



SASKATCHEWAN WHEAT POOL

1ST QUARTER REPORT - OCTOBER 31, 2002

To our Shareholders:

Fiscal 2003 began as the previous year ended, with severe weather conditions continuing to wreak havoc on western Canadian crops. Frost in August, followed by rains and early snowfall in September and October delayed harvest and severely reduced the quality of grains and oilseeds that will be available to the industry for the remainder of the year. Statistics Canada, in its December 5, 2002 report, estimates western Canadian production of approximately 29 million tonnes, 45% below the five-year average. Dramatic production declines of spring wheat, malting barley, canola and special crops, coupled with low carry-over from the previous year, will reduce marketing opportunities for the entire western Canadian grain industry. In fact, recent Canadian Wheat Board (CWB) projections estimate a mere 8.2 million tonnes of wheat and barley will be exported in Fiscal 2003, 55% below 2001, the last non-drought year.

The Pool's efficiency improvements over the past 24 months will serve it well through this prolonged period of low volumes and earnings. We will work prudently to utilize our merchandizing and logistics expertise to meet our commitment to customers and we are optimistic that renewed moisture levels throughout the Prairies this Fall are the first sign of improved growing conditions for next year.

SUMMARY OF CONSOLIDATED RESULTS:

Saskatchewan Wheat Pool recorded consolidated sales and operating revenues in the first quarter of Fiscal 2003 of \$469.5 million compared to \$673.4 million in the first quarter last year. Approximately \$143 million or 70% of the variance reflects sales, included in the first quarter of Fiscal 2002, from companies that were subsequently sold.

First quarter EBITDA, or earnings before interest, securitization, taxes, depreciation and amortization, was \$1.2 million, down from \$17.0 million in the first quarter last year. Excluding the impact of divested companies, the reduction primarily relates to low grain volumes, coupled with lower earnings from the company's pork production operations.

Interest and securitization costs decreased \$8.6 million in the quarter primarily reflecting substantially lower debt levels at October 31, 2002. Depreciation and amortization for the quarter were also down substantially to \$12.9 million, a 27% reduction from last year's quarter, reflecting the positive impact of the company's divestiture program.

The company continues to focus on efficiency improvements. In the first quarter, the Pool reduced costs from its grain, agri-products and head office operations by \$7.1 million compared to the same period a year ago.

The first quarter operating loss, prior to interest, securitization and taxes (EBIT) was \$11.8 million compared to a loss of \$0.8 million in the first quarter last year, prior to a gain on sale of the company's livestock affiliate. The net loss for the period was \$15.6 million or (\$0.42) per share, slightly better than the comparable \$15.7 million loss, prior to the gain on sale in that quarter. Last year's consolidated net loss was \$12.4 million.

**Segment Data – FISCAL 2003**

As a result of completing its divestiture program at the end of Fiscal 2002, the Pool began on August 1, 2002, to report its segment data within three major segments - Grain Handling and Marketing, Agri-products, and Agri-food Processing. The Pool now reports its results from the pork, feed and aquaculture operations within a fourth segment called "Other."

EBITDA Data

The EBITDA data provided herein is intended to provide further insight with respect to the company's financial results and to supplement its information on earnings (loss) as determined in accordance with Generally Accepted Accounting Principles (GAAP). Similar data may not be provided by other issuers and, if provided, needs to be carefully examined to determine whether it is comparable to the company's EBITDA data.

Sales and EBITDA – Additional Information

In an effort to assist readers in their analysis of year-over-year financial results, the following table provides comparative results with respect to sales, EBITDA and EBIT from businesses that are no longer in the Pool's portfolio as of August 1, 2002.

Divestitures:

Last year's first quarter results contain three-month contributions from:

Agri-Food Processing

CSP Foods
CanAmera Foods

Other

Heartland Feeds (four mills)
Pound-maker Agventures
Western Producer

	<u>1st Quarter – F2003</u>	<u>1st Quarter – F2002</u>
Consolidated sales	\$469.5M	\$ 673.4M
Less sales from divested assets		
Agri-food Processing	(0.0)M	(131.7)M
Other	<u>(0.0)M</u>	<u>(11.2)M</u>
Sales from remaining operations	\$469.5M	\$530.5M
 Consolidated EBITDA	 \$ 1.2M	 \$ 17.0M
Less EBITDA from divested assets		
Agri-food Processing	(0.0)M	(2.7)M
Other	<u>(0.0)M</u>	<u>(1.1)M</u>
EBITDA from remaining operations	\$ 1.2M	\$ 13.2M
 Consolidated EBIT	 \$(11.8)M	 \$ (0.8)M
Less EBIT from divested assets		
Agri-food Processing	(0.0)M	(0.3)M
Other	<u>(0.0)M</u>	<u>(0.7)M</u>
EBIT from remaining operations	\$(11.8)M	\$ (1.8)M

**SEGMENT RESULTS:****Grain Handling and Marketing**

The Pool's primary shipments for the first quarter of Fiscal 2003 were 1.5 million tonnes, down 22% from 2.0 million tonnes in the first quarter of last year. The Pool's shipments of CWB grains dropped 29% while non-Board grain shipments declined 12%. Severe drought during the summer of 2002, low carry-over into the current year and rain and snow during harvest severely reduced supplies of quality grains and oilseeds available for domestic or export customers. As an example, approximately 25% of Hard Red Spring Wheat will grade number one or two, down significantly from normal years, when approximately 75% of the commodity receives top grades.

Despite the reduction in available commodities, the Pool's shipments outperformed the industry during the first quarter.

Western Canadian Shipments
Six Major Grains*
Year-Over-Year Change

Industry	(36%)
SWP	(27%)

* Includes wheat, barley, oats, canola, flax and peas (excludes rye, special crops and others)

CWB exports of wheat and barley for the quarter decreased 55% and 42% respectively. Durum movement was up 23%. In addition, poor quality crops and reduced supplies led to an overall decline in non-Board grain movement. Approximately 56% of the grain shipped by the Pool was for the account of the CWB, down from 61% for the comparable period a year earlier. As of October 31, 2002, 95% of the Pool's shipments moved in unit trains of 25 or more cars, up from 90% last year. The Pool utilized 50- or 100-car unit trains for 74% of its shipments, which compares favourably to 66% last year.

Saskatchewan Wheat Pool's western Canadian market share topped 23% for the first three months - a significant accomplishment given that the drought impact was most prominent in Saskatchewan and Alberta, where the majority of the Pool's facilities are located.

Volumes shipped through the Pool's wholly owned port terminals were 0.5 million tonnes, down from 1.1 million tonnes in the first quarter last year, reflecting a significant reduction in exports for the first quarter. In addition, while the Pool's Thunder Bay volumes were up 8%, Vancouver volumes were suspended on August 26, 2002, as a result of a lockout of port terminal workers. The Pool is a member of a Vancouver employer association, the British Columbia Terminal Elevator Operators Association (BCTEOA), which locked out port terminal employees late last summer. SWP continues to ship through non-BCTEOA employers on the west coast.

Three Month Volumes to October 31, 2002
(000's of tonnes)

	Increase/ (Decrease)	F2003	F2002
Primary Elevator Shipments	-22%	1,535	1,976
Terminal Operations			
Vancouver	-87%	88	687
Thunder Bay	8%	393	364
Share of Affiliates	8%	121	112
Total Terminal Operations	-48%	602	1,163



For the first quarter of Fiscal 2003, the Grain Handling and Marketing segment generated EBITDA of \$8.3 million compared to \$10.8 million in the first quarter last year. EBIT was \$0.8 million in the first quarter compared to \$3.2 million last year. The decrease was attributed to lower volumes and lower margins, partly offset by lower operating costs in Vancouver, cost reductions in the primary system and general cost containment. The company also recorded an accrual for grain volume insurance of approximately \$4.6 million in the first quarter.

Fiscal 2003 will be a challenging year for the company's grain operations as it manages through the impact of one of the worst droughts in history. In addition to low grain production and poor quality crops, producers have not completed the 2002 harvest and as a result, final crop abandonment numbers may remain unknown until the spring. As of November 25, the CWB estimated that 15% of the Saskatchewan crop and 10% of the Alberta crop was not yet harvested.

A great deal of uncertainty also exists about when producers will bring their crops to market. Now that grain prices have improved, producers may delay delivering in hopes of higher prices even though the CWB has indicated they will accept all grain for delivery. The Pool continues to expect its grain volumes to track the industry's for the year with a large drop in volumes in the last half of the year as stocks dwindle. SWP's ability to coordinate large multi-car unit trains will be challenged due to reduced export sales for both CWB and non-Board grains. In addition, low grade wheat and durum will move to the domestic feed markets, further reducing the export potential for large unit trains. Despite these challenges, the Pool will remain focused on maximizing efficiency through the next nine months and is optimistic that recent soil moisture improvements may be a signal of a return to normal growing conditions next season.

Agri-products

Sales for the Agri-products segment for the first quarter were \$44.3 million, down from \$52.9 million in the first quarter last year reflecting reduced sales volumes of agricultural equipment. In addition to rationalizing various equipment lines, the Pool saw a substantial decline in demand for grain storage bins due to the small crop. Sales of fertilizer were stronger in the first quarter of 2003 than last year, while crop protection product (CPP) sales were similar. Unfortunately, the potential for additional CPP and fertilizer sales in the quarter was hampered by the late harvest and early winter weather, which cut short the regular fall application period.

EBITDA for the three months was \$(5.9) million compared to \$(0.7) million in the first quarter last year, while operating earnings or EBIT was \$(7.6) million versus \$(3.6) million last year. The most significant variance in the first quarter was lower service charge revenue associated with the introduction of the Pool's Farm Smart program, which transferred much of the Pool's agri-products financing to Farm Credit Canada and John Deere. The decline, however, was offset by a corresponding reduction of interest and securitization expenses on the company's income statement.

Looking forward, the improvement in soil moisture levels throughout much of the Prairies in the late Fall has renewed optimism among producers. In addition, the small canola and malt barley crops of 2002 will drive renewed demands in 2003. However, because of drought and fall rains, the availability of certain certified seeds will be limited. More intense crop management is expected for all commodities, especially the higher input crops such as canola, given that commodity prices have strengthened. Readers should note, however, that the Agri-products business is extremely seasonal and expectations for the year will depend on growing conditions and commodity price expectations during the spring of 2003.



Agri-food Processing

Sales for this segment in the first quarter of Fiscal 2003 were \$34.7 million, up 23%, after eliminating the sales contributions from divested companies in last year's first quarter. Can-Oat Milling once again drove the sales improvement, while Prairie Malt saw sales drop slightly as the impact of the drought began to take hold.

EBITDA for the Agri-food Processing segment was \$4.7 million, which compares to \$4.9 million after excluding contributions from businesses that were sold in 2002. Prairie Malt's contribution was comparable to last year in the first three months. At Can-Oat, wet harvest conditions reduced crop quality and delayed the availability of new oats. This, combined with the drought, lowered EBITDA for the quarter. The Agri-food Processing segment generated EBIT for the first three months of \$3.5 million, up half a million dollars after excluding the contributions of divested companies included in last year's results.

As we look forward to the remainder of the year, Prairie Malt's contribution is expected to weaken due to the impact of the drought and the resulting lack of quality malt barley available to maltsters. According to the latest Statistics Canada report, barley production was down 48% from the 10-year average to 6.2 million tonnes. Quality is extremely poor and much of the crop is expected to end up in the feed market. As a result of escalated oat prices and a lack of quality oats in the marketplace, Can-Oat intends to take measures to source quality oats from alternate markets to supplement western Canadian supplies. As a result, their contribution for the full year will not hit last year's record, but is still expected to remain strong.

Other

Sales for the Pool's pork, feed and aquaculture operations were \$15.5 million compared to \$20.2 million in the first quarter of Fiscal 2002, after excluding the results from divested companies that were sold in 2002. Heartland Pork marketed 78,000 finished hogs in the quarter compared to 84,000 in the first three months of last year.

EBITDA for the quarter was \$(2.9) million compared to \$2.3 million in the same period last year (excluding the contribution of divested assets). The decrease primarily reflects lower results from Heartland Pork. The selling price for pork was much lower this year and the cost associated with feed rose, further eroding Heartland Pork's margins. Heartland Feeds continued with strong results, benefiting from the rising feed costs, while the aquaculture operation strengthened its performance as well. These combined contributions only slightly offset the lower contributions from the pork operations. EBIT for the segment was \$(5.1) million compared to \$0.7 million in the first quarter last year.

The company expects full-year results from its feed mills to be similar to Fiscal 2002 and improvements in the contribution from the aquaculture business. The pork operation anticipates that hog prices will continue to improve after reaching market lows in early September, however, the benefit is not going to offset the results from the first quarter of 2003.

LIQUIDITY AND CAPITAL RESOURCES

Amended Bank Facilities and Restructuring

On October 23, 2002, the company and its bankers amended the existing secured credit facility. The amendments included a one-year extension of existing operating and term loans and a one-year deferral of scheduled term loan repayments. The agreement also includes a new purchase money security interest (PMSI) facility that funds the Pool's purchase of non-Board grain inventories. Total availability under all facilities remained unchanged at \$275.3 million. The banks also agreed to provide funding for the existing securitization program to November 30, 2003.



At October 31, 2002, total drawings against the bank facilities were \$240 million. This included non-cash drawings of \$55.5 million consisting of letters of credit and similar instruments.

The Pool also announced that it intends to restructure the senior secured debt held by its banks and medium term note holders through a consensual process. The company believes that a capital restructuring solution is essential given the impact on its ongoing operations of two consecutive years of drought. If the Pool is not successful in its efforts to restructure, it is uncertain whether it will be able to address its principal payments that are presently scheduled in November 2003 and in February 2004. As a result, the Pool has agreed to a covenant within its amended bank agreement to complete the restructuring by January 31, 2003.

	TOTAL DEBT			
	Oct 31/02	July 31/02	Oct 31/01	Oct/02 – Oct/01 Change
Bank indebtedness & short-term borrowings	\$ 60M	\$ 34M	\$ 52M	\$ 8M
Member demand loans	19M	25M	30M	(11)M
Long-term debt due in one year	8M	17M	162M	(154)M
Other long-term debt	491M	456M	544M	(53)M
TOTAL DEBT	\$578M	\$532M	\$788M	\$(210)M

Total debt at October 31, 2002, compared to the prior year is down \$210 million reflecting term debt repayments made primarily with proceeds generated through the Pool's divestiture program. The increase from July to October 2002 reflects seasonal increases in working capital.

The Pool's total debt-to-equity ratio at October 31, 2002, was 59:41 compared to 62:38 at October 31, 2001, reflecting significant debt repayments partially offset by a decline in earnings.

Working Capital

The Pool has a securitization program in place to sell its commercial grain and agri-products trade receivables and its CWB inventories. On the Pool's balance sheet, accounts receivable and inventory are presented net of amounts sold under the securitization program.

Accounts receivables of \$158 million at October 31, 2002, were down significantly from \$276 million at October 31, 2001. The major factors were lower grain volumes, the impact of the divestiture program, and a decrease in agri-products receivables. During Fiscal 2002, the Pool introduced the SWP/Farm Credit Canada Crop Input Finance Program. This program significantly decreased the company's accounts receivables for agri-products and the corresponding financing requirements.

Inventories of \$250 million at October 31, 2002, are also down sharply from \$319 million at October 31, 2001. Lower inventories primarily reflected the impact of divestitures and better agri-products inventory management.

Grain inventories were approximately the same at October 31, 2002, and October 31, 2001. A substantial decrease in Board inventories was offset by a corresponding decrease in securitization financing and marginally higher non-Board inventories. Although grain prices are higher year over year, the impact on inventory value is largely offset by lower overall quality of the grain in the system. Non-Board grain inventory financed by the new PMSI bank facility was \$30 million at October 31, 2002.



Accounts payable were \$250 million at October 31, 2002, up slightly from the \$244 million at October 31, 2001. The impact of divested businesses was offset by current amounts due for financing fees under the terms of the Pool's bank credit facilities.

The current portion of long-term debt was \$8 million at October 31, 2002, compared to last year's \$162 million. The decrease reflects the repayments of bank term loans during Fiscal 2002.

The current ratio at October 31, 2002, was 1.31 compared to 1.26 at both October 31, 2001, and July 31, 2002. Working capital was \$104 million, down from \$125 million at October 31, 2001.

Cash Flow Information

Cash flow used in operations was \$11 million for the first three months of Fiscal 2003 compared to \$6 million last year.

ADDITIONAL INFORMATION

The consolidated financial statements of the company have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) applicable to a going concern, which assumes that the company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. See Note 1 – Significant Accounting Policies and Basis of Presentation to the Consolidated Financial Statements of the company.

FORWARD LOOKING INFORMATION

Certain statements in this Management's Discussion and Analysis are forward-looking and reflect the Pool's expectations regarding future results of operations, financial condition and achievements. 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: the company's success in restructuring its senior secured debt with its bankers and medium term note holders; producers' decisions regarding total seeded acreage, crop selection and utilization levels of farm inputs such as fertilizers and pesticides; weather conditions; Canadian grain export levels; changes in government policy and transportation deregulation; world agricultural commodity prices and markets; changes in competitive forces including pricing pressures; and global political and economic conditions, including grain subsidy actions of the United States and the European Union.

Marvin Wiens
President and
Chairman of the Board

Mayo Schmidt
Chief Executive Officer

December 13, 2002

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1st Quarter Report ending October 31, 2002

CONSOLIDATED BALANCE SHEETS

	As at October 31		As at July 31
	2002	2001	2002
	(in thousands)		(in thousands)
	(unaudited)	(unaudited)	(audited)
ASSETS			
Current Assets			
Note receivable	\$ -	\$ 5,000	\$ -
Short-term investments	19,303	-	27,132
Accounts receivable	157,695	275,948	127,132
Inventories	249,685	318,658	191,843
Prepaid expenses	14,955	13,457	10,235
	441,638	613,063	356,342
Investments	9,460	13,247	10,275
Property, Plant and Equipment	621,937	781,121	638,417
Other Long-Term Assets	205,146	190,558	202,346
	\$ 1,278,181	\$ 1,597,989	\$ 1,207,380
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Bank indebtedness	\$ 33,094	\$ 33,491	\$ 30,952
Short-term borrowings	26,615	18,110	2,967
Members' demand loans	19,464	30,393	24,624
Accounts payable	249,991	244,325	207,970
Long-term debt due within one year	8,145	161,630	17,321
	337,309	487,949	283,834
Long-Term Debt	491,426	543,673	456,224
Other Long-Term Liabilities	61,199	80,198	62,766
Non-Controlling Interest	551	3,129	1,286
	890,485	1,114,949	804,110
Shareholders' Equity			
Share capital	457,736	457,697	457,692
Retained Earnings (Deficit)	(70,040)	25,343	(54,422)
	387,696	483,040	403,270
	\$ 1,278,181	\$ 1,597,989	\$ 1,207,380

Significant accounting policies and basis of presentation (Note 1)

On behalf of the Board of Directors

Marvin D. Wiens
DirectorThaddeus P. Trefiak
Director

CONSOLIDATED STATEMENTS OF EARNINGS
AND RETAINED EARNINGS

	Three months ended	
	October 31	
	2002	2001
	(in thousands)	
	(unaudited)	(unaudited)
Sales and Other Operating Revenues	\$ 469,523	\$ 673,398
Cost of Sales and Expenses		
Cost of sales and operating expenses	456,249	635,340
Selling and administrative expenses	12,854	21,354
Depreciation and amortization	12,918	17,760
Gain on disposal	-	(5,283)
	482,021	669,171
Earnings (Loss) Before the Undernoted	(12,498)	4,227
Non-controlling interest	736	294
Earnings (Loss) Before Interest and Taxes	(11,762)	4,521
Interest expense	11,594	17,912
Securitization expense	1,459	3,752
Earnings (Loss) Before Corporate Taxes	(24,815)	(17,143)
Recovery of corporate taxes	9,197	4,749
Net Earnings (Loss)	(15,618)	(12,394)
Retained Earnings, Beginning of Period	(54,422)	37,737
Retained Earnings, End of Period	\$ (70,040)	\$ 25,343
Basic and Diluted Earnings (Loss) Per Share	\$ (0.42)	\$ (0.33)



1st Quarter Report ending October 31, 2002

SALES AND OPERATING REVENUE BY SEGMENT

	Three months ended October 31	
	2002 (in thousands)	2001 (in thousands)
	(unaudited)	(unaudited)
SALES		
Grain Handling and Marketing	\$ 385,134	\$ 440,700
Agri-products	44,314	52,953
Agri-food Processing	34,665	159,780
Other	15,477	31,370
Intersegment sales	(10,067)	(11,405)
	\$ 469,523	\$ 673,398

SEGMENT EARNINGS FROM OPERATIONS

	Three months ended October 31 2002 (in thousands)				Three months ended October 31 2001 (in thousands)			
	(unaudited)				(unaudited)			
	EBITDA	D&A	Loss/ (Gain) or Provision	EBIT	EBITDA	D&A	Loss/ (Gain) or Provision	EBIT
Grain Handling and Marketing	\$ 8,344	\$ 7,555	\$ -	\$ 789	\$ 10,819	\$ 7,626	\$ -	\$ 3,193
Agri-products	(5,895)	1,742	-	(7,637)	(727)	2,871	-	(3,598)
Agri-food Processing	4,717	1,261	-	3,456	7,619	4,274	-	3,345
Other	(2,874)	2,220	-	(5,094)	3,370	2,679	(5,283)	5,974
Segment Results	4,292	12,778	-	(8,486)	21,081	17,450	(5,283)	8,914
Reconciling differences:								
Corporate expenses	(3,136)	140	-	(3,276)	(4,083)	310	-	(4,393)
Per Financial Statements	\$ 1,156	\$ 12,918	\$ -	\$ (11,762)	\$ 16,998	\$ 17,760	\$ (5,283)	\$ 4,521



CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended October 31	
	2002	2001
	(in thousands)	
	(unaudited)	
Cash From (Used in) Operating Activities		
Net loss	\$ (15,618)	\$ (12,394)
Add/(deduct) items not involving cash		
Depreciation and amortization	12,918	17,760
Gain on disposals	-	(5,283)
Recovery of future income taxes	(10,433)	(5,723)
Pension and other items	544	(3,475)
Bank refinancing amortization	2,333	3,297
Non-controlling interest	(736)	(294)
Cash flow used in operations	(10,992)	(6,112)
Changes in non-cash working capital items		
Accounts receivable	(20,557)	(12,352)
Securitization of accounts receivable	(11,484)	(28,928)
Inventories	(21,869)	(53,535)
Securitization of inventories	(36,432)	3,506
Accounts payable	49,068	27,977
Prepaid expenses	(4,921)	(1,309)
Changes in non-cash working capital	(46,195)	(64,641)
Cash used in operating activities	(57,187)	(70,753)
Cash From (Used in) Financing Activities		
Proceeds of long-term debt	29,785	685
Repayment of long-term debt	(1,180)	(1,261)
Proceeds of short-term borrowings	23,648	10,030
Repayment of members' demand loans	(5,160)	(4,811)
Increase (decrease) increase in other long-term liabilities	67	(107)
Decrease in share capital	(6)	(2)
Cash from financing activities	47,154	4,534
Cash From (Used in) Investing Activities		
Property, plant and equipment expenditures	(1,652)	(4,276)
Proceeds on sale of property, plant and equipment	851	4,755
Divestitures	-	19,964
Decrease in investments	803	94
Decrease (increase) in other long-term assets	60	(1,047)
Cash from investing activities	62	19,490
Increase (Decrease) in Cash and Cash Equivalents	(9,971)	(46,729)
Cash and Cash Equivalents, Beginning of Period	(3,820)	13,238
Cash and Cash Equivalents, End of Period	\$ (13,791)	\$ (33,491)
Supplemental disclosure of cash (paid) recovered during the quarter:		
Interest	(8,555)	(13,167)
Income Taxes	(1,548)	(247)

Cash and cash equivalents consist of cash, short-term investments and bank indebtedness.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies and Basis of Presentation

The consolidated financial statements include the accounts of Saskatchewan Wheat Pool and its affiliated companies. The consolidated interim financial statements are unaudited and are based on accounting principles and practices consistent with those used in the preparation of the annual financial statements. These interim consolidated financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the most recent annual financial statements.

Due to the seasonal nature of the company's business, the results of operations for any interim period are not necessarily indicative of the results to be expected for other interim periods or the full year.

Certain prior year amounts have been reclassified in order to conform to current year classifications.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes that the company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

On October 23, 2002, the company and its bankers amended the existing credit agreement. The amendment contains a covenant that the company will complete a financial restructuring by January 31, 2003. With two consecutive years of drought in the company's primary operating area, it is necessary for the company to identify strategic alternatives and develop and implement a plan to further reduce its senior secured debt with its bankers and holders of its \$300 million medium term notes. Furthermore, if the company is not successful in its efforts to restructure, it is uncertain whether the company will be able to address its principal payments, which are presently scheduled in November 2003 and in February 2004. If the company is unsuccessful in restructuring its senior secured debt with its bankers and medium term note holders, there may be uncertainty as to the appropriateness of the going concern assumption.

If the going concern assumption was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported net loss and the balance sheet classifications used.

The unaudited interim financial statements are based upon accounting principles consistent with those used and described in the annual financial statements, except for the following:

(a) Goodwill and Other Intangibles

Effective August 1, 2002, the company prospectively adopted the Canadian Institute of Chartered Accountants (CICA) new Handbook Section 3062 "Goodwill and other Intangible Assets." The new standard requires that goodwill no longer be amortized but instead be tested for impairment at least annually.

At October 31, 2002, the company has not recorded any impairment loss on the company's goodwill (October 31, 2001, goodwill amortization of \$0.8 million).

(b) Stock-Based Compensation and Other Stock-Based Payments

Effective August 1, 2002, the company adopted the new CICA Section 3870, which requires that a fair value based method of accounting be applied to all stock-based payments to non-employees and to direct awards of stock to employees. The company records an expense in the period that options are granted based on the fair value method as determined by the Black-Scholes option pricing model.



The fair value of options issued in the quarter was determined by the Black-Scholes option pricing model, with the following assumptions: risk free rate 5.60%; dividend yield 0%, a volatility factor of the expected market price of the company's shares of 50%, and a weighted-average expected option life of 10 years. 325,264 options were issued in the quarter with an exercise price (equal to market price at the date of issue) of \$1.55. For the October 31, 2002, quarter end, \$50,000 was expensed as stock-based compensation. There is no impact on diluted loss per share as the amount is insignificant.

2. Long-Term Debt

Bank credit facilities with lenders:

	<u>Amount of Facility</u>	<u>Maturity Date</u>	<u>Repayments</u>
Operating Loan	\$ 107.5 million	November 30, 2003	--
Revolving Term Loan	\$ 117.8 million	November 30, 2003	--
Term Loan	\$ 50.0 million	November 30, 2003	--

Details on consolidated bank indebtedness, short-term borrowings and long-term debt are as follows.

	October 2002	October 2001	July 2002
BANK INDEBTEDNESS			
Outstanding current cash tickets	\$15,160	\$17,969	\$18,235
Outstanding cheques	17,934	15,522	12,717
Total	\$33,094	\$33,491	\$30,952

	October 2002	October 2001	July 2002
SHORT-TERM BORROWINGS			
Saskatchewan Wheat Pool short-term borrowings	\$26,615	\$ 2,999	\$ -
Subsidiaries' and proportionate share of joint ventures' short-term borrowings	-	15,111	2,967
Total	\$26,615	\$18,110	\$2,967



1st Quarter Report ending October 31, 2002

	October 2002	October 2001	July 2002
LONG-TERM DEBT			
Medium term notes	\$300,000	\$300,000	\$300,000
Bank term loans	157,600	195,000	117,800
Members' term loans	6,759	7,208	7,899
Subsidiaries and proportionate share of joint ventures' debt	27,067	41,465	30,525
	491,426	543,673	456,224
PORTION DUE WITHIN ONE YEAR			
Bank term loans	-	150,000	9,400
Members' term loans	2,165	1,626	1,770
Subsidiaries and proportionate share of joint ventures' debt	5,980	10,004	6,151
	8,145	161,630	17,321
TOTAL LONG-TERM DEBT	\$499,571	\$705,303	\$473,545

3. Securitization

Under the terms of the securitization agreement, the company maintains the ability to sell two pools of assets on a revolving basis through securitization transactions at varying monthly limits. The trade receivable pool consists of commercial and agri-products trade receivables at monthly sales limits ranging from \$47 million to \$72 million. The CWB grain pool consists of the right to receive proceeds related to grain held for sale to the CWB in accordance with a grain-handling contract. Monthly sale limits for the CWB grain pool range from \$85 million to \$120 million.

	October 2002	October 2001	July 2002
SECURITIZATION			
Accounts receivable	\$13,658	\$125,226	\$ 25,142
Grain inventory	47,313	79,799	83,745
Total	\$60,971	\$205,025	\$108,887

4. Earnings per Share

Basic and diluted earnings per share are calculated using the weighted average number of Class B non-voting shares outstanding during the year, which was 37,425,219 (October 31, 2001, and July 31, 2002, – 37,425,219).

Options related to the New Members' and Management Stock Option Plans have not been included in the calculation of diluted earnings per share because to do so would be anti-dilutive for both 2002 and 2001.

On August 15, 2002, an additional 325,264 options were granted to employees under the Management Stock Option Plan.