



Saskatchewan Wheat Pool Inc.

2ND QUARTER REPORT – JANUARY 31, 2006 MANAGEMENT'S DISCUSSION & ANALYSIS

HIGHLIGHTS

- The Pool's grain and oilseed shipments for the quarter were 2.1 million tonnes, up approximately 18% over the second quarter of 2005 and elevating the six-month total to 3.9 million tonnes, which compares to 3.3 million tonnes a year earlier.
- Contributions on an EBITDA basis from the Grain Handling and Marketing segment for the quarter were \$12.1 million, up 71% from the \$7.1 million (excluding one-time items) earned in the previous year's quarter.
- The Pool's consolidated market share was up a full percentage point to 24% from 23% last year as a result of the larger crop in Saskatchewan.
- Volumes through the Pool's Vancouver port terminal were up 53% in the first six months of 2006 versus the same period a year ago, reflecting a strong non-Board export program and the impact of efficiency improvements associated with the Pool's joint venture operating arrangement with James Richardson International Ltd. (JRI).
- On December 13, 2005, Can-Oat Milling, a wholly owned subsidiary of the Pool announced a major capital expansion to its Portage la Prairie, Manitoba plant. The expansion, estimated to cost \$12 million, will include the addition of primary processing capacity, flaking capacity, high-speed bagging line, on-site storage, and in-house workspace. Can-Oat expects to process an additional 50,000 metric tonnes of oats as a result, bringing its total milling capacity to over 340,000 metric tonnes per year.
- During the quarter, the Pool renewed its grain volume insurance for the 2007 fiscal year. The program provides a maximum payment of \$30 million with partial payments available should prairie production decline by approximately 20%. The package also includes a small multi-year component, which solidifies the Pool's ongoing commitment to this important risk management strategy.
- The Pool cut its seasonal loss from continuing operations for the quarter and the six-month periods by \$0.4 million and \$9.7 million respectively, after excluding one-time items included in last year's results. The loss from continuing operations for the quarter was \$2.0 million, which compares to a loss of \$2.4 million (before \$1.5 million in one-time items). On a year-to-date basis, the Pool's loss from continuing operations was \$9.6 million compared to \$19.3 million or \$16.5 million including one-time items of \$2.8 million.

SUMMARY OF CONSOLIDATED RESULTS

Sales and other operating revenues for the second quarter of fiscal 2006 were \$368 million, 14.1% above the \$322 million generated in the second quarter of fiscal 2005. All three business segments recorded stronger sales for the three-month period.

On a year-to-date basis, sales totaled \$642 million, up from \$551 million in the first six months of 2005. The increase reflects stronger grain shipments, partially offset by lower non-Board commodity prices, higher sales from the Pool's retail operations and its joint venture affiliate, Western Co-operative Fertilizers Ltd., and sales improvements through Can-Oat Milling. These improvements were slightly offset by lower sales volumes through the Pool's affiliate Prairie Malt Limited due to the timing of customer shipments coupled with lower selling prices for malt products.

EBITDA (earnings from continuing operations before interest, taxes, and amortization) in the second quarter of fiscal 2006 was \$11.0 million compared to \$14.0 million in the second quarter of last year. The \$3.0 million variance quarter-over-quarter includes \$0.9 million in positive one-time items recorded in last year's second quarter and reflects a \$5.4 million decrease in contributions from the Agri-products segment, \$1.7 million in additional corporate costs, partially offset by a \$5.0 million increase in EBITDA from the Grain Handling and Marketing segment on a comparable basis. The Agri-food Processing segment's contributions for the quarter were on par with the previous year.

On a year-to-date basis EBITDA was \$11.1 million versus \$11.9 million for the first six months of 2005. EBITDA improved by 7.7%, excluding positive one-time items in last year's results of \$1.6 million. The Grain Handling and Marketing segment more than doubled their EBITDA and the Agri-food Processing segment recorded a 15.7% improvement in overall contributions. These positive results were partially offset by a \$6.8 million decrease in Agri-products contributions and a \$3.2 million increase in corporate costs.

For the three months ending January 31, 2006, amortization was \$7.0 million versus \$6.8 million at January 31, 2005. For the six months ending January 31, 2006 and 2005 it was \$13.7 million and \$13.3 million respectively.

Earnings from continuing operations before interest and taxes (EBIT), for the second quarter of fiscal 2006 was \$4.1 million, which compares to \$7.1 million last year (\$6.2 million excluding one-time items). For the six months, EBIT was a loss of \$2.7 million versus a loss of \$1.4 million (loss of \$3.0 million after excluding one-time items) recorded for the same period a year ago.

Interest expense for the quarter was \$6.0 million (including \$1.0 million non-cash) compared to \$8.7 million (including \$3.0 million non-cash) in the three months ended January 31, 2005. Interest for the six months was down 34.0% to \$11.9 million from \$18.1 million. Non-cash interest of \$2.0 million and \$5.9 million were included in each respective period. The cash interest reduction reflects lower short-term borrowings and lower term debt levels quarter-over-quarter, the latter being primarily offset by an increase from 8% to 12% in the annual interest rate paid on \$150 million of Senior Subordinated Notes.

Net earnings for the quarter were \$2.9 million compared to a second quarter loss of \$0.9 million last year. The net earnings for this year's quarter include a \$4.9 million net recovery from discontinued operations related to filings through the Canadian Agricultural Income Stabilization (CAIS) Program for a portion of the operating losses incurred by discontinued operations in prior years. The net loss for the six-month period was \$4.7 million versus a loss of \$16.5 million for the same period a year ago. Excluding the recovery in each period of the current year, the net loss from continuing operations was \$2.0 million in the quarter and \$9.6 million in the first six months.

The following table provides the per share information for the comparable periods:

	<u>Second Quarter</u>		<u>Year-To-Date</u>	
	2006	2005	2006	2005
Net loss from continuing operations, before accretion	(0.02)	(0.07)	(0.12)	(1.37)
Net loss from continuing operations	(0.02)	(0.50)	(0.12)	(2.21)
Net earnings from discontinued operations	0.06	-	0.06	-
Net earnings/loss	0.04	(0.50)	(0.06)	(2.21)
Number of shares outstanding	81,834	12,140	81,834	12,140
Weighted average shares outstanding	81,834	12,117	81,834	12,058

SEGMENT RESULTS

Grain Handling and Marketing

Quarterly grain shipments of 2.1 million tonnes were up approximately 18.1% over the 1.8 million shipped in the same three months last year. The Pool increased its non-Board grain and oilseed shipments by 30% quarter-over-quarter and moved more than double its volume of Canadian Wheat Board (CWB) barley shipments to offset a 13% decline in its CWB wheat shipments for the period.

On a year-to-date basis, shipments were up 17.1%, almost entirely as a result of the Pool's strong non-Board shipping program that was executed to offset sluggish CWB industry movement. Total shipments reached 3.9 million tonnes in the first six months, which compares to 3.3 million tonnes a year earlier. Approximately 56% of the Pool's shipments were CWB grains, whereas last year during the first two quarters, CWB shipments represented 64% of the total.

To date, exports of wheat through the CWB have lagged behind 2005 and the Pool has offset these delays by executing on its export program for non-Board commodities like canola and peas. The CWB has been able to develop a strong feed barley program based on positive world feed barley markets, which has served to offset lower year-to-date wheat sales.

Producer deliveries into the Pool's primary elevator network were up 11.1% for the quarter to 2.0 million tonnes, bringing the year-to-date total to 4.0 million tonnes compared to 3.4 million tonnes in the first six months of last year. The increase reflects three key factors.

1. The first and most significant was the increased production available to the Pool this fiscal year in its primary market regions of Saskatchewan and Alberta:

Statistics Canada – December 7, 2005 Crop Production Estimate of Major Grains, Oilseeds and Specialty Crops

	<u>Saskatchewan</u>	<u>Alberta</u>	<u>Manitoba</u>
Fiscal 2006	30.6mmt	19.4mmt	5.1mmt
Fiscal 2005	26.1mmt	18.4mmt	8.3mmt
Increase/(decrease)	17.2%	5.4%	(38.6%)

2. The Pool's consolidated market share was up a full percentage point to 24.0% from 23.0% last year as a result of the larger crop in Saskatchewan. Market share can fluctuate throughout the year depending upon the CWB export program and contract calls provincially.
3. Harvest during the fall of 2004 was delayed by wet cold weather, while the harvest of 2005 was virtually complete by mid-October. This allowed the Pool to attract farm deliveries into its system in a more timely and efficient manner this year.

Total port terminal volumes for the Pool's Vancouver and Thunder Bay export facilities were 1.3 million tonnes for the quarter, up 14.8% from the 1.1 million tonnes shipped a year earlier. On a year-

to-date basis, Vancouver and Thunder Bay receipts were 2.5 million tonnes versus 2.0 million tonnes. The Pool's west coast port terminals experienced all of its additional export movement. The Pool's Thunder Bay terminal ships through the St. Lawrence Seaway, which closed on December 24, 2005 and is expected to reopen on or around March 23, 2006. The Pool's share of shipments through Prince Rupert Grain Terminal, in which it holds a 24.9% investment, were up over 55.9% reflecting a higher percentage of CWB shipments that were directed to that port during the first six months of this year.

The Pool and JRI continue to operate their adjacent port terminal facilities in Vancouver as a joint venture. The joint venture provides export customers with improved services that meet demands to segregate or store different grades or qualities of grain separately. By managing grain stocks jointly, the total number of "segregations" has been cut by half at the two terminals, and this in turn frees up storage space not otherwise available. The joint venture is able to specialize each terminal and dedicate facility space to handle certain classes of grain, serving to reduce the number of segregations, improve overall elevator efficiency and accommodate the loading of larger vessels.

The Pool believes the joint venture efficiencies will permit the Pool and JRI to accommodate greater volumes and improve export capabilities for those who depend on their services. The projected overall operating capacity is expected to increase by as much as 20% annually. The joint venture has been challenged by the Competition Bureau and is expected to be brought before a federal Tribunal for resolution during the summer of 2006.

Grain Handling and Marketing Volumes
For the Three and Six Months ended January 31
(in thousands of metric tonnes)

	3 Months F2006	3 Months F2005	6 Months F2006	6 Months F2005	YTD Increase (Decrease)
Primary elevator receipts	2,031	1,827	3,953	3,439	15%
Primary elevator shipments					
Board grains	1,197	1,086	2,196	2,135	3%
Non-Board grains and oilseeds	940	723	1,695	1,189	43%
Total primary elevator shipments	2,137	1,809	3,891	3,324	17%
Terminal operations					
Vancouver	964	739	1,794	1,175	53%
Thunder Bay	305	366	679	844	(20)%
	1,269	1,105	2,473	2,019	23%
Share of affiliates	320	179	449	288	56%
Total terminal operations	1,589	1,284	2,922	2,307	27%

The Pool's gross margin for the quarter was \$17.68 per tonne compared to \$17.40 (\$16.90 per tonne excluding one time items) in the second quarter of fiscal 2005. Higher non-Board grain, oilseeds, and CWB feed barley shipments more than offset the impact of lagging CWB shipments of wheat, which typically generate the strongest margins. On a year-to-date basis, gross margins recovered to \$18.11 per tonne versus \$16.69 per tonne during the first six months of last year. Last year's margin included \$1.6 million of positive one-time items (or \$0.48 per tonne). Excluding that contribution, margins were up 11.8% year-over-year. Stronger volumes and access to new crop supplies earlier in the fiscal year compared to the previous year were the primary factors for the improvement.

Segment EBITDA for the quarter was \$12.1 million, which compares to \$8.0 million (or \$7.1 million excluding one-time items) recorded in the second quarter of last year. Increased shipments and better margins were the primary factors for the improvement. On a year-to-date basis, EBITDA was \$17.4 million for the first six months of 2006 versus \$9.5 million for the first six months of 2005 (or \$7.9 million excluding one-time items). This year's total includes \$3.2 million of grain volume insurance costs that were recorded in its first quarter of the year. Last year, the Pool did not have a grain volume insurance program in place.

During the quarter, the Pool renewed its grain volume insurance for the 2007 fiscal year at a similar cost to its 2006 program. The coverage provides a maximum payment of \$30 million with partial payments available should prairie production decline by approximately 20%. The program is weighted regionally to reflect the Pool's market share in each province. The package also includes a small three-year component, which solidifies the Pool's ongoing commitment to this important risk management strategy.

Segment EBIT for the quarter was \$9.2 million compared to EBIT of \$5.1 million earned in the second quarter of 2005 (\$4.2 million excluding one time items). For the six months ended January 31, 2006, EBIT was \$11.6 million versus \$4.0 million (\$2.4 million excluding one-time items).

Subsequent to quarter-end, the Pool divested of its 50% interest in a joint venture grain terminal at Lloydminster, Saskatchewan. The transaction closed on February 22, 2006 and a pre-tax gain on sale of approximately \$2.4 million will be recorded in the company's third quarter financial results.

Based on the CWB's projected export program of 16.3 mmt and Agriculture and Agri-food Canada (AAFC) estimates of about 8.1 mmt of non-Board exports, exports through licensed facilities are expected to increase to 24.4 mmt, an increase of 18%. The following table reflects the CWB and AAFC estimates adjusted for products and other non-licensed exports.

(mmt)	Fiscal 2005 Actual	Fiscal 2006 Estimate
CWB Grains	14.8	16.3
Non-Board Grains & Oilseeds	5.8	8.1
Total	20.6	24.4

The ability for the industry to reach this target will be largely dependent upon the CWB's ability to meet its export target, particularly on wheat exports, which have been below target to date. In addition, the durum market is sluggish because of ample global supplies. For non-Board exports, AAFC estimates canola exports to rise by 32% in fiscal 2006 to 4.5 million tonnes from 3.4 million tonnes in 2005.

Even so, the industry predicts significant carryover into fiscal 2007. In fact, in its December 31, 2005 Stock Report, which was released on February 1, 2006, Statistics Canada estimated that on-farm stocks are well above average for many commodities with record levels of both durum and canola. The Pool believes that on-farm stocks of the six major grains in Western Canada could reach 11 mmt by year-end, which would be up considerably from the 7.7 mmt carried over into 2006 and more than double the 4.8 mmt average carryover. This should provide additional volume for fiscal 2007 and depending on upcoming new crop quality, could offer more blending opportunities than are currently available this fiscal year.

Margins, while expected to exceed last year, will be influenced by limited blending opportunities of lower quality wheat and lower than normal malt barley selections (70% of normal) caused by rain at harvest time. Another factor that is now believed to potentially impact margins for fiscal 2006 is the mix between CWB and non-Board commodities within the Pool's shipments. Last year, the Pool's CWB/non-Board mix was 64/36. We now believe that the Pool's mix will more closely align with historical averages of 60/40. Given the lag in CWB wheat shipments to date, and the fact that CWB grains tend to provide higher margin opportunity, the change in mix could negatively impact overall margins for the year. Volumes are still expected to exceed last year's levels given the larger export program.

Agri-products

The Pool's Agri-products segment generated sales of \$88.7 million compared to \$75.4 million in the second quarter of fiscal 2005. Sales through the Pool's retail operations were similar to the previous year's period with the majority of the sales being fertilizer products as opposed to crop protection or seed products, which are more seasonal. Western Co-operative Fertilizer Ltd. (WCFL) sales were 30.3% higher than the previous year's quarter primarily as a result of higher selling prices.

For the six-month period, segment sales totaled \$143.2 million, a 12.4% increase from the \$127.4 million in sales generated in the first half of 2005. The Pool's retail operation drove this improvement with a 25.8% sales increase, while WCFL sales were up 2.4%.

The Pool's retail operations had a strong sales period during the first three months of the fiscal year because of favourable weather conditions that permitted the application of fertilizer, particularly anhydrous ammonia. Last year, this business primarily took place in November, at the beginning of the Pool's second quarter.

Good moisture conditions during this past fall also resulted in more crop protection products sales in the first six months relative to the previous year's period when poor weather conditions limited the activity. Sales of crop protection products taper off during the winter and peak through the critical spring and summer months.

Seed sales were not as robust as the previous year's period but reflected more typical producer buying behaviour. Last year, producers took delivery of their seed much earlier than normal because of fears that there would be a shortage of quality seed during the spring selling season.

For WCFL, selling prices in the first six months relative to the previous year's period were much higher reflecting increased natural gas costs, a primary component in fertilizer and a key input cost for their manufacturing operation. High sales prices were the primary factor in the positive variance relative to the first six months of 2005 and more than offset lower sales volumes on a year-to-date basis.

A breakdown of consolidated sales and operating revenues for the Agri-products segment follows.

**Sales and Other Operating Revenues – Agri-products Segment
For the Three Month and Six Month periods ended January 31**

\$ Millions	Second Quarter		Year-To-Date	
	2006	2005	2006	2005
Fertilizer products	\$83.5	\$69.0	\$121.5	\$107.6
Crop protection products	0.3	0.4	9.7	8.1
Other	4.9	6.0	12.0	11.7
Total	\$88.7	\$75.4	\$143.2	\$127.4

EBITDA from the Agri-products segment for the quarter was nil compared to earnings of \$5.4 million in the second quarter last year. Sales improvements and a \$0.9 million increase in research and development revenue was more than offset by a higher bad debt allowance due to extended terms the Pool granted customers for their 2004 crop inputs due to the severe frost that occurred. Collections related to the 2005 crop year are ahead of last year at this time.

Margins were also lower than the previous year's quarter reflecting a return to typical producer buying behaviour for seed and the timing of crop protection supplier rebates, coupled with lower margins on fertilizer due to competitive factors and higher energy prices which pushed the cost of nitrogen up for WCFL. On the cost side, the Pool changed its distribution supplier during the quarter and as a result incurred \$0.5 million in costs to move product into the country system earlier. This is a timing issue and the Pool does not expect its annual distribution costs to increase year-over-year. Quarterly EBIT was a loss of \$2.8 million versus earnings of \$2.8 a year earlier.

On a year-to-date basis, EBITDA was a loss of \$4.8 million, which compares to earnings of \$2.0 million recorded in last year's first six months. EBIT was a loss of \$10.2 million versus a loss of \$3.2 million last year. The higher bad debt allowance mentioned earlier was the primary factor for the decrease in contributions in the first six months. In addition, increased competition, lower supplier rebates and higher distribution costs were factors contributing to the reduced EBITDA. In the

fertilizer business, high natural gas prices in the first six months, competitive pricing from other fertilizer manufacturers and increased retail competition lowered overall margins on that product line.

Looking forward, commodity prices remain low for the second consecutive year and we expect that there will be significant carryovers of canola and durum into next fiscal year. Because of these factors, we expect some hesitancy among producers in finalizing their seeding intentions. Special crops and oilseed products such as canola typically demand more crop inputs and are therefore important commodities for the Pool's agri-products business. The Pool will be focusing its marketing programs on proprietary wheat and canola varieties that offer high yields, superior quality and end-use marketing demand to support its agri-products spring selling season.

The high yields produced with the 2005 crop and generally good subsoil moisture conditions are positive signals for fertilizer sales for the remainder of the year. Crop mix is also a factor that influences demand. For the crop protection product season, approximately 85% of annual sales occur in the fourth quarter and the Pool has re-positioned its distribution model to maximize product-to-farm movement through this critical period.

Agri-food Processing

The Agri-food Processing segment, which includes wholly owned Can-Oat Milling and 42.4% owned Prairie Malt Limited, generated second quarter sales of \$30.8 million, up 2.5% from the \$30.0 million generated in the second quarter of 2005. Can-Oat Milling sales were \$22.7 million versus \$21.5 million, while Prairie Malt sales were \$8.1 million down from \$8.5 million in last year's second quarter. On a year-to-date basis, total segment sales were \$60.3 million, down slightly from \$61.0 million a year earlier. Can-Oat's sales grew by 6.8% to \$46.0 million from \$43.0 million, while Prairie Malt's sales were down 20.7% to \$14.3 million from \$18.0 million.

The improvement at Can-Oat reflects increased sales of finished products, including oat flakes, bran, and low bran flour. Cereal and breakfast bar manufacturers have switched to whole grains in response to a growing health-conscious consumer market, a positive factor influencing demand for Can-Oat products.

Sales volumes through Prairie Malt Limited improved quarter-over-quarter, however sales values remained lower than the previous year's period. Year-to-date sales continued to reflect lower volumes due to the timing of customer shipments coupled with the lower sales values previously mentioned.

Segment EBITDA for the quarter was on par with the second quarter of 2005 at \$5.1 million. On a year-to-date basis, EBITDA was \$10.3 million, up 15.7% from the same period a year ago when the segment earned \$8.9 million. Can-Oat's EBITDA was approximately 30.5% ahead of last year's first six months. Strong margins resulting from a change in product mix to higher valued products coupled with better yield results reflecting improvements in the quality of oat supplies this year were the primary factors. Prairie Malt's contribution was down because of lower sales and lower margins that are being impacted by excess industry capacity and the strengthening Canadian dollar.

EBIT for the quarter was \$3.9 million, slightly ahead of the \$3.8 million generated in the second quarter last year, and on a year-to-date basis was \$7.8 million versus \$6.4 million for the previous year's period.

From an operating perspective for fiscal 2006, positive industry dynamics in the oat ingredient market and Can-Oat's strong market position are expected to support another solid year for the oat miller. The opportunity for earnings growth is expected with the completion of Can-Oat's expansion, announced on December 13, 2005, which will add another 50,000 metric tonnes of milling capacity to its Portage la Prairie plant, bringing total milling capacity to over 340,000 metric tonnes per year. The expansion, estimated to cost \$12 million, will include the addition of primary processing capacity, flaking capacity, high-speed bagging line, on-site storage, and in-house workspace. Construction is slated to begin this spring, with the new capacity coming on stream by the spring of 2007.

Corporate Information

Corporate costs for the quarter were \$6.2 million versus \$4.6 million in the second quarter of fiscal 2005. On a year-to-date basis, costs were \$11.8 million, up from \$8.6 million a year earlier. Approximately \$1.3 million of the increase was associated with six months of provincial capital taxes. The Pool now pays Saskatchewan capital taxes as a result of continuing under the *Canada Business Corporations Act* in March of 2005. Last year, the entire tax was expensed in the fourth quarter. The remainder primarily reflects additional wages and benefits.

The Pool expects corporate costs for fiscal 2006 to increase over fiscal 2005. This will be driven by new regulatory compliance requirements with respect to internal controls, additional costs associated with the common voting share structure, the filling of vacant positions, and general inflationary increases.

During the year, the company began offering a deferred share unit plan (DSU) to independent directors. In this plan, 40 percent of each director's annual retainer is paid in DSUs. In addition, on an annual basis directors can elect to receive any percentage from 40 to 100 percent of their annual retainer and any additional fees for the immediately succeeding year in the form of DSUs. This plan allows independent directors to participate in the long-term success of the Pool and promotes greater alignment of interests between directors. Further details on this plan can be found in Note 10 to the second quarter Consolidated Financial Statements. 46,330 DSUs have been granted during fiscal 2006.

During the quarter, the Pool's Board of Directors approved a new long-term incentive compensation plan for senior management that more closely aligns executive management compensation with shareholders. The plan, which replaces a cash-based long-term compensation program, utilizes restricted share units (RSU) and performance share units (PSU) that are awarded based on the achievement of financial performance metrics. 160,875 RSUs and 485,625 PSUs have been granted to management in fiscal 2006. Further particulars are found in Note 10 to the second quarter Consolidated Financial Statements. Guidelines with respect to management share ownership have been established with the intent of reaching the following ownership levels within five years: equivalent of four years base salary for the CEO, equivalent of two years base salary for the CFO and the equivalent of one year base salary for vice president positions. The number of RSUs and PSUs held by management are included in share ownership for purposes of the Guidelines. Included in this year's allotment set out above was a one-time grant equal to the annual grant to those executives now subject to ownership guidelines.

With regards to issues facing the jointly sponsored SWP/GSU pension plan, the company has met with the GSU on a number of occasions and believes it has reached an impasse. In January 2006, the plan actuary advised the plan trustees that the plan is not solvent and has an estimated solvency deficit of \$43.5 million and assets of approximately \$242.5 million. The trustees advised the company and the GSU that they have until April 30, 2006 to negotiate an agreement to restore the plan's solvency. If the parties fail to negotiate a solution, the company understands the trustees may immediately reduce future accruing benefits to nil. The trustees have indicated such reductions will not resolve the solvency deficit. A formal valuation at December 31, 2005 is being conducted to determine the extent of the solvency deficit. While not due until June 30, 2006, the company expects the valuation to be completed by March 31, 2006 and subsequently filed by the trustees with the Office of the Superintendent of Financial Institutions.

On February 21, 2006, the GSU filed a grievance claiming that the company is responsible for the solvency deficit. The Pool intends to defend its position throughout the grievance arbitration process.

LIQUIDITY AND CAPITAL RESOURCES

Key Financial Information (\$ millions except ratios)

	January 31, 2006	January 31, 2005	July 31, 2005
Current ratio (current assets/current liabilities)	1.79	1.37	2.31
Total debt-to-equity (total debt/(total debt + equity))	34:66	64:36	33:67
Long-term debt-to-equity (long-term debt/(long-term debt + equity))	29:71	60:40	29:71
Current assets	\$432	\$368	\$348
Current liabilities	<u>241</u>	<u>269</u>	<u>151</u>
Working capital	191	99	197
Total debt	198	310	184
Term debt	154	262	154
Shareholders equity	377	174	381

The improvement in the company's financial position and related ratios is primarily due to the recapitalization and the rights offering, which were completed during fiscal 2005.

The Board of Directors has approved proceeding to fund the redemption of the \$150 million of senior subordinated notes due November 29, 2008.

Short-term Investments

Excluding the proportionate share of joint ventures, the Pool held no short-term investments at January 31, 2006 or January 31, 2005 and \$29 million at July 31, 2005. Short-term investments are generally used to fund operating requirements before draws are made against credit facilities.

Revolving Asset Backed Loan Facility

A \$250 million revolving asset backed loan facility is utilized at various times during the year to finance the Pool's operating requirements, which primarily consist of grain and agri-product inventory purchases and financing of accounts receivable from the CWB and other trade accounts. This facility matures in March 2008.

Amounts Drawn on Credit Facility (\$ millions)

	As at January 31, 2006	As at January 31, 2005	As at July 31, 2005
Saskatchewan Wheat Pool Inc.:			
Cash draws	\$ 21	\$ 19	\$ -
Letters of credit	\$ 25	\$ 41	\$ 31

Certain of the Pool's subsidiaries and joint ventures have their own bank operating facilities. The company does not guarantee, nor does it have responsibility for the repayment of the subsidiaries' or joint ventures' loans. Total cash drawings of the subsidiaries were \$1.1 million at January 31, 2006, \$0.2 million at January 31, 2005 and \$0.4 million at July 31, 2005.

Selected Working Capital Changes (in millions except average price per tonne)

	As at January 31, 2006	As at January 31, 2005	As at July 31, 2005
Inventory			
Non-Board grains inventories			
Average price per tonne	\$ 165	\$ 164	\$ 162
Tonnes on hand	0.397	0.291	0.360
Non-Board grains	<u>\$ 65</u>	<u>\$ 47</u>	<u>\$ 58</u>
Agri-products			
Crop protection products	\$ 33	\$ 38	\$ 31
Fertilizer	55	56	9
Other	<u>6</u>	<u>8</u>	<u>8</u>
	94	102	48
Agri-food Processing	<u>13</u>	<u>14</u>	<u>11</u>
Total	<u>\$172</u>	<u>\$163</u>	<u>\$117</u>
Accounts Receivable			
CWB grains			
Average price per tonne	\$ 86	\$ 71	\$ 97
Tonnes on hand	0.502	0.521	0.360
CWB grains	\$ 43	\$ 37	\$ 35
CWB deferred settlements	2	3	13
Trade and other accounts – Grain	41	40	37
Trade and other accounts – Agri-products	22	10	19
Agri-food Processing and other	<u>20</u>	<u>20</u>	<u>23</u>
Total	<u>\$128</u>	<u>\$110</u>	<u>\$127</u>

Grain Inventory and Receivables

The average price per tonne was low for both January 2006 and January 2005 relative to historical levels. Physical tonnes on hand increased over January 31, 2005 primarily due to the larger crop this year.

Agri-product Inventory

Crop protection product inventory was lower than January 31, 2005, primarily due to a delay in timing of receiving product from suppliers.

Prepaid Expenses and Deposits (\$ millions)

	As at January 31, 2006	As at January 31, 2005	As at July 31, 2005
Grain - CGC security deposit	\$ 10	\$ -	\$ 10
Agri-product deposits	44	11	-
Other	<u>10</u>	<u>11</u>	<u>11</u>
Total	<u>\$ 64</u>	<u>\$ 22</u>	<u>\$ 21</u>

Following the Pool's Recapitalization, the improved working capital position allowed the Pool to place a \$10 million security deposit with the Canadian Grain Commission (CGC) in lieu of a \$10 million letter of credit and resulted in increased prepaid expenses and deposits at both January 31, 2006 and

July 31, 2005. The \$33 million increase reflected in Agri-product deposits from January 31, 2005 to January 31, 2006, relates to prepayments for seed and fertilizer that the Pool undertook to lock-in favourable pricing.

Accounts Payable and Accrued Liabilities (\$ millions)

	As at January 31, 2006	As at January 31, 2005	As at July 31, 2005
Grain – deferred cash tickets	\$ 5	\$ 8	\$ 24
Grain – trade and other payables	37	35	29
Agri-products	120	137	34
Agri-food Processing and other	<u>25</u>	<u>31</u>	<u>28</u>
Total	<u>\$187</u>	<u>\$211</u>	<u>\$115</u>

Deferred cash tickets are payments issued for grain purchases payable at a future date at the request of the customer. Agri-products payables were lower primarily due to lower crop protection product inventory and lower deposits from customers, who prepay a portion of their spring agri-product purchases.

Cash Flow Information (\$ millions)

	Six Months Ended January 31, 2006	Six Months Ended January 31, 2005	Twelve Months Ended July 31, 2005
Cash flow from continuing operations	\$ 1.9	\$ 0.7	\$46.7
Capital expenditures	<u>(8.2)</u>	<u>(6.7)</u>	<u>(12.9)</u>
Free cash flow	<u>\$ (6.3)</u>	<u>\$(6.0)</u>	<u>\$33.8</u>

Cash flow from continuing operations was \$1.9 million compared to \$0.7 million for the six months ended January 31, 2005. The majority of the Pool's cash flow is generated in the final three months of its fiscal year, which corresponds with the farmers' planting season in the spring and early summer months.

Cash flow from discontinued operations was \$9.0 million to January 31, 2006, and reflects payments from CAIS, a joint federal/provincial risk management program. The payments relate to the Pool's investment in hog operations, which the company exited prior to July 31, 2004.

In December 2005, Can-Oat Milling announced expansion plans totaling \$13.7 million of which \$12.0 million relates to increasing overall capacity and \$1.7 million relates to technology designed to lower annual energy costs. Approximately 40% of these costs will be incurred during fiscal 2006. Including Can-Oat Milling, the Pool expects capital expenditures of approximately \$32 million with the majority of the other projects being maintenance capital and environment, health and safety projects.

FORWARD-LOOKING INFORMATION

Certain statements in this Management's Discussion & Analysis are forward-looking statements and reflect the Pool's expectations regarding future results of operations, financial condition and achievements. All statements that address activities, events or developments that the Pool or its management expects or anticipates will or may occur in the future, including such things as growth of its business and operations, competitive strengths, strategic initiatives, planned capital expenditures, plans and references to future operations and results of the Corporation and such matters, are forward-looking statements. In addition, the words "believes", "intends", "anticipates", "expects", "estimates" and words of similar import may indicate forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause

the actual results, performance and achievements of the Pool to be materially different from any future results, performance and achievements expressed or implied by those forward-looking statements. A number of factors could cause actual results to differ materially from expectations including, but not limited to, those factors discussed under the heading "Risk Factors" in the Pool's Annual Information Form and in the Pool's Annual Report under the heading "Risk Management" Management's Discussion & Analysis; weather conditions; crop production and crop quality in Western Canada; world agricultural commodity prices and markets; producers' decisions regarding total seeded acreage, crop selection, and utilization levels of farm inputs such as fertilizers and pesticides; the Pool's dependence on key personnel; any labour disruptions; the Corporation's financial leverage and funding requirements; credit risk in respect of customers of the Pool; foreign exchange risk and counter party risks in connection with foreign exchange and commodity hedging programs; changes in the grain handling and agri-products competitive environments, including pricing pressures; Canadian grain export levels; changes in government policy and transportation deregulation; international trade matters; and global political and economic conditions, including grain subsidy actions and tariffs of the United States and the European Union; competitive developments in connection with the Pool's grain handling, agri-products, agri-food processing, and other operations; and environmental risks and unanticipated expenditures relating to environmental or other matters.

All of the forward-looking statements in the Management's Discussion & Analysis are qualified by these cautionary statements and the other cautionary statements and factors contained herein and there can be no assurance that the developments or results anticipated by the Pool and its management will be realized or, even if substantially realized, that they will have the expected consequences for, or effects on, the Corporation. Although the Pool believes the assumptions inherent in forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this document. In addition to other assumptions identified, assumptions have been made regarding, among other things: western Canadian and, in particular, Saskatchewan crop production and quality for the 2006 fiscal year and subsequent crop years; the volume and quality of grain held on farm by producer customers; movement and sales of board grains by the Canadian Wheat Board; agricultural commodity prices; general financial conditions for western Canadian agricultural producers; demand for seed grain, fertilizer, chemicals and other agri-products by our customers; market share of grain deliveries and agri-product sales that will be achieved by the Pool; extent of customer defaults in connection with credit provided by the Pool or Farm Credit Canada in connection with agri-product purchases; demand for oat and malt barley products and market share of sales of these products that will be achieved by the Pool's subsidiaries; the impact of competition; environmental and reclamation costs; the ability to obtain and maintain existing financing on acceptable terms; and currency, exchange and interest rates. The Pool disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as otherwise required by applicable law.

Non-GAAP Measures

EBITDA (earnings from continuing operations before interest, taxes, and amortization) and EBIT (earnings from continuing operations before interest and taxes) are non-GAAP measures. Such measures do not have any standardized meanings prescribed by Canadian generally accepted accounting principles (GAAP) and are therefore unlikely to be comparable to similar measures presented by other corporations. These measures are intended to provide further insight with respect to the Pool's financial results and to supplement its information on earnings (loss) as determined in accordance with GAAP.

EBITDA is used by management to assess the cash generated by continuing operations as it excludes depreciation and amortization, which are non-cash items. EBIT is a measure of earnings from continuing operations prior to debt service costs and taxes. These non-GAAP measures should not be considered in isolation to or as a substitute for GAAP measures such as (i) net income (loss), as an indicator of the company's profitability and operating performance or (ii) cash flow from (or used in) continuing operations, as a measure of the company's ability to generate cash.

ANNUAL MANAGEMENT'S DISCUSSION & ANALYSIS

This Management's Discussion & Analysis relating to the second quarter and six months ended January, 31, 2006 should be read in conjunction with the Pool's Management's Discussion & Analysis for its year ended July 31, 2005, which is included at pages 35 to 64 of the Pool's 2005 Annual Report. Additional information relating to the Pool, including its most recent Annual Information Form, is available on SEDAR at www.sedar.com and the Pool's website www.swp.com.



Mayo Schmidt
President and Chief Executive Officer



Wayne Cheeseman
Chief Financial Officer

March 14, 2006
Saskatchewan Wheat Pool Inc., 2625 Victoria Avenue, Regina, Saskatchewan S4T 7T9
<http://www.swp.com>

**SASKATCHEWAN WHEAT POOL INC.
CONSOLIDATED BALANCE SHEETS**

(in thousands) AS AT	January 31, 2006	January 31, 2005	July 31, 2005
	(unaudited)	(unaudited)	(audited)
ASSETS			
Current Assets			
Cash	\$ 24,113	\$ 4,209	\$ 2,074
Cash in trust (Note 16b)	32,035	30,695	771
Short-term investments (Note 4)	9,379	34,675	79,264
Accounts receivable	128,406	110,280	127,102
Inventories	171,577	162,854	117,416
Prepaid expenses and deposits	64,338	21,735	20,737
Future income taxes	2,469	3,054	78
	432,317	367,502	347,442
Investments	5,582	5,166	5,437
Property, Plant and Equipment	246,494	260,303	251,489
Other Long-Term Assets (Note 5)	12,648	7,344	14,822
Future Income Taxes	102,670	95,565	102,670
	\$ 799,711	\$ 735,880	\$ 721,860
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Bank indebtedness (Note 6)	\$ 2,062	\$ 6,567	\$ 8,060
Short-term borrowings (Note 7)	22,365	19,284	392
Members' demand loans	20,028	20,285	21,476
Members' Class A shares (Note 9)	-	1,774	-
Accounts payable and accrued liabilities	187,265	211,322	115,319
Long-term debt due within one year (Note 8)	9,757	9,493	5,461
	241,477	268,725	150,708
Long-Term Debt (Note 8)	144,114	252,338	148,928
Other Long-Term Liabilities	34,342	34,972	37,424
Future Income Taxes	3,213	5,455	3,559
	423,146	561,490	340,619
Shareholders' Equity			
Share capital (Note 9)	439,485	85,548	439,485
Contributed surplus	276	212	243
Convertible Subordinated Notes - equity component (Note 11)	-	134,553	-
Retained earnings (deficit)	(63,196)	(45,923)	(58,487)
	376,565	174,390	381,241
	\$ 799,711	\$ 735,880	\$ 721,860

Guarantees and contingencies (Note 16).

SASKATCHEWAN WHEAT POOL INC.
CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS (DEFICIT)

(in thousands) FOR THE PERIODS ENDED	Three Months Ended January 31, 2006 (unaudited)	Three Months Ended January 31, 2005 (unaudited)	Six Months Ended January 31, 2006 (unaudited)	Six Months Ended January 31, 2005 (unaudited)
Sales and Other Operating Revenues	\$ 367,725	\$ 322,283	\$ 641,682	\$ 550,989
Cost of Sales and Expenses				
Cost of sales and operating expenses	342,143	295,827	603,238	514,540
Selling and administrative expenses	14,543	12,480	27,371	24,563
Amortization	6,960	6,838	13,728	13,277
	363,646	315,145	644,337	552,380
Earnings (Loss) Before Interest and Taxes	4,079	7,138	(2,655)	(1,391)
Interest expense (Note 13)	5,970	8,706	11,921	18,061
Loss Before Corporate Taxes	(1,891)	(1,568)	(14,576)	(19,452)
Corporate tax expense (recovery)	85	(675)	(4,946)	(2,929)
Loss From Continuing Operations	(1,976)	(893)	(9,630)	(16,523)
Net Recoveries From Discontinued Operations (Note 14)	4,921	-	4,921	-
Net Earnings (Loss)	2,945	(893)	(4,709)	(16,523)
Retained Earnings (Deficit), Beginning of Period	(66,141)	(39,864)	(58,487)	(19,221)
Accretion of equity component of Convertible Subordinated Notes (Notes 8 and 11)	-	(5,166)	-	(10,179)
Retained Earnings (Deficit), End of Period	\$ (63,196)	\$ (45,923)	\$ (63,196)	\$ (45,923)
Basic and Diluted Earnings (Loss) Per Share (Note 9b)				
From Continuing Operations	\$ (0.02)	\$ (0.50)	\$ (0.12)	\$ (2.21)
Net Earnings (Loss)	\$ 0.04	\$ (0.50)	\$ (0.06)	\$ (2.21)

SASKATCHEWAN WHEAT POOL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Three Months Ended January 31, 2006 (unaudited)	Three Months Ended January 31, 2005 (unaudited)	Six Months Ended January 31, 2006 (unaudited)	Six Months Ended January 31, 2005 (unaudited)
FOR THE PERIODS ENDED				
Cash From (Used in) Operating Activities				
Loss from continuing operations	\$ (1,976)	\$ (893)	\$ (9,630)	\$ (16,523)
Add (deduct) items not involving cash				
Amortization	6,960	6,838	13,728	13,277
Future income tax recovery	(327)	(460)	(5,566)	(2,345)
Pension (Note 12)	472	538	930	1,072
Non-cash interest (Note 13)	1,008	2,979	1,995	5,851
Other items	283	(209)	400	(671)
Cash flow from continuing operations	6,420	8,793	1,857	661
Changes in non-cash working capital items				
Accounts receivable	27,226	53,567	(480)	54,197
Inventories	(21,974)	(16,452)	(54,161)	(57,967)
Accounts payable	6,714	1,245	68,384	54,536
Prepaid expenses and deposits	(26,017)	(6,058)	(43,601)	(11,834)
Changes in non-cash working capital - continuing operations	(14,051)	32,302	(29,858)	38,932
Cash (used in) from operating activities - continuing operations	(7,631)	41,095	(28,001)	39,593
Cash provided by discontinued operations	2,224	-	8,955	-
Cash (used in) from operating activities	(5,407)	41,095	(19,046)	39,593
Cash From (Used in) Financing Activities				
Repayment of long-term debt	(1,106)	(1,325)	(1,737)	(3,843)
Proceeds from short-term borrowings	21,219	18,817	21,973	17,783
Repayment of other long-term liabilities, net	(1)	(4)	(168)	(512)
Proceeds from (repayment of) members' demand loans	258	2,229	(1,448)	1,594
Repayment of members' Class A shares	-	(8)	-	(9)
Other items	(452)	-	(463)	-
Cash from financing activities	19,918	19,709	18,157	15,013
Cash From (Used in) Investing Activities				
Property, plant and equipment expenditures	(4,455)	(2,771)	(8,153)	(6,675)
Proceeds on sale of property, plant and equipment	90	203	202	967
Increase in cash in trust (Note 16b)	(27,523)	(28,155)	(31,264)	(29,519)
Decrease (increase) in investments	246	(191)	(143)	(173)
Increase in other long-term assets	(345)	(16)	(1,601)	(252)
Cash used in investing activities	(31,987)	(30,930)	(40,959)	(35,652)
(Decrease) Increase in Cash and Cash Equivalents	(17,476)	29,874	(41,848)	18,954
Cash and Cash Equivalents, Beginning of Period	48,906	2,443	73,278	13,363
Cash and Cash Equivalents, End of Period	\$ 31,430	\$ 32,317	\$ 31,430	\$ 32,317
Cash and cash equivalents consist of:				
Cash			\$ 24,113	\$ 4,209
Short-term investments			9,379	34,675
Bank indebtedness			(2,062)	(6,567)
			\$ 31,430	\$ 32,317
Supplemental disclosure of cash paid during the period from continuing operations:				
Interest paid	\$ (5,333)	\$ (6,184)	\$ (10,228)	\$ (12,388)
Income taxes recovered (paid), net	\$ (1,469)	\$ 1,651	\$ (1,889)	\$ 713

1. NATURE OF BUSINESS

Saskatchewan Wheat Pool Inc. (the “company”), a corporation formerly constituted by a special act of the Saskatchewan Legislature, and now continued under the Canada Business Corporations Act, is a publicly traded, vertically integrated Canadian agri-business. The continuance became effective March 31, 2005, and is described in more detail in Note 8c and Note 9. Business operations include three reporting segments: Grain Handling and Marketing, Agri-products and Agri-food Processing.

Weather conditions are the primary risk in the agri-business industry. Grain volumes, grain quality, the level and mix of crop inputs and ultimately, the financial performance of the company are highly dependent upon weather conditions throughout the crop production cycle.

The company’s earnings are seasonal. Sales primarily follow crop production cycles as influenced by weather patterns and are generally strongest in the spring when crops are seeded and in the fall when crops are harvested. Earnings in the Grain Handling and Marketing segment are generally strongest in quarter one (August to October) and quarter four (May to July) as producers deliver grain into the primary elevator system to reduce on-farm storage limitations and to generate cash flow to finance seeding and harvest expenditures. Agri-products sales of crop protection products, seed and seed treatments, fertilizer, and farm equipment peak in the fourth quarter when crops are seeded. Sales of crop protection products and fertilizer also occur in the first quarter, as producers prepare land before the arrival of inclement winter weather, in anticipation of spring seeding. Earnings and sales in the Agri-food Processing segment are less seasonal. Collectively, the sales patterns of the core Grain Handling and Marketing and Agri-products segments result in the fourth quarter traditionally being the strongest quarter for the company.

2. BASIS OF PRESENTATION

The company was subject to a financial reorganization with an effective date of January 31, 2003. The company has accounted for the financial reorganization by using the principles of comprehensive revaluation (fresh start accounting) as required under Canadian generally accepted accounting principles (“GAAP”). Fresh start accounting necessitated the revaluation of all assets and liabilities of the company at estimated fair values and the elimination of the company’s deficit.

An equity value of \$178.6 million was calculated in order to establish the January 31, 2003 fresh start consolidated balance sheet. The equity value reflected management’s estimate, which was based on the trading value of the company’s Class B shares, combined with an estimate of the fair value of the non-debt component of the company’s Convertible Subordinated Notes. As a result of the reorganization and the application of fresh start accounting, the company’s share capital was reduced by \$435.4 million, including \$88.9 million related to the elimination of the company’s deficit.

3. ACCOUNTING POLICIES

The unaudited interim consolidated financial statements (“interim financial statements”) include the accounts of Saskatchewan Wheat Pool Inc., its subsidiaries and affiliated companies and have been prepared in accordance with GAAP. These interim financial statements do not include disclosures normally provided in annual financial statements and should be read in conjunction with the company’s fiscal 2005 Annual Report.

a) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the interim financial statements and accompanying notes. These estimates are based on management’s best knowledge of current events and actions that the company may undertake in the future. Management believes that the estimates are reasonable, however actual results could differ from these estimates.

The interim financial statements are based upon accounting principles consistent with those used and described in the annual financial statements.

b) Investments

The company accounts for its investments in affiliated companies over which it has significant influence, using the equity basis of accounting, whereby the investments are initially recorded at cost, and subsequently adjusted to recognize the company's share of earnings or losses of the investee companies and reduced by dividends received. Short-term investments are recorded at the lower of cost and market. Other investments are recorded at cost.

The company's non-controlling interest in Prince Rupert Grain Terminal ("PRG") is recorded at a nominal amount. At January 31, 2006, PRG has approximately \$315 million in loans due to a third party. The loans mature between 2015 (\$201 million) and 2035 (\$114 million) and are secured by the terminal without recourse to the consortium members.

4. SHORT-TERM INVESTMENTS

	January 31		July 31	
	2006	2005	2005	2005
Saskatchewan Wheat Pool Inc.	\$ -	\$ -	\$ -	\$ 29,000
Subsidiaries and proportionate share of joint ventures	9,379	34,675		50,264
	\$ 9,379	\$ 34,675	\$ -	\$ 79,264

5. OTHER LONG-TERM ASSETS

	January 31, 2006		January 31, 2005		July 31, 2005	
	Accumulated Amortization	Accumulated Amortization	Accumulated Amortization	Accumulated Amortization	Accumulated Amortization	Accumulated Amortization
Deferred financing costs	\$ 4,659	\$ 1,294	\$ -	\$ -	\$ 4,659	\$ 518
Deferred pension assets	4,698	-	4,731	-	5,260	-
Other	5,407	822	2,875	262	5,973	552
	14,764	\$ 2,116	7,606	\$ 262	15,892	\$ 1,070
Accumulated amortization	(2,116)		(262)		(1,070)	
	\$ 12,648	\$ -	\$ 7,344	\$ -	\$ 14,822	\$ -

Deferred financing costs are amortized over the term of the associated debt.

Amortization of deferred financing costs of \$0.8 million (2005 – nil) is included in interest expense. Amortization of other assets of \$0.3 million (2005 – \$0.1 million) is included in amortization expense.

6. BANK INDEBTEDNESS

	January 31		July 31	
	2006	2005	2005	2005
Saskatchewan Wheat Pool Inc.	\$ -	\$ 4,682	\$ -	\$ 6,030
Subsidiaries and proportionate share of joint ventures	2,062	1,885		2,030
	\$ 2,062	\$ 6,567	\$ -	\$ 8,060

7. SHORT-TERM BORROWINGS

	January 31		July 31	
	2006	2005	2005	2005
Saskatchewan Wheat Pool Inc.	\$ 21,237	\$ 19,100	\$ -	\$ -
Subsidiaries and proportionate share of joint ventures	1,128	184		392
	\$ 22,365	\$ 19,284	\$ -	\$ 392

As part of a refinancing initiative, the company replaced its asset backed revolving credit facility on March 11, 2005 with a new three-year \$250 million senior secured asset backed revolving loan with a syndicate of financial institutions. The facility matures in March 2008 and is secured by a first charge on inventory and accounts receivable and a second charge on all other assets of the company. Interest is payable monthly at prime plus 1.5%.

At January 31, 2006, the company had outstanding letters of credit and similar instruments of \$25.1 million related to operating an agri-business (January 31, 2005 - \$41.1 million; July 31, 2005 - \$31.1 million). These instruments effectively reduce the amount of cash that can be drawn on the revolving credit facility.

At January 31, 2006, availability under the revolving credit facility was \$56.8 million (January 31, 2005 - \$25.7 million; July 31, 2005 - \$42.2 million).

Subsidiaries' and proportionate share of joint ventures' short-term borrowings consist of bank operating loans, which are secured by inventories, accounts receivable and property, plant and equipment. The company does not guarantee, nor does it have responsibility for, the repayment of the subsidiaries' or joint ventures' loans.

8. LONG-TERM DEBT

	January 31		July 31	
	2006	2005	2005	2005
Senior Secured Bank Term Loan (a)	\$ -	\$ 78,730	\$ -	\$ -
Senior Subordinated Notes (b)	141,148	135,919	139,929	-
Convertible Subordinated Notes – debt component (c)	-	29,855	-	-
Members' term loans	5,139	4,589	4,823	-
Sub-total	146,287	249,093	144,752	-
Subsidiaries' and proportionate share of joint ventures' secured debt:	7,584	12,738	9,637	-
Total consolidated long-term debt	153,871	261,831	154,389	-
Less portion due within one year:				
Senior Secured Bank Term Loan (a)	-	3,864	-	-
Members' term loans	2,173	474	1,354	-
Subsidiaries' and proportionate share of joint ventures' debt	7,584	5,155	4,107	-
Long-term debt due within one year	9,757	9,493	5,461	-
Total long-term debt	\$ 144,114	\$ 252,338	\$ 148,928	-

a) Senior Secured Bank Term Loan

The company, as part of a refinancing initiative, replaced its Senior Secured Bank Term Loan on March 14, 2005, with \$100 million of Floating Rate Senior Secured Extendible Notes (the "Notes") with an institutional investor. These Notes were secured by a first charge on the company's fixed assets and a second charge on working capital. Interest was payable monthly at LIBOR plus 6.5%. On June 7, 2005, the company prepaid the Notes without penalty.

b) Senior Subordinated Notes

- At the time of the January 31, 2003 restructuring, the Senior Subordinated Notes were recorded at estimated fair value. The company is accreting up to their \$150.0 million face value through monthly present value adjustments (accretion) to the Senior Subordinated Notes with a corresponding charge to increase interest expense.
- Interest is payable monthly into a trust and distributed quarterly. Prior to July 31, 2005, interest was at 8% of the face value, thereafter interest is at 12%. The face value at January 31, 2006 is \$150.0 million (January 31, 2005 - \$150.0 million; July 31, 2005 - \$150.0 million).
- No principal payments are required until maturity on November 29, 2008.
- The company may redeem the Notes prior to maturity at the following premiums of the principal amount then outstanding: 104% from January 1, 2005 to December 31, 2005; 102% from January 1, 2006 to December 31, 2006; and 101% from January 1, 2007 to November 28, 2008.
- Secured by a second ranking charge against the company's assets – subordinate to the revolving credit facility and ranking equally with the members' demand loans and members' term loans.

c) Convertible Subordinated Notes

The Convertible Subordinated Notes were converted on March 31, 2005 into a new class of common shares. The remainder of the points in this section provide some of the historical background applicable to the comparative Convertible Subordinated Note information provided in these statements.

- At the time of the January 31, 2003 restructuring, the company separated the Convertible Subordinated Notes into their debt and equity components, according to their substance. The debt component was estimated at the present value of the cash interest expected to be paid. The company was accreting up to that initial estimate through monthly present value adjustments (accretion) to the Convertible Subordinated Notes with a corresponding charge to increase interest expense. The equity component was being accreted such that the value as of November 29, 2008 (the day before the company's conversion right) would reflect the face value and accrued interest not paid in cash of the remaining unconverted Convertible Subordinated Notes. This accretion was recorded as a reduction of retained earnings (deficit).
- As part of the March 31, 2005 conversion, the former Class B shares were consolidated at a rate of one new common share for 20 Class B shares and the Convertible Subordinated Noteholders agreed to exchange their Notes at the rate of 131.58 new common shares per \$1,000 of principal. Prior to March 31, 2005, the Convertible Subordinated Notes were convertible by the holder into Class B non-voting shares of the company at the pre 1:20 share consolidation rate of approximately 2,227.2 shares (111.36 shares post conversion) per \$1,000 of Note principal at any time prior to November 30, 2008. Under the new conversion rate the Convertible Subordinated Noteholders incrementally received approximately 3.5 million more shares than under the former conversion rate. These incremental shares were valued at \$33.8 million and are reflected as part of the share conversion outlined in Note 11, as well as an offsetting charge to retained earnings.
- A continuity of the debt component of the Convertible Subordinated Notes is:

Convertible Subordinated Notes – debt component – July 31, 2004	\$ 27,735
Interest accretion	2,120
Convertible Subordinated Notes – debt component – January 31, 2005	29,855
Interest accretion	743
Convertible Subordinated Notes – debt component – March 31, 2005	30,598
Refinance conversion	(30,598)
Convertible Subordinated Notes – debt component – July 31, 2005 and January 31, 2006	\$ -

d) Other

- The sale of certain collateral for proceeds in excess of \$10 million would necessitate a partial redemption of the Senior Subordinated Notes until redeemed in full.
- Members' term loans are secured and consist of one-year to seven-year loans with non-institutional investors and employees. Interest is payable semi-annually at interest rates which vary from 4.0% to 9.0%.
- The subsidiaries' and the proportionate share of joint ventures' debts bear interest at fixed and variable rates. The debts mature in years 2006 to 2007. The debts are secured by certain assets and some are subject to meeting certain covenants.
- The company does not guarantee nor does it have responsibility for the repayment of the subsidiaries' or joint ventures' debts.

9. SHARE CAPITAL

a) Authorized

On February 7, 2005, the company's Board approved a proposed recapitalization of its Class A voting shares, Class B non-voting shares, Convertible Subordinated Notes, and a subsequent rights offering to all common shareholders. On February 21, 2005, the required majority of delegates, representing the former Class A shareholders, approved the company's recapitalization plan. Through separate meetings on March 23, 2005 both the former Class B non-voting shareholders and Convertible Subordinated Noteholders approved the recapitalization plan. The recapitalization plan included:

- The continuance of the company as a business corporation under the Canada Business Corporations Act involving the consolidation of the Class A voting shares and the Class B non-voting shares of the company into one new class of common shares. The Class A shareholders were entitled to receive 3.62 new common shares or \$25 in cash while the Class B shareholders received one new common share for every 20 Class B non-voting shares they held.
- The early conversion of the company's Convertible Subordinated Notes into the new class of common shares. The Convertible Subordinated Notes were exchanged for 131.58 common shares per \$1,000 of principal.

On April 22, 2005, after the continuance, 35,071,559 rights were issued to the holders of all common shares of record. The rights were issued for nil consideration with an expiration date of May 24, 2005. Each right entitled the

holder the right to purchase one and one-third additional common shares in the company at the discounted subscription price of \$3.21 per share.

On May 27, 2005, the company issued 46,762,078 common shares under the rights offering, generating gross proceeds of approximately \$150.1 million. The company repaid in full the \$100 million of Floating Rate Senior Secured Extendible Notes with the proceeds from the share issuance. The remaining proceeds were used for general corporate purposes, primarily working capital for the purchase of grains, oilseeds, and agri-products inventory.

The professional and other costs associated with the continuance and the rights offering were approximately \$13.0 million. In accordance with the capital nature of these recapitalization events, the associated costs were reflected as a charge to shareholders' equity and reflected in the retained earnings (deficit) of the company.

COMMON VOTING SHARES

Authorized

Unlimited common voting shares

CLASS A VOTING SHARES

Previously Authorized until March 31, 2005

Unlimited Class A voting shares par value \$25

Class A voting shares were held by farmer-members and were redeemable at the option of the shareholder at their par value.

CLASS B NON-VOTING SHARES

Previously Authorized until March 31, 2005

Unlimited Class B non-voting shares

The following table summarizes the common voting, Class A voting and Class B non-voting share capital for the six-month periods ended January 31, 2006 and January 31, 2005. The number of Class B non-voting shares issued and outstanding have been restated to reflect the one for 20 share consolidation.

	Common voting shares		Class A voting shares		Class B non-voting shares	
	Number ¹	Amount	Number ¹	Amount	Number ¹	Amount
Balance, July 31, 2004	-	\$ -	71,326	\$ 1,783	11,610,938	\$ 81,287
Net redemptions/conversions	-	-	(373)	(9)	528,874	4,261
Balance, January 31, 2005	-	-	70,953	1,774	12,139,812	85,548
Net redemptions/conversions	-	-	(20,574)	(515)	155,039	1,350
Management options exercised	-	-	-	-	2,606	16
Conversion of Class A shares	182,371	1,259	(50,379)	(1,259)	-	-
Conversion of Class B shares	12,297,457	86,914	-	-	(12,297,457)	(86,914)
Conversion of Convertible Subordinated Notes – (see notes 8 & 11)	22,591,731	201,203 ²	-	-	-	-
Management options exercised	500	3	-	-	-	-
Share issuance	46,762,078	150,106	-	-	-	-
Balance, July 31, 2005 and January 31, 2006	81,834,137	\$ 439,485	-	\$ -	-	\$ -

¹ number of shares are not shown in thousands

² Dollar value includes: Convertible Subordinated Notes

Equity component	\$136,759
Debt component	30,598
Inducement premium	33,846
	<u>\$201,203</u>

b) Earnings (Loss) per share

	Three months ended January 31		Six months ended January 31	
	2006	2005	2006	2005
Net earnings (loss)	\$ 2,945	\$ (893)	\$ (4,709)	\$ (16,523)
Less: Net loss from continuing operations	(1,976)	(893)	(9,630)	(16,523)
Net recoveries from discontinued operations (numerator – discontinued operations)	\$ 4,921	\$ -	\$ 4,921	\$ -
Net loss from continuing operations	\$ (1,976)	\$ (893)	\$ (9,630)	\$ (16,523)
Accretion of equity component of Convertible Subordinated Notes	-	(5,166)	-	(10,179)
Numerator – continuing operations	\$ (1,976)	\$ (6,059)	\$ (9,630)	\$ (26,702)
Net earnings (loss)	\$ 2,945	\$ (893)	\$ (4,709)	\$ (16,523)
Accretion of equity component of Convertible Subordinated Notes	-	(5,166)	-	(10,179)
Numerator – net earnings (loss)	\$ 2,945	\$ (6,059)	\$ (4,709)	\$ (26,702)
Denominator for basic and diluted per share amounts: Weighted average number of shares outstanding	81,834	12,117	81,834	12,058
Basic and diluted earnings (loss) per share: Continuing operations	\$ (0.02)	\$ (0.50)	\$ (0.12)	\$ (2.21)
Discontinued operations	\$ 0.06	\$ -	\$ 0.06	\$ -
Net earnings (loss)	\$ 0.04	\$ (0.50)	\$ (0.06)	\$ (2.21)

There is no dilutive effect from the exercise of options related to stock option plans or, in periods where the Convertible Subordinated Notes existed, to the potential conversion of these Notes, due to the effect of the accretion of the equity component of the Convertible Subordinated Notes. The weighted average number of shares outstanding has been restated for all periods ending prior to March 31, 2005, to reflect the one for 20 share consolidation.

10. STOCK BASED COMPENSATION PLANS

The company has implemented three stock-based compensation plans: a deferred share unit plan (“DSU”) for independent directors and a restricted share unit plan (“RSU”) and a performance share unit plan (“PSU”) for designated executives. These plans replace cash based compensation plans.

a) Deferred Share Units

In fiscal 2006, the company began offering a DSU plan to independent directors. A DSU is a notional unit that reflects the market value of a single common share of the company. In this plan, 40 percent of each director’s annual retainer is paid in DSUs. In addition, on an annual basis directors can elect to receive any percentage from 40 to 100 percent of their annual retainer and any additional fees for the immediately succeeding year in the form of DSUs. Each DSU fully vests upon award. The DSUs will be redeemed for cash, or for common shares of the company purchased on the open market, at the Director’s option upon a director leaving the Board. The redemption amount will be based upon the weighted average of the closing prices of the common shares of the company on the Toronto Stock Exchange for the last 20 trading days prior to the redemption date multiplied by the number of DSUs held by the director. 46,330 DSUs have been granted during fiscal 2006. The Pool recorded compensation costs related to outstanding DSUs of \$0.2 million for the three months ended January 31, 2006 and \$0.3 million for the six months ended January 31, 2006.

b) Restricted Share Units

In fiscal 2006, the Pool provided each designated executive an annual grant of RSUs as part of their compensation. Each RSU represents one notional common share that entitles the participant to a payment of one Pool common share purchased on the open market, or cash at the Pool’s discretion. RSUs vest at the end of a three-year period. Holders of RSUs have the option of converting to DSUs 60 days prior to vesting. 160,875 RSUs have been granted during

fiscal 2006. The Pool recorded compensation costs related to outstanding RSUs of \$0.1 million for the three months ended January 31, 2006 and \$0.2 million for the six months ended January 31, 2006.

c) Performance Share Units

In fiscal 2006, the Pool provided each designated executive an annual grant of PSUs as part of their compensation. Each PSU represents one notional common share that entitles the participant to a payment of one Pool common share purchased on the open market, or cash at the Pool’s discretion. PSUs vest at the end of a three-year period. Their ultimate value will depend upon the Pool’s performance measured over three fiscal years. Performance will be measured by actual financial metrics relative to the company’s planned financial metrics. Holders of PSUs have the option of converting to DSUs 60 days prior to vesting. 482,625 PSUs have been granted during fiscal 2006. The company recorded compensation costs related to outstanding PSUs of \$0.3 million for the three months ended January 31, 2006 and \$0.7 million for the six months ended January 31, 2006.

d) Stock Options

The company has two stock option plans, a management stock option plan, which became inactive during fiscal 2004 and a new member’s stock option plan that was closed to new members on July 31, 2000 and has no outstanding options.

Of the 88,799 stock options outstanding at January 31, 2006, 13% have an exercise price of \$6.50 or less; the remainder have an exercise price at, or greater than, \$31.00. Of the 81,665 options exercisable at January 31, 2006, 7% have an exercise price of \$6.50 or less; the remainder have an exercise price at, or greater than, \$31.00. At January 31, 2006, the shares closed at \$8.25.

11. CONVERTIBLE SUBORDINATED NOTES – EQUITY COMPONENT

As depicted in Note 8, the Convertible Subordinated Notes were converted into common voting shares on March 31, 2005.

Balance at July 31, 2004	\$	128,635
Accretion to retained earnings		10,179
Conversions in the six months ended January 31, 2005 with a face value of \$4.7 million (see Note 8)		(4,261)
Balance at January 31, 2005		134,553
Accretion to retained earnings		3,556
Conversions in the two months ended March 31, 2005 with a face value of \$1.4 million (see Note 8)		(1,350)
Balance at March 31, 2005		136,759
Recapitalization conversions, with a face value of \$171.7 million into Common Voting Shares (see Note 8)		(136,759)
Balance at July 31, 2005 and January 31, 2006	\$	-

12. POST EMPLOYMENT BENEFITS

a) The company’s net benefit cost related to defined benefit pension plans and retiring allowances is \$0.4 million for the three months ended January 31, 2006 (three months ended January 31, 2005 - \$0.6 million) and \$0.9 million for the six months ended January 31, 2006 (six months ended January 31, 2005 - \$1.1 million).

b) The company, not including subsidiaries and affiliates, contributes to three defined contribution plans of which one is a multi-employer plan. The company's total contribution expense, including the subsidiaries' and proportionate share of joint ventures’ defined contribution plans for the three months ended January 31, 2006 is \$1.1 million (three months ended January 31, 2005 - \$0.7 million) and \$2.0 million for the six months ended January 31, 2006 (six months ended January 31, 2005 - \$1.5 million).

One of the plans that the company contributes to is the Saskatchewan Wheat Pool/Grain Services Union Pension Plan (“Plan”), a closed negotiated cost plan providing defined benefits in respect of approximately 1,400 former employees and approximately 600 current employees. A Board of Trustees consisting of equal representation from the company and the Grain Services Union (“GSU”) administers the Plan. Since the cost is negotiated, the company accounts for this Plan as a defined contribution plan; however it must be valued for regulatory purposes as a defined benefit plan. At the time of the preparation of the fiscal 2005 Second Quarter Report, the company identified an estimated potential deficit of \$1.9 million on a going concern basis and a solvency deficit of \$28 million on wind-up as at December 31, 2004. The company and GSU have met to discuss how to address the solvency deficit, but have

been unable to reach any agreement. The Office of the Superintendent of Financial Institutions (“OSFI”) is aware of the situation and has met with the parties.

On September 22, 2005, OSFI expressed concern about the solvency of the Plan and based on its own financial tests ordered that transfers from the Plan made by members exercising portability rights be restricted to 80% of the accrued value of their benefits. The remaining portion would be paid out over the following five-year period, assuming the Plan does not wind-up.

On January 25, 2006 the Plan Actuary advised the Plan’s trustees that the Plan is not solvent and has an estimated solvency deficiency of \$43.5 million and assets of approximately \$242.5 million. The trustees have advised the company and GSU that they have until April 30, 2006 to negotiate an agreement to restore the Plan to solvency. If the parties fail to negotiate a solution, the company understands the trustees may immediately reduce future accruing benefits to nil. If this occurs, the employees and the employer will continue to contribute to the Plan but employees will not accrue any additional benefit. The trustees have indicated this reduction will not sufficiently address the solvency deficit. A formal actuarial valuation at December 31, 2005 is being conducted to determine the extent of the solvency deficit and, while not due to be filed until June 30, 2006, the company expects the valuation to be complete by March 31, 2006 and subsequently filed by the trustees with OSFI.

On February 21, 2006, the GSU filed a grievance claiming the company is responsible for the solvency deficit. The company intends to defend its position throughout the grievance arbitration process.

Pension regulations will require any solvency deficit at December 31, 2005 to be addressed over a five-year period through quarterly installments plus interest. Assuming a \$43.5 million solvency deficit, additional contributions of approximately \$2.5 million per quarter would be required until termination. Resolving the deficit may be accomplished by making one or more of the following changes to the Plan: amending the Plan structure, reducing benefits, increasing employer contributions or increasing employee contributions. If the GSU and the company cannot agree to make the necessary changes by April 30, 2006, the company has received advice from external legal counsel that the likely outcome would be the termination of the Plan.

The company is in compliance with all of its legal obligations in respect of the Plan including its annual negotiated financial obligation of approximately \$1.3 million. There is a risk that the company may ultimately be held responsible for any increase in contributions required by the formal valuation as at December 31, 2005. The company’s position is that it is not responsible for any payments beyond those negotiated with the GSU. The ultimate outcome of these matters and the results of the formal actuarial valuation are currently uncertain and accordingly, no provision has been recorded for this risk in these consolidated financial statements.

13. INTEREST EXPENSE

	Three months ended		Six months ended	
	January 31		January 31	
	2006	2005	2006	2005
Saskatchewan Wheat Pool Inc. interest	\$ 4,909	\$ 5,715	\$ 9,931	\$ 12,150
Saskatchewan Wheat Pool Inc. non-cash accretion	620	2,979	1,219	5,851
Saskatchewan Wheat Pool Inc. amortization of deferred financing costs	388	-	776	-
Subsidiaries’ and proportionate share of joint ventures’ interest	53	12	(5)	60
	\$ 5,970	\$ 8,706	\$ 11,921	\$ 18,061

14. DISCONTINUED OPERATIONS

In fiscal 2004, the company exited from its Heartland Pork, Heartland Feeds and Aquaculture operations. The results of these operations have been reflected as discontinued operations, in accordance with CICA 3475 Disposal of Long-Lived assets and Discontinued Operations.

The fiscal 2006 net recoveries from discontinued operations are after-tax recoveries related to filings under the Canadian Agricultural Income Stabilization Program (CAIS), a joint federal/provincial risk management program. The CAIS filings represent a recovery of a portion of the operating losses incurred by these discontinued operations in prior years.

The breakdown of discontinued operations presented in the consolidated statements of earnings and retained earnings (deficit) is as follows:

	Three months ended January 31		Six months ended January 31	
	2006	2005	2006	2005
Recoveries before corporate taxes	\$ 7,750	\$ -	\$ 7,750	\$ -
Corporate tax (expense)				
Current	-	-	-	-
Future	(2,829)	-	(2,829)	-
Total corporate tax (expense)	(2,829)	-	(2,829)	-
Net recoveries from discontinued operations ¹	\$ 4,921	\$ -	\$ 4,921	\$ -
¹ Net recoveries from discontinued operations includes:				
Sales, service and other revenues	\$ 7,750	\$ -	\$ 7,750	\$ -

15. SEGMENT INFORMATION

The following information is from continuing operations.

	Three months ended January 31		Six months ended January 31	
	2006	2005	2006	2005
Sales				
Grain Handling and Marketing	\$ 252,592	\$ 221,420	\$ 446,766	\$ 370,200
Agri-products	88,669	75,364	143,176	127,378
Agri-food Processing	30,818	30,054	60,257	61,056
	372,079	326,838	650,199	558,634
Less: Intersegment Sales	4,354	4,555	8,517	7,645
	\$ 367,725	\$ 322,283	\$ 641,682	\$ 550,989
Intersegment Sales				
Grain Handling and Marketing	\$ 4,322	\$ 4,493	\$ 8,348	\$ 7,497
Agri-food Processing	32	62	169	148
	\$ 4,354	\$ 4,555	\$ 8,517	\$ 7,645
EBITDA¹				
Grain Handling and Marketing	\$ 12,148	\$ 7,995	\$ 17,376	\$ 9,511
Agri-products	(11)	5,424	(4,836)	2,005
Agri-food Processing	5,147	5,122	10,336	8,935
	17,284	18,541	22,876	20,451
Corporate Expenses	(6,245)	(4,565)	(11,803)	(8,565)
	\$ 11,039	\$ 13,976	\$ 11,073	\$ 11,886
Amortization				
Grain Handling and Marketing	\$ (2,922)	\$ (2,906)	\$ (5,780)	\$ (5,488)
Agri-products	(2,753)	(2,647)	(5,378)	(5,218)
Agri-food Processing	(1,285)	(1,285)	(2,570)	(2,571)
	\$ (6,960)	\$ (6,838)	\$ (13,728)	\$ (13,277)
EBIT²				
Grain Handling and Marketing	\$ 9,226	\$ 5,089	\$ 11,596	\$ 4,023
Agri-products	(2,764)	2,777	(10,214)	(3,213)
Agri-food Processing	3,862	3,837	7,766	6,364
	10,324	11,703	9,148	7,174
Corporate Expenses	(6,245)	(4,565)	(11,803)	(8,565)
	\$ 4,079	\$ 7,138	\$ (2,655)	\$ (1,391)

¹ EBITDA – earnings from continuing operations before interest, taxes and amortization.

² EBIT – earnings from continuing operations before interest and taxes.

	Three months ended		Six months ended	
	January 31		January 31	
	2006	2005	2006	2005
Capital Expenditures				
Grain Handling and Marketing	\$ 2,178	\$ 1,623	\$ 3,846	\$ 4,132
Agri-products	1,490	723	3,104	1,384
Agri-food Processing	787	425	1,203	1,159
	\$ 4,455	\$ 2,771	\$ 8,153	\$ 6,675

Assets	January 31		July 31	
	2006	2005	2005	
Grain Handling and Marketing	\$ 303,005	\$ 286,079	\$ 313,943	
Agri-products	261,514	216,338	171,652	
Agri-food Processing	87,837	87,553	81,942	
Corporate and other	147,355	145,910	154,323	
	\$ 799,711	\$ 735,880	\$ 721,860	

16. GUARANTEES AND CONTINGENCIES

a) Banking letters of credit and similar instruments – see Note 7.

b) Under the terms of an agreement, a financial institution provides credit for the purchase of crop inputs to customers of the company. Loans are stratified based on program years. Producer loans are generally due to this financial institution on January 31 following the program year. Loans under the program are secured by a general security agreement granted by the customer covering the crop and farm assets.

The company collects loan payments from producer customers in trust for this financial institution and forwards collections the next business day.

Under the agreement, the company has agreed to reimburse this financial institution for loan losses in excess of a reserve (see the table below). Reimbursement amounts are payable to this financial institution at the end of December or eleven months following the due date of the producers' loan. When the company remits payments for delinquent accounts to the financial institution with respect to this program, the delinquent account is assigned to the company and the company is then to collect the amounts payable by the customer. Subsequent collections of these delinquent accounts are allocated to the company and the financial institution in accordance with each party's pro-rated share of the collection proceeds. The company expects that loan losses will not differ significantly from those provided for in these financial statements.

	Company Producer Due Date January 31	Reimbursement Date December 31	January 31		July 31
			2006	2005	2005
			Producer Balance Outstanding	Producer Balance Outstanding	Producer Balance Outstanding
2004 loan program	2005	2005	\$ -	\$ 50,000	\$ 10,980
2005 loan program	2006	2006	42,786	15,836	174,002
2006 loan program	2007	2007	21,249	-	-
			\$ 64,035	\$ 65,836	\$ 184,982

Provision, net of loan loss share:	January 31		July 31
	2006	2005	2005
Total company provision	\$ 3,870	\$ 5,066	\$ 7,401
Portion due within one year	(3,403)	(4,502)	(4,082)
Long-term portion	\$ 467	\$ 564	\$ 3,319

c) In 1987, a joint venture, which manufactured phosphate and nitrate fertilizers, closed two of its facilities. Asset retirement obligations exist regarding these closed facilities, which represent the company's proportionate share of the best estimate by management of the joint venture of the legal obligations that would be incurred during the

reclamation process. Reclamation involves the demolition of the manufacturing facilities and the reclamation of the phosphogypsum stacks. The long-term portion of these obligations, calculated on a net present value basis, is reflected as part of “other long-term liabilities” on the balance sheet. At January 31, 2006 the long-term portion was \$10.2 million (January 31, 2005 - \$11.4 million; July 31, 2005 - \$11.5 million). Uncertainty exists regarding the estimation of future decommissioning and reclamation costs. Actual obligations may differ from those recorded in these statements.

At January 31, 2006, the company’s proportionate share of the undiscounted cash flow required to settle the asset retirement obligations is approximately \$14.2 million, which is expected to be settled over the fiscal 2006 through fiscal 2014 period. The credit adjusted risk-free rates at which the estimated cash flows have been discounted range from 4.00% to 5.15%.

d) The Commissioner of Competition has applied for an order from the federal Competition Tribunal to dissolve the joint venture between the company and James Richardson International Limited. The two companies are contesting this application and will continue operating the joint venture, named Pacific Gateway Terminals Limited, on a status quo basis during the ongoing proceedings.

e) Funding of the Saskatchewan Wheat Pool/Grain Services Union Pension Plan – see Note 12b.

17. SUBSEQUENT EVENTS

a) Refinancing long-term debt

The Board of Directors of the company have approved proceeding to fund the redemption of the \$150 million of senior subordinated notes due November 29, 2008.

b) Lloydminster Joint Venture

On February 22, 2006, the company sold its 50 per cent interest in the Lloydminster Joint Venture. The company expects to record a pre-tax gain of approximately \$2.4 million, which will be reflected in the quarter ending April 30, 2006.

18. COMPARATIVE FIGURES

Certain prior period amounts have been reclassified in order to conform to the financial statement presentation adopted in the current period.