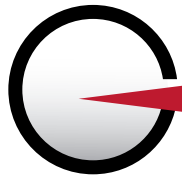


Growth



2005
First Quarter Financial Report



SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION



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MANAGEMENT CORPORATION

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INTRODUCTION

Mandate

The Saskatchewan Government Growth Fund Management Corporation (SGGF MC) was established in 1989 under Order-in-Council to create and manage investment funds that have been accepted as government administered venture capital funds under the Federal government's Immigrant Investor Program.

Vision

SGGF MC envisions the creation of economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

Mission

The mission of SGGF MC is to participate in the Federal government's Immigrant Investor Program for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms, thereby creating wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

Profile

SGGF MC participates in the federal government's Immigrant Investor Program (IIP). This program acquires lower cost capital for the commercial investment in Saskatchewan, providing small and medium-sized businesses with capital to grow and prosper, and thereby facilitating long-term economic growth and development for the Province.

The ability of SGGF MC to raise additional funds under the IIP ended on March 31, 1999, when a new Federal program was launched and SGGF MC declined to participate. In 2003, the fund companies were closed to new deposits and all investors were required to pay their subscriptions in full by December 15, 2003. The capital currently under management and from the three funds launched in 1999 will require administration for at least the next six years.

SGGF MC manages eight government administered venture capital funds under the old IIP, specifically:

Saskatchewan Government Growth Fund Ltd. (SGGF I);
Saskatchewan Government Growth Fund II Ltd. (SGGF II);
Saskatchewan Government Growth Fund III Ltd. (SGGF III);
Saskatchewan Government Growth Fund IV Ltd. (SGGF IV);
Saskatchewan Government Growth Fund V (1997) Ltd. (SGGF V);
Saskatchewan Government Growth Fund VI Ltd. (SGGF VI);
Saskatchewan Government Growth Fund VII Ltd. (SGGF VII);
Saskatchewan Government Growth Fund VIII Ltd. (SGGF VIII).

SGGF fund companies have provided an important source of venture capital financing in Saskatchewan to assist in economic development in the Province.





First Quarter Results

SGGF MC's consolidated loss for the three months ending March 31, 2005 of \$3 thousand is below the comparative period in 2004 (net earnings of \$41 thousand). The loss reflects increased legal expenses (\$56 thousand higher) related to ongoing litigation, partially offset by reductions in general administrative expenses (\$13 thousand lower).

During the first quarter of 2005 the Corporation received payment of \$1,185 thousand from its loan to SGGF II Ltd., comprised of \$1,035 thousand principal plus accrued interest. The payment resulted from SGGF II Ltd. realizing on its investment in Big Sky Inc.

Revenues for the first quarter of \$530 thousand were \$82 million below the same period of 2004, primarily due to lower management fee revenues (\$71 thousand lower). Management fee revenue consists of two components. The first component is a recovery of investment management fees ("Fund manager fees"). The second component is a modest mark-up on these management fees used to fund administrative expenditures that are not charged to Fund Companies. Investment manager fees declined \$75 thousand between the two reporting periods, resulting in a commensurate decline in management fee revenue. Management fees are declining due to a decrease in the asset base on which the management fee is calculated. As SGGF Fund Companies begin to wind down operations and management expenses are reduced, SGGF MC will see revenue reductions in future reporting periods.

Legal and professional fees of \$110 thousand (2004 - \$54 thousand) were \$56 thousand higher than the comparative period in 2004 primarily due to litigation activities. General administrative expenditures were \$13 thousand lower than the previous year due to the timing of certain expenditures as well as ongoing cost containment initiatives.

Outlook

Forecasted earnings for 2005 are expected to be lower than 2004 due to increased legal costs. Results will be dependant upon any asset sales that may occur in 2005.

SGGF MC will continue to closely monitor its costs to maximize net earnings.

Key Factors Affecting Performance

- Ability of the fund companies to place investor capital in eligible investments as defined by the IIP within nine months of receipt.
- Ability of the fund companies to liquidate their investment portfolios at values and in the timeframe necessary to provide for full repayment of investor capital at maturity.
- Ability of the fund companies to recover their costs of operation from the revenues earned on investment funds under management.
- SGGF operates primarily on a cost-recovery basis and hence operates at or near break-even.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)

As At

	March 31 2005	December 31 2004
Assets		
Current Assets		
Cash and short-term deposits	\$ 2,471,494	\$ 1,316,235
Funds in trust	1,200,000	1,200,000
Accounts receivable	21,264	247,373
Note receivable	185,000	1,184,469
	3,877,758	3,948,077
Investments	107,057	178,070
Investments in Fund companies	8,000	8,000
	\$ 3,992,815	\$ 4,134,147
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 129,670	\$ 267,843
Commissions payable	58,050	58,050
	187,720	325,893
Province of Saskatchewan's Equity		
Equity advances	1,031	1,031
Retained earnings	3,804,064	3,807,223
	3,805,095	3,808,254
	\$ 3,992,815	\$ 4,134,147



CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS (unaudited)
For the Period Ended

	2005		2004
	January 1		January 1
	to		to
	March 31		March 31
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Revenue			
Management fees	\$ 505,479	\$	576,764
Interest and other income	22,723		29,584
Investment income	1,302		5,498
	<hr/>		<hr/>
	529,504		611,846
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Expenses			
Fund manager fees	412,574		487,726
General administration	274		13,673
Legal fees and professional fees	109,970		54,189
Amortization expense	-		521
Directors fees and expenses	9,844		15,236
	<hr/>		<hr/>
	532,662		571,345
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Net (loss) earnings	(3,158)		40,501
Retained earnings, beginning of period	3,807,222		3,267,176
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Retained earnings, end of period	\$ 3,804,064	\$	3,307,677
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CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)
For the Period Ended

	2005		2004
	January 1		January 1
	to		to
	March 31		March 31
Operating activities			
Net (loss) earnings	\$ (3,158)	\$	40,501
Items not affecting cash from operations:			
Amortization expense	-		521
Net change in non-cash working capital balances related to operations	1,134,875		(39,965)
Cash provided by operating activities	1,131,717		1,057
Investing activities			
Proceeds on sale of investment	23,542		-
Cash provided by investing activities	23,542		-
Net increase in cash during the period	1,155,259		1,057
Cash position, beginning of period	1,316,235		729,093
Cash position, end of period	\$ 2,471,494	\$	730,150





NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. Status of the Corporation

Saskatchewan Government Growth Fund Management Corporation (the Corporation) was established for the purpose of creating and managing fund companies that have been accepted as government administered venture capital funds under the Federal government's Immigrant Investor Program.

These consolidated financial statements include the accounts of the Corporation and its subsidiary, Saskatchewan Government Growth Fund Ltd. (SGGF I). All inter-company transactions have been eliminated on consolidation. The statements are unaudited.

2. Summary of significant accounting policies

The interim financial statements do not include all of the disclosures included in the Corporation's annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the Corporation's most recent annual consolidated financial statements released on April 26, 2005.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The timely preparation of 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 during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results could differ from those estimates which may impact the actual transactions and events reported in future periods.

The accounting policies used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual consolidated financial statements.

3. Comparative figures

Certain comparative figures have been reclassified to conform with the current presentation.



