



Financial Advisory

Crocus Investment Fund

December 31, 2005 Quarterly Report

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1.0 Background

On June 28, 2005, pursuant to an application made by the Manitoba Securities Commission ("MSC") under Section 27 of *The Securities Act*, the Court of Queen's Bench (the "Court") made an Order appointing Deloitte & Touche Inc. ("Deloitte" or the "Receiver") as Receiver and Manager of the Crocus Investment Fund ("Crocus" or the "Fund"). The Receiving Order appointed Deloitte as Receiver over all of Crocus' current and future assets, undertakings and properties and granted the Receiver powers to carry out its duties as outlined in the Order.

The purpose of this report is to report on the activities of the Receiver as well as to provide an update on the financial position of the Fund. The report will cover the Receiver's operations and activities since Receiver's Report #5 ("Report #5"), dated September 12, 2005. In addition this report provides quarterly financial reporting for the quarters ended September 30, 2005 and December 31, 2005 as contemplated by the Order of Mme. Justice McCawley pronounced on October 19, 2005.

2.0 Activities of the Receiver

The following summarizes the major activities of the Receiver since mid September:

- Attendance in Court regarding the Receiver's motion for an Order approving its plan for the sale of assets of Crocus as well as for amendments to paragraph 3(l) of the Order.
- Preparation of: Supplementary Report#5-A dealing with the above motions; Receiver's Report #6 dealing with a proposed shareholder distribution; Receiver's Report #7 dealing with the sale of Crocus' interest in an investee company, and Receiver's Report #8 dealing with the investigation by the Royal Canadian Mounted Police ("RCMP").
- Attendance in Court respecting Receiver's Report #3 which related to the request for indemnities by various parties involved in the Crocus Class Action and the MSC investigation.
- Ongoing discussions with Chubb Insurance regarding coverage under the Director's & Officer's policy.
- Supervising and directing Crocus staff retained by the Receiver.
- Meeting and corresponding with individual investors.
- Meeting and corresponding with various parties interested in acquiring certain of the investee companies.
- Meetings with the RCMP regarding their investigation.
- Meeting with the MSC respecting their ongoing investigation of Crocus.
- Meetings with various regulatory authorities regarding share valuation and shareholder tax issues.

- Monitoring the status of the Class Action proceedings as well as the status of the MSC hearings brought against the Board of Directors of Crocus.
- Negotiating and closing the sale of investee companies within the Crocus Portfolio.
- Day to day monitoring of the remaining investee companies and discussions with various stakeholders of the investees about the possible courses of action respecting Crocus' investment in the investee.
- Fulfilling the duties of Crocus as General Partner of the Manitoba Science & Technology Fund.
- Ongoing discussions with various pension authorities as well as the Crocus plan administrator about the wind-up of the Crocus pension plan.
- Negotiating and finalizing outstanding severance matters.
- Establishing a mechanism whereby parties interested in acquiring Crocus' interests in investee companies could submit proposals.

3.0 Operations

The ongoing activities of Crocus consist of investment monitoring, financial reporting, shareholder services and tax reporting as well as information technology. The Receiver has retained former Crocus staff in each of these areas. The major costs currently being incurred are payroll, rent and professional costs. As was outlined in Report #5, the Receiver's goal has been to further reduce operating costs to mitigate cash operating losses of the fund which has been achieved through the following:

- Reduction of the staff and the realignment of duties reducing the total staff complement from 11 to 6.
- Completion of the sublets of the 4th and 6th floors at the Crocus premises at 211 Bannatyne.

The Receiver is of the view that the current staffing complement is adequate and has entered into longer term contracts with these staff members. In addition, the Receiver has retained one former investment staff member on a consultative basis.

In order to carry on the administration of the receivership and ensure that the assets of Crocus are protected, the Receiver felt that it was necessary to have investee board representation in some cases. This matter was dealt with in Receiver's Report #4 and the Order of the Court dated October 4, 2005. Ongoing discussions are being held with various investee companies about possible Board seats.

4.0 Financial Position

Financial statements for Crocus have been prepared for the quarter and fiscal year ended September 30, 2005 as well as the quarter ended December 31, 2005. The financial statements are attached as Appendix 1 and 2, respectively. The statements are internal and unaudited, and were prepared in a manner consistent with the financial information that was formerly provided to Crocus shareholders other than the portfolio valuation which remains frozen at the June 28, 2005 value.

For the fiscal year ended September 30, 2005, the Fund lost approximately \$59.1 million which is primarily due to a \$50.0 million loss incurred on the sale and revaluation of the investment portfolio. The details of the operating loss were discussed in detail in Report #5.

The following are the financial highlights for the quarter ended December 31, 2005:

- Crocus' income for the period totalled \$957,000.
- Crocus had approximately \$24.4 million of cash, bonds and GIC's.
- Approximately \$1.5 million (versus \$3.5 million as at June 28, 2005) of the cash, bonds and GIC's are considered sequestered pursuant to an agreement whereby Crocus guaranteed advances made by Assiniboine Credit Union ("ACU") to certain investee companies within the Crocus portfolio. The reduction is a result of the sale of two (2) investees where Crocus had guaranteed advances made by the ACU and where the Receiver had negotiated the assumption / extinguishment of the guarantees as part of the sale.
- The net carrying value of the remaining Crocus Portfolio of investees was approximately \$59.9 million.

- Trade payables as at December 31, 2005 total approximately \$1.2 million which included both pre and post receivership balances owing for payroll and wage costs, professional fees, a contingent accrual for professional fees arising from indemnifications, and taxes.

5.0 Portfolio

5.1 Valuation

As at June 28, 2005, there were 46 individual investee companies within the Crocus Portfolio with a gross carrying value of \$64.1 million. The investments were comprised of both equity and debt, with the majority being minority equity positions. As at December 31, 2005 there were 39 investees remaining with a gross carrying value of approximately \$61.5 million. The remaining investees are detailed in Appendix 2. The Receiver is of the view that the cost would outweigh the benefit in revaluing the portfolio on an ongoing basis given that the Fund is not trading, and accordingly, for the present, the valuation of all remaining investees within the portfolio has been frozen at their June 28, 2005 values. Should a transaction be contemplated, appropriate valuations would be undertaken to update the carrying value.

5.2 Sale and Disposition

The Receiver recommended in Report #5 that there be an orderly sale of the assets of Crocus over a reasonable period of time and that generally each of the investees would be dealt with separately on their own merits; however the Receiver did not rule out the possible sale of more than one investee to an interested party. The Receiver's plan was approved by the Court in a judgment delivered on October 27, 2005.

The Receiver has received a number of enquiries from both strategic investors as well as from venture capital funds looking to acquire Crocus' interest in certain of the investee companies. The Receiver is cognizant of confidentiality issues, rights of first refusal and other contractual obligations arising from agreements that Crocus had entered into with the various investee companies. Accordingly the Receiver has approached the sale of the portfolio in the following manner:

- 1) Meeting with all of the individual investees to determine their position regarding: redemption of the Crocus interest; a sale to a private investor; a sale to another fund; etc. In addition, the Receiver has determined a prospective sale strategy for each investment and at the same time is considering the estimated timeframe for dealing with the disposition of the investment.
- 2) The Receiver has also written all potential purchasers who have expressed an interest in the portfolio and requested that they identify the investee(s) that they would be interested in acquiring as well as the financial information and due diligence procedures that they would require should the Receiver be in a position to consider offers on that particular investee.

The Receiver is now dialoguing with the interested parties. In addition, the Receiver is having further discussions with the investee companies to ensure that all processes being followed are in accordance with the various agreements.

5.3 Portfolio Transactions / Developments

The following is a summary of the transactions and developments within the portfolio since June 28, 2005:

- The Receiver has sold Crocus' position in four (4) investees (Sequoia Energy Fund, Centrestone Ventures Limited Partnership, IMRIS Inc., SR&J Customer Call Centres Inc.). Two of these investees had potential exposure under guarantees which were eliminated as part of the sale.
- The Receiver has also recovered available funds on two (2) investees (Blye Brothers Entertainment Inc. and Venture Seeds Ltd.) which had ceased operations prior to the receivership of Crocus. Recoveries on these two investments are now considered final.

- One publicly traded investee held a special meeting of shareholders on December 23, 2005 wherein a special resolution was adopted which effectively took the company private and provided for redemption of minority interests at a specified rate. Crocus had less than a 1% interest in this investee. The Receiver and its counsel have reviewed their options respecting the redemption and redeemed Crocus' shares.
- The shareholder agreement with one investee required Crocus to tender a portion of its shares to employees of the investee at a predetermined price. Accordingly the Receiver complied and a portion of the shares were sold in accordance with the shareholder agreement. The sale proceeds were received in December 2005.
- The Receiver has initiated formal recovery proceedings through the appointment of a Court Appointed Receiver on COH Holdings ("COH") where its board and staff had resigned and the Company had ceased operations. The Court Appointed Receiver has confirmed that it has taken possession of the assets and is proceeding to establish a process for dealing with potential claims against COH including any claim which Crocus may have.
- The Receiver has issued a demand against one investee where a significant amount of interest arrears was due but remains unpaid. No response has been received from the investee company and the Receiver has instructed counsel to take further collection action.
- The Receiver has made application to Court regarding one investee where a sale of Crocus' interest has been negotiated, but where another party is withholding books and records which are required to complete the sale. At a Court hearing held on December 9, 2005, the Court ordered that the party provide the book & records to the Receiver by December 23, 2005. The Receiver is currently reviewing the records received to determine completeness with a view to ultimately completing a sale.

- Another investee has given the Receiver formal notice that it intends to buy back Crocus' investment on the basis that the initial Order appointing Deloitte as Receiver was a "trigger event" within the shareholder agreement allowing the investee to buy back Crocus' interest at a pre-set value defined in the shareholder agreement. The Receiver has taken the position that the appointment of Deloitte is not a "trigger event" and that the pre-set value does not reflect market value of the investment. Discussions are ongoing.
- One investee is a limited partnership holding several science and technology investments. Crocus is an investor as well as the General Partner. The Receiver has updated the financial statements of this partnership and held a meeting of the partners to determine the future direction of the partnership. A number of the investments held by the limited partnership are common to the investments held by Crocus. The limited partners have provided the Receiver as the General Partner with the mandate to wind-down the partnership.
- The Receiver is currently in discussions and negotiations with six (6) of the remaining investee companies about exit strategies which could include immediate buy-out of Crocus' interest or a restructuring of the current agreement which would see a formalized exit agreement negotiated.

The Receiver continues regular monitoring, review and meetings with the balance of the investees within the portfolio.

In summary, since its appointment, the Receiver has received proceeds of approximately \$2.4 million for investments with a June 28, 2005 book value of approximately \$2.5 million representing a recovery of approximately 98%. In addition, the Receiver has eliminated exposure on approximately \$1.7 million in guarantees bringing the combined recoveries to approximately \$4.1 million on a carrying value of \$2.5 million.

6.0 Contingent Liabilities

Report #5 outlined a number of contingent liabilities of the Fund. The following is an update of developments regarding known contingent liabilities. The Receiver however cannot provide any assurance that all contingent liabilities of the Fund have been identified.

6.1 Class Action Proceedings

The Receiver continues to monitor the statement of claim under *The Class Proceedings Act* ("Class Action") which was filed against Crocus, Crocus Capital Inc. and 21 other defendants on July 12, 2005 and which seeks damages of \$150 million for oppression and negligence as well as punitive and exemplary damages of \$50 million.

Counsel for the plaintiffs have served materials in support of the plaintiffs' motion for certification and anticipate that the certification motion will be argued in the summer of 2006. On January 10, 2006, counsel for the various parties met with Mr. Justice K. Hanssen who has been appointed as case management judge in order to start the scheduling process of the motion for certification.

To date the Receiver has not taken any position in these proceedings other than to monitor the progress of the action.

6.2 Indemnifications

In addition to the Class Action, prior to the appointment of the Receiver there had been an investigation of Crocus by the Office of the Auditor General ("OAG") as well as an investigation into the conduct of Crocus and its directors and officers by the MSC. In total, 17 former officers and directors were named in the investigations and proceedings. The former Board Members of Crocus made a motion to the MSC to stay the proceedings against them citing their opinion that the MSC cannot

prosecute and adjudicate impartially. The MSC panel decisions have been appealed with further hearings anticipated in the spring of 2006.

Several of the former directors and officers as well as the former lead brokers for Crocus have indicated that they are entitled to be indemnified out of the assets of Crocus and requested that payments to their counsel continue through the Receiver. Counsel representing the proposed class members in the Class Action proceedings is opposed to the use of Crocus' assets to indemnify former officers and directors. The Receiver outlined a proposed approach for the competing positions in Receiver's Report #3. This matter was heard on December 13, 2005 and Justice McCawley has reserved her decision.

6.3 Guarantees

Crocus had guaranteed the indebtedness of certain advances to its investee companies from other lenders. As a result of the disposal of three (3) investments which were subject to guarantees, the Receiver has reduced the number of investments with guarantee exposure from eight (8) to five (5) and has reduced the corresponding exposure to Crocus from \$7.7 million to \$4.0 million. The value of the guarantees where payment is considered likely has been provided for in the December 31, 2005 financial statements and totals \$1.6 million.

6.4 Pension Plan

Crocus had funded a defined benefit pension plan for its employees that was administrated by the Canadian Labour Congress ("CLC plan"). Effective January 1, 2005, the pension plan was changed to a defined contribution plan administrated through Great-West Life ("GWL plan"). It had been the intention of Crocus to have the CLC plan transferred to the GWL plan but the transfer process was not initiated prior to the receivership. The CLC has recently outlined their position that a transfer is no longer an option and that a partial wind-up of the CLC plan is required to effect a transfer of the Crocus employees out of the CLC plan. This matter remains under consideration.

6.5 Severance Claims

The Receiver has had discussions with the two former employees that were not paid prior to the receivership and have subsequently advanced claims for severance. The Receiver is in the final stages of its investigation and intends to initiate settlement discussions shortly.

6.6 Litigation

As was noted in Report #5, Crocus as well as an investee, COH, are the subject of a claim brought forth by a former employee of COH. The claim was advanced in a US Court; leave has not been granted in the Manitoba Court of Queen's Bench. The Receiver believes that the claim against Crocus is frivolous and will defend it vigorously. The Receiver has made application to the US Court to have the litigation, as it relates to Crocus, moved to Manitoba.

6.7 Western Economic Diversification

Subsequent to Report #5 the Receiver became aware of a potential claim by the Government of Canada - Western Economic Diversification (WED) relating to \$2.0 million in contributions made by WED to Crocus from 1994 to 1996. A portion of the contributions were repayable by Crocus on an annual basis from 1996 to 2008 if certain profitability levels were achieved. The Receiver is currently reviewing the agreement with WED to determine the extent of potential liability, if any.

6.8 Trailer Fees

As was outlined in Report #5, Crocus had paid referring broker/agents a commission a portion of which was payable over the hold period. Based on a share price of \$6.00, the estimated liability is approximately \$1.5 million. As the ultimate amount of repayment to shareholders is unknown, no liability for trailer fees has been accrued within the financial statements.

6.9 Other

Since its appointment, the Receiver is aware of two indemnities provided by Crocus relating to investees. The Receiver continues to ascertain whether further indemnities exist.

7.0 Share Value

The net asset value per share ("share value" or "unit value") as at June 28, 2005 was \$5.99. The December 31, 2005 share value on a consistent basis, but subject to freezing the value of the remaining portfolio at June 28, 2005, is \$6.00.

As was noted in previous reports, the Receiver emphasizes that the unit value of \$6.00 is an accounting book value as opposed to the realizable value of the investments and is not an indication as to what amount of funds may be available for distribution to the Class A shareholders.

The ultimate realizable value of the shares will be dependent on future events which will determine the realizable value of the portfolio. As well, the amounts that Crocus will have to pay in order to settle known and contingent liabilities, including payment on various indemnities, may have a material effect on the unit value which is ultimately available for distribution to Crocus unit holders. The Receiver continues to believe that these amounts may be significant in light of the current investigations and the Class Action lawsuit against the Fund and other parties that are claiming Crocus' indemnification. Specifically, the ultimate realizable value of the Class A shares is dependent on future events, which would include:

- Possible further increases/reductions in the value of the portfolio as a result of ongoing investee performance.
- The length of time taken to realize on the portfolio.
- The extent of guarantees which Crocus and the Receiver may be required to honour.
- Professional costs incurred by the Receiver and its counsel as a result of current and future litigation.

- Costs and damages to which Crocus may become liable and the Receiver may have to pay as a result of indemnities granted by Crocus.
- Costs and damages to which Crocus may become liable as a result of the Class Action proceedings.
- Any provision for the costs of the difference between the head lease and subleases for the premises maintained by Crocus.
- The additional liability, if any, for the trailer fees payable to agents/brokers.
- Any potential for liability/surplus under Crocus' employee pension plan.
- Any additional guarantees or indemnities granted by Crocus which have not yet been identified.
- All other costs of monitoring the portfolio and realizing on the assets.

The Receiver will continue to provide updates on the share value in its quarterly reports to the Court.

8.0 Shareholder Hold Period / Tax Issues

8.1 Hold Period

In the present circumstances, the issue regarding the applicability of the eight (8) year hold period for Class A shareholders is only relevant should the Court authorize the Receiver to distribute surplus cash. This shareholder distribution issue is the subject of Receiver's Report #6 which is presently before the Court.

8.2 Tax Implications to Shareholders

The Receiver has had ongoing meetings with various regulatory authorities with a view to establishing the protocol and tax treatment for distributions to the shareholders. It is hoped that the potential tax issues could be dealt with without Court involvement however it is conceivable that the Receiver may require the assistance of the Court to clarify certain issues prior to any distribution being finalized. This application to Court would only be considered after the Court makes a decision respecting the overall possibility of making a distribution.

9.0 Legal / Reserve Requirements

9.1 RCMP Investigation

Pursuant to Receiver's Report #8 and the Order of the Court dated October 19, 2005, the RCMP have commenced and are continuing their investigation.

9.2 Reserve Requirements

Section 12(1) of the Crocus Act, required Crocus to maintain a reserve fund. While the section of the Crocus Act is detailed in the method of calculation, it effectively required Crocus to maintain a pool of cash and short term investments, the total of which must exceed 15% of the fair market value of its investments. As at June 28, 2005 Crocus was in compliance with the reserve requirement. For the present, the reserve requirement remains in place, however the Receiver will be discussing the matter with appropriate officials to discuss its ongoing applicability. This matter continues to be an issue which will have to be resolved prior to any distribution of funds to the shareholders.

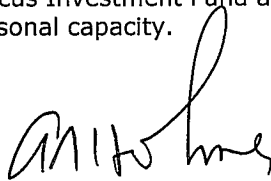
10.0 General

A Statement of Receipts and Disbursements from June 28, 2005 to December 31, 2005 is attached as Appendix 3.

The Receiver will continue to keep the Court apprised of ongoing developments with the next quarterly report to be filed prior to April 15, 2006.

Respectfully submitted this 15th day of January, 2006.

DELOITTE & TOUCHE INC., in its capacity as Receiver and Manager of Crocus Investment Fund and not in its personal capacity.

A handwritten signature in black ink, appearing to read "A.R. Holmes". The signature is written in a cursive style with a large, looping initial "A".

Per: A.R. Holmes
Senior Vice-President

Appendices

Appendix 1

**Crocus Investment Fund
Consolidated Statements of Net Assets
As at September 30, 2005 (unaudited)**

ASSETS

Investments in Manitoba Businesses	
Less: Allowance for investment guarantees	
Net Investments in Manitoba Businesses	
Investments in marketable securities	
Investments in marketable securities - sequestered	
Cash	
Accounts receivable	
Prepaid expenses	
Capital assets	
Deferred costs	

LIABILITIES

Accounts payable and accrued liabilities	
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NET ASSETS

	September 30, 2005
\$	64,138,191
	<u>(3,253,988)</u>
	60,884,203
	18,055,910
	<u>3,500,000</u>
	82,440,113
	55,528
	2,434,098
	149,154
	767,423
	<u>15,974</u>
	<u>85,862,289</u>

	1,151,348
\$	<u>84,710,942</u>

SHAREHOLDERS' EQUITY

Share capital	
Deferred selling costs adjustment	
Deficit	

	188,014,669
	<u>(9,134,637)</u>
	(94,169,090)
\$	<u>84,710,942</u>

**"GAAP" NET ASSET VALUE PER CLASS "A" COMMON SHARE and
SERIES TWO CLASS "I" SPECIAL SHARE**

\$	<u>5.93</u>
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Consolidated Statements of Operations
For the period ended September 30, 2005 (unaudited)

	Quarter Ending	Year to Date
	September 30, 2005	September 30, 2005
REVENUE		
Interest and dividend revenue	\$ 545,292	\$ 1,168,922
Management fees	33,340	1,154,238
	<u>578,632</u>	<u>2,323,160</u>
OPERATING EXPENSES		
Amortization of capital assets	42,590	179,474
GST and capital tax	78,080	425,435
General and administrative	183,082	1,660,977
Investment management	339,515	1,848,704
Occupancy	103,836	405,458
Professional fees	641,546	904,068
Shareholder services	86,876	379,303
Selling, marketing and offering	0	1,106,778
	<u>1,475,525</u>	<u>6,910,197</u>
	<u>(896,893)</u>	<u>(4,587,037)</u>
	0	1,137,151
	0	2,787,117
	0	542,766
	-	4,467,034
	<u>(896,893)</u>	<u>(9,054,071)</u>
	0	<u>(13,834,181)</u>
	0	(21,910)
	10,812	<u>(36,158,536)</u>
	<u>10,812</u>	<u>(50,014,626)</u>
	<u>(886,081)</u>	<u>(59,068,697)</u>
	<u>(15,000)</u>	<u>(60,000)</u>
	<u>(901,081)</u>	<u>(59,128,697)</u>
	\$	\$

OPERATING LOSS BEFORE NON-RECURRING ITEMS

Restructuring costs	
Severance expense	
Valuation fees	
LOSS BEFORE THE FOLLOWING	
Net realized loss on disposal of investments in Manitoba businesses	
Net change in unrealized appreciation on marketable securities	
Net change in unrealized appreciation on investments in Manitoba businesses	

LOSS BEFORE INCOME TAXES

Provision for income taxes	
LOSS FOR THE PERIOD	

**Consolidated Statements of Deficit
For the period ended September 30, 2005 (unaudited)**

DEFICIT-BEGINNING OF PERIOD, September 30, 2004

Loss for the period
 Series Three Class "I" Special Shares dividend
 Excess of stated value of Class "A" Common Shares redeemed and Series Two
 Class "I" Special Shares redeemed over the redemption value
DEFICIT-END OF PERIOD

September 30, 2005	
\$	(34,805,460)
	(59,128,697)
	(333,333)
	98,400
\$	<u>(94,169,090)</u>

**Consolidated Statements of Changes in Net Assets
For the period ended September 30, 2005 (unaudited)**

NET ASSETS - October 1, 2004, as previously reported

Operating activities
 Loss for the period
Capital transactions
 Proceeds from issuance of Class "A" Common Shares
 Redemption of Class "A" Common Shares
 Redemption of Class "I" Special Shares
 Series Three Class "I" Special Shares dividend
 Sales charges relating to the issuance of Class "A" Common Shares
NET ASSETS - END OF PERIOD

September 30, 2005	
\$	154,302,105
	<u>(59,128,697)</u>
	95,173,408
	300,348
	(419,282)
	(10,000,000)
	(333,333)
	(10,198)
\$	<u>84,710,942</u>

Consolidated Statements of Investment Portfolio
As at September 30, 2005 (unaudited)

Investment Portfolio by Sector

Science, Medical and Technology

	Debt Cost	Equity Cost
	\$	\$
Biovar Life Support Inc.	-	500,000
CentreStone Ventures Limited Partnership	350,000	-
Diamedica Inc.	-	302,400
Genesys Venture Inc.	-	425,000
IMRIS Inc	100,000	125,000
	-	-
	-	4,294,469
	-	2
	1,078,000	-
Manitoba Science & Technology Fund	-	2,702,000
Medicure Inc.	-	1,150,000
Novra Technologies Inc.	-	1,249,999
	777,197	-
Online Enterprises Inc.	-	5,500,003
ST Partnership	-	802,565
Viventia Biotech Inc.	-	515,000
Total Science, Medical and Technology -	2,305,197	17,566,438

Sector Percentage: 22%

Consolidated Statements of Investment Portfolio
As at September 30, 2005 (unaudited)

Investment Portfolio by Sector

Manufacturing

Carte International Inc.	Common shares	-	1,220,000
	Debenture	4,000,000	-
Cando Contracting Ltd.	Class "A" common shares	-	2,077,032
Enterprise Swine Systems Ltd	Debenture	600,000	-
Enterprise Swine Systems II Ltd	Debenture	267,086	-
ESS Holding Company	Common shares	-	600,000
	Guarantee	557,512	-
Maple Leaf Distillers Inc	Preferred shares	-	2,000,000
Mondetta (Dimensions 100 Inc)	Series "I" class "A" common shares and warrar	-	800,001
Sequoia Energy Fund	Common shares	-	550,000
Turtle Mountain Pork Limited Partnership	Limited partnership units	-	500,000
Turtle Mountain Pork II Limited Partnership	Limited partnership units	-	400,000
Venture Seeds Ltd	Convertible debenture	52,980	-
Westward Industries Limited	Common shares	-	990,000
	Debenture	94,000	-
Other	Each individually less than \$100,000	-	46
Total Manufacturing -	Sector Percentage: 16%	5,571,578	9,137,079

**Consolidated Statements of Investment Portfolio
As at September 30, 2005 (unaudited)**

Investment Portfolio by Sector

Entertainment and Hospitality

Blye Brothers Entertainment Inc.	Promissory note	854,164	-
Canad Corporation of Canada Inc.	Common shares and warrants	-	251
Crocus Hockey Holdings Inc.	Common shares	-	5,000,000
D.L.J.S. Enterprises Ltd.	Promissory note	46,939	-
Green Gates Country House and Restaurant	Common shares	-	5,067,524
	Debenture	25,000	-
	Promissory note	145,000	-
	Class "A" common shares	-	330,000
	Promissory note	70,000	-
	Debenture	210,000	-
Mezzo Limited Partnership	Limited partnership units	-	158,282
Minds Eye Pictures	Class "A" common shares	-	3,000,000
	Debenture	679,361	-
Muddy Waters Smokehouse	Letter of credit	1,931,459	-
Pasta La Vista	Promissory note	134,315	-
	Common shares	-	75,671
	Promissory note	136,835	-
	Debenture	172,965	-
True North Holding Company	Special preference units	-	400,000
Winnipeg Goileyes Baseball Club Inc.	Common shares	-	576,851
	Debenture	434,149	-
Winnipeg Spaghetti Corp.	Debenture	644,298	-
W.O.W. Hospitality Concepts Inc.	Debenture	1,646,626	-
Other	Each individually less than \$100,000	-	50,000
Total Entertainment and Hospitality -	Sector Percentage: 24%	7,131,111	14,658,579

Consolidated Statements of Investment Portfolio
As at September 30, 2005 (unaudited)

Investment Portfolio by Sector

Financial Services

Manitoba Property Fund
 National Leasing Group Inc.

Limited partnership units
 Class "A" common shares

Promissory note

Wellington West Capital Inc.

Common shares

Debtenture

Total Financial Services -

Sector Percentage: 10%

	Debt Cost \$	Equity Cost \$
	-	928,462
	-	6,017,647
	138,750	
	-	1,870,700
	500,000	
	638,750	8,816,809

Service

Mid Canada Production Services Inc.
 POS Systems Ltd.
 SR&J Customer Care Call Centre Inc.

Common shares
 Debtenture and warrants

Convertible debtenture and warrants

Debtenture

Promissory notes

Total Service -

Sector Percentage: 5%

	-	290,000
	750,257	
	750,000	
	1,000,000	
	1,453,402	
	3,953,659	290,000

Non Operating

COH Holdings (US) Inc.
 (formerly OpTx Corporation)
 eZedia Inc.

Series "B-1" convertible preferred shares

Common shares and warrants

Common shares and warrants

Debtenture

Promissory note

Guarantee

Total Non Operating -

Sector Percentage: 23%

	-	4,839,356
	-	3,705,334
	-	4,938,938
	6,442,093	
	100,000	
	523,433	
	7,065,526	13,483,628

TOTAL

Sector Percentage: 100%

	26,665,821	63,952,533
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INVESTMENTS IN MANITOBA BUSINESSES AT COST

90,618,354

NET DECLINE IN VALUE OF

INVESTMENTS IN MANITOBA BUSINESSES

(29,734,151)

NET INVESTMENTS IN MANITOBA BUSINESSES

60,884,203

**Consolidated Statements of Investment Portfolio
As at September 30, 2005 (unaudited)**

BONDS AND DEBENTURES

Province of Manitoba
Manitoba Hydro
City of Winnipeg

<u>Par Value</u>	<u>Amortized Cost</u>
\$200,000	\$200,000
811,000	811,000
600,000	599,137
<u>1,611,000</u>	<u>1,610,137</u>

SHORT TERM INVESTMENTS

Government of Canada Treasury Bills
Bank of Montreal Guaranteed Investment Certificates
RBC Guaranteed Investment Certificates
Money Market Investments
Assiniboine Credit Union
Scotia Bank

638,000	621,693
1,064,125	1,064,125
14,103,316	14,103,316
13,348	13,348
3,465,417	3,465,417
555,238	555,238
<u>19,839,443</u>	<u>19,823,136</u>

21,450,443 21,433,273

**NET UNREALIZED APPRECIATION OF INVESTMENTS
IN MARKETABLE SECURITIES**

122,636

INVESTMENTS IN MARKETABLE SECURITIES

\$21,555,910

**Notes to the Consolidated Financial Statements
For the period ended September 30, 2005 (unaudited)**

"GAAP" Net Asset Value of Class "A" Common Shares and Series Two Class "I" Special Shares

The net asset value of the Fund's issued Class "A" Common Shares and Series Two Class "I" Special Shares is calculated as follows:

Net assets - end of year	September 30, 2005
Less: Attributed to Class "L" Special	\$
	84,710,942
	<u>(200)</u>
Balance attributed to the Class "A"	<u>84,710,742</u>
Number of issued Class "A" Common	14,220,000
Number of issued Series Two Class "I"	<u>69,126</u>
"GAAP" net asset value per Class "A" and Series Two Class "I" Special Shares	<u>14,289,126</u>
	<u>\$5.93</u>

Appendix 2

**Crocus Investment Fund
Consolidated Statements of Net Assets
As at December 31, 2005 (unaudited)**

ASSETS

Investments in Manitoba Businesses	
Less: Allowance for investment guarantees	
Net Investments in Manitoba Businesses	
Investments in marketable securities	
Investments in marketable securities - sequestered	
Cash	
Accounts receivable	
Prepaid expenses	
Capital assets	
Deferred costs	

LIABILITIES

Accounts payable and accrued liabilities	
--	--

NET ASSETS

December 31, 2005	
\$	61,491,636
	(1,576,567)
	59,915,069
	22,186,070
	1,500,000
	83,601,139
	751,093
	1,703,774
	78,563
	740,203
	11,980
	86,886,751
	1,218,453
\$	85,668,298

SHAREHOLDERS' EQUITY

Share capital	
Deferred selling costs adjustment	
Deficit	

	188,014,669
	(9,134,637)
	(93,211,734)
\$	85,668,298

"GAAP" NET ASSET VALUE PER CLASS "A" COMMON SHARE and

SERIES TWO CLASS "I" SPECIAL SHARE

\$	6.00
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**Consolidated Statements of Operations
For the period ended December 31, 2005 (unaudited)**

	Year to Date December 31, 2005
REVENUE	
Interest and dividend revenue	525,891
Management fees	100,326
	<u>626,217</u>
OPERATING EXPENSES	
Amortization of Capital Assets	37,364
Indemnification Contingency	240,000
Occupancy	100,283
Administrative, Office and Investment	222,149
Legal	134,140
Receiver and Manager	335,446
Salaries and Benefits	203,742
	<u>1,273,124</u>
OPERATING LOSS BEFORE NON-RECURRING ITEMS	<u>(646,907)</u>
Amount realized in excess of June 28, 2005 carrying value	<u>1,619,263</u>
INCOME BEFORE INCOME TAXES	972,356
Provision for income taxes	(15,000)
INCOME FOR THE PERIOD	<u>\$ 957,356</u>

Consolidated Statements of Deficit
For the period ended December 31, 2005 (unaudited)

DEFICIT-Beginning of period, September 30, 2005
Income for the period
DEFICIT-END OF PERIOD

December 31, 2005
\$ (94,169,090)
957,356
<u>\$ (93,211,734)</u>

Consolidated Statements of Changes in Net Assets
For the period ended December 31, 2005 (unaudited)

NET ASSETS - September 30, 2005
Operating activities
Income for the period
NET ASSETS - END OF PERIOD

December 31, 2005
\$ 84,710,942
957,356
<u>\$ 85,668,298</u>

Consolidated Statements of Investment Portfolio
As at December 31, 2005 (unaudited)

Investment Portfolio by Sector

Science, Medical and Technology

Biovar Life Support Inc.	Class "B" common shares	-	500,000
	Promissory note	350,000	-
Diamedica Inc.	Common shares	-	425,000
Genesys Venture Inc.	Voting common shares	-	125,000
	Promissory note	100,000	-
Manitoba Science & Technology Fund	Class "A" limited partnership units	-	2,702,000
Medicure Inc.	Common shares and warrants	-	1,150,000
Novra Technologies Inc.	Common shares and warrants	-	1,249,999
	Debtenture	777,197	-
Online Enterprises Inc.	Class "A" common shares	-	5,500,003
ST Partnership	Limited partnership units	-	802,565
Total Science, Medical and Technology -		1,227,197	12,454,567

Manufacturing

Carte International Inc.	Common shares	-	1,220,000
	Debtenture	4,000,000	-
Cando Contracting Ltd.	Class "A" common shares	-	1,816,141
Enterprise Swine Systems Ltd	Debtenture	600,000	-
Enterprise Swine Systems II Ltd	Debtenture	267,086	-
ESS Holding Company	Common shares	-	600,000
	Guarantee	557,512	-
Maple Leaf Distillers Inc	Preferred shares	-	2,000,000
Mondetta (Dimensions 100 Inc)	Series "I" class "A" common shares and warrar	-	800,001
Turtle Mountain Pork Limited Partnership	Limited partnership units	-	500,000
Turtle Mountain Pork II Limited Partnership	Limited partnership units	-	400,000
Westward Industries Limited	Common shares	-	990,000
	Debtenture	94,000	-
Other	Each individually less than \$100,000	-	46
Total Manufacturing -		5,518,598	8,326,188

Sector Percentage: 17%

Sector Percentage: 18%

**Consolidated Statements of Investment Portfolio
As at December 31, 2005 (unaudited)**

Investment Portfolio by Sector

Entertainment and Hospitality

	Debt Cost \$	Equity Cost \$
Canad Corporation of Canada Inc.	-	5,000,000
Crocus Hockey Holdings Inc.	46,939	-
D.L.J.S. Enterprises Ltd.	-	5,075,452
	25,000	-
	145,000	-
Green Gates Country House and Restaurant	-	330,000
	70,000	-
	210,000	-
Mezzo Limited Partnership	-	158,282
Minds Eye Pictures	-	3,000,000
	679,361	-
	1,931,459	-
Muddy Waters Smokehouse	134,315	-
Pasta La Vista	-	75,671
	136,835	-
	172,965	-
True North Holding Company	-	400,000
Winnipeg Goldeyes Baseball Club Inc.	-	576,851
	434,149	-
Winnipeg Spaghetti Corp.	644,298	-
W.O.W. Hospitality Concepts Inc.	1,632,359	-
Other	-	50,000
Total Entertainment and Hospitality -	6,262,680	14,666,256

Each individually less than \$100,000
Sector Percentage: 26%

Consolidated Statements of Investment Portfolio
As at December 31, 2005 (unaudited)

Investment Portfolio by Sector

Financial Services

Manitoba Property Fund
 National Leasing Group Inc.
 Wellington West Capital Inc.

Limited partnership units
 Class "A" common shares
 Common shares
 Debenture

Total Financial Services -

Sector Percentage: 12%

	Debt Cost \$	Equity Cost \$
	-	928,462
	-	6,017,647
	-	1,870,700
	500,000	-
	500,000	8,816,809

Service

Mid Canada Production Services Inc.
 POS Systems Ltd.

Common shares
 Debenture and warrants
Sector Percentage: 1%

Total Service -

	-	290,000
	750,257	-
	750,257	290,000

Non Operating

COH Holdings (US) Inc.
 (formerly OpTx Corporation)
 eZedia Inc.

Series "B-1" convertible preferred shares
 Common shares and warrants
 Common shares and warrants
 Debenture
 Promissory note
 Guarantee

Total Non Operating -

	-	4,839,356
	-	3,705,334
	-	4,938,938
	6,442,093	-
	100,000	-
	523,433	-
	7,065,526	13,483,628

TOTAL

Sector Percentage: 100%

	21,324,258	58,037,448
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INVESTMENTS IN MANITOBA BUSINESSES AT COST

79,361,706

NET DECLINE IN VALUE OF

INVESTMENTS IN MANITOBA BUSINESSES

(19,446,637)

NET INVESTMENTS IN MANITOBA BUSINESSES

59,915,069

**Consolidated Statements of Investment Portfolio
As at December 31, 2005 (unaudited)**

BONDS AND DEBENTURES

Province of Manitoba
Manitoba Hydro
City of Winnipeg

<u>Par Value</u>	<u>Amortized Cost</u>
\$200,000	\$200,000
811,000	811,000
600,000	599,137
<u>1,611,000</u>	<u>1,610,137</u>

SHORT TERM INVESTMENTS

Bank of Montreal Guaranteed Investment Certificates
RBC Guaranteed Investment Certificates
Assiniboine Credit Union
Scotia Bank

1,064,125	1,064,125
14,103,316	14,103,316
3,654,028	3,654,028
3,131,827	3,131,827
<u>21,953,297</u>	<u>21,953,297</u>
<u>23,564,297</u>	<u>23,563,434</u>

**NET UNREALIZED APPRECIATION OF INVESTMENTS
IN MARKETABLE SECURITIES**

122,636

INVESTMENTS IN MARKETABLE SECURITIES

\$23,686,070

Notes to the Consolidated Financial Statements
For the period ended December 31, 2005 (unaudited)

"GAAP" Net Asset Value of Class "A" Common Shares and Series Two Class "I" Special Shares

The net asset value of the Fund's issued Class "A" Common Shares and Series Two Class "I" Special Shares is calculated as follows:

	December 31, 2005
Net assets - end of year	\$ 85,668,298
Less: Attributed to Class "L" Special	<u>(200)</u>
Balance attributed to the Class "A"	<u>85,668,098</u>
Number of issued Class "A" Common	14,220,000
Number of issued Series Two Class "I"	<u>69,126</u>
"GAAP" net asset value per Class "A" Common Shares and Series Two Class "I" Special Shares	<u>14,289,126</u>
	<u>\$6.00</u>

Appendix 3

**Deloitte & Touche Inc., Receiver and Manager of
CROCUS INVESTMENT FUND
Statement of Receipts & Disbursements
For the Period June 28, 2005 to December 31, 2005**

Receipts

Contract Back Office Services	\$ 68,984
Dividends-Portfolio	336,433
Insurance Premium Refund	6,294
Insurance Claim	14,368
Interest-Portfolio	185,642
Interest-Short Term Investments	631,678
Investment Principal Repayments	163,585
Proceeds on Disposal of Investments	2,368,310
Rent/Sub-Lease	61,489
Sundry	4,479
Pre-Receivership Accounts Receivable	<u>346,330</u>

Total Receipts

4,187,592

Disbursements

Advances to Investees	\$ 182,929
Computer, Telephone, and Office Expense	128,185
Consulting Fees	23,080
Legal Fees	439,068
Payroll & Benefits	496,768
Receiver and Manager Fees	721,066
Rent	229,109
Shareholder Services	45,939
Pre-Receivership Payables and Accruals	<u>847,297</u>

Total Disbursements

3,113,441

Excess Disbursements over Receipts

\$ 1,074,150

Opening Short Term Investments & Bonds

\$ 23,363,012

Closing Short Term Investments & Bonds

\$ 24,437,163

Represented by:

Short Term Investments and Bonds	\$ 22,937,163
Sequestered Funds	<u>1,500,000</u>

\$ 24,437,163