Crown Investments Corporation of Saskatchewan

First Quarter Financial Report
March 31, 2007

www.cicorp.sk.ca

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. CIC also holds the Province's investment in NewGrade Energy Inc. (NewGrade).

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 2007 first quarter financial results should be read in conjunction with the 2006 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)
  - Investment Saskatchewan Inc. (IS)
  - SaskEnergy Incorporated (SaskEnergy)
  - Saskatchewan Development Fund Corporation (SDFC)
  - Saskatchewan Transportation Company (STC)
  - Saskatchewan Water Corporation (SaskWater)
  - Saskatchewan Opportunities Corporation (SOCO)
  - Saskatchewan Power Corporation (SaskPower)
  - Saskatchewan Telecommunications Holding Corporation
  - Saskatchewan Telecommunications (SaskTel)
  - Saskatchewan Government Growth Fund Management Corporation (SGGF MC)
  - Saskatchewan Government Insurance (SGI)
- CIC's share of NewGrade financial results;
- CIC's wholly-owned share capital subsidiary CIC Economic Holdco Ltd.;
- CIC's wholly-owned share capital subsidiary CIC Equity Holding Company 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, Investment Saskatchewan Inc., and ISC);
- Dividends received from NewGrade;
- 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 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 regulatory environment. Given these uncertainties, assumptions contained in forward looking statements may or may not occur.

Changes in Accounting Policy

On January 1, 2007, CIC adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, financial instruments – recognition and measurement, CICA Handbook Section 1530, comprehensive income, CICA Handbook Section 3865, hedges and CICA Handbook Section 3251, equity. These standards require that all financial assets and financial liabilities be classified as held-to-maturity, held-for-trading, available-for-sale, or loans and receivables. In addition, the standards require all financial assets and liabilities, including all derivatives, be measured at fair value with the exception of loans and receivables and long-term debt. Financial assets can be classified as held-for-trading, available-for-sale, held-to-maturity, and loans and receivables. As required, these standards have been applied as an adjustment to opening retained earnings and accumulated other comprehensive income. As a result, retained earnings increased by $4.0 million and accumulated other comprehensive income increased by $13.3 million. Prior period balances have not been restated. For further details, see Note 1 (c) to the interim consolidated financial statements.

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.

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 three months ended March 31, 2007. These interim financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants 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 most recent annual financial statements released on April 30, 2007.

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
Investment Saskatchewan Inc. (IS)	Several	wholly-owned subsidiary
NewGrade Energy Inc. (NewGrade)	Heavy Oil Upgrader	50.0 per cent joint venture
Saskatchewan Opportunities Corporation (SOCO)	Infrastructure	wholly-owned subsidiary
Saskatchewan Development Fund Corporation (SDFC)	Mutual Fund	wholly-owned subsidiary
Saskatchewan Government Growth Fund Management Corporation (SGGF MC)	Immigrant Investor Program	wholly-owned subsidiary
Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation	wholly-owned subsidiary

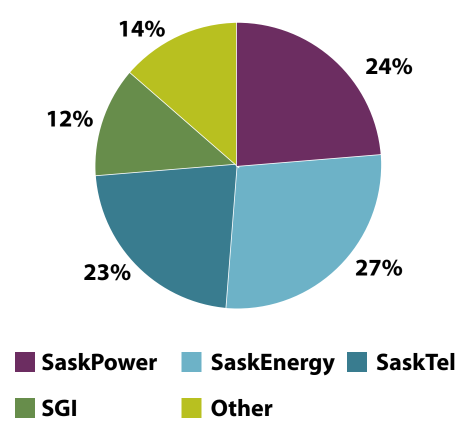
Utilities **Insurance** **Commodity Based Investments** **Economic Growth** **Transportation**

Results of Operations

Crown Corporation Earnings (unaudited)
For the three months ended March 31, 2007

(millions of dollars)		
SaskPower	$	**42.8**
SaskTel		**39.6**
SaskEnergy		**47.1**
SGI		**21.8**
Investment Saskatchewan		**6.0**
ISC		**2.0**
SaskWater		**(0.1)**
STC		**(0.6)**
SOCO		**1.2**
CIC (non-consolidated) and Other		**15.3**
Total	$	**175.1**

Earnings Contribution by Corporation



Management's Discussion and Analysis (continued)

The Corporation's consolidated earnings for the three months ended March 31, 2007 were $175.1 million (2006 - $180.4 million). Excluding income tax expense of $12.0 million (2006 - $19.4 million) and a non-recurring gain related to discontinued operations of $ Nil million (2006 - $7.9 million), earnings from ongoing operations were $186.9 million (2006 - $191.9 million). First quarter results for 2007 were generally consistent with the prior year. Increased revenues, primarily related to increasing prices for electrical sales, were offset by increased operating costs as a result of higher salary and benefit costs relative to 2006.

Revenue

Revenues for the first three months of 2007 were $1,374.4 million (2006 - $1,198.1 million), an increase of $176.3 million. The increase was due to a $164.8 million increase in operating revenue, and in investment and other revenue of $11.5 million.

Operating revenues for the first three months of 2007 were $1,343.8 million (2006 - $1,179.0 million). The $164.8 million increase was mainly attributable to two factors. First, electrical sales increased as a result of a higher rates charged to customers relative to 2006 as well as increased prices and volumes for Saskatchewan electrical sales. Secondly, the increased revenue is due to changes in the market value of certain financial instruments used to manage the risk associated with the volatility of natural gas purchase prices.

Investment earnings for the first three months of 2007 were $27.4 million (2006 - $17.2 million). The $10.2 million increase mainly reflects higher earnings from equity investments and the gain on sale of investments at Investment Saskatchewan.

Expenses

Expenses for the first three months of 2007 were $1,187.5 million (2006 - $1,006.2 million), an increase of $181.3 million. The increase was due primarily to the rising costs for salaries and benefits, including pension expense.

Other

Current and future income tax expenses recorded in the first quarter were $12.0 million (2006 - $19.4 million), a decrease of $7.4 million. The decrease is due to the NewGrade utilization of remaining tax credits stemming from losses incurred during its first few years of operations. As well, the Corporation had $Nil million in non-recurring items in the quarter (2006 - $7.9 million gain).

Capital Spending

In the first three months of 2007, CIC spent $231.9 million (2006 - $363.0 million) on investment and capital acquisitions. The $131.1 million decrease reflects a $104.1 million decrease in investing activity, due mainly to decreased turnover of SGI's investment portfolio, as well as decreased capital spending.

Debt

Debt at March 31, 2007 was $3,900.4 million (December 31, 2006 - $3,793.8 million), an increase of $106.6 million. The increase is due primarily to a $100.0 million debt placement by SaskPower.

Utility Bundle Commitment

In the fall of 2003, the government indicated that Saskatchewan families will receive the package of basic utilities including home electricity, home natural gas, basic telephone rates and auto insurance at a total annual cost that is as low or lower than the same package in any other province in Canada. CIC, as the parent company, is monitoring the costs of providing the lowest cost for this bundle of services. Although it cannot be determined if CIC will need to provide a rebate in 2007, the Corporation has budgeted $50.0 million in 2007 to ensure the commitment is met.

Management's Discussion and Analysis (continued)

Liquidity and Capital Resources

Cash Flow Highlights (millions of dollars)	for the three months ended **March 31, 2007**	March 31, 2006
Cash from operations	**$ 630.2**	$ 296.9
Cash used in investing activities	**(36.9)**	(72.9)
Dividends paid	**(167.0)**	(221.0)
Debt proceeds received	**117.7**	102.4
Debt repaid	**(96.1)**	(45.4)
Other financing activities	**30.0**	0.2
Increase in cash	**$ 477.9**	$ 60.2

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 March 31, 2007	
Moody's Investor Service (Moody's)	Aa1*
Standard & Poor's (S&P)	AA*
Dominion Bond Rating Service (DBRS)	AA(low)*

* Denotes rating upgrade in 2006

Operating, Investing and Financing Activities

Cash from operations for the three months ended March 31, 2007 was $630.2 million (2006 - $296.9 million). The $333.3 million increase was primarily due to an increase in non-cash working capital. During the period certain current investments were classified as cash due to their maturity date being less than 90 days.

Cash used in investing activities for the three months ended March 31, 2007 was $36.9 million (2006 - $72.9 million). The $36.0 million decrease reflects decreased capital spending levels relative to 2006.

Cash used in financing activities for the three months ended March 31, 2007 was $115.4 million (2006 - $163.8 million). The $48.4 million decrease is mainly due to lower dividends to the GRF ($221.0 million paid in 2006 compared to $167.0 million paid in 2007).

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.

Consolidated Statement of Financial Position
(unaudited)

(thousands of dollars)	**March 31, 2007**	December 31, 2006
ASSETS		
Current		
Cash and cash equivalents	**$ 462,568**	$ 52,193
Investments	**122,354**	568,325
Accounts receivable	**673,519**	650,256
Inventories and prepaid expenses	**328,109**	316,833
Assets from discontinued operations	**266,027**	331,513
	1,852,577	1,919,120
Investments – Held-to-maturity	**3,638**	4,292
Investments – Held-for-trading	**310,509**	290,304
Investments – Available-for-sale	**511,459**	474,302
Equity Investments	**236,979**	237,989
Property, plant, and equipment	**5,846,446**	5,879,341
Other assets	**353,743**	395,994
Long-term assets of discontinued operations	**481,006**	459,820
	$ 9,596,357	$ 9,661,162
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Bank indebtedness	**$ 19,556**	$ 35,363
Accounts payable and accrued liabilities	**592,986**	693,066
Notes payable	**88,914**	118,506
Dividend payable to General Revenue Fund	**-**	167,000
Deferred revenue	**203,366**	204,560
Income Taxes payable	**-**	23,622
Liabilities from discontinued operations	**119,957**	164,247
Debt due within one year – Held-for-trading	**455,764**	183,781
	1,480,543	1,590,145
Long-term debt – Other	**3,355,734**	3,491,525
Deferred revenue and other liabilities	**519,244**	499,221
Long-term liabilities from discontinued operations	**380,204**	429,834
	5,735,725	6,010,725
Province of Saskatchewan's Equity		
Equity advances	**1,181,152**	1,181,152
Other equity items	**-**	(2,066)
Retained earnings	**2,650,393**	2,471,351
Accumulated other comprehensive income	**29,087**	-
	3,860,632	3,650,437
	$ 9,596,357	$ 9,661,162

Commitments and contingencies (Note 3)
(See accompanying notes)

Consolidated Statement of Operations and Retained Earnings

(unaudited)
For The Period

(thousands of dollars)	2007 January 1 to March 31	2006 January 1 to March 31
REVENUE		
Sales of products and services	**$ 1,343,842**	$ 1,179,052
Investment	**27,429**	17,189
Other	**3,129**	1,859
	1,374,400	1,198,100
EXPENSES		
Operating costs other than those listed below	**985,861**	811,725
Interest	**63,598**	60,830
Amortization of capital assets	**113,707**	106,115
Saskatchewan taxes and resource payments	**24,360**	27,491
	1,187,526	1,006,161
Earnings before the following	**186,874**	191,939
Income tax expense	**(12,030)**	(19,398)
Gain (loss) from discontinued operations	**237**	(46)
Non-recurring items	**-**	7,907
NET EARNINGS	**175,081**	180,402
RETAINED EARNINGS, BEGINNING OF PERIOD	**2,471,351**	2,197,232
ADJUSTMENT DUE TO CHANGE IN ACCOUNTING POLICY (NOTE 1(C))	**3,961**	-
DIVIDEND TO GENERAL REVENUE FUND	**-**	-
RETAINED EARNINGS, END OF PERIOD	**$ 2,650,393**	$ 2,377,634

(See accompanying notes)

Consolidated Statement of Comprehensive Income / (Loss)

(unaudited)
For The Period

(thousands of dollars)		2007 January 1 to March 31
NET EARNINGS	**$**	**175,081**
Foreign currency translation adjustments		**(545)**
Unrealized gain on cash flow hedges		**13,633**
Unrealized gain on available-for-sale investments		**2,686**
Other comprehensive income		**15,774**
Comprehensive net income	**$**	**190,855**

Consolidated Statement of Accumulated Other Comprehensive Income (Loss)

(unaudited)
For The Period

(thousands of dollars)		2007 January 1 to March 31
Accumulated other comprehensive		
Gain, beginning of period (Note 1 (c))	**$**	**13,313**
Other comprehensive income		**15,774**
Accumulated other comprehensive income end of period	**$**	**29,087**

Consolidated Statement of Cash Flows

(unaudited)
For The Period

(thousands of dollars)	2007 January 1 to March 31	2006 January 1 to March 31
OPERATING ACTIVITIES		
Net earnings	$ 175,081	$ 180,402
Items not affecting cash from operations	121,497	129,172
	296,578	309,574
Net change in non-cash working capital balances related to operations	306,538	4,635
Cash provided by operating activities from continuing operations	603,116	314,209
Cash provided by (used in) operating activities from discontinued operations	27,091	(17,282)
Cash provided by operating activities	630,207	296,927
INVESTING ACTIVITIES		
Purchase of investments	(140,580)	(244,704)
Proceeds from sales and collections of investments	163,744	279,398
Purchase of property, plant, and equipment	(91,313)	(118,264)
Proceeds from sale of property, plant, and equipment	52	105
Decrease in other assets	31,203	10,508
Cash used in investing activities	(36,894)	(72,957)
FINANCING ACTIVITIES		
Decrease in notes payable	(28,342)	(17,049)
Increase in deferred revenue and other liabilities	30,035	200
Debt proceeds from General Revenue Fund	117,705	102,398
Debt repayments to General Revenue Fund	(19,897)	(20,367)
Debt repayments to other lenders	(47,898)	(7,970)
Dividend paid to General Revenue Fund	(167,000)	(221,000)
Cash used in financing activities	(115,397)	(163,788)
NET INCREASE IN CASH DURING PERIOD	477,916	60,182
CASH POSITION, BEGINNING OF PERIOD	62,230	74,693
CASH POSITION, END OF PERIOD	$ 540,146	$ 134,875
Cash position consists of:		
Cash from continuing operations	$ 462,568	$ 85,094
Bank indebtedness from continuing operations	(19,556)	(18,330)
	443,012	66,764
Cash from discontinued operations	97,134	68,111
	$ 540,146	$ 134,875

(See accompanying notes)

Notes to Consolidated Financial Statements
(unaudited)
March 31, 2007

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 CIC's most recent annual statement released on April 30, 2007.

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 accounting policies used in the preparation of these interim financial statements conform with those used in the most recent annual statements.

a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subsidiary Crown corporations of Crown Investments Corporation of Saskatchewan (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 Equity Holding Company Ltd.

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.

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
Investment Saskatchewan Inc.
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Transportation Company
Saskatchewan Water Corporation

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

1. Summary of Significant Accounting Policies (continued)

b) Joint ventures

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

Centennial Foods Partnership	33%
Cory Cogeneration Funding Corporation	50%
Cory Cogeneration Joint Venture	50%
Foragen Technologies Limited Partnership	33%
Heritage Gas Limited	50%
NewGrade Energy Inc.	50%
Saskatchewan Entrepreneurial Fund Joint Venture	45%
Apex Investment Fund	59%

c) Change in accounting policy

On January 1, 2007, CIC adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, financial instruments – recognition and measurement, CICA Handbook Section 1530, comprehensive income, CICA Handbook Section 3865, hedges and CICA Handbook Section 3251, equity.

Financial assets and financial liabilities

These standards require that all financial assets and financial liabilities be classified as held-to-maturity, held-for-trading, available-for-sale, loans and receivables, or other liabilities. In addition, the standards require all financial assets and liabilities, including all derivatives, be measured at fair value with the exception of loans and receivables, held-to-maturity investments and other financial liabilities. Financial assets can be classified as held-for-trading, available-for-sale, held-to-maturity, and loans and receivables. Current investments are designated as available-for-sale investments. Sinking funds are designated as held-for-trading. Financial liabilities can be classified as held-for-trading or non-trading (other). Notes payable are designated as held-for-trading. The comparative interim consolidated financial statements have not been restated.

Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame are recognized on a trade-date basis. Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading.

As required, these standards have been applied as an adjustment to opening retained earnings and accumulated other comprehensive income. Accumulated other comprehensive income is included on the consolidated balance sheet as a separate component of the Province of Saskatchewan's equity.

The new standards require that CIC present a consolidated statement of comprehensive income, which is comprised of net earnings, foreign currency translation gains and losses, unrealized gains and losses on cash flow hedges and unrealized gains and losses on available-for-sale investments. Other comprehensive net income refers to items recognized in comprehensive net income that are excluded from net earnings calculated in accordance with generally accepted accounting principles in Canada.

c) Change in accounting policy (continued)

Held-for-trading

Financial assets and financial liabilities that are designated as held-for-trading or purchased and incurred with the intention of generating profits in the near term, and are part of a portfolio of financial instruments that are managed together where there is evidence of a recent actual pattern of short-term profit taking are classified as held-for-trading. All gains and losses are included in net earnings in the period in which the gains and losses arise. If the financial assets or financial liabilities are designated as a cash flow hedge and meet the criteria, the gain or loss is temporarily posted to other comprehensive income. The gain or loss will be reclassified into net earnings in the period that the derivative instrument is settled.

Available-for-sale

Financial assets classified as available-for-sale are carried at fair value with the changes in fair value recorded in other comprehensive income. The revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.

Investments that are classified as available-for-sale and do not have an active market value are recorded at cost. Available-for-sale investments are written down to fair value through net earnings whenever it is necessary to reflect other than temporary impairment. Previously, such write-downs were to net realized value. Gains and losses realized on disposal of available-for-sale securities, which are calculated on an average cost basis, are recognized in net earnings.

Held-to-maturity

Financial assets classified as held-to-maturity have fixed or determinable payments, a fixed maturity, and the entity has the positive intention and ability to hold to maturity. These financial assets are accounted for at amortized cost using the effective interest rate method. Amortized premiums or discounts and other than temporary losses due to impairment are included in current period net earnings.

Loans and receivables

Loans or receivables are accounted for at amortized cost using the effective interest rate method.

Other liabilities

Other liabilities are accounted for at amortized cost using the effective interest rate method.

Derivatives and hedge accounting

The new standards require that all derivatives be recorded at fair values. The Corporation will continue to designate hedges as either cash flow or fair value hedges.

c) Change in accounting policy (continued)

Embedded derivatives

Derivatives may be embedded in other host instruments. Under the new standards embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in net earnings. The Corporation selected January 1, 2003 as the transition date for embedded derivatives, as such only contracts or financial instruments entered into or modified after the transition date were examined for embedded derivatives. The Corporation had outstanding natural gas sales contracts with embedded derivatives as at December 31, 2006 and March 31, 2007. These contracts are for non-regulated contract sales to larger end-use customers in Saskatchewan. These embedded derivatives are recorded at fair value on the consolidated statement of financial position.

Hedge accounting

At the inception of a hedging relationship, the Corporation documents the relationship between the hedging instrument and the hedged item, its risk management objective and its strategy for undertaking the hedge. The Corporation also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risk in the fair values or cash flows of the hedged items.

When derivatives are designated as hedges, the corporation classifies the hedges as:
(i) hedges of the change in fair value of recognized assets or liabilities or firm commitments (fair value hedges);
(ii) hedges of the variability in highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge); or
(iii) hedges of net investments in a foreign operation (net investment hedges).

Fair value hedges

Certain of the Corporation's subsidiaries fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates.

Changes in the fair value of derivatives that are designated as fair value hedging instruments are recorded in the statement of net earnings, along with changes in the fair value of the assets, liabilities or groups thereof that are attributable to the hedged risk. Any gain or losses in fair value relating to the ineffective portion of the hedging relationship is recognized immediately in the statement of net earnings.

If a hedging relationship no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of the hedged item is amortized to the statement of net earnings based on a recalculated effective interest rate over the residual period to maturity, unless the hedged item has been derecognized in which case it is released to the statement of net earnings immediately.

c) Change in accounting policy (continued)

Cash flow hedges

Certain of the Corporation's subsidiaries are exposed to future interest expense cash flows on non-trading liabilities that bear interest at variable rates, and commodity price cash flows on inputs consumed in their operations. The amounts and timing of future cash flows, representing interest expense and input costs, are projected for each portfolio of financial liabilities on the basis of their contractual terms and other relevant factors, including estimates of prepayments.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in the statement of net earnings.

Amounts accumulated in other comprehensive income are reclassified to the statement of net earnings in the period in which the hedged item affects earnings.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedging instrument is recognized in the statement of net earnings. Also, when an anticipated transaction is no longer probable, any cumulative gain or loss in other comprehensive income is recognized in net earnings.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of net earnings. Gains and losses accumulated in other comprehensive income are included in the statement of net earnings upon the repatriation or disposal of the investments in the foreign operation.

Upon the adoption of the new standards, the impact of applying this change in accounting policy prospectively effective January 1, 2007 was as follows:

Adjustments to Opening Retained Earnings As at January 1, 2007	(millions of dollars)	
Accounts receivable – fair value of derivative instruments	**$**	**6.0**
Total assets	**$**	**6.0**
Debt – effective interest rate method adjustment	**$**	**2.0**
Retained earnings, beginning of year - adjustment		**4.0**
	$	**6.0**

c) Change in accounting policy (continued)

Impact of reclassifications As at January 1, 2007	(millions of dollars)
Investments – Available-for-sale	**$ 32.0**
Investments – Held-for-trading	**290.3**
Other assets – fair value of cash flow hedges	**(3.7)**
	$ 318.6
Other liabilities – fair value of cash flow hedges	**$ 4.0**
Debt	**301.3**
Accumulated other comprehensive income, beginning of year – adjustment	**13.3**
	$ 318.6

The Corporation discontinued its use of hedge accounting on its natural gas derivatives on December 30, 2006. The $13.0 million of unrealized gains and losses on the previously designated natural gas hedges at December 30, 2006, have been recorded in accumulated other comprehensive income (loss) and will subsequently be reclassified to net income as the contracts mature. These natural gas contracts will all mature by October 31, 2011. Changes in the fair market value of these natural gas derivatives since December 30, 2006 have been recognized directly in net earnings.

Sinking funds were previously presented as a reduction of long-term debt based on the requirements to contribute to sinking funds for specific debt issues. Upon adoption of the new standards, the sinking funds are presented as investments-held-for-trading. The long-term debt is reported at the gross amount of the debt.

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.

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 year-end. Physical electricity trading revenues are reported on a gross basis upon completion of delivery of electricity to the 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. 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.

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 collectibility of interest is not reasonably assured, interest income is recorded when it is received and accrued interest receivable is offset by deferred interest income.

d) Revenue recognition (continued)

Other

Revenues from sales of reconstituted and synthetic crude are recorded on the basis of regular meter readings. 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.

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. 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.

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, and breach of statutory obligations concerning system administration fees. The plaintiffs seek unquantified damages from the defendant wireless communications service providers. The Corporation believes that it has strong defences to the allegations. While the certification hearing has been held, it is not currently known whether the proceeding will be certified as a class action and the outcome of this matter is not determinable at this time.

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 MCS 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.

3. Contingencies (continued)

The Corporation believes that it has strong defence to the allegations. 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 operation could result.

4. Discontinued operations

Hypor

In February 2006, the Corporation completed the sale of all of its ownership interest in Hypor LP, Hypor B.V. and Euribrid Espana S.A. for proceeds of $15.8 million, resulting in a gain on sale of $5.3 million.

Crown Life Insurance

In April 2006, the shareholders of Crown Life triggered the second and final close of the sale of Crown Life to Canada Life. The final close will result in the distribution of cash and invested assets to the shareholders, and is expected to take place in 2007.

Centennial Foods Partnership

In February 2006, the Corporation disposed of its interest of New Food Classics Partnership. The Corporation anticipates disposing to its interest in Centennial Foodservice Partnership in the last half of 2007.

Meadow Lake Pulp Limited Partnership (MLPLP)

On December 28, 2005, MLPLP obtained creditor protection under the **Companies Creditors Arrangement Act ("CCAA")**. On January 9, 2006, the Corporation approved the provision of up to $15 million in Debtor-in-Possession (DIP) financing to the pulp mill. In early 2007, the Saskatchewan Court of Queens Bench approved the sale of the partnership's capital assets and raw materials inventory. The sale transaction closed on January 23, 2007. MLPLP remains in CCAA protection and continues to liquidate its remaining pulp inventory, 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 the senior secured creditor.

5. Commitments

The Corporation has committed to invest up to $23.9 million in Terra Grain Fuels Inc. and $3.0 million in Quantec Geoscience limited, all subject to certain conditions. At March 31, 2007, the Corporation has not provided any of its commitment to Terra Grain and has provided $1.0 million of its commitment to Quantec. In addition, a subsidiary has a commitment to invest up to $3.0 million in Terra Grain of which none had been provided at March 31, 2007.

The Corporation is committed to fund $19.3 million for a new bus terminal in Regina in 2007.

6. Comparative Figures

Certain of the 2006 comparative figures have been reclassified to conform to the current period's presentation.

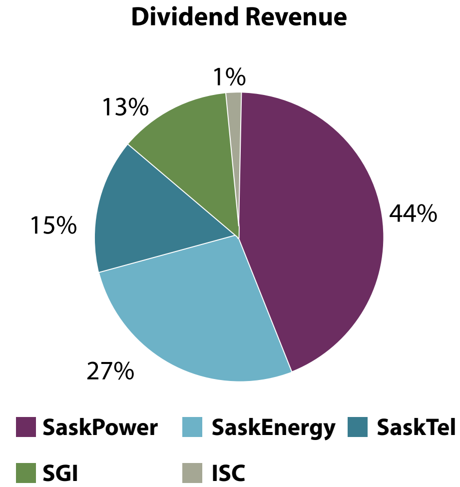
Non-Consolidated Financial Statements

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. CIC also holds the Province's investment in NewGrade Energy Inc.

This narrative on CIC's non-consolidated March 31, 2007 first quarter results should be read in conjunction with the March 31, 2007 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 most recent annual non-consolidated financial statements released on April 30, 2007.



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

CIC Non-Consolidated First Quarter Earnings (unaudited)		(millions of dollars)
Dividend revenue from Crown corporations		$ **49.0**
Add:	Interest and other revenue	**3.2**
Less:	General, administrative, and other expenses	**(3.5)**
	Grants to subsidiaries	**(7.0)**
Total Non-Consolidated Earnings		$ **41.7**

Earnings

Earnings for the first quarter of 2007 were $41.7 million (2006 - $44.0 million). First quarter earnings decreased $2.3 million from the same period in 2006. The $2.3 million decrease is primarily due to an increase in grants to subsidiary Crown corporations of $3.6 million, and an increase in operating expenses of $1.0 million, offset by an increase in dividend revenue of $1.6 million and interest and other revenue of $0.7 million.

Management's Discussion and Analysis (continued)

Dividend Revenue

Dividend revenue for the three months ended March 31, 2007 was $49.0 million (2006 - $47.4 million). The $1.6 million increase was due to higher dividends from SaskPower ($5.2 million), SGI ($0.6 million), SaskEnergy ($0.3 million), and ISC ($0.5 million) partially offset by decreased dividends from SaskTel ($5.0 million).

For the first quarter of each year, dividends from subsidiary Crown corporations are based on 25 percent of their budgeted dividend for the year. The budgeted 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 remaining three quarters, dividend payments will be adjusted based on actual earnings and projections to year end. For the current year, CIC has assumed payout rates of 49 percent of earnings at SaskTel, 65 percent of earnings at SaskPower and SGI and 75 percent at SaskEnergy. These payout rates reflect the need of these subsidiary corporations to retain capital to move to their respective industry benchmarked financial structures and to upgrade infrastructure.

Administrative Expenses

Expenses were $3.5 million for the three months ended March 31, 2007 (2006 - $2.4 million). The increase of $1.1 million was due mainly to increased consulting costs and increased costs for salaries and benefits.

During the first three months of 2007, CIC provided $4.2 million (2006 - $1.2 million), in grants to STC, which included $3.5 million for the construction of the Regina terminal and head office, $2.1 million (2006 - $1.0 million) in grants to SaskEnergy to fund the EnerGuide for Houses Matching Grant Program and $0.7 million (2006 - $0.8 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 2007 budget includes public policy and grant funding expenditures as follows: $6.0 million in operating grants and $20.7 million in capital grants to STC, of which $19.3 million of the capital grants is allocated for funding the new bus terminal in Regina; $2.5 million of funding to SaskEnergy for the EnerGuide for Houses Matching Grant Program; and, $2.7 million of operating grants to Gradworks. CIC has also budgeted for $50.0 million in public policy expenditures related to the lowest cost utility bundle commitment.

Liquidity and Capital Resources

Cash Flow Highlights (thousands of dollars)	for the three months ended **March 31, 2007**	 March 31, 2006
Cash from operations	**$ 105.3**	$ 31.9
Investing activities	**18.9**	-
Dividends paid	**(167.0)**	(221.0)
Change in cash	**$ (42.8)**	$ (189.1)

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 three months ended March 31, 2007 was $105.3 million (2006 - $31.9 million). The $73.4 million increase was due mainly to substantially higher dividends collected in the first quarter of 2007 compared to 2006.

Cash provided by investing activities for the three months ended March 31, 2007 was $18.9 million (2006 - $Nil). During the quarter CIC redeemed $20.7 million of its shares in Investment Saskatchewan and invested $1.8 million in the Apex Investment Fund.

Cash used in financing activities was $167.0 million (2006 - $221.0 million). Financing activities in 2007 consisted of dividends paid to the GRF.

Debt Management

CIC as a legal entity has no debt. Currently, CIC has no borrowing requirements.

Outlook and Key Factors Affecting Performance

The key factor affecting CIC's earnings is the level of dividends from commercial subsidiary Crown corporations and its joint venture NewGrade.

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 2007 to be comparable to dividends declared in 2006.

Dividends from NewGrade are determined by its Board of Directors and are based on available surplus cash flow. The most significant factor in determining its profitability is the difference in price between heavy and light crude oil. Given the high differential that exists between current market prices, CIC projects continued strong earnings from NewGrade in 2007.

In the fall of 2003, the government indicated that Saskatchewan families will receive the package of basic utilities including home electricity, home natural gas, basic telephone rates and auto insurance at a total annual cost that is as low or lower than the same package in any other province in Canada. For 2007, CIC has budgeted $50.0 million to ensure the lowest bundle commitment is met.

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.

Non-Consolidated Statement of Financial Position
(unaudited)

(thousands of dollars)	**March 31, 2007**	December 31, 2006
ASSETS		
Current		
Cash and short-term investments	**$ 267,677**	$ 310,472
Interest and accounts receivable	**172**	299
Dividends receivable	**48,978**	111,230
	316,827	422,001
Equity advances to Crown corporations	**1,075,382**	1,075,382
Investments in share capital corporations	**363,223**	382,119
Equipment	**483**	513
	$ 1,755,915	$ 1,880,015
LIABILITIES AND PROVINCE'S EQUITY		
Interest and accounts payable	**$ 3,802**	$ 2,598
Dividend payable to General Revenue Fund	**-**	167,000
	3,802	169,598
Province of Saskatchewan's Equity		
Equity advances	**1,181,152**	1,181,152
Retained earnings	**570,961**	529,265
	1,752,113	1,710,417
	$ 1,755,915	$ 1,880,015

Commitments (Note 3)

(See accompanying notes)

Non-Consolidated Statement of Operations and Retained Earnings

(unaudited)
For The Period

(thousands of dollars)	**2007 January 1 to March 31**	2006 January 1 to March 31
REVENUE		
Dividend (Note 4)	**$ 48,978**	$ 47,400
Interest	**3,209**	2,411
Other	**4**	30
	52,191	49,841
EXPENSES		
General, administrative and other	**3,469**	2,419
Depreciation	**32**	34
	3,501	2,453
Earnings before the following	**48,690**	47,388
Grant to Saskatchewan Transportation Company	**(4,250)**	(1,200)
Grant to SaskEnergy	**(2,054)**	(1,000)
Grant to Gradworks Inc.	**(690)**	(845)
Other grant funding	**-**	(395)
NET EARNINGS	**41,696**	43,948
RETAINED EARNINGS, BEGINNING OF PERIOD	**529,265**	373,957
	570,961	417,905
DIVIDEND TO GENERAL REVENUE FUND	**-**	-
RETAINED EARNINGS, END OF PERIOD	**$ 570,961**	$ 417,905

(See accompanying notes)

Non-Consolidated Statement of Cash Flows

(unaudited)
For The Period

(thousands of dollars)	**2007 Janaury 1 to March 31**	2006 January 1 to March 31
OPERATING ACTIVITIES		
Net earnings	**$ 41,696**	$ 43,948
Add (deduct) non-cash items:		
Depreciation	**32**	34
	41,728	43,982
Net change in non-cash working capital Balances related to operations	**63,583**	(12,014)
Cash provided by operating activities	**105,311**	31,968
INVESTING ACTIVITIES		
Purchase of investments	**(1,781)**	-
Proceeds from redemption of Investment Saskatchewan shares	**20,677**	-
Purchase of equipment	**(2)**	(20)
Cash provided by (used in) investing activities	**18,894**	(20)
FINANCING ACTIVITIES		
Dividend paid	**(167,000)**	(221,000)
Cash used in financing activities	**(167,000)**	(221,000)
NET CHANGE IN CASH DURING PERIOD	**(42,795)**	(189,052)
CASH POSITION, BEGINNING OF PERIOD	**310,472**	289,645
CASH POSITION, END OF PERIOD	**$ 267,677**	$ 100,593

(See accompanying notes)

Notes to Non-consolidated Financial Statements

(unaudited)
March 31, 2007

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 CIC's most recent annual statement released on April 30, 2007.

The accounting policies used in the preparation of these interim financial statements conform to those used in the most recent annual 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
Investment Saskatchewan Inc.
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Telecommunications
Saskatchewan Transportation Company
Saskatchewan Water Corporation

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 Equity Holding Company Ltd., which are wholly-owned share capital subsidiaries.

Notes to Non-Consolidated Financial Statements
(unaudited)
March 31, 2007

3. Commitments

CIC has agreed to fund, through capital grants, Saskatchewan Transportation Company's new terminal facilities in Regina. CIC is expecting to fund $19.3 million of the commitment in 2007.

4. Dividend Revenue

Dividend revenue consists of the following:

(thousands of dollars)	**March 31, 2007**	March 31, 2006
Saskatchewan Power Corporation	**$ 21,889**	$ 16,704
Saskatchewan Telecommunications Holding Corporation	**7,500**	12,500
SaskEnergy Incorporated	**12,951**	12,700
Saskatchewan Government Insurance	**6,138**	5,496
Information Services Corporation	**500**	-
	$ 48,978	$ 47,400