Investment Saskatchewan INC.

2009
First Quarter Report

For the three months ended March 31, 2009

Managing Director's Report

For the three months ended March 31, 2009

I am pleased to report Investment Saskatchewan Inc.'s financial results for the first three months of 2009.

The first three months of 2009 ended with a net loss of $6.5 million, a decrease in earnings of $18.7 million from net earnings of $12.2 million achieved during the equivalent period of 2008.

Consolidated revenue for the three month period was $33.0 million, or $18.8 million lower than the $51.8 million realized in the same period last year. Sale of goods and services was $28.4 million, or $5.7 million higher than the same period in the prior year. This increase was offset by lower revenues from interest and other, earnings (loss) from equity basis investments, and gain on sale of investments in the amount of $1.5 million, $12.7 million and $10.3 million respectively. Total expenses of $37.3 million during the first three months of 2009 were consistent with the $37.8 million recorded in the comparable period of 2008.

Our investment portfolio faces challenges in the months ahead. Our commodity based investments continue to see lower prices. Further adding to the challenges is slowing general demand due to the current weak global economic conditions and difficulty gaining access to funds due to the tight credit markets.

Our mandate has recently changed from actively looking for new investments to concentrating on managing our existing portfolio with a view to divest in an orderly manner. As a result, investment activity in the first quarter of 2009 for Investment Saskatchewan, as a legal entity, was limited to $0.5 million honouring a previous commitment made in 2008 to VendAsta Technologies Inc.

With the current economic climate, we are cautiously continuing to forecast positive earnings for the year ending December 31, 2009. However, it is important to note that significant changes to commodity prices and foreign exchange could substantially impact our forecast.

Rae Haverstock
Managing Director

Management's Discussion & Analysis

Corporate Background and Introduction

For the three months ended March 31, 2009

Investment Saskatchewan Inc. (the Corporation) is a designated subsidiary Crown corporation under *The Crown Corporations Act, 1993* and an incorporated entity under the *Saskatchewan Business Corporations Act*. Formerly known as CIC Industrial Interests Inc., Investment Saskatchewan was established as a stand-alone entity in September 2003, wholly owned by Crown Investments Corporation of Saskatchewan (CIC). The Corporation's current mandate is to prudently manage and divest an existing portfolio of investments on behalf of the Province.

Management has included its unaudited consolidated financial statements in this report. The consolidated financial statements, in accordance with Canadian generally accepted accounting principles, include Investment Saskatchewan's interests in the specific assets, liabilities, revenues, expenses, and cash flows of subsidiaries and joint ventures in addition to those of the Investment Saskatchewan legal entity.

Detailed profiles of the Corporation's major investments were included as part of Investment Saskatchewan Inc.'s 2008 Annual Report. This MD&A includes the financial results for the first three months of the year and an outlook for the remainder of 2009 for these major investments. The next section of the MD&A describes results of operations, liquidity and capital resources related to the consolidated entity.

Many sections of the MD&A contain forward-looking information about the Corporation. This information reflects management's expectations and intentions at the time of writing. As such, risks and uncertainties could cause actual future results to differ materially from those anticipated.

Management's Discussion & Analysis

Major Investment Results and Outlook

For the three months ended March 31, 2009

Big Sky Farms Inc.

Big Sky Farms Inc. is a hog production company with a breeding herd of approximately 45,000 sows capable of producing over 1,100,000 market hogs annually. After a difficult year in 2008 due to low hog prices, increasing feed costs and a rising Canadian dollar, Big Sky's results show signs of stabilizing as a small profit was achieved in the first quarter of 2009. Hog prices, foreign exchange rates and feed costs continue to be a concern and future results will be significantly impacted by the direction of these key factors.

Meadow Lake OSB Limited Partnership

Meadow Lake OSB Limited Partnership operates an oriented strand board (OSB) plant near the town of Meadow Lake, Saskatchewan. Meadow Lake OSB's results for the first three months of 2009 continue to be negative due to low OSB prices and slowing demand. OSB prices remained depressed in the first quarter of 2009. It is anticipated that Meadow Lake OSB's performance in 2009 will continue to be negatively impacted by low OSB prices and demand.

Meadow Lake Pulp Limited Partnership

Meadow Lake Pulp Limited Partnership (MLPLP) operated one of the world's first zero-effluent, chemi-thermomechanical pulp mills. The performance of MLPLP was negatively impacted by low pulp prices, a higher than expected U.S./Canada exchange rate, and high energy and transportation costs. As a result, the partnership sought protection under the *Companies Creditors Arrangement Act* (CCAA). Early in 2007, the Saskatchewan Court of Queens Bench approved a sale of the capital assets and raw materials inventory of MLPLP. The sale closed on January 23, 2007. On October 29, 2007, MLPLP was placed into receivership by the Saskatchewan Court of Queens Bench. MLPLP is now managed by the court-appointed receiver and manager while it continues to collect accounts receivable, remediate the mill site and pay certain current payables, with the balance of the cash of the partnership to be paid to Investment Saskatchewan as the senior secured creditor.

Management's Discussion & Analysis

Consolidated Financial Results and Discussion

For the three months ended March 31, 2009

Summary of Key Financial Results

Consolidated Statement of Financial Position Highlights	**($ millions) (unaudited)**	
	March 31, 2009	December 31, 2008
Cash and cash equivalents	**175.5**	175.6
Investments	**171.9**	174.2
Long-term debt	**59.3**	59.2
Environmental liabilities (continuing and discontinued operations)	**96.5**	95.2
Total assets	**562.2**	564.5

Consolidated Statement of Operations and Retained Earnings Highlights	**($ millions) (unaudited)**	
	Three Months Ended	
	March 31, 2009	March 31, 2008
Net (loss) earnings	**(6.5)**	12.2
Total revenue	**33.0**	51.8
Total expenses	**37.3**	37.8
(Loss) earnings from continuing operations	**(5.1)**	12.9
Loss from discontinued operations	**(1.3)**	(0.7)

Results of Operations

This section focuses on significant changes in Investment Saskatchewan Inc.'s consolidated financial results for the three months ended March 31, 2009 and should be read in conjunction with the unaudited consolidated financial statements included in this report.

Cash and cash equivalents decreased $0.1 million to $175.5 million (December 31, 2008 - $175.6 million). During the three months ended March 31, 2009, the Corporation generated cash from investing activities of $0.5 million and from financing activities in the amount of $1.4 million. This was offset by the usage of cash from operating activities of $2.0 million. We will discuss this area in more detail in the "Operating, Investing and Financing Activities" section.

A net loss of $6.5 million was recorded for the three months ended March 31, 2009; $18.7 million lower than the $12.2 million in earnings for the same period in 2008.

Consolidated revenue was $33.0 million for the three months ended March 31, 2009 or $18.8 million lower than the $51.8 million realized in the same period last year. Sale of goods and services was $28.4 million, or $5.7 million higher than the same period in the prior year. The increase in sale of goods and services is due to increased sales from the operations of Big Sky Farms from improving hog prices and a more attractive foreign exchange rate with the US dollar. This increase was offset by lower revenues from interest and other, earnings (loss) from equity basis investments and gain on sale of investments in the amount of $1.5 million, $12.7 million and $10.3 million respectively.

Consolidated Financial Results and Discussion *(continued)*

For the three months ended March 31, 2009

Consolidated interest and other revenues was $6.4 million for the three months ended March 31, 2009, down $1.5 million from the same period last year mainly due to lower income from the hedging program carried out by the operations of Big Sky Farms. Earnings from equity investments decreased to a loss of $2.2 million in the first three months of 2009 from earnings of $10.5 million in the same period of 2008. The majority of this variance is as a result of earnings recorded of $13.8 million in the first quarter of 2008 from Saskferco. As a result of the sale of Saskferco in the prior year, there is no contribution to our earnings in 2009. Gain on sale of investments was $0.4 million, $10.3 million lower than the $10.7 million recorded in the same period last year. This decrease is mainly due to lower gains from the sale of investments included within the operations of Prairie Ventures Limited Partnership.

Consolidated expenses were $37.3 million for the three months ended March 31, 2009 as compared to $37.8 million for the same period last year. Big Sky Farms operating expenses decreased $5.5 million as compared to the comparable quarter in the prior year due to improved efficiencies in the production process and slightly lower input costs. Offsetting this decrease was increased operating expenses within the Investment Saskatchewan legal entity of $5.5 million mainly due to expenses incurred relating to the settlement of the investment management agreement with Victoria Park Capital. Amortization and financing expenses were consistent with the prior period.

Environmental liabilities arising from the operations of Prince Albert Pulp Company (PAPCO) and ERCO Chemical Plant (ERCO) continued to be classified as discontinued operations at the end of March 2009. Of the current period's $1.3 million loss from discontinued operations, the majority relates to an increase in our provision for environmental liabilities relating to PAPCO and ERCO. The loss is due to the increase in our provision for inflation on expected costs to remediate the properties.

Consolidated comprehensive loss, consisting of net earnings (loss) plus other comprehensive income, was $7.2 million for the first three months of 2009 as compared to comprehensive income of $13.8 million for the first three months of 2008. Other comprehensive loss was $0.7 million for the first quarter of 2009 (income of $1.6 million for the first quarter of 2008). It consisted of unrealized losses on available for sale investments of $0.8 million ($2.6 million for the three months ended March 31, 2008) offset by unrealized foreign currency translation gains of $0.1 million ($0.2 million for the three months ended March 31, 2008). Also impacting prior period other comprehensive income was $4.0 million from gains on derivative instruments designated as cash flow hedges.

Liquidity and Capital Resources

Consolidated Cash Flow Highlights	**($ millions) (unaudited)**	
	Three Months Ended	
	March 31, 2009	March 31, 2008
Cash used in operating activities	**(2.0)**	(9.3)
Cash provided by (used in) investing activities	**0.5**	(0.4)
Cash provided by (used in) financing activities	**1.4**	(13.1)
Decrease in cash position	**(0.1)**	(22.8)

Liquidity

Investment Saskatchewan finances capital requirements through internally generated cash flow, cash returns from investments, borrowings from the General Revenue Fund (GRF), and borrowings from external financial institutions. Certain subsidiaries and joint ventures access financing through financial institutions. The GRF may borrow in capital markets on behalf of Investment Saskatchewan and has ample access to capital markets for anticipated borrowing requirements.

Operating, Investing and Financing Activities

Cash used by operating activities for the quarter ended March 31, 2009 was $2.0 million. For the same period in 2008, cash used in operating activities was $9.3 million. The reason for the positive variance between the comparable periods is mainly due to an improvement in the cash flows from the operation of Big Sky Farms. In the prior period, Big Sky's operations used cash in the amount of $8.1 million, whereas, $0.6 was used in the first three months of 2009.

The Corporation generated $0.5 million in investing activities during the first three months of 2009. The consolidated entity purchased investments in the amount of $1.7 million in the first quarter of 2009. This includes $0.5 million honouring a previous commitment made in 2008 to VendAsta Technologies Inc., $0.8 million used for investments made within Prairie Ventures Limited Partnership, and $0.4 million for investments made within Foragen Technologies Limited Partnership. Offsetting the uses of cash discussed above were proceeds of $1.9 million realized from collection and sale of investments.

Financing activities provided the Corporation with $1.4 million in the first three months of 2009, compared to $13.1 million used during the same period of 2007. The majority of this amount is as a result of the $1.4 million increase in bank indebtedness of our subsidiary. Also contributing to financing activities is long-term debt repayments totalling $0.3 million of which subsidiaries accounted for the entire amount while new long-term debt of subsidiaries increased $0.5 million. Subsidiaries also paid dividends of which the payment to minority shareholders was $0.2 million.

Consolidated Financial Results and Discussion *(continued)*

For the three months ended March 31, 2009

General

Investment Saskatchewan Inc., the legal entity, was self-supporting in the first three months of 2009 and therefore had no new financing requirements, consistent with the same period in 2008.

Debt Management

Investment Saskatchewan Inc., the legal entity, actively manages cash flows and borrowing requirements. In 2009, the Corporation anticipates being self-supporting through cash flows from investments.

Risk Management and Outlook

For the three months ended March 31, 2009

Risk Management

Investments and related risks are diligently monitored on an ongoing basis with periodic reporting to the Corporation's executive and the Board of Directors pertaining to investment returns, risks and investment retention or sale.

Management will continue monitoring investment market conditions for possible impairment of investments and will take provisions if required.

Outlook

The Corporation's outlook related to investment values, earnings and cash flow performance, as well as dividend paying and self-supporting abilities are highly dependent on the performance and management of the underlying investment portfolio, particularly the major investments. Given the year-to-date performance of the portfolio, expected exits from certain investments, and the projected performance of the portfolio for the balance of the year, the Corporation is forecasting positive earnings in 2009. However, the commodity-based environments in which major investments operate are volatile resulting in the potential for negative earnings impacts if there are downturns in these markets.

Consolidated Statement of Financial Position

(thousands)

ASSETS	**March 31, 2009 *(Unaudited)***	December 31, 2008 (Audited)
Current		
Cash and cash equivalents	**$ 175,497**	$ 175,627
Interest and dividends receivable	**546**	783
Accounts receivable	**7,195**	6,029
Inventories	**32,015**	30,532
Prepaid expenses	**587**	427
Restricted cash	**58,303**	57,348
Current assets of discontinued operations	**633**	363
	274,776	271,109
Investments (Note 6)	**171,939**	174,154
Property, plant and equipment	**83,210**	84,569
Other assets	**31,748**	33,768
Long-term assets of discontinued operations	**518**	911
	$ 562,191	$ 564,511
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Bank indebtedness	**$ 27,444**	$ 26,082
Accounts payable and accrued liabilities	**24,417**	22,790
Future income taxes	**460**	467
Long-term debt due within one year	**44,598**	43,795
	96,919	93,134
Environmental liabilities (Note 9)	**9,540**	9,538
Environmental liabilities of discontinued operations (Note 9)	**86,982**	85,696
Other liabilities (Note 9)	**12,461**	12,462
Long-term debt	**14,712**	15,404
	220,614	216,234
Non-controlling interest	**19,609**	19,144
Shareholder's equity		
Share capital	**180,000**	180,000
Contributed surplus	**722**	722
Retained earnings	**142,662**	149,116
Accumulated other comprehensive loss	**(1,416)**	(705)
	321,968	329,133
	$ 562,191	$ 564,511

Consolidated Statement of Operations and Retained Earnings

(Unaudited)

(thousands)	Three Months Ended March 31, 2009	March 31, 2008
REVENUES		
Sale of goods and services	**$ 28,406**	$ 22,691
Interest and other	**6,374**	7,924
Earnings (loss) from equity basis investments	**(2,241)**	10,467
Gain on sale of investments	**442**	10,765
	32,981	51,847
EXPENSES		
Operating expenses	**33,454**	33,957
Amortization	**2,270**	1,885
Financing expense	**1,550**	1,969
	37,274	37,811
(LOSS) EARNINGS BEFORE THE FOLLOWING	**(4,293)**	14,036
Recovery of loan losses	**7**	408
Recovery (write-down) of investments	**14**	(2,466)
(LOSS) EARNINGS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	**(4,272)**	11,978
Future income tax recovery	**-**	(2,393)
(LOSS) EARNINGS BEFORE NON-CONTROLLING INTEREST	**(4,272)**	14,371
Non-controlling interest	**868**	1,488
(LOSS) EARNINGS FROM CONTINUING OPERATIONS	**(5,140)**	12,883
Provision for environmental costs of discontinued operations	**(1,285)**	(677)
Loss from discontinued operations	**(29)**	-
NET (LOSS) EARNINGS	**(6,454)**	12,206
RETAINED EARNINGS, BEGINNING OF PERIOD	**149,116**	1,144
Dividends	**-**	-
RETAINED EARNINGS, END OF PERIOD	**$ 142,662**	$ 13,350

(See accompanying notes)

Consolidated Statement of Comprehensive (Loss) Income

(Unaudited)

(thousands)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
NET EARNINGS (LOSS)	**$ (6,454)**	$ 12,206
OTHER COMPREHENSIVE (LOSS) INCOME		
Net change in unrealized losses on available-for-sale investments	**(844)**	(2,618)
Net change in gains on derivative instruments designated as cash flows hedges	**-**	3,991
Net change in unrealized foreign currency translation gains	**133**	202
OTHER COMPREHENSIVE (LOSS) INCOME	**(711)**	1,575
COMPREHENSIVE (LOSS) INCOME	**$ (7,165)**	$ 13,781

(See accompanying notes)

Consolidated Statement of Accumulated Other Comprehensive (Loss) Income

(Unaudited)

(thousands)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
ACCUMULATED OTHER COMPREHENSIVE INCOME, BEGINNING OF YEAR	**$ (705)**	$ 15,351
Other comprehensive (loss) income	**(711)**	1,575
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME, END OF PERIOD	**$ (1,416)**	$ 16,926

(See accompanying notes)

Consolidated Statement of Cash Flows

(Unaudited)

(thousands)

	Three Months Ended	
OPERATING ACTIVITIES	**March 31, 2009**	March 31, 2008
(Loss) earnings from continuing operations	**$ (5,140)**	$ 12,883
Items not affecting cash from operations	**2,967**	(18,662)
Net change in non-cash working capital balances related to operations	**233**	(2,739)
Cash used in operating activities from continuing operations	**(1,940)**	(8,518)
Cash used in operating activities from discontinued operations	**(29)**	(738)
Cash used in operating activities	**(1,969)**	(9,256)
INVESTING ACTIVITIES		
Proceeds from collection and sale of investments	**1,894**	12,886
Purchase of investments	**(1,712)**	(17,306)
Proceeds from sale of property, plant and equipment	**277**	28
Purchase of property, plant and equipment	**(275)**	(194)
Decrease in other assets and liabilities	**280**	4,166
Cash provided by (used in) investing activities	**464**	(420)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(257)**	(3,701)
Proceeds from long-term debt	**500**	5,014
Increase (decrease) in bank indebtedness	**1,362**	(251)
Dividends paid to minority interests of subsidiaries	**(230)**	(3,887)
Dividends paid	**-**	(10,310)
Cash provided by (used in) financing activities	**1,375**	(13,135)
DECREASE IN CASH POSITION	**(130)**	(22,811)
CASH POSITION, BEGINNING OF PERIOD	**175,627**	128,912
CASH POSITION, END OF PERIOD (Note 4)	**$ 175,497**	$ 106,101

(See accompanying notes)

Notes to Consolidated Financial Statements
(Unaudited)

1. **The Corporation**

The Corporation was incorporated under *The Business Corporations Act (Saskatchewan)* on November 14, 1979 as a wholly-owned subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Effective September 3, 2003, by Order in Council 700/2003, which made effective *The Crown Corporation Amendment Regulations, 1993*, the Corporation was designated a subsidiary of CIC to which the provisions of *The Crown Corporations Act, 1993* apply. 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 of the Corporation's investments are subject to federal and provincial income taxes. The Corporation's current mandate is to prudently manage and divest an existing portfolio of investments on behalf of the Province.

2. **Summary of significant accounting policies**

These unaudited consolidated financial statements do not include all of the disclosures included in the Corporation's annual audited consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the audited consolidated financial statements included in the Corporation's 2008 Annual Report. The accounting policies used in the preparation of these interim financial statements conform to those described in the Corporation's 2008 annual audited consolidated financial statements, as amended by note 3 below.

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses and related disclosures during the reporting period. Certain estimates (including useful lives of depreciable assets used to compute amortization, the valuation of inventories and breeding stock, asset impairment, the carrying amounts of investments, provisions for contingencies related to environmental clean-up activities, valuation of assets and liabilities of discontinued operations, and accounting for variable interest entities) require management to make subjective or complex judgments.

These financial statements are based on management's best estimate using information available. The increased volatility of financial markets has complicated this process due to the significant fluctuation of foreign exchange rates, commodity prices, and the current global economic decline. Accordingly, actual results could differ from these estimates thereby impacting future results by a material amount.

3. **Change in accounting policies**

Effective January 1, 2009 the Corporation adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets". Section 3064 states that upon their initial identification, intangible assets are to be recognized as assets only if they meet the definition of an intangible asset and the recognition criteria. This section also provides further information on the recognition of internally generated intangible assets, including research and development costs. Section 3064 carries forward the requirements of the old Section 3062, "Goodwill and Other Intangible Assets". The adoption of Section 3064 has not resulted in a change to the Corporation's current or historical presentation of goodwill and intangibles.

Notes to Consolidated Financial Statements - continued
(Unaudited)

3. Change in accounting policies (continued)

Future Changes in Accounting Polices

International Financial Reporting Standards (IFRS)
In February, 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Corporation, will be required to adopt IFRS in place of Canadian 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 has commenced an IFRS conversion project including initiating the development of a high level IFRS implementation plan. An external advisor has been engaged by the Corporation to assist with the development of this plan and to perform a detailed review of major differences between current Canadian GAAP and IFRS. Work is in the early stages and, as a result, the impact on the Corporation's future financial position and results of operations is not reasonably determinable.

4. Cash and cash equivalents
(thousands)

Cash and cash equivalents consists of:		**March 31, 2009**		December 31, 2008
Cash on deposit	**$**	**175,497**	$	19,824
Short term investments, at rates of interest varying between (2008 – 1.30% and 2.65%) invested by the General Revenue Fund		**-**		155,803
	$	**175,497**	$	175,627

Supplementary cash flow information:

Interest paid	**$**	**1,596**	$	6,711

5. Consolidated investments – subsidiaries, joint ventures, and variable interest entities
(thousands)

Consolidated Investments	March 31, 2009	December 31, 2008
Big Sky Farms Inc. (a)		
Equity cost $37,013 (2008 - $37,013)		
Debt cost $3,500 (2008 - $3,500)	**$ 22,699**	$ 21,851
Foragen Technologies Limited Partnership (b)		
Cost $12,710 (2008 - $12,710)	**2,602**	2,629
Prairie Ventures Limited Partnership (c)		
Cost $7,372 (2008 - $7,372)	**7,875**	8,015
Meadow Lake Pulp Limited Partnership (d)		
Cost $277,901 (2008 - $277,901)	**30,689**	30,630
Other	**1,755**	3,857
	$ 65,620	$ 66,982

a) The Corporation holds common shares and subordinated debt in Big Sky Farms Inc. For the three months ended March 31, 2009 this subsidiary contributed earnings of $511 (loss of $3,121 for the three months ended March 31, 2008) to the Corporation’s financial results.

b) The Corporation, through its wholly owned subsidiary CIC FLTP Holdings owns limited partnership units in Foragen Techologies Limited Partnership. For the three months ended March 31, 2009 this joint venture contributed losses of $27 (earnings of $37 for the three months ended March 31, 2008) to the Corporation’s financial results.

c) The Corporation, through its wholly owned subsidiary CIC PVF Holdings Inc. owns limited partnership units in Prairie Ventures Limited Partnership. For the three months ended March 31, 2009 this subsidiary contributed earnings of $585 (earnings of $3,437 for the three months ended March 31, 2008) to the Corporation’s financial results.

d) The Corporation, through its wholly-owned subsidiary, CIC Pulp Ltd., has an equity interest in and loans receivable from Meadow Lake Pulp Limited Partnership (MLPLP). The Corporation also has loans receivable from MLPLP through its wholly-owned subsidiary, 101069101 Saskatchewan Ltd. For the three months ended March 31, 2009 this subsidiary contributed earnings of $59 (earnings of $373 for the three months ended March 31, 2008) to the Corporation’s financial results.

6. Investments
(thousands)

	March 31, 2009	December 31, 2008
Loans and advances	**$ 35,380**	$ 35,396
Investments - equity basis	**58,826**	60,834
Available-for-sale equity investments:		
- cost basis	**43,120**	43,464
- fair value basis	**18,207**	18,166
Held for trading	**16,406**	16,294
	$ 171,939	$ 174,154

7. Financial risk management
(thousands)

a) Risk management activities

Certain of the Corporation's subsidiaries are exposed to fluctuations in commodity prices, exchange rates and interest rates and have entered into contracts to hedge or manage this exposure. The Corporation does not anticipate any material adverse effect on its financial position resulting from its subsidiaries involvement in these types of contracts, nor does it anticipate non-performance by the counter parties.

i) Commodity prices

One of the Corporation's subsidiaries is exposed to price risk on future hog sales and feed component purchases. The industry in which the subsidiary operates has periods of high price volatility. The volatility is partially managed through forward pricing on the Chicago Mercantile Exchange (CME). Although the hedge program has proven effective in mitigating price risk for the subsidiary, the relationship between the CME contracts and the cash price fall outside the acceptable correlation for a highly effective hedge as defined by the CICA. As a result, the subsidiary recorded unrealized losses of $12 thousand during the three months ended March 31, 2009 ($0.6 million of unrealized gains during the three months ended March 31, 2008) in net earnings with respect to these contracts.

ii) Interest rates

Under the terms of a credit agreement with its lenders which requires the interest rate on 50% of certain bank debt to be fixed, one of the Corporation's subsidiaries entered into the following interest rate swap agreements:

Principle	Fixed rate	Holder	Term	Maturity
$ 4,350,000	4.54%	Bank of Montreal	5 years	May 25, 2009
4,600,000	3.92%	Scotiabank	5 years	October 4, 2010
4,000,000	4.45%	Scotiabank	5 years	October 31, 2011

7. Financial risk management (continued)

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.

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Corporation's financial instruments impacted by interest rate risk are its cash and cash equivalents, loans and other advances and long-term debt. The Corporation has estimated that with every increase of 1% in the bank rate, our earnings will increase by $1.4 million.

Currency risk relates to some of the Corporation's subsidiaries and equity basis investments with operations in $USD and converting these foreign currency earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur. The Corporation has estimated that with every $0.01 appreciation in the Canadian dollar, EBITA will be adversely impacted by $978 thousand.

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in the public equity markets. The Corporation and its subsidiaries have limited exposure to the public equity markets as 10.3% of our total investments are publicly traded. The Corporation has estimated that with every 10% increase in the broad based North American public markets, our portfolio of respective investments will increase by $2.7 million.

c) 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 obligations to be similarly affected by changes in economic or other conditions.

The Corporation is exposed to credit risk through its short-term investments, interest, dividends and accounts receivable and loans and other advances. Credit risk related to short-term investments is minimal as the investments are with institutions carrying strong credit ratings. Interest and dividends receivable mainly relates to interest receivable on these short-term investments. The Corporation reviews the portfolio valuation annually and all non-performing loans are included in the provision for loan losses.

7. Financial risk management (continued)

The carrying amount of financial assets represents the maximum credit exposure as follows:
(thousands)

		March 31, 2009		December 31, 2008
Cash and cash equivalents	**$**	**175,497**	$	175,627
Interest and dividends receivable		**546**		783
Accounts receivable		**7,195**		6,029
Investments – held for trading		**16,406**		16,294
Investments – available for sale		**61,327**		61,630
Loans and other advances (i)		**35,380**		35,396
	$	**296,351**	$	295,759

Note that the carrying value of financial hedges is included in the accounts receivable balance.

(i) Included in the loan balance is a $6,080 loan which is currently being restructured (December 31, 2008 two loans totalling $32,916). The loan is in arrears on interest and principle and therefore accrued interest in the amount of $122 (December 31, 2008 - $476) has not been recorded in these financial statements.

8. Commitments

The Corporation has committed to invest up to $14.0 million in Foragen Technologies Limited Partnership (December 31, 2008 - $14.0 million), and $3.0 million to Vendasta Technologies Inc. (December 31, 2008 - $3.0 million), all subject to certain conditions. The Corporation is committed to invest up to a maximum of $4.1 million for potential add on investments by Crown Fund (December 31, 2008 - $4.1 million). The Corporation has provided $13.1 million of its commitment to Foragen (December 31, 2008 - $13.1 million), and $1.1 million of its commitment to Vendasta (December 31, 2008 - $0.6 million).

9. Environmental and other liabilities

As part of the final closing of the sale of Crown Life Insurance Company to Canada Life Assurance Company, the Corporation issued a $31.4 million letter of credit to Canada Life Assurance Company (December 31, 2008 - $31.4 million) as security for outstanding litigation matters related to regular insurance transactions and marketing practices of Crown Life Insurance Company that are the responsibility of the previous owners. The Corporation has recorded a provision of $12.5 million as its estimate of the actual cost of such contingent liabilities (December 31, 2008 - $12.5 million).

The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of these liabilities. The Corporation has accrued $26.0 million (December 31, 2008 – $25.6 million) to carry out the clean-up activities and associated costs related to an indemnity provided by Prince Albert Pulp Company Ltd. (PAPCO) and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 related to the Prince Albert pulp mill site owned by Domtar Inc. The Corporation is a successor corporation to PAPCO and these costs are reflected as part of discontinued operations.

Notes to Consolidated Financial Statements - continued
(Unaudited)

9. Environmental and Other liabilities (continued)

The Corporation has accrued $61.0 million (December 31, 2008 - $60.1 million) to carry out the clean-up activities related to an indemnity provided by PAPCO Worldwide chemical plant and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 relating to the ERCO Chemical Plant. These costs are reflected as part of discontinued operations.

The environmental liabilities of continuing operations include $0.3 million (December 31, 2008 - $0.3 million) for decommissioning costs of production facilities. Also included in continuing operations is an accrual of $9.3 million (December 31, 2008 – $9.3 million) for estimated clean-up activities related to an obligation of Meadow Lake Pulp Limited Partnership as a result of the sale of its assets. Since the evaluation of the remediation for this site is in the early stages, there is uncertainty as to the extent of the potential remediation required. The actual costs remain unknown and may differ from the amounts accrued by a material amount in the near term. Any change to the estimate of the environmental liabilities will be recorded prospectively, once these uncertainties are resolved.

10. Subsequent events

On April 2, 2009 the Saskatchewan Government announced that it has negotiated a settlement to terminate the investment management contract between Investment Saskatchewan and Victoria Park Capital (VPC).

Under the negotiated settlement, VPC will receive all fees owed to it up until March 31, 2009. Additionally, VPC has agreed to support a transition process as files and the management of assets owned by government are returned to the Corporation on June 30, 2009. VPC will continue to receive its management fee for service of $335,000 per month over this three month transition period. VPC will also receive a one-time settlement of $6.0 million on June 30, 2009 which has been accrued at March 31, 2009.

As a result of the negotiated settlement, the Corporation will be directly responsible and accountable for the transparent management of government assets. The Corporation will work to finalize a long term divestiture strategy for the remaining assets over the next several years.