning of period	\$ 17,439	\$ 26,423	\$ 26,765	\$ 13,313
Other comprehensive (loss) income net of income tax	<u>(29,760)</u>	<u>(38,744)</u>	<u>(2,191)</u>	<u>11,261</u>
BALANCE, END OF PERIOD	\$ (12,321)	\$ (12,321)	\$ 24,574	\$ 24,574

(See accompanying notes)

Crown Investments Corporation of Saskatchewan

Consolidated Statement of Cash Flows

(unaudited)

For The Period

(thousands of dollars)

	2008	2008	2007	2007
	July 1	January 1	July 1	January 1
	to	to	to	to
	September 30	September 30	September 30	September 30
OPERATING ACTIVITIES				
Net (loss) earnings	\$ (46,647)	\$ 307,633	\$ 129,320	\$ 319,685
Items not affecting cash from operations	<u>212,115</u>	<u>332,928</u>	<u>138,320</u>	<u>336,043</u>
	165,468	640,561	267,640	655,728
Net change in non-cash working capital balances related to operations	<u>(63,841)</u>	<u>(91,327)</u>	<u>(247,278)</u>	<u>344,682</u>
Cash provided by operating activities from continuing operations	101,627	549,234	20,362	1,000,410
Cash used in NewGrade Energy Inc.	-	-	(17,566)	(18,587)
Cash provided by operating activities from discontinued operations	<u>-</u>	<u>-</u>	<u>89,571</u>	<u>52,634</u>
Cash provided by operating activities	<u>101,627</u>	<u>549,234</u>	<u>92,367</u>	<u>1,034,457</u>
INVESTING ACTIVITIES				
Purchase of investments	(118,449)	(503,272)	(248,030)	(590,836)
Proceeds from sale and collection of investments	111,576	783,170	209,314	578,973
Purchase of property, plant, and equipment	(166,468)	(451,634)	(165,552)	(380,840)
Proceeds from sale of property, plant, and equipment	399	999	201	17,860
(Increase) decrease in other assets	<u>(60,592)</u>	<u>(69,992)</u>	<u>15,850</u>	<u>41,353</u>
Cash used in investing activities	<u>(233,534)</u>	<u>(240,729)</u>	<u>(188,217)</u>	<u>(333,490)</u>
FINANCING ACTIVITIES				
Increase in notes payable	129,286	196,005	5,644	6,482
Increase (decrease) in other liabilities	241,102	245,588	23,994	(9,554)
Increase in restricted cash and cash equivalents	(239,558)	(239,558)	-	-
Debt proceeds from General Revenue Fund	23,684	281,911	35,711	179,296
Debt repayments to General Revenue Fund	(20,095)	(421,693)	(51,733)	(167,646)
Debt proceeds from other lenders	-	6,716	1,516	10,480
Debt repayments to other lenders	(2,914)	(6,963)	(3,477)	(13,970)
Sinking fund instalments	(14,390)	(29,556)	(12,435)	(23,565)
Sinking fund redemptions	-	62,548	-	-
Dividend paid to General Revenue Fund	<u>-</u>	<u>(415,000)</u>	<u>-</u>	<u>(167,000)</u>
Cash provided by (used in) financing activities	<u>117,115</u>	<u>(320,002)</u>	<u>(780)</u>	<u>(185,477)</u>
NET CHANGE IN CASH DURING PERIOD	(14,792)	(11,497)	(96,630)	515,490
CASH POSITION, BEGINNING OF PERIOD	<u>822,451</u>	<u>819,156</u>	<u>674,350</u>	<u>62,230</u>
CASH POSITION, END OF PERIOD	<u>\$ 807,659</u>	<u>\$ 807,659</u>	<u>\$ 577,720</u>	<u>\$ 577,720</u>
Cash position consists of:				
Cash from continuing operations	\$ 841,288	\$ 841,288	\$ 569,224	\$ 569,224
Bank indebtedness from continuing operations	<u>(33,629)</u>	<u>(33,629)</u>	<u>(27,403)</u>	<u>(27,403)</u>
	807,659	807,659	541,821	541,821
Cash from NewGrade Energy Inc.	-	-	35,598	35,598
Cash from discontinued operations	<u>-</u>	<u>-</u>	<u>301</u>	<u>301</u>
	<u>\$ 807,659</u>	<u>\$ 807,659</u>	<u>\$ 577,720</u>	<u>\$ 577,720</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

September 30, 2008

1. Summary of Significant Accounting Policies

The interim consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC) do not contain all of the disclosures included in CIC's annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the December 31, 2007, audited consolidated financial statements.

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, and expenses. Actual amounts could differ from these estimates.

The interim consolidated financial statements should not be taken as indicative of the performance to be expected for the full year due to the seasonal nature of corporate operations.

The accounting policies used in the preparation of these interim financial statements conform to those used in the December 31, 2007, audited consolidated financial statements except as noted in 1 c).

a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subsidiary Crown corporations of CIC under **The Crown Corporations Act, 1993** (the Act). In addition, certain Saskatchewan provincial Crown corporations created under the Act are CIC Crown corporations. The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, CIC also consolidates the accounts of Gradworks Inc., a wholly-owned non-profit subsidiary, and its wholly-owned share capital subsidiaries First Nations and Métis Fund Inc., CIC Economic Holdco Ltd., and CIC Apex Equity Holdco Ltd.

Effective April 1, 2008, SGC was designated a CIC Crown Corporation and has been consolidated as part of CIC's operations since that date.

Separate unaudited interim financial statements for CIC have been prepared on a non-consolidated basis to show the financial position and results of operations of the corporate entity. In addition, separate unaudited interim financial statements for each of the undernoted Crown corporations are prepared and released publicly.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

September 30, 2008

1. Summary of Significant Accounting Policies (continued)

a) Consolidation principles and basis of presentation (continued)

The following Crown corporations have been designated or created as subsidiary Crown corporations of CIC and have been consolidated in these interim financial statements:

Information Services Corporation of Saskatchewan (ISC),	Saskatchewan Government Insurance (SGI),
Investment Saskatchewan Inc. (IS),	Saskatchewan Opportunities Corporation (SOCCO),
SaskEnergy Incorporated (SaskEnergy),	Saskatchewan Power Corporation (SaskPower),
Saskatchewan Development Fund Corporation (SDFC),	Saskatchewan Telecommunications Holding Corporation (SaskTel),
Saskatchewan Gaming Corporation (SGC),	Saskatchewan Telecommunications,
Saskatchewan Government Growth Fund Management Corporation (SGGFMC),	Saskatchewan Transportation Company (STC),
	Saskatchewan Water Corporation (SaskWater).

Throughout these interim financial statements the phrase "the Corporation" is used to collectively describe the activities of the consolidated entity.

b) Joint ventures

The Corporation's shares of jointly controlled enterprises included in these interim financial statements are as follows:

Apex Investment Limited Partnership-----	54%
Centennial Foods Partnership -----	33%
Cory Cogeneration Funding Corporation -----	50%
Cory Cogeneration Joint Venture-----	50%
Foragen Technologies Limited Partnership-----	33%
Heritage Gas Limited-----	50%
Kisbey Gas Gathering and Processing Facility -----	50%
Saskatchewan Entrepreneurial Fund Joint Venture-----	45%

c) Change in accounting policy

Effective January 1, 2008, the Corporation adopted the accounting recommendations for capital disclosures (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535) in accordance with the transition provisions of the section. This section requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on the Corporation's operating results.

Effective January 1, 2008, the Corporation adopted the accounting recommendations for financial instruments - disclosures (CICA Handbook Section 3862) and financial instruments - presentation (CICA Handbook Section 3863) in accordance with the transition provisions of the sections. These sections replace the existing disclosure and presentation recommendations contained in financial instruments - disclosure and presentation (CICA Handbook Section 3861). The new disclosure standards increase the disclosures related to financial instruments, and the nature, extent and management of the Corporation's risks arising from financial instruments. The presentation standards carry forward unchanged

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

September 30, 2008

1. Summary of Significant Accounting Policies (continued)

c) Change in accounting policy (continued)

from the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Corporation's operating results.

Effective January 1, 2008, the Corporation adopted the CICA Handbook Section 3031 - Inventories. The new recommendations establish standards for the determination of the cost of inventories and the subsequent recognition as expense, including any write-down to net realizable value and reversals of previous write-downs for increases to net realizable value. Also, guidance is provided related to reclassification of inventory items as property, plant and equipment. The standard requires retrospective application with no restatement of prior year results. Upon the adoption of the new standard, the impact of applying this change in accounting policy effective January 1, 2008 was as follows (thousands of dollars):

	January 1, 2008
Inventory	<u>\$ (4,738)</u>
Total assets	<u>\$ (4,738)</u>
Accounts payable	\$ (2,939)
Retained earnings	<u>(1,799)</u>
Total liabilities and equity	<u>\$ (4,738)</u>

d) Revenue recognition

Gas marketing

Revenue from natural gas marketing is recorded in the financial statements upon completion of the delivery of natural gas to the customer. The Corporation acts as a principal in these natural gas marketing transactions, taking title to the natural gas purchased for resale, and assuming the risks and rewards of ownership. Changes in the fair value of outstanding marketing sales contracts are recorded as gains or losses in the period of change.

Natural gas commodity

Delivery and commodity revenue is recognized when natural gas is delivered to customers. The estimate of services rendered but not billed is included in accounts receivable.

Electricity

Electricity revenue is recognized upon delivery to the customer and includes an estimate of electrical deliveries not yet billed at period end. Physical electricity trading revenues are reported on a gross basis upon completion of delivery of electricity to customers.

Telecommunications

Revenues are recognized in the period the services are provided when there is clear proof that an arrangement exists, amounts are determinable, and the ability to collect is reasonably assured. Revenues from local telecommunications, data, internet, entertainment and security services are recognized based on access to the Corporation's network and facilities at the rate plans in effect during the period the service is provided. Certain service connection charges and activation fees, along with corresponding direct costs, are deferred and recognized over the average expected term of the customer relationship.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

September 30, 2008

1. Summary of Significant Accounting Policies (continued)

d) Revenue recognition (continued)

Telecommunications (continued)

Revenues from long distance and wireless airtime are recognized based on the usage or rate plans in the period service is provided. Revenues from equipment sales are recognized when the equipment is delivered to and accepted by the customer. Revenues for longer term contracts are recognized based on a percentage of completion. Payments received in advance are recorded as deferred revenue until the product or service is delivered.

Customer solutions may involve the delivery of multiple services and products that occur at different points and over different periods of time. The multiple services are separated into their respective accounting units and consideration is allocated among the accounting units. The relevant revenue recognition policies are applied to each accounting unit.

Property and casualty insurance

Premiums written are taken into income over the terms of the related policies; no longer than twelve months. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Gaming

Gaming revenue (table and slot revenues) represents the net win from gaming activities, which is the difference between the amounts wagered and the pay-outs by the casino. Gaming revenues are net of accruals for anticipated payouts of progressive jackpots.

Investment income

Interest earned on long-term investments classified as held-to-maturity is recognized based on the effective interest method except where uncertainty exists as to ultimate collection. In cases where collectability of interest is not reasonably assured, interest income is recorded when it is received and accrued interest receivable is offset by deferred interest income.

Other

Revenue from sales of other products is recognized when goods are shipped and title has passed to the customer or based on the right to revenue pursuant to contracts with customers, tenants and clients.

e) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The financial statements are based on management's best estimates using information available. Volatility in financial markets has complicated the estimation process due to significant fluctuations in foreign exchange rates, commodity prices, and the current global economic decline. Accordingly, actual results could differ from these estimates.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

September 30, 2008

2. Status of Crown Investments Corporation of Saskatchewan

Crown Investments Corporation of Saskatchewan was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of **The Crown Corporations Act, 1993**.

The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan, and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes. Certain jointly controlled enterprises are not Provincial Crown corporations and are subject to Federal and Provincial income taxes.

3. Restricted Cash and Cash Equivalents and Other Liabilities

Included in restricted cash and cash equivalents and other liabilities is \$239.6 million (2007 - \$Nil million) of funding transferred to the Corporation from the Province of Saskatchewan's General Revenue Fund (GRF) restricted for carbon capture and storage demonstration projects. As qualifying expenditures are made, the Corporation recognizes an equivalent amount of this funding in consolidated earnings and reduces restricted cash and cash equivalents and other liabilities by the same amount. To date, \$0.4 million of expenditures have been made on qualifying projects.

4. Capital Disclosures

The Corporation closely monitors its debt level utilizing the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. The Corporation uses this measure in assessing the extent of financial leverage and in turn, its financial flexibility. Too high a ratio relative to target indicates an excessive debt burden that may impair the Corporation's ability to withstand downturns in revenues and still meet fixed payment obligations. The ratio is calculated as net debt divided by capitalization at the end of the period.

The Corporation reviews the debt ratio targets of all its subsidiary Crown corporations on an annual basis to ensure consistency with industry standards. This review includes subsidiary Crown corporations' plans for capital spending. The target debt ratios for subsidiary Crown corporations are approved by the CIC Board. The Corporation uses targeted debt ratios to compile a weighted average debt to equity ratio for the CIC Crown sector. The target ratio for 2008 is 53%.

The Corporation raises most of its capital requirements through internal operating activities and long-term debt through the GRF. This type of borrowing allows the Corporation to take advantage of the Province of Saskatchewan's strong credit rating and receive financing at attractive interest rates.

The Corporation does not have share capital. However, the Corporation has received advances from the GRF to form its equity capitalization. The advances are an equity investment in the Corporation by the GRF.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

September 30, 2008

4. Capital Disclosures (continued)

The Corporation made no changes to its approach to capital management during the period.

The debt ratio is as follows (thousands of dollars):

	September 30 2008	December 31 2007
Total debt ¹	\$3,938,057	\$3,858,002
Less: Sinking funds	<u>(310,075)</u>	<u>(337,400)</u>
Net debt	3,627,982	3,520,602
Equity ²	<u>4,246,032</u>	<u>4,155,198</u>
Capitalization	<u>\$7,874,014</u>	<u>\$7,675,800</u>
Debt ratio	46.1%	45.9%

¹ Total debt includes long-term debt, long-term debt due within one year and notes payable.

² Equity includes equity advances, contributed surplus and retained earnings.

5. Contingencies

- a) The Corporation has various legal matters pending which, in the opinion of management, will not have a material effect on the Corporation's consolidated financial position or results of operations. Should the ultimate resolution of actions differ from management's assessments and assumptions, a material adjustment to the Corporation's financial position or results of operations could result.
- b) On August 9, 2004, a proceeding under **The Class Actions Act** (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning system administration fees. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, Plaintiffs' counsel in other provincial jurisdictions. On July 18, 2006, the Saskatchewan court declined to certify the action as a class action, but granted the Plaintiffs leave to renew their application in order to further address certain statutory requirements respecting class actions. The Plaintiffs renewed their application for certification and the renewed application was heard in June of 2007. On September 17, 2007, the Saskatchewan court certified the Plaintiff's proceeding as a class action with respect to an allegation of unjust enrichment only. The Corporation, together with all other defendants in the proceedings, have filed motions with the Saskatchewan Court of Appeal seeking leave to appeal the decision of the court certifying the action as a class action. The Corporation's leave to appeal application is presently before the Court of Appeal. No specific date has been set for the hearing of that application. The application has recently been adjourned pending two motions that need to be decided before the Corporation's application for leave to appeal can be heard. The Corporation continues to believe that it has strong defenses to the allegations and that legal errors were made by the court in the certification proceeding.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

September 30, 2008

5. Contingencies (continued)

- c) On March 20, 2007, R.L.T.V. Investments Inc. brought a lawsuit against the Corporation, and several current and former officers and employees of the Corporation. The lawsuit includes allegations that the Corporation wrongfully obtained its Multipoint Communications Systems license in Saskatchewan and is legally responsible for the failure of Image Wireless Communications Inc. as a consequence of the alleged breach of contract, intentional interference with trade or business, deceit, misrepresentation and breach of the **Competition Act**. The plaintiff claims damages in excess of \$87.0 million. The Corporation believes that it has strong defenses to the allegations and a motion to strike all claims against the defendants was heard on September 25, 2007. The court struck the lawsuit in its entirety and the Plaintiff's appeal of the decision to the Saskatchewan Court of Appeal is scheduled to be heard on November 20, 2008.
- d) On June 26th, 2008, a proceeding under **The Class Actions Act** (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireline and wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning fees and charges paid for 9-1-1 service. The Plaintiffs seek unquantified damages from the defendant communications service providers. Thus far the claim has simply been issued by the Plaintiffs. The Corporation is not aware whether all the named defendant carriers have been served with the claim yet. The Corporation believes that it has strong defenses to the allegations that are made by the Plaintiffs in the claim and will be strongly defending and opposing the claims that have been made.

6. Commitments

The Corporation has committed to fund TransCanada Energy Inc. a forgivable loan up to \$26.0 million. To September 30, 2008, \$4.4 million has been funded. The funding is expected to occur through June, 2010, and provide numerous economic and environmental benefits including the supply of electrical power and reliable product streams to off-takers through the gasification of hydrocarbon feedstock.

7. Financial Instruments and Risk Management

The Corporation is exposed to fluctuations in commodity prices including natural gas, electricity, hog sales and feed component purchases, foreign exchange rates and interest rates. The Corporation utilizes a number of financial instruments to manage these exposures. The Corporation mitigates the risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

September 30, 2008

7. Financial Instruments and Risk Management (continued)

(thousands of dollars)

Financial Instruments	Classification*	September 30, 2008		December 31, 2007	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>					
Cash and cash equivalents	HFT	841,288	841,288	848,238	848,238
Accounts receivable	LAR	429,456	429,456	526,466	526,466
Derivative financial assets	HFT	43,040	43,040	38,436	38,436
Restricted cash and cash equivalents	LAR	261,994	261,994	21,447	21,447
Investments - fair value	HTM	2,617	2,682	4,706	4,706
Investments - sinking funds - fair value	HFT	310,075	310,075	337,400	337,400
Investments - fair value	HFT	26,311	26,311	326,208	326,208
Investments - cost	AFS	46,742	(i)	32,388	(i)
Investments - fair value	AFS	506,535	506,535	513,836	513,836
Investments - loans	LAR	56,678	(i)	56,810	(i)
<u>Financial Liabilities</u>					
Bank indebtedness	HFT	33,629	33,629	29,082	29,082
Accounts payable and accrued liabilities	OL	501,823	501,823	556,097	556,097
Derivative financial liabilities	HFT	72,117	72,117	50,580	50,580
Notes payable	OL	336,247	336,247	140,484	140,484
Income taxes payable	OL	1,593	1,593	8,092	8,092
Dividend payable to the GRF	OL	-	-	200,000	200,000
Long-term debt	OL	3,601,810	4,111,956	3,717,518	4,454,808

(thousands of dollars)

Derivative Instruments	Classification*	September 30, 2008		December 31, 2007	
		Asset	(Liability)	Asset	(Liability)
Physical natural gas contracts	HFT	\$ 20,957	\$ (10,479)	\$ 11,872	\$ (15,298)
Natural gas price swaps	HFT	19,864	(50,888)	21,053	(18,153)
Natural gas price options	HFT	1,994	(10,553)	3,651	(16,718)
Physical electricity forwards	HFT	181	(40)	91	(134)
Electricity contracts for differences	HFT	-	(94)	41	-
Interest rate swaps	HFT	-	(63)	-	(54)
Foreign exchange forward contracts	HFT	44	-	-	(223)
Commodity forward contracts	HFT	-	-	1,728	-
		<u>\$ 43,040</u>	<u>\$ (72,117)</u>	<u>\$ 38,436</u>	<u>\$ (50,580)</u>

*Classification details are:

HFT - held-for-trading

LAR - loans and receivables

AFS - available-for-sale

OL - other liabilities

- (i) The uncertainty and potentially broad range of fair values for Investments - cost (available-for-sale) and Investments - loans (loans and receivables), renders the disclosure of a fair value with appropriate reliability impractical.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

September 30, 2008

7. Financial Instruments and Risk Management (continued)

a) Financial assets and liabilities fair value

Investments

All investments are carried at fair value, except preferred shares and those investments noted above.

Share investments - The fair value of publicly traded share investments is based on their quoted market values, based on the latest bid prices.

Bonds, debentures, loans and notes receivable - The fair value of bonds, debentures, loans and notes receivable is determined based on quoted market values, based on the latest bid price.

Sinking funds

The fair value of the investments held in the sinking fund is based on their December 31, 2007, quoted market values.

Long-term debt

The fair value of long-term debt is determined by the present value of future cash flows, discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Interest rate swaps

The fair value of the interest rate swaps is based on quoted market rates at December 31, 2008.

Depending on the nature of the derivative instrument and market conditions, the change in fair value of derivative financial assets and derivative financial liabilities is recorded in net income as either sales of products and services or operating costs. The impact of unrealized gains (losses) on net earnings is as follows (thousands of dollars):

	2008 July 1 to <u>September 30</u>	2008 January 1 to <u>September 30</u>	2007 July 1 to September 30	2007 January 1 to September 30
For the period (unaudited)				
Sales of products and services	\$ 104,442	\$ 15,066	\$ 1,311	\$ 20,993
Operating costs	<u>(234,690)</u>	<u>(44,217)</u>	<u>(25,274)</u>	<u>(33,088)</u>
Decrease in net earnings	<u>\$ (130,248)</u>	<u>\$ (29,151)</u>	<u>\$ (23,963)</u>	<u>\$ (12,095)</u>

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

September 30, 2008

7. Financial Instruments and Risk Management (continued)

Commodity price risk management

Power generation

The Corporation is exposed to natural gas price risk through gas purchased for its gas-fired power plants and through certain power purchase agreements which have a cost component based on the price of natural gas. As at September 30, 2008, the Corporation had entered into natural gas contracts to hedge approximately 40 percent of its natural gas purchases for 2008, 42 percent for 2009 and 2 percent for 2010 for purposes of electrical generation.

Based on the Corporation's September 30, 2008 closing positions on its natural gas hedges a \$1 dollar per Gigajoule (GJ) increase in price of natural gas would have resulted in an \$21.0 million increase in the unrealized market value gains recognized in net income in the quarter. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as of September 30, 2008.

The Corporation is exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions. The Corporation does not believe that the impact of fluctuations in electricity prices on the outstanding electricity trading contracts will be significant and, therefore, has not provided a sensitivity analysis of the impact on net income.

Natural gas sales

The Corporation may manage the risk associated with the purchase and sale price of natural gas. The purchase or sale price of natural gas may be fixed within the contract, or referenced to a floating index price. When the price is referenced to a floating index price, natural gas derivative instruments may be used to fix the settlement amount. The types of natural gas derivative instruments the Corporation uses for price risk management include natural gas price swaps, options, swaptions and futures contracts. An increase of \$1 per GJ in natural gas prices would increase net income by \$10.0 million, while a decrease of \$1 per GJ would decrease net income by \$10.0 million.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

September 30, 2008

7. Financial Instruments and Risk Management (continued)

a) Commodity price risk management (continued)

Hog marketing

The Corporation is exposed to price risk on future hog sales and feed component purchases. The volatility is partially managed through forward pricing on the Chicago Mercantile Exchange (CME). The Corporation does not believe that the impact of fluctuations in hog market prices will be significant and, therefore, has not provided a sensitivity analysis of the impact on net income.

b) Market risk

Market risk represents the potential for loss from changes in value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

The Corporation is exposed to changes in equity prices in Canadian, U.S. and EAFE (Europe, Australia and Far East) markets. The fair value of these equities at September 30, 2008 was \$85.1 million. A 10 per cent change in these markets would have the following effects on the Corporation's comprehensive income and other comprehensive income at September 30, 2008:

- S&P / TSX Composite Index - \$5.3 million
- S&P 500 Index - \$2.0 million
- MSCI EAFE Index - \$1.2 million

The Corporation has on deposit with the GRF, under the administration of the Ministry of Finance, \$310.1 million in sinking funds which is required for certain long-term debt issues. At September 30, 2008 the GRF has invested these funds primarily in Provincial and Federal government bonds with varying maturities to coincide with related debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments is considered low. The Corporation does not believe that the impact of fluctuations in market prices related to these investments will be significant and, therefore, has not provided a sensitivity analysis of the impact on net income.

c) Foreign currency risk

The Corporation is exposed to currency risk, primarily US dollars, through transactions with foreign suppliers and short-term foreign commitments. The Corporation uses a combination of derivative financial instruments to manage these exposures when deemed appropriate. The Corporation does not actively trade derivative financial instruments. The Corporation does not believe that the impact of fluctuations in foreign exchange rates on anticipated transactions will be significant and therefore has not provided a sensitivity analysis of the impact on net income.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

September 30, 2008

7. Financial Instruments and Risk Management (continued)

d) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Credit risk relates to accounts receivable and unbilled revenue, money market investments, interest and dividends receivable, debentures, loans and other advances and counterparties to financial hedges and commodity transactions. Accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. In addition, the Corporation maintains credit policies and limits in respect to short-term investments and counterparties to financial and commodity transactions. The carrying amount of financial assets represents the maximum credit exposure as follows (thousands of dollars):

	September 30 2008	December 31 2007
Cash and cash equivalents	\$ 841,288	\$ 848,238
Short-term investments	66,348	356,824
Accounts receivable	429,456	526,466
Derivative financial assets	43,040	38,436
Restricted cash and cash equivalents	261,994	21,447
Investments – held-to-maturity	2,617	2,657
Investments – held-for-trading	336,386	356,981
Investments – available-for-sale	440,187	498,076
Investments – loans and receivables	56,678	56,810
Leases receivable	<u>3,985</u>	<u>1,627</u>
	<u>\$ 2,481,979</u>	<u>\$ 2,707,562</u>

The allowance for doubtful accounts, which provides an indication of potential impairment losses, is reviewed quarterly based on an analysis of the aging of accounts receivable and an estimate of outstanding amounts that are considered to be uncollectible. Historically, the Corporation has not written-off a significant portion of its accounts receivable balances.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

September 30, 2008

7. Financial Instruments and Risk Management (continued)

d) Credit risk (continued)

The allowance for doubtful accounts and the aging of accounts receivable are detailed as follows (thousands of dollars):

Allowance for Doubtful Accounts	September 30 <u>2008</u>	December 31 <u>2007</u>
Opening Balance	\$ 13,277	\$ 15,330
Less: Accounts written-off	(13,055)	(20,833)
Recoveries	8,130	7,857
Provision for losses	<u>14,355</u>	<u>10,923</u>
Ending Balance	<u>\$ 22,707</u>	<u>\$ 13,277</u>
 Accounts Receivable		
Current	\$ 329,042	\$ 417,418
30-59 Days	20,319	29,939
60-89 Days	88,162	78,547
Greater than 90 Days	<u>14,640</u>	<u>13,839</u>
Gross accounts receivable	452,163	539,743
Allowance for doubtful accounts	<u>(22,707)</u>	<u>(13,277)</u>
Net accounts receivable	<u>\$ 429,456</u>	<u>\$ 526,466</u>

e) Interest rate risk

The Corporation may be exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place, other than those listed, to offset interest rate risk as of September 30, 2008. The Corporation has not provided a sensitivity analysis of the impact of interest rate changes on net income as substantially all of the Corporation's debt is at fixed rates at September 30, 2008.

The Corporation is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds and debentures and mortgage investments. Duration is a measure used to estimate the extent market values of fixed income investments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase in interest rates would decrease other comprehensive income and accumulated comprehensive income by \$15.0 million at September 30, 2008.

f) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. The Corporation is a Provincial Crown corporation and as such has access to capital markets through the Saskatchewan Ministry of Finance. The Corporation, through its diversified holdings and capital allocation and dividend policies, can allocate resources to ensure that all financial commitments made are met.

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

September 30, 2008

7. Financial Instruments and Risk Management (continued)

f) Liquidity risk (continued)

Where necessary the Corporation can borrow funds from the GRF, adjust dividend rates, obtain or make grants, or be provided with or provide equity injections to solve any liquidity issues.

The following summarizes the contractual maturities of the Corporation's financial liabilities at September 30, 2008 (thousands of dollars):

	Carrying Amount	Contractual Cash Flows					
		Total	0-6 Months	7-12 Months	1-2 Years	3-5 Years	More than 5 Years
Long-term debt ¹	\$3,601,810	\$7,715,998	\$145,899	\$158,308	\$604,946	\$857,301	\$5,949,544
Accounts payable and accrued liabilities	501,823	501,823	499,321	2,287	215	-	-
Derivative financial liabilities	72,117	231,660	138,318	74,461	-	18,881	-
Other liabilities ²	371,469	371,469	371,469	-	-	-	-
	\$4,547,219	\$8,820,950	\$1,155,007	\$235,056	\$605,161	\$876,182	\$5,949,544

¹ Contractual cash flows for long-term debt include principal and interest payments but excludes sinking fund instalments.

² Other liabilities include bank indebtedness, notes payable and income taxes payable.

The Corporation anticipates generating sufficient cash flows through operations or credit facilities to support these contractual cash flows.

8. Pension Costs

The table below shows the cost (income) components of the defined benefit pension plan (thousands of dollars):

For the nine months ended	September 30 2008	September 30 2007
Current service cost - defined benefit plan	\$ 7,079	\$ 8,636
Interest costs	76,366	72,337
Expected return on pension plan assets	(89,700)	(83,076)
Amortization of net transitional asset	(8,905)	(12,239)
Amortization of past service costs	12,540	12,752
Amortization of actuarial loss	1,054	3,874
Special termination benefit	9,384	15,573
Amortization of correction	(52)	(46)
Change in valuation allowance	114	114
Total pension cost	\$ 7,880	\$ 17,925

Crown Investments Corporation of Saskatchewan

Notes to Consolidated Financial Statements

(unaudited)

September 30, 2008

9. Subsequent Event

On October 1, 2008, the Corporation completed the sale of its investment in Saskferco Products Inc. for estimated net proceeds of \$820.1 million. The sale resulted in a gain of approximately \$683.0 million which will be reported as part of the Corporation's consolidated net income in the fourth quarter of 2008.

10. Comparative Figures

Certain of the 2007 comparative figures have been reclassified to conform to the current period's presentation.

Non-Consolidated Financial Statements

Management's Discussion and Analysis

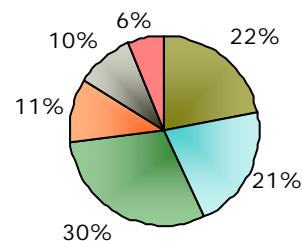
CIC is the provincial government's holding company for its commercial Crowns. CIC has invested equity in its subsidiary Crown corporations and collects dividends from these corporations based on their profitability.

This narrative on CIC's non-consolidated September 30, 2008 third quarter results should be read in conjunction with the September 30, 2008 unaudited non-consolidated financial statements.

The unaudited interim non-consolidated financial statements do not contain all the disclosures included in CIC's annual audited non-consolidated financial statements. Accordingly, these unaudited interim financial statements should be read in conjunction with CIC's December 31, 2007 audited non-consolidated financial statements.

For the purposes of this narrative on CIC's non-consolidated financial results, "CIC" refers to the holding company.

Dividend Revenue



■ SaskPower ■ SaskEnergy ■ SaskTel
■ SGI ■ ISC ■ SGC

CIC Non-Consolidated Earnings (millions of dollars) (unaudited)	For the Nine Months Ended	
	September 30 2008	September 30 2007
Dividend revenue from Crown corporations	\$ 172.9	\$ 151.4
Add: Interest and other revenue	18.0	9.4
Less: General, administrative, and other expenses	(13.3)	(10.9)
Grants to subsidiaries	<u>(23.1)</u>	<u>(22.2)</u>
Total Non-Consolidated Earnings	<u>\$ 154.5</u>	<u>\$ 127.7</u>

Earnings

Earnings for the first nine months of 2008 were \$154.5 million (2007 - \$127.7 million). The first nine months earnings increased \$26.8 million from the same period in 2007. The increase is primarily due to an increase in dividends from subsidiaries of \$21.5 million and an increase in interest revenue of \$8.6 million. Offsetting increased revenue was an increase in grant funding to subsidiaries of \$0.9 million and an increase in general, administrative and other expenses of \$2.4 million.

Management's Discussion and Analysis (continued)

Dividend Revenue

Dividend revenue for the nine months ended September 30, 2008 was \$172.9 million (2007 - \$151.4 million). The \$21.5 million increase was due to higher dividends from SaskEnergy (\$14.3 million), ISC (\$12.4 million), SGC (\$10.0 million), SaskTel (\$6.1 million), and SGI (\$6.5 million) partially offset by decreased dividends from SaskPower (\$27.8 million).

For the first nine months of each year, dividends from subsidiary Crown corporations are based on 75 percent of their forecasted dividend for the year. The forecasted dividend is calculated under CIC's dividend policy which applies a percentage payout of net earnings based on the overall financial health of the subsidiary Crown and its need for capital investment. For the remainder of the year, dividend payments will be adjusted based on actual earnings and projections to year end. For the current year, CIC has assumed payout rates of 50 percent of earnings at SaskPower, 65 percent of earnings at SaskTel and SGI, 80 percent of earnings at SaskEnergy and SGC and 90 per cent of earnings at ISC. Investment Saskatchewan's dividend is determined on a cash availability formula, which is determined at year end. The payout rates reflect the needs of these subsidiary corporations to retain capital to move to or to maintain their respective industry benchmarked financial structure and to upgrade infrastructure.

Expenses

Expenses were \$13.3 million for the nine months ended September 30, 2008 (2007 - \$10.9 million). The increase of \$2.4 million was due mainly to increased consulting costs and increased costs for salaries and benefits.

During the first nine months of 2008, CIC provided \$11.9 million in grants to STC (2007 - \$15.2 million), \$5.8 million (2007 - \$4.7 million) in grants to SaskEnergy to fund the EnerGuide for Houses Matching Grant Program, \$3.9 million (2007 - \$Nil) to SaskTel to fund FleetNet, a provincial emergency communications network and \$1.0 million (2007 - \$1.8 million) to Gradworks Inc., a non-profit subsidiary of CIC which provides recent post-secondary graduates with internships in CIC subsidiary Crown corporations.

CIC's 2008 budget includes public policy and grant funding expenditures as follows: \$7.0 million in operating grants and \$8.9 million in capital grants to STC, of which \$6.6 million of the capital grants is allocated for funding the new bus terminal in Regina; \$8.2 million of funding to SaskEnergy for the EnerGuide for Houses Matching Grant Program; \$4.5 million funding to SaskTel to maintain FleetNet, a provincial emergency communications network and \$2.1 million of operating grants to Gradworks.

Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars) (unaudited)	For the Nine Months Ended	
	September 30 2008	September 30 2007
Cash from operations	\$ 149.9	\$ 186.9
Cash provided by investing activities	271.1	105.7
Dividend paid	(415.0)	(167.0)
Increase in cash	<u>\$ 6.0</u>	<u>\$ 125.6</u>

Management's Discussion and Analysis (continued)

Liquidity and Capital Resources (continued)

Liquidity

CIC finances its capital requirements through internally-generated cash flow and through borrowing from the GRF. The GRF borrows on CIC's behalf in capital markets.

Operating, Investing and Financing Activities

Cash from operations for the nine months ended September 30, 2008 was \$149.9 million (2007 - \$186.9 million). The \$37.0 million decrease was due mainly to lower dividends collected in the first nine months of 2008 compared to the same period in 2007.

Cash provided by investing activities for the nine months ended September 30, 2008 was \$271.1 million (2007 - \$105.7 million). As of September 30, 2008, all of CIC's short-term deposit accounts had maturities less than 90 days and are classified as cash and cash equivalents. During the nine months ended September 30, 2008 CIC had invested \$29.8 million in equity advances to SGC, \$3.3 million in Apex Investment Limited Partnership and \$2.2 million in Saskatchewan Entrepreneurial Fund Joint Venture.

Cash used in financing activities was \$415.0 million (2007 - \$167.0 million). Financing activities in 2008 consisted of dividends paid to the GRF.

Debt Management

CIC as a legal entity has no debt. Currently, CIC does not expect to borrow in 2008.

Outlook and Key Factors Affecting Performance

The key factor affecting CIC's earnings is the level of dividends from commercial subsidiary Crown corporations.

Factors affecting the level of dividends from subsidiary Crowns include the level of profits and the application of CIC's subsidiary dividend policy. The CIC Board determines dividends from a commercial subsidiary after allocating cash for reinvestment within the Crown to sustain operations, to grow and to diversify, and for debt reduction if necessary. CIC expects aggregate dividends declared by its commercial subsidiaries in 2008 to be significantly higher than dividends declared in 2007, due mainly to higher than budgeted dividends being forecasted from Investment Saskatchewan. On October 1, 2008, Investment Saskatchewan sold its investment in Saskferco Products Inc. for net proceeds at \$820.1 million. Subsequent to quarter end, Investment Saskatchewan declared and paid a \$543.0 million dividend to CIC and repaid \$239.5 million in equity.

CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges there to be a permanent impairment in carrying value. CIC regularly reviews its investments with private sector partners to determine the appropriateness of retention or sale.

Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Financial Position
(unaudited)
(thousands of dollars)

	September 30 <u>2008</u>	December 31 <u>2007</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 563,964	\$ 558,030
Short-term investments	-	306,460
Interest and accounts receivable	325	3,285
Dividends receivable	<u>76,118</u>	<u>67,721</u>
	640,407	935,496
Restricted cash and cash equivalents (Note 4)	239,558	-
Equity advances to Crown corporations (Note 5)	1,105,187	1,075,382
Investments in share capital corporations	282,801	277,297
Equipment	<u>316</u>	<u>336</u>
	<u>\$ 2,268,269</u>	<u>\$ 2,288,511</u>
LIABILITIES AND PROVINCE'S EQUITY		
Interest and accounts payable	\$ 1,925	\$ 1,187
Dividend payable to General Revenue Fund	-	200,000
Deferred funding (Note 4)	<u>239,558</u>	<u>-</u>
	<u>241,483</u>	<u>201,187</u>
Province of Saskatchewan's Equity		
Equity advances	1,181,152	1,181,152
Retained earnings	<u>845,634</u>	<u>906,172</u>
	<u>2,026,786</u>	<u>2,087,324</u>
	<u>\$ 2,268,269</u>	<u>\$ 2,288,511</u>
Commitments (Note 7)		
(See accompanying notes)		

Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Operations and Comprehensive Income
(unaudited)
For The Period
(thousands of dollars)

	2008 July 1 to September 30	2008 January 1 to September 30	2007 July 1 to September 30	2007 January 1 to September 30
REVENUE				
Dividend (Note 8)	\$ 60,379	\$ 172,860	\$ 50,809	\$ 151,408
Interest	4,508	17,971	3,381	9,392
Other	<u>-</u>	<u>7</u>	<u>3</u>	<u>11</u>
	<u>64,887</u>	<u>190,838</u>	<u>54,193</u>	<u>160,811</u>
EXPENSES				
General, administrative and other	4,487	13,197	3,336	10,870
Depreciation	<u>39</u>	<u>109</u>	<u>32</u>	<u>96</u>
	<u>4,526</u>	<u>13,306</u>	<u>3,368</u>	<u>10,966</u>
Earnings before the following	60,361	177,532	50,825	149,845
Grant to STC	(3,100)	(11,850)	(6,500)	(15,200)
Grant to SaskTel	(563)	(3,938)	-	-
Grant to SaskEnergy	(1,816)	(5,817)	(431)	(4,738)
Grant to Gradworks Inc.	(500)	(1,000)	(500)	(1,764)
Other grant funding	<u>-</u>	<u>(465)</u>	<u>-</u>	<u>(485)</u>
NET EARNINGS	54,382	154,462	43,394	127,658
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
COMPREHENSIVE INCOME	<u>\$ 54,382</u>	<u>\$ 154,462</u>	<u>\$ 43,394</u>	<u>\$ 127,658</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Retained Earnings
 (unaudited)
For The Period
 (thousands of dollars)

	2008 July 1 to <u>September 30</u>	2008 January 1 to <u>September 30</u>	2007 July 1 to <u>September 30</u>	2007 January 1 to <u>September 30</u>
RETAINED EARNINGS, BEGINNING OF PERIOD	\$ 791,252	\$ 906,172	\$ 613,529	\$ 529,265
NET EARNINGS	54,382	154,462	43,394	127,658
DIVIDEND TO GENERAL REVENUE FUND	_____ -	_____ (215,000)	_____ -	_____ -
RETAINED EARNINGS, END OF PERIOD	<u>\$ 845,634</u>	<u>\$ 845,634</u>	<u>\$ 656,923</u>	<u>\$ 656,923</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan
Non-Consolidated Statement of Cash Flows
(unaudited)

For The Period
(thousands of dollars)

	2008 July 1 to September 30	2008 January 1 to September 30	2007 July 1 to September 30	2007 January 1 to September 30
OPERATING ACTIVITIES				
Net earnings	\$ 54,382	\$ 154,462	\$ 43,394	\$ 127,658
Add non-cash items:				
Depreciation	<u>39</u>	<u>109</u>	<u>32</u>	<u>96</u>
	54,421	154,571	43,426	127,754
Net change in non-cash working capital balances related to operations	<u>(17,174)</u>	<u>(4,699)</u>	<u>279</u>	<u>59,188</u>
Cash provided by operating activities	<u>37,247</u>	<u>149,872</u>	<u>43,705</u>	<u>186,942</u>
INVESTING ACTIVITIES				
Purchase of investments	(1,293)	(35,309)	(870)	(5,030)
Proceeds from the sale of investments	-	306,460	-	-
Proceeds from redemption of Investment Saskatchewan shares	-	-	90,000	110,677
Purchase of equipment	<u>(36)</u>	<u>(89)</u>	<u>(11)</u>	<u>(19)</u>
Cash (used in) provided by investing activities	<u>(1,329)</u>	<u>271,062</u>	<u>89,119</u>	<u>105,628</u>
FINANCING ACTIVITIES				
Increase in restricted cash and cash equivalents	(239,558)	(239,558)	-	-
Increase in deferred funding	239,558	239,558	-	-
Dividend paid	<u>-</u>	<u>(415,000)</u>	<u>-</u>	<u>(167,000)</u>
Cash used in financing activities	<u>-</u>	<u>(415,000)</u>	<u>-</u>	<u>(167,000)</u>
NET CHANGE IN CASH DURING PERIOD	35,918	5,934	132,824	125,570
CASH POSITION, BEGINNING OF PERIOD	<u>528,046</u>	<u>558,030</u>	<u>303,218</u>	<u>310,472</u>
CASH POSITION, END OF PERIOD	<u>\$ 563,964</u>	<u>\$ 563,964</u>	<u>\$ 436,042</u>	<u>\$ 436,042</u>

(See accompanying notes)

Crown Investments Corporation of Saskatchewan

Notes to Non-Consolidated Financial Statements

(unaudited)

September 30, 2008

1. Summary of Significant Accounting Policies

The interim non-consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC) do not contain all of the disclosures included in CIC's annual non-consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the December 31, 2007, audited non-consolidated financial statements. The accounting policies used in the preparation of these interim financial statements conform to those used in the December 31, 2007, audited non-consolidated financial statements.

2. Status of Crown Investments Corporation of Saskatchewan

The Government Finance Office was established by Order in Council 535/47 dated April 2, 1947, and was continued under the provision of **The Crown Corporations Act, 1993** (the Act), as Crown Investments Corporation of Saskatchewan. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following corporations have been designated or created by Order in Council:

Information Services Corporation of Saskatchewan (ISC),	Saskatchewan Government Insurance (SGI),
Investment Saskatchewan Inc. (IS),	Saskatchewan Opportunities Corporation (SOCO),
SaskEnergy Incorporated (SaskEnergy),	Saskatchewan Power Corporation (SaskPower),
Saskatchewan Development Fund Corporation (SDFC),	Saskatchewan Telecommunications Holding Corporation (SaskTel),
Saskatchewan Gaming Corporation (SGC),	Saskatchewan Telecommunications,
Saskatchewan Government Growth Fund Management Corporation (SGGFMC),	Saskatchewan Transportation Company (STC),
	Saskatchewan Water Corporation (SaskWater).

In addition to the above Crown corporations CIC is the sole member of Gradworks Inc., a non-profit corporation, and a sole shareholder of First Nations and Métis Fund Inc., CIC Economic Holdco Ltd., and CIC Apex Equity Holdco Ltd., which are wholly-owned share capital subsidiaries.

Crown Investments Corporation of Saskatchewan

Notes to Non-Consolidated Financial Statements

(unaudited)

September 30, 2008

3. Change in Accounting Policies

Effective January 1, 2008, CIC adopted the accounting recommendations for capital disclosures (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535) in accordance with the transition provisions of the section. This section requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on CIC's operating results.

Effective January 1, 2008, CIC adopted the accounting recommendations for financial instruments - disclosures (CICA Handbook Section 3862) and financial instruments - presentation (CICA Handbook Section 3863) in accordance with the transition provisions of the sections. These sections replace the existing disclosure and presentation recommendations contained in financial instruments - disclosure and presentation (CICA Handbook Section 3861). The new disclosure standards increase the disclosures related to financial instruments, and the nature, extent and management of CIC's risks arising from financial instruments. The presentation standards carry forward unchanged from the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on CIC's operating results.

4. Restricted Cash and Cash Equivalents and Deferred Funding

Restricted cash and cash equivalents and deferred funding are comprised of unspent funding transferred to CIC from the Province of Saskatchewan's General Revenue Fund (GRF) restricted for carbon capture and storage demonstration projects undertaken by SaskPower. As qualifying expenditures are made, CIC recognizes an equivalent amount of funding in earnings and reduces restricted cash and cash equivalents and deferred funding by the same amount. To date \$0.4 million has been funded to SaskPower under this program.

5. Equity Advances to Crown Corporations

On June 2, 2008, CIC provided Saskatchewan Gaming Corporation with an equity advance of \$29.8 million.

6. Capital Disclosures

CIC does not have share capital. However, CIC has received advances from the GRF to form its equity capitalization. The advances are an equity investment in CIC by the GRF.

CIC, as a holding corporation for the Saskatchewan commercial Crown sector, does not carry any debt. Equity advances from the GRF have been invested in subsidiary Crown corporations.

CIC's ability to pay regular dividends to the GRF depends mainly on the level of Crown dividends to CIC, less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown dividend levels depend on their net earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings. CIC's earnings and hence, dividend capacity outlook, are sensitive to adverse developments in its operating expenditures and Crown earnings forecasts.

Crown Investments Corporation of Saskatchewan

Notes to Non-Consolidated Financial Statements

(unaudited)

September 30, 2008

7. Commitments

CIC has committed to fund TransCanada Energy Inc. a forgivable loan up to \$26.0 million. To September 30, 2008, \$4.4 million has been funded. The funding is expected to occur through June, 2010, and provide numerous economic and environmental benefits including the supply of electrical power and reliable product streams to off-takers through the gasification of hydrocarbon feedstock.

8. Dividend Revenue

Dividend revenue consists of the following:

For the nine months ended (thousands of dollars)	September 30 2008	September 30 2007
Saskatchewan Power Corporation	\$ 38,567	\$ 66,398
Saskatchewan Telecommunications Holding Corporation	52,284	46,234
SaskEnergy Incorporated	36,768	22,500
Saskatchewan Government Insurance	18,821	12,276
Information Services Corporation	16,397	4,000
Saskatchewan Gaming Corporation	10,023	-
	<u>\$ 172,860</u>	<u>\$ 151,408</u>

9. Subsequent Event

On October 1, 2008, Investment Saskatchewan Inc. completed the sale of its investment in Saskferco Products Inc. for estimated net proceeds of \$820.1 million. Subsequent to quarter end, Investment Saskatchewan distributed to CIC a dividend of \$543.0 million and redeemed 23.9 million shares for \$239.5 million.