2012 SECOND QUARTER REPORT
June 30, 2012

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Corporate Profile

SaskEnergy Incorporated (SaskEnergy or the Corporation) is a Saskatchewan Crown corporation governed by *The SaskEnergy Act*. It is a designated subsidiary of Crown Investments Corporation of Saskatchewan (CIC), which is also a Crown corporation that effectively operates as the Province's holding company for commercial Crown corporations and various commercial investments.

SaskEnergy has the exclusive legislated franchise to distribute natural gas within Saskatchewan. The distribution system delivers natural gas to over 358,000 residential, farm, commercial and industrial customers over a 67,000 kilometre pipeline distribution system. SaskEnergy has five wholly owned subsidiaries, including:

- TransGas Limited − owns and operates the transmission system and has the exclusive legislated franchise to transport natural gas within Saskatchewan. It also owns and operates a natural gas storage business as well as gathering and processing facilities, which are integrated with the transmission system;
- Many Islands Pipe Lines (Canada) Limited − transports natural gas to and from other jurisdictions and is regulated by the National Energy Board;
- Bayhurst Gas Limited − owns, produces and sells natural gas from storage-related assets and holds natural gas royalty interests. Bayhurst Gas Limited has two wholly owned subsidiaries: Bayhurst Energy Services Corporation, an energy services company, and BG Storage Inc., a natural gas storage company;
- Swan Valley Gas Corporation − owns a natural gas distribution utility in the Swan Valley area of western Manitoba;
- Saskatchewan First Call Corporation − operates an underground infrastructure facility database through which subscribing companies are alerted of the need to perform line locates for landowners or contractors planning to excavate in Saskatchewan.

Vision

To create a competitive advantage for Saskatchewan through safe, innovative energy solutions.

Mission

Our team of engaged employees and business partners develops and delivers safe, reliable natural gas solutions that benefit our customers and Saskatchewan.

Values

Safety: We never compromise the safety of our employees and the public.

Community: We are leaders in developing a diverse workforce, supporting our communities and environmental stewardship.

Recognition: We take time to recognize the individual and team contributions of our employees.

Accountability: We are accountable for our decisions, our actions and the results.

Spirit: We create a positive and dynamic work environment that enables personal achievement, work life balance, and business success.

Communications: We have open, honest and respectful communication that builds strong relationships.

Integrity: We are honest, respectful and apply high ethical standards.

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) highlights the primary factors that affected SaskEnergy's consolidated financial condition and results of operations for the six month period ended June 30, 2012. Using financial and operating results as its basis, the MD&A describes the Corporation's past performance and future prospects, enabling readers to view SaskEnergy from the perspective of management. For additional information related to the Corporation, refer to SaskEnergy's Annual Report for the year ended December 31, 2011.

This MD&A is presented at August 28, 2012 and should be read in conjunction with the condensed consolidated interim financial statements and accompanying notes, which have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

The following discussion contains certain forward-looking statements that are subject to inherent uncertainties and risks. The significant uncertainties and risks of the Corporation include natural gas prices and winter weather. All forward-looking statements reflect the Corporation's best estimates and assumptions based on the information available at the time the statements were made. However, actual results and events may vary significantly from those included in, contemplated by or implied by such statements.

The volume of natural gas distributed is sensitive to variations in the weather, particularly through the prime heating season of November to March. Additionally, changes in the fair value of financial and derivative instruments may cause significant fluctuations in net income due to the volatility of natural gas prices. Therefore, the condensed consolidated interim financial results should not be taken as indicative of the performance to be expected for the full year.

The Corporation uses realized margin on commodity sales to customers and realized margin on gas marketing sales to compare financial performance from period to period. Each measure removes the impact of fair value adjustments and the revaluation of natural gas in storage as these market value adjustments are unrealized and subject to considerable variation based on the market prices of natural gas. These are non-IFRS measures as there is no standardized meaning, and therefore may not be comparable to similar measures presented by other entities.

	Three months ended June 30		Six months ended June 30	
	2012	2011	**2012**	2011
Financial Highlights				
($ millions)				
Net income before unrealized market value adjustment	**$ (8)**	$ (10)	**$ 30**	$ 45
Consolidated net income	**35**	(15)	**37**	45
Dividends	**5**	8	**11**	20
Capital expenditures	**34**	26	**67**	57
Total assets			**1,876**	1,782
Long-term debt			**862**	715
Debt ratio			**59%**	56%
Operating Highlights				
Distribution				
Volumes distributed (Petajoules)	**32**	29	**80**	84
Weather (compared to the 30-year average)	**2% colder**	11% colder	**11% warmer**	12% colder
Transmission				
Volumes transported (Petajoules)	**48**	48	**119**	125
Peak day natural gas flows (Petajoules)			**1.16**	1.10
Date of peak flow			**January 18**	January 31

CONSOLIDATED FINANCIAL RESULTS

(millions)	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Net income before unrealized market value adjustment	**$ (8)**	$ (10)	**$ 30**	$ 45
Impact of fair value adjustments	**18**	(1)	**7**	(1)
Revaluation of natural gas in storage	**25**	(4)	**-**	1
Consolidated net income	**$ 35**	$ (15)	**$ 37**	$ 45

The Corporation's net income before unrealized market value adjustments totaled $30 million for the first six months of 2012. This represents a decline of $15 million compared to the same period last year. The significantly warmer weather in early 2012 is the primary reason for this decline as it led to reduced delivery and commodity sales volumes to customers. The Corporation was able to partially offset these by increasing its realized margin from gas marketing activities. This improvement is a result of an increase in the gas marketing sales volumes. Upon inclusion of market value adjustments, the Corporation's consolidated net income increased by $7 million due primarily to a reduction in the volume of outstanding purchase contracts.

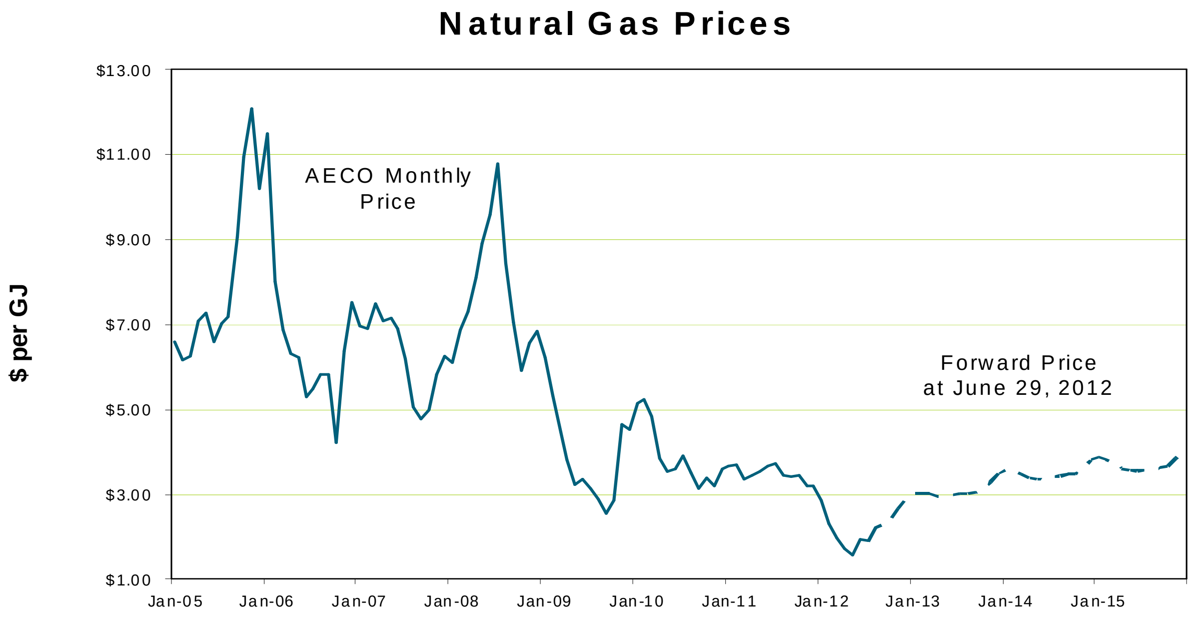
As the seasons change the rising temperatures in the months of April to June lead to a significant decrease in the volumes of natural gas delivered and sold to customers as compared to the first quarter of each year. As such, net income before unrealized market value adjustments tends to decline in the second quarter. The Corporation recognized a loss before unrealized market value adjustments of $8 million in the second quarter of 2012. This represents a small improvement of $2 million from the same period of the prior year; however, the prior year included an $11 million loss on the sale of an international investment in Chile. SaskEnergy reduced its commodity rate on April 1 of this year which contributed to the loss on commodity sales to customers during the period. In addition, the current year includes higher expenses as the Corporation increased its commitment to an already robust safety programming and integrity systems. Positive results from gas marketing activities, and higher transportation revenues helped to offset some of these increases.

Natural Gas Prices

Natural gas prices are set in an open market and are influenced by a number of variables including production, demand, natural gas storage levels and economic conditions. Given the high demand for natural gas to heat homes and businesses during the cold winter months and the demand for natural gas to generate incremental electricity for air conditioning in the summer, weather has the greatest impact on natural gas prices in the near term. Due to the high degree of uncertainty associated with weather, natural gas prices are typically very volatile.

The first half of 2012 marked the fourth consecutive year of low natural gas prices. After an extremely mild winter and record natural gas production in North America, gas in storage was at record levels in early spring resulting in the lowest natural gas prices experienced since the turn of the century. Producers have since pulled back drilling programs and on the demand side, natural gas for power generation has replaced much of the coal-fired generation. This has eased the storage congestion considerably and natural gas prices have moved off their lows. In the U.S. production has leveled off and it appears that the over-supply situation is beginning to correct itself. However, there are still concerns that storage could be full before the end of the injection season, and natural gas prices could again return to extremely low levels. Saskatchewan imports approximately 30% of its natural gas supply from Alberta to meet the growing demand in the industrial sector in the province. Saskatchewan natural gas prices are based off Alberta prices and with storage in Alberta 90% full at the end of June, like the rest of North America, there is a real possibility of lower natural gas prices later this summer.

The chart on the following page presents AECO natural gas prices. AECO is the major natural gas hub in Canada and is located in Alberta. Most natural gas in Saskatchewan is priced at a differential to the AECO price and is usually between $0.05 per (GJ) and $0.20 per GJ higher than AECO.



Natural Gas Sales and Purchases

The natural gas margin includes the margins for both commodity sales to customers and gas marketing activities as indicated in Note 11 of the condensed consolidated interim financial statements. As the Corporation manages each activity distinctly, the MD&A discussion for natural gas margin has been broken into these separate components.

Commodity Sales to Customers

	Three months ended June 30		Six months ended June 30	
(millions)	**2012**	2011	**2012**	2011
Commodity sales	**$ 38**	$ 48	**$ 137**	$ 179
Commodity purchases	**(50)**	(50)	**(142)**	(167)
Realized margin on commodity sales[1]	**(12)**	(2)	**(5)**	12
Impact of fair value adjustments	**38**	1	**19**	8
Margin on commodity sales	**$ 26**	$ (1)	**$ 14**	$ 20

[1] Refers to non-IFRS measures

SaskEnergy's commodity rate, approved by Provincial Cabinet based on the recommendations of the Saskatchewan Rate Review Panel, is designed to recover the associated costs of the natural gas sold to its distribution customers without earning a profit, nor incurring a loss. The process of determining the rate follows certain principles which differ from those prescribed by IFRS. As such, the results reported above, which are prepared in accordance with IFRS except as noted, do not mirror the results presented when considering commodity rate changes. To ensure that SaskEnergy neither earns a profit, nor incurs a loss, the difference between the commodity revenue earned and the cost of natural gas sold is accumulated in a Gas Cost Variance Account (GCVA). The balance in the GCVA, which is not recorded for financial reporting purposes, is either recovered from or refunded to customers as part of future commodity rates. The commodity rate is reviewed on April 1 and November 1 of each year. Earlier this year, Provincial Cabinet approved a reduction in the commodity rate from $4.55/GJ to $3.82/GJ effective April 1, 2012. The lower commodity rate is reflective of the anticipated natural gas costs over the next twelve months based on rate setting principles, as well as refunding a balance owing in the GCVA.

The realized margin on commodity sales excludes the impact of unrealized fair value adjustments which can fluctuate significantly and do not necessarily represent the amount that will be paid upon settlement of the related natural gas contract. As mentioned previously, the commodity sales activity operates on a cost recovery basis while employing rate setting principles and a GCVA to ensure that over the life of the Corporation no margin is earned on these activities. However, due to timing, as well as differences between IFRS and the rate setting principles followed, a margin or loss is commonly reported in the Corporation's financial results. The Corporation realized a loss of $5 million in the first half of 2012 which is significantly below the $12 million earned over the same period of the prior year. The warm weather this winter led to a five petajoule decrease in sales to commodity customers as compared to the prior year. The reduced volumes were a contributing factor to the reduced margin, as was the aforementioned commodity rate decrease. Over the first six months of 2012 commodity sales revenue has averaged $4.31/GJ, while the average cost of gas sold has been $4.51/GJ.

Due the seasonality of the weather in the province the volume of commodity sales to customers declines significantly in the second quarter. However, some of the costs associated with the Corporation's price risk management strategy do not decline with the lower sales volume. As such, losses on commodity sales are not unusual in the second quarter. The more significant loss in 2012 is a result of the commodity rate decrease from April 1, as well as increased price risk management costs.

To assist in achieving its goal of delivering stable and competitive commodity rates to its customers, SaskEnergy reduces the impact of the volatility of natural gas purchase prices through a natural gas price risk management strategy. To ensure a secure supply of natural gas, SaskEnergy may contract for physical delivery of natural gas using non-financial derivatives, referred to as forward contracts. The purchase price contained in these forward contracts can be a fixed amount, or it may be based on a floating index price which will be determined by the price of natural gas in the future delivery period. SaskEnergy may also use other natural gas derivative contracts, primarily natural gas price swaps and natural gas price options, to manage the future purchase price of natural gas. As derivative instruments, these natural gas contracts are recorded at fair value until the date of settlement. Changes in fair value, which will vary with future natural gas prices and price differentials, are recorded in commodity purchases. Upon settlement of the natural gas contract, the amount paid or received by SaskEnergy is recorded in commodity purchases.

During the first half of 2012 fair value adjustments increased net income by $19 million as the unfavourable fair value as at June 30, 2012 was reduced to $76 million from the $95 million unfavourable fair value position at December 31, 2011. The current unfavourable fair value position is primarily due to natural gas price swap contracts, which have an average purchase price of $4.09 per GJ compared to an average market price of $2.98 per GJ at June 30, 2012.

Results from Gas Marketing Sales

(millions)	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Gas marketing sales	**$ 59**	$ 69	**$ 111**	$ 143
Gas marketing purchases	**(46)**	(58)	**(87)**	(123)
Realized margin on gas marketing sales[1]	**13**	11	**24**	20
Impact of fair value adjustments	**(21)**	(3)	**(11)**	(9)
Revaluation of natural gas in storage	**25**	(4)	**-**	1
Margin on gas marketing sales	**$ 17**	$ 4	**$ 13**	$ 12

[1] Refers to non-IFRS measures

SaskEnergy's gas marketing activity employs several different strategies, all of which attempt to optimize storage and transportation capacity available to the Corporation to earn a positive margin, as well as provide a financial benefit to SaskEnergy and TransGas customers. The most significant gas marketing activity is focused on utilizing the Corporation's storage field in west-central Saskatchewan. The primary strategy employed involves the simultaneous purchase of natural gas accompanied by a forward sales contract. The decline in natural gas market prices over the past few years has also created an opportunity for SaskEnergy to purchase relatively low-priced natural gas to inject into this storage facility with the intent to subsequently sell it at a profit. During off-peak periods the Corporation also optimizes transmission and storage capacity by purchasing and selling natural gas in the open market to generate additional margins which benefit customers by reducing rate pressure. Lastly, SaskEnergy provides natural gas supply options to larger end-use customers in Saskatchewan through non-regulated contract sales.

The realized margin on gas marketing sales was $24 million for the first six months of the year, an increase of $4 million from the same period last year. The volume of gas marketing sales in the first half of the year has increased by over 30% from the prior year while the per unit margin remained relatively consistent.

The second quarter of 2012 saw continued strong results from gas marketing activities as the realized margin of $13 million was an improvement of $2 million from both the same quarter last year as well as the first quarter of 2012. Sales volumes in the quarter were over 50% higher than the prior year which overcame a small decline in the per unit margins.

The transactions undertaken to implement the Corporation's gas marketing strategies result in additional risk exposure. Given the volatility of market prices the greatest exposure is to changes in natural gas prices. Similar to the discussion regarding commodity sales to customers, the Corporation may enter into various natural gas contracts in order to manage natural gas price risk for its natural gas marketing activities. These natural gas contracts are derivative instruments and, as such, are recorded at fair value until the date of settlement. Changes in fair value are recorded in either gas marketing sales or gas marketing purchases, depending on the specific natural gas contract. Once settled, the amount paid or received for the contract is recorded in gas marketing sales or gas marketing purchases, as appropriate.

During the first half of 2012, fair value adjustments decreased net income by $11 million. The favourable fair value as at June 30, 2012 was $63 million, a decrease from the $74 million fair value position at December 31, 2011. The favourable fair value at June 30, 2012 was primarily due to natural gas sales contracts, with an average selling price of $3.93 per GJ, compared to an average market price of $2.99 per GJ.

At each reporting period the Corporation measures the net realizable value of gas marketing natural gas in storage based on forward market prices. The decline in market prices in recent periods has translated to lower prices on the forward curve and the result is that the net realizable value for gas marketing natural gas in storage is below cost. During the first half of 2012 the Corporation took advantage of the lower natural gas prices by increasing its volume of gas marketing inventory, which has led to a seven percent decline in the per gigajoule average cost of inventory. This reduction in average cost was matched by the lower forward prices. As such, the downward revaluation at June 30 remains unchanged from its position of $45 million at December 31, 2011. If natural gas prices rise in the future, SaskEnergy will record an upward revaluation to recognize the increase in net realizable value, up to a maximum of the original cost. Otherwise, the $45 million will result in improved margins in the future, as contracts are settled, by virtue of the lower carrying value of natural gas in storage.

Delivery Revenue

The majority of the volume of natural gas delivered to customers occurs in the winter months of the first and fourth quarters when it is used for space heating purposes. As such, the Corporation's delivery revenue is directly impacted by the weather. Given the unusually warm weather to begin 2012, delivery volumes are 15% lower than last year. Delivery revenue totaled $97 million for the six months ended June 30, 2012, a decline of $10 million from the same period in 2011, primarily due to the decline in volumes.

Delivery revenues of $36 million during the second quarter of 2012 exactly matched the same period in 2011 as delivery volumes were consistent across both periods.

The Corporation is committed to delivering safe and reliable natural gas to its customers at competitive prices. Saskatchewan continues to experience strong economic growth, and with that growth, demand for SaskEnergy services continues to be strong. During the past three years, SaskEnergy has added over 15,000 net new customers. Capital investment in new connections is more than double what it was ten years ago. The strong pace of development in the Province also impacts SaskEnergy's safety related activities such as line locates which have increased dramatically in recent years. SaskEnergy has also heightened vigilance efforts related to public safety and infrastructure integrity programs. Natural gas related incidents, both across the industry and within Saskatchewan in 2011, created a need for additional infrastructure improvement efforts to an already robust safety and integrity program. This has added additional cost pressures to SaskEnergy's delivery service, and on June 26, 2012 the Provincial Cabinet approved a 6.7% increase to SaskEnergy's delivery service rates effective July 1, 2012. This will result in an average bill increase of 2.9% for all customer classes. For residential customers, this increase translates into $2.25 per month.

Transportation and Storage Revenue

The recent low market prices for natural gas have led to a decline in natural gas drilling in Western Canadian conventional gas reservoirs, including Saskatchewan. Meanwhile, industrial sector demand in Saskatchewan has grown as the provincial economy has expanded in recent years. The combination of increased demand and reduced provincial supply has led to Saskatchewan transitioning to a net importer of natural gas. From the Corporation's perspective these factors have led to an increase in deliveries within Saskatchewan to meet the growing demand, and an increase in the volumes received from Alberta to address the declining Saskatchewan supply. Effective February 1, 2012 a rate increase of 7.5% was applied to transportation rates, while storage rates were increased 0.9%. The combination of the increased volumes and the rate increases helped push transportation and storage revenue to $42 million for the first six months of 2012, an increase of $4 million from last year.

Transportation and storage revenue totaled $21 million during the second quarter of 2012, an increase from the $19 million earned in the same period of 2011.

Customer Capital Contribution Revenue

The Corporation receives capital contributions from customers in exchange for the construction of new, customer-specific service connections. These contributions, less potential refunds, are recognized as revenue once the related property, plant and equipment is available for use. The volume and magnitude of these contributions can vary significantly period over period as varying factors influence their receipt. Customer capital contribution revenue for the first half of 2012 totaled $8 million which matched the amount recognized in the prior year.

Customer contribution revenue in the second quarter was $1 million greater than the same period of 2011 as the Corporation continues to see high levels of distribution system customer connections.

Other Revenue

Other revenue, which includes natural gas liquid sales and royalty revenue, totaled $7 million as of June 30, 2012. This represents an increase of $2 million compared to the same period last year, primarily due to higher liquids prices.

On a quarterly basis other revenues of $3 million were slightly above the $2 million from the second quarter of 2011.

Other Expenses

Employee benefits include the salaries, wages, and benefits provided to the Corporation's employees, less allocations to property, plant, & equipment as a result of employee work on capital projects. Total employee benefits expenses of $44 million were $1 million greater than the prior year. A small increase in full-time equivalents has been mostly offset by increased allocations to property, plant, & equipment as SaskEnergy's work on capital projects increases.

Operating and maintenance expenses of $40 million for the first half of 2012 were $4 million higher than in 2011. The increased operating and maintenance expenses were mainly attributable to higher levels of service work, including the previously mentioned safety and integrity programs.

Amortization and depreciation of $36 million at June 30, 2012 was $3 million higher than the same period in 2011 due to an increase in capital assets, primarily in transmission and compression. Saskatchewan taxes of $4 million have been consistent with the prior year. Net finance expenses have increased by $1 million from the prior year to a total of $19 million due primarily to an increase in the Corporation's debt in 2012.

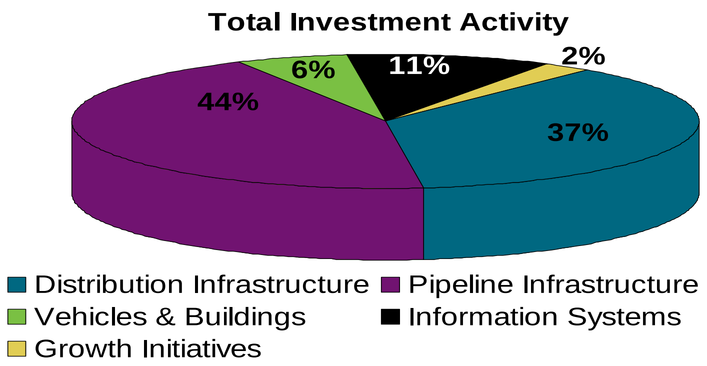
Other expenses totaled $73 million for the second quarter of 2012, compared to $68 million for the same period of 2011. The increase of $5 million is primarily due to increases in the amount of non-capital safety and integrity work performed by SaskEnergy. Increased debt levels and an increasing capital asset base have also contributed to this increase.

Liquidity and Capital Resources

(millions)	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Cash provided by operating activities	**$ 62**	$ 67	**$ 119**	$ 157
Cash used in investing activities	**(34)**	(20)	**(67)**	(51)
Cash used in financing activities	**(29)**	(41)	**(73)**	(101)
Increase (decrease) in cash during the period	**$ (1)**	$ 6	**$ (21)**	$ 5

The Corporation's primary sources of liquidity and capital are cash from operations and debt borrowed from the Province of Saskatchewan's General Revenue Fund.

Cash from operating activities totaled $119 million in the first half of 2012, a decrease of $38 million from the same period of the prior year. The volume of the Corporation's natural gas in storage held for gas marketing purposes has increased by nearly nine petajoules this year, a significant departure from the prior year when the volumes declined by over five petajoules. The increase of gas marketing inventory is a part of a strategic objective designed to hold the gas for resale in subsequent periods to generate additional margins and cash flow for the Corporation. The increased volume of inventory purchases, along with reduced earnings due to lower commodity and delivery volumes, were the significant contributors to the decline in cash provided from operating activities in 2012.



Cash used in investing activities totaled $67 million for the first six months of the year, a $16 million increase from the prior year. This year SaskEnergy has employed an additional $10 million in expanding the capacity and maintaining the integrity of its extensive distribution and transmission systems. The increase reflects the Corporation's commitment to enhance its already robust safety programming and integrity systems. In addition, the prior year's results include the $6 million of proceeds the Corporation received from the sale of Gas Sur, its international investment in Chile.

Cash used for financing activities in the first half of 2012 was $73 million, which is $28 million less than the same period of 2011. The Corporation received $148 million from long-term debt issued in the first quarter which it used to help reduce its short-term debt level by $181 million. SaskEnergy's debt to equity ratio is currently 59% debt and 41% equity, slightly off from the target of 57% debt and 43% equity. In addition to debt reduction, the Corporation also paid a total of $16 million of dividends to its parent, CIC.

Outlook

SaskEnergy's financial health is dependent upon the Corporation maintaining an appropriate capital structure while providing both reasonable financial returns to CIC and competitive rates to customers. The Corporation works hard to balance the interests of both CIC and its customers – focusing on annual profitability and long-term sustainability.

With a solid financial position and a positive outlook for the future, the Corporation anticipates strong financial returns with a targeted net income before market value adjustments of $58 million for 2012. As the Saskatchewan economy continues to grow, SaskEnergy expects continued strong demand for natural gas services. As the cleanest burning fossil fuel, the business and environmental benefits of natural gas will continue to make it the energy source of choice for many consumers. This expanding demand for natural gas is expected to result in continued growth for the well established distribution and transmission utilities. Opportunities beyond the Corporation's regulated utilities will further expand SaskEnergy's business within Saskatchewan and many of these opportunities, such as waste heat recovery, possess an environmental up-side as well. The Corporation anticipates additional margins from gas marketing activities as market opportunities become available.

The Corporation anticipates total capital investment of $193 million for 2012. This represents a significant increase from recent years, driven primarily by customer demand, enhanced safety integrity programming, and initiatives related to future cost containment. Capital investment is necessary to maintain SaskEnergy's commitment to safety and high standards of customer service, honour customer commitments and minimize future incremental operating costs using the most cost-effective capital investment strategy.

SaskEnergy will continue to deliver stable financial returns through prudent financial management, highlighted by a focus on efficiency and productivity gains throughout the Corporation. The Corporation implements plans to improve efficiency and manage resources in an effort to counter such cost drivers as continued customer growth, labour costs and non-controllable cost increases from third parties. All internal costs are closely managed in an effort to minimize future rate adjustments. The Corporation's operations will continue to focus on maintaining safe, reliable systems and high levels of customer service.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(unaudited)

(millions)	Notes	As at June 30, 2012	As at December 31, 2011
Assets			
Current assets			
Cash		**$ -**	$ 21
Trade and other receivables		**59**	103
Natural gas in storage held for resale	5	**201**	214
Inventory of supplies		**10**	10
Debt retirement funds		**6**	6
Fair value of derivative instruments	6	**72**	78
		348	432
Intangible assets		**34**	30
Property, plant and equipment		**1,422**	1,395
Debt retirement funds		**72**	67
		$ 1,876	$ 1,924
Liabilities and Province's equity			
Current liabilities			
Short-term debt		**$ 133**	$ 314
Trade and other payables		**67**	101
Dividends payable		**5**	9
Current portion of long-term debt	7	**50**	50
Deferred revenue	8	**44**	32
Fair value of derivative instruments	6	**84**	98
		383	604
Employee future benefits		**12**	13
Provisions		**18**	17
Deferred revenue	8	**9**	9
Long-term debt	7	**812**	665
		1,234	1,308
Province's equity			
Equity advances		**72**	72
Retained earnings		**570**	544
Other components of equity		**-**	-
		642	616
		$ 1,876	$ 1,924

Commitments and contingencies	9

(See accompanying notes)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

		For the Three Months Ended June 30, 2012			For the Three Months Ended June 30, 2011		
(millions)	Notes	Income before Unrealized Market Value Adjustments	Unrealized Market Value Adjustments (Note 10)	Total	Income before Unrealized Market Value Adjustments	Unrealized Market Value Adjustments (Note 10)	Total
Revenue							
Natural gas sales	11	$ 97	$ (28)	$ 69	$ 117	$ (3)	$ 114
Delivery		36	-	36	36	-	36
Transportation and storage		21	-	21	19	-	19
Customer capital contributions		4	-	4	3	-	3
Other		3	-	3	2	-	2
		161	(28)	133	177	(3)	174
Expenses							
Natural gas purchases (net of change in inventory)	11	96	(70)	26	108	3	111
Employee benefits		22	-	22	21	-	21
Operating and maintenance		21	-	21	19	-	19
Depreciation and amortization		18	-	18	17	-	17
Saskatchewan taxes		2	-	2	2	-	2
		159	(70)	89	167	3	170
Income before the following		2	42	44	10	(6)	4
Finance income		-	1	1	1	1	2
Finance expenses		(10)	-	(10)	(10)	-	(10)
Net finance expenses		(10)	1	(9)	(9)	1	(8)
Loss on sale of investment in associate		-	-	-	(11)	-	(11)
Total comprehensive income		(8)	43	35	(10)	(5)	(15)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

		For the Six Months Ended June 30, 2012			For the Six Months Ended June 30, 2011		
(millions)	Notes	Income before Unrealized Market Value Adjustments	Unrealized Market Value Adjustments (Note 10)	Total	Income before Unrealized Market Value Adjustments	Unrealized Market Value Adjustments (Note 10)	Total
Revenue							
Natural gas sales	11	**$ 248**	**$ (14)**	**$ 234**	$ 322	$ (14)	$ 308
Delivery		**97**	**-**	**97**	107	-	107
Transportation and storage		**42**	**-**	**42**	38	-	38
Customer capital contributions		**8**	**-**	**8**	8	-	8
Other		**7**	**-**	**7**	5	-	5
		402	**(14)**	**388**	480	(14)	466
Expenses							
Natural gas purchases (net of change in inventory)	11	**229**	**(22)**	**207**	290	(14)	276
Employee benefits		**44**	**-**	**44**	43	-	43
Operating and maintenance		**40**	**-**	**40**	36	-	36
Depreciation and amortization		**36**	**-**	**36**	33	-	33
Saskatchewan taxes		**4**	**-**	**4**	4	-	4
		353	**(22)**	**331**	406	(14)	392
Income before the following		**49**	**8**	**57**	74	-	74
Finance income		**2**	**(1)**	**1**	2	-	2
Finance expenses		**(21)**	**-**	**(21)**	(20)	-	(20)
Net finance expenses		**(19)**	**(1)**	**(20)**	(18)	-	(18)
Loss on sale of investments in associates		**-**	**-**	**-**	(11)	-	(11)
Total comprehensive income		**30**	**7**	**37**	45	-	45

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(unaudited)

(millions)	Retained Earnings	Equity Advances	Other Components of Equity	Total
Balance as at January 1, 2011	$ 557	$ 72	$ -	**$ 629**
Comprehensive income	45	-	-	**45**
Dividends	(20)	-	-	**(20)**
Balance as at June 30, 2011	$ 582	$ 72	$ -	**$ 654**
Balance as at January 1, 2012	$ 544	$ 72	$ -	**$ 616**
Comprehensive income	37	-	-	**37**
Dividends	(11)	-	-	**(11)**
Balance as at June 30, 2012	$ 570	$ 72	$ -	**$ 642**

(See accompanying notes)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

(millions)	Notes	For the Six Months Ended June 30 2012	2011
Operating activities			
Net income		**$ 37**	$ 45
Add (deduct) items not requiring an outlay of cash			
Net change in fair value of derivative instrument assets and liabilities	10	**(8)**	2
Change in revaluation of natural gas in storage to net realizable value	10	**-**	(1)
Depreciation and amortization		**36**	33
Net finance expenses		**20**	18
Loss on assets held for sale		**-**	11
Other non-cash items		**-**	(1)
		85	107
Net change in non-cash working capital related to operations	12	**34**	50
Cash provided by operating activities		**119**	157
Investing activities			
Proceeds on assets held for sale		**-**	6
Additions to intangible assets		**(6)**	(5)
Additions to property, plant and equipment		**(61)**	(52)
Cash used in investing activities		**(67)**	(51)
Financing activities			
Proceeds from long-term debt		**148**	-
Debt retirement funds installments		**(3)**	(3)
Dividends paid		**(16)**	(34)
Interest paid		**(21)**	(20)
Decrease in short-term debt		**(181)**	(44)
Cash used in financing activities		**(73)**	(101)
(Decrease) increase in cash and cash equivalents		**(21)**	5
Cash and cash equivalents, beginning of period		**21**	1
Cash and cash equivalents, end of period		**$ -**	$ 6

(See accompanying notes)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)

1. General information

SaskEnergy Incorporated (SaskEnergy or the Corporation) is a Saskatchewan provincial Crown corporation operating under authority of *The SaskEnergy Act*. The address of SaskEnergy's registered office and principal place of business is 1777 Victoria Avenue, Regina, Saskatchewan, Canada S4P 4K5.

The Corporation owns and operates natural gas-related businesses located both within and outside Saskatchewan. The condensed consolidated interim financial statements should not be taken as indicative of the performance to be expected for the full year due to the seasonal nature of the natural gas business.

By virtue of *The Crown Corporations Act, 1993*, SaskEnergy has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a Saskatchewan provincial Crown corporation. Accordingly, the financial results of SaskEnergy are included in the consolidated financial statements of CIC. As a provincial Crown corporation, SaskEnergy and its wholly owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

2. Basis of preparation

a. Statement of compliance

The Corporation's unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). These condensed statements do not include all of the information required for full annual financial statements. Accordingly, these statements should be read in conjunction with the annual report for the year ended December 31, 2011.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 28, 2012.

b. Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except where otherwise noted.

c. Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, the Corporation's functional currency, unless otherwise stated. All financial information presented in Canadian dollars has been rounded to the nearest million.

d. Use of estimates and judgments

In the application of the Corporation's accounting policies management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised as well as any future periods affected.

Information about critical judgments in applying accounting policies that have a significant effect on the amounts recognized in the condensed consolidated interim financial statements include:

Revenue recognition related to unbilled revenue
Existence of decommissioning liabilities

2. Basis of preparation (continued)

Information about significant management estimates and assumptions that have a significant risk of resulting in a material adjustment within the next financial period include:

Estimated unbilled revenue
Net realizable value of natural gas in storage held for resale
Fair value of financial and derivative instruments
Useful lives and amortization rates for intangible assets
Useful lives and depreciation rates for property, plant and equipment
Estimated refunds of customer capital contributions
Employee future benefits and underlying actuarial assumptions
Estimated future cost of decommissioning liabilities

3. Summary of significant accounting policies

The accounting policies, as detailed in Note 3 to the Consolidated Financial Statements for the period ended December 31, 2011, have been applied consistently, by the Corporation and its subsidiaries, to all periods presented in these condensed consolidated interim financial statements.

a. New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective and have not been applied in preparing these consolidated financial statements. In particular, the following new and amended standards become effective for annual periods beginning on or after January 1, 2013:

IFRS 9 *Financial Instruments* – Introduces a new single classification and measurement model for financial assets and liabilities. The new model includes only two classifications, amortized cost and fair value. The classification depends on the entity's business model and the cash flow characteristics of the financial asset or liability.

IFRS 10 *Consolidated Financial Statements* – Requires consolidation for all investees controlled by an entity, and it provides requirements for determining when control exists.

IFRS 11 *Joint Arrangements* – Separately defines the treatment of joint operations (previously jointly controlled assets and jointly controlled operations) and joint ventures.

IFRS 12 *Disclosure of Interests in Other Entities* – Establishes disclosure objectives and minimum requirements for interests in subsidiaries, joint arrangements, associates, and unconsolidated entities.

IFRS 13 *Fair Value Measurement* – Accumulates guidance on fair value measurement previously dispersed throughout existing standards. No new requirements are set out in the standard, but additional guidance on measurement and disclosure is included.

IAS 19 *Employee Benefits* – Amends the previously published standard and discontinues the ability to defer recognition of actuarial gains and losses and requires immediate recognition in other comprehensive income.

IAS 27 *Separate Financial Statements* – Addresses accounting for subsidiaries, jointly controlled entities, and associates in non-consolidated financial statements.

IAS 28 *Investments in Associates and Joint Ventures* – Amends the previously published standard to include joint ventures in its scope and to address changes adopted in IFRS 10, IFRS 11, and IFRS 12.

These new standards and amendments all become effective for the Corporation beginning on or after January 1, 2013. The Corporation continues to review these new and updated standards and will monitor any additional changes made prior to their adoption. At this time the Corporation does not anticipate any material impact from the adoption of these standards.

4. Capital management

The Corporation's objective when managing its capital is to maintain financial stability through the effective management of liquidity and capital structure. Ensuring financial stability is critical to providing safe, reliable service to Saskatchewan residents, businesses and industries.

The Corporation finances its capital requirements through internally generated funds and injections of capital from the Province of Saskatchewan's General Revenue Fund, typically in the form of debt. Under *The SaskEnergy Act*, the Corporation may borrow up to $1,700 million of debt upon approval of the Lieutenant Governor in Council (December 31, 2011 - $1,700 million). At the end of the period, the Corporation had $995 million of debt outstanding (December 31, 2011 - $1,029 million) and authority to borrow an additional $267 million of temporary loans (December 31, 2011 - $87 million), including a $35 million uncommitted line of credit with Toronto-Dominion Bank (December 31, 2011 - $35 million).

The Corporation borrows all its capital, with the exception of occasional overnight loans from the Toronto-Dominion Bank, from the Province of Saskatchewan (the Province). The Corporation's borrowing requirements constitute a minor portion of the Province's total borrowings, and given the Province's strong credit rating, the Corporation was able to acquire all its funding requirements during the period.

The Corporation monitors capital on the basis of the debt ratio. The purpose of this strategy is to ensure the Corporation's debt is self supporting and does not adversely affect the Province's access to capital markets. The debt ratio percentage was calculated as net debt divided by total capital at the end of the period as follows:

(millions)	As at June 30, 2012	As at December 31, 2011
Long-term debt	**$ 862**	$ 715
Short-term debt	**133**	314
Debt retirement funds	**(78)**	(73)
Cash	**-**	(21)
Total net debt	**917**	935
Equity advances	**72**	72
Retained earnings	**570**	544
Total capital	**$ 1,559**	$ 1,551
Debt Ratio	**58.8%**	60.3%

The Corporation's objectives, policies and processes for managing its capital were consistent with the prior period. The Corporation complied with all externally imposed requirements on its capital for the period.

5. Natural gas in storage held for resale

(millions)	As at June 30, 2012	As at December 31, 2011
Cost	**$ 246**	$ 259
Revaluation to net realizable value	**(45)**	(45)
	$ 201	$ 214

With the decline in natural gas market prices, the net realizable value of natural gas in storage at the end of the period has fallen $45 million below cost (December 31, 2011 - $45 million).

As of the reporting date, the Corporation expects that $125 million of the current inventory value will be realized twelve months or more beyond the reporting date.

6. Financial and derivative instruments and risk management

a. Financial instruments

		As at June 30, 2012		As at December 31, 2011	
(millions)	Classification	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets					
Cash	FVTPL	**$ -**	**$ -**	$ 21	$ 21
Trade and other receivables	LAR	**59**	**59**	103	103
Debt retirement funds	FVTPL	**78**	**78**	73	73
Financial liabilities					
Short-term debt	OL	**133**	**133**	314	314
Trade and other payables	OL	**67**	**67**	101	101
Dividends payable	OL	**5**	**5**	9	9
Long-term debt	OL	**862**	**1,050**	715	899

Classification details:
FVTPL - designated as at fair value through profit or loss
LAR - loans and receivables
OL - other liabilities

The fair value of the above instruments is based on the following:

i. Debt retirement funds - The market value of the investments held in debt retirement funds as determined by Saskatchewan's Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

ii. Long-term debt - The present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

iii. Other financial instruments - The fair value of other financial instruments, including cash, trade and other receivables, bank indebtedness, short-term debt, trade and other payables and dividends payable approximate their carrying amounts due to the short-term nature of these instruments.

6. Financial and derivative instruments and risk management (continued)

b. Natural gas derivative instruments

All natural gas derivative instruments are recorded on the consolidated statement of financial position at fair value. The fair value of natural gas derivative instruments, with the exception of natural gas price options, is calculated daily and is based on quoted market prices. The Corporation obtains information from sources such as the New York Mercantile Exchange and the Natural Gas Exchange, independent price publications and over-the-counter broker quotes. The fair value of natural gas price options is determined using an industry-standard valuation model, which requires the use of various assumptions, including quoted market prices, interest rates and volatility estimates for forward natural gas prices that are based on external market sources.

Notional values are an approximation of future undiscounted net cash flows. For physical natural gas contracts, the notional value is based on contract price. For other derivative instruments, the notional value is the difference between the contract price and the market price. Where contract prices are referenced to an index price that has not yet been fixed, the market price is used to estimate the contract price.

As at June 30, 2012 natural gas derivative instruments had the following fair values, notional values and maturities:

(millions)	2013	2014	2015	2016	2017	Total
Physical natural gas contracts						
Fair value	$ 8	$ 5	$ 5	$ 2	$ -	**$ 20**
Notional value	18	44	29	19	6	**116**
Natural gas price swaps						
Fair value	(24)	(6)	(2)	-	-	**(32)**
Notional value	(24)	(6)	(2)	-	-	**(32)**
Total						
Fair value	$ (16)	$ (1)	$ 3	$ 2	$ -	**$ (12)**
Notional value	$ (6)	$ 38	$ 27	$ 19	$ 6	**$ 84**

Fair value - increase (decrease) in net income
Notional value - estimated undiscounted net cash inflow (outflow)

The fair value of derivative instruments is presented on the consolidated statement of financial position as follows:

(millions)	As at June 30, 2012	As at December 31, 2011
Fair value of derivative instrument assets	**$ 72**	$ 78
Fair value of derivative instrument liabilities	**(84)**	(98)
	$ (12)	$ (20)

6. Financial and derivative instruments and risk management (continued)

c. Fair value of financial and derivative instruments

As at June 30, 2012 the Corporation's fair value hierarchy for financial and derivative instruments, which was consistent with the prior year's classification, was as follows:

(millions)	Level 1	Level 2	Level 3	Total
Debt retirement funds	$ -	$ 78	$ -	**$ 78**
Fair value of derivative instrument assets	-	72	-	**72**
Fair value of derivative instrument liabilities	-	(84)	-	**(84)**

d. Risk management

Through the normal course of business, the Corporation has exposure to market risk (natural gas price risk, interest rate risk, market risk and foreign currency risk), liquidity risk and credit risk. The Board of Directors, through the Audit and Finance Committee, has the overall responsibility for the establishment and oversight of the Corporation's risk management efforts. The Corporation seeks to manage the financial impact of natural gas price risk by using derivative instruments to manage its exposure. The Corporate Derivatives Policy and other risk management policies and strategies, approved by the Board of Directors and reviewed regularly by the Audit and Finance Committee, provide the framework within which the Corporation may use derivative instruments to manage its risks. The objectives policies and processes for managing risk were consistent with the prior period.

i. Natural gas price risk

The Corporation may manage the risk associated with the purchase and sale price of natural gas. The purchase or sale price of natural gas may be fixed within the contract or referenced to a floating index price. When the price is referenced to a floating index price, natural gas derivative instruments may be used to fix the settlement amount. The types of natural gas derivative instruments the Corporation may use for price risk management include natural gas price swaps, options, swaptions and futures contracts.

Based on the Corporation's period end closing positions, an increase of $1.00 per Gigajoule in natural gas prices would have increased net income, through an increase in the fair value of natural gas derivative instruments, by $21 million (December 31, 2011 - $41 million). Conversely, a decrease of $1.00 per Gigajoule would have decreased net income, through a decrease in the fair value of natural gas derivative instruments, by $21 million (December 31, 2011 - $41 million).

ii. Interest rate risk

The Corporation's significant interest-bearing financial instruments are short- and long-term debts, which are fixed rate instruments. Consequently, the Corporation is subject to interest rate risk when issuing debt or refinancing maturities. At period end, the Corporation had $133 million of short-term debt that may be refinanced and $50 million of long-term debt that will mature within the year and may be refinanced. Based on these amounts, a one percent change in interest rates would increase or decrease the annual finance expense by approximately $2 million (December 31, 2011 - $4 million).

iii. Market risk

The Corporation is subject to market risk related to debt retirement funds as the recorded fair value is driven by market prices. Fluctuations in fair value of debt retirement funds do not have a significant impact on the Corporation.

iv. Foreign currency risk

The Corporation is exposed to foreign currency risk primarily through the purchase of goods and services; however, fluctuations in foreign currency do not have a significant impact on the Corporation.

6. Financial and derivative instruments and risk management (continued)

v. Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial obligations as they become due. The Corporation has credit facilities available to refinance maturities in excess of anticipated operating cash flows. The contractual maturities of the Corporation's financial obligations, including interest payments and the impact of netting agreements, as at June 30, 2012 were as follows:

(millions)	Carrying Amount	Contractual Maturities: Less Than 1 Year	1 - 2 Years	3 - 5 Years	More Than 5 Years	Total
Short-term debt	$ 133	$ 133	$ -	$ -	$ -	**$ 133**
Trade and other payables	67	67	-	-	-	**67**
Dividends payable	5	5	-	-	-	**5**
Derivative instruments	84	7	-	-	-	**7**
Long-term debt	862	92	140	275	960	**1,467**
	$ 1,151	$ 304	$ 140	$ 275	$ 960	**$ 1,679**

At period end, the Corporation's borrowing capacity, together with relatively stable operating cash flows, provide sufficient liquidity to fund these contractual obligations.

vi. Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial or derivative instrument fails to meet its contractual obligations. The Corporation is exposed to credit risk through cash, trade and other receivables, debt retirement funds and derivative instrument assets. Credit risk related to cash and debt retirement funds is minimized by dealing with institutions that have strong credit ratings and holding highly-rated financial securities.

The Corporation extends credit to its customers in the normal course of business and is at risk of loss in the event of non-performance by counterparties on certain of the financial and derivative instruments. To reduce its credit risk, the Corporation has established policies and procedures to monitor and limit the amount of credit extended to its customers and counterparties and may require letters of credit and other forms of security. At period end, the maximum credit exposure to a single counterparty was $23 million (December 31, 2011 - $19 million).

The carrying amount of financial and derivative assets represents the maximum credit exposure as follows:

(millions)	As at June 30, 2012	As at December 31, 2011
Cash	**$ -**	$ 21
Trade and other receivables	**59**	103
Debt retirement funds	**78**	73
Fair value of derivative instrument assets	**72**	78
	$ 209	$ 275

7. Long-term debt

	As at June 30, 2012		As at December 31, 2011	
	Principal Outstanding (millions)	Effective Interest Rate (per cent)	Principal Outstanding (millions)	Effective Interest Rate (per cent)
General Revenue Fund				
1 - 5 years	**$ 319**	**4.4**	$ 284	4.4
6 - 10 years	**107**	**5.1**	142	5.0
11 - 15 years	**75**	**8.8**	75	8.7
16 - 20 years	**110**	**6.1**	110	6.1
21 - 25 years	**25**	**5.0**	-	-
26 - 30 years	**225**	**4.0**	100	5.1
	861		711	
Unamortized debt premium/ discount and issue costs	**(4)**		(1)	
Less: Current portion of long-term debt	**(50)**		(50)	
	807		660	
Other long-term debt				
31 plus years	**5**	**13.5**	5	13.5
	$ 812		$ 665	

The Corporation's long-term debt is unsecured. As at June 30, 2012 principal repayments due in each of the next five years were as follows:

(millions)	2012	2013	2014	2015	2016
Principal repayments	$ 50	$ 50	$ 50	$ 50	$ 84

8. Deferred revenue

(millions)	As at June 30, 2012	As at December 31, 2011
Current		
Unearned customer capital contributions	**$ 44**	$ 32
Non-current		
Unearned government grants	**9**	9
	$ 53	$ 41

8. Deferred revenue (continued)

a. Unearned customer capital contributions

(millions)		
Balance, as at December 31, 2010	$	49
Additions		32
Refunds		(6)
Revenue		(43)
Balance as at December 31, 2011		32
Additions		22
Refunds		(2)
Revenue		(8)
Balance as at June 30, 2012	$	44

9. Commitments and contingencies

a. Letters of credit

i. The Corporation has posted a $15 million letter of credit with NGX Financial Inc. (NGX) as security for natural gas purchases and sales conducted by the Corporation on the NGX natural gas exchange in Alberta. NGX may draw upon the letter of credit if the Corporation fails to make timely payment for, or delivery of, natural gas as per the related contract.

ii. The Corporation has posted a $6 million letter of credit with the City of Medicine Hat as security for natural gas purchases. The City of Medicine Hat may draw upon the letter of credit if the Corporation fails to make timely payment for natural gas as per the related natural gas contract.

b. Commitments

i. At period end, the Corporation has forecasted to spend $193 million (December 31, 2011 - $258 million) on capital projects in 2012.

ii. At period end, the Corporation has $48 million of outstanding contractual commitments for the procurement of goods and services in the future.

c. Leases

As at June 30, 2012 future minimum lease payments for operating leases entered into by the Corporation, as lessee, were as follows:

(millions)	2013	2014	2015	2016	2017	Thereafter
Minimum lease payments	$ 1	$ 1	$ -	$ -	$ -	$ 1

d. Contingencies

In June 2011 three statements of claim were filed against the Corporation in relation to a home explosion, a basement fire and a garage fire during the spring of 2011 in Regina, Saskatchewan. The Corporation has filed statements of defence and cross claims, however these claims remain at an early stage and at this time the Corporation does not expect the outcome to result in any material financial impact.

10. Market value adjustments

(millions)	For the Three Months Ended June 30 2012	For the Three Months Ended June 30 2011	For the Six Months Ended June 30 2012	For the Six Months Ended June 30 2011
Change in fair value of debt retirement funds	**$ 1**	$ 1	**$ (1)**	$ -
Change in fair value of natural gas derivative instruments	**17**	(2)	**8**	(1)
Change in revaluation of natural gas in storage to net realizable value	**25**	(4)	**-**	1
	$ 43	$ (5)	**$ 7**	$ -

11. Natural gas sales and purchases

For the Three Months Ended June 30

(millions)	2012 Commodity	2012 Gas Marketing	2012 Total	2011 Commodity	2011 Gas Marketing	2011 Total
Natural gas sales						
Natural gas sales to commodity customers	$ 30	$ -	$ 30	$ 34	$ -	$ 34
Realized on natural gas derivative instruments	8	59	67	14	69	83
Fair value of natural gas derivative instruments	(1)	(27)	(28)	-	(3)	(3)
	37	32	69	48	66	114
Natural gas purchases						
Realized on natural gas derivative instruments	(50)	(46)	(96)	(50)	(58)	(108)
Fair value of natural gas derivative instruments	39	6	45	1	-	1
Revaluation of natural gas in storage	-	25	25	-	(4)	(4)
	(11)	(15)	(26)	(49)	(62)	(111)
	$ 26	$ 17	$ 43	$ (1)	$ 4	$ 3

11. Natural gas sales and purchases (continued)

	For the Six Months Ended June 30					
	2012			2011		
(millions)	Commodity	Gas Marketing	Total	Commodity	Gas Marketing	Total
Natural gas sales						
Natural gas sales to commodity customers	$ 125	$ -	$ 125	$ 154	$ -	$ 154
Realized on natural gas derivative instruments	12	111	123	25	143	168
Fair value of natural gas derivative instruments	(1)	(13)	(14)	-	(14)	(14)
	136	98	234	179	129	308
Natural gas purchases						
Realized on natural gas derivative instruments	(142)	(87)	(229)	(167)	(123)	(290)
Fair value of natural gas derivative instruments	20	2	22	8	5	13
Revaluation of natural gas in storage	-	-	-	-	1	1
	(122)	(85)	(207)	(159)	(117)	(276)
	$ 14	$ 13	$ 27	$ 20	$ 12	$ 32

12. Net change in non-cash working capital related to operations

	For the Three Months Ended June 30		For the Six Months Ended June 30	
(millions)	2012	2011	2012	2011
Trade and other receivables	**$ 59**	$ 68	**$ 44**	$ 44
Natural gas in storage held for resale	**(13)**	(15)	**13**	37
Inventory of supplies	**-**	(1)	**-**	(2)
Trade and other payables	**(6)**	(13)	**(35)**	(34)
Deferred revenue	**2**	-	**12**	5
	$ 42	$ 39	**$ 34**	$ 50

13. Comparative figures

Certain of the prior period’s figures have been reclassified to conform to the current period’s presentation.