

SASKATCHEWAN SOLUTIONS



AG-WEST BIO INC. ~ 2006 ANNUAL REPORT



Ag-West Bio's vision: creating value in agriculture, food, health and bio-based industries through leadership in the application of science & technology for the benefit of Saskatchewan people. Our mission is to lead and support the development of an economically viable life sciences cluster in Saskatchewan in a way that will translate into significant economic benefits and spin-offs to the Saskatchewan and Canadian economy. Ag-West Bio Inc. will expedite the commercialization of value-added products by linking knowledge and investment with science and enterprise in the development of products that satisfy market needs.

Ag-West Bio Inc. Board of Directors

Armand Lavoie (Chair)
Foragen Technology Ventures

Dale Botting
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Desai & Desai Inc.

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POS Pilot Plant

Ian Newton
Ceres Consulting

Dr. Brigitte Weston
BASF Plant Sciences

“We are happy our investment in Ag-West Bio Inc. is leading to the creation of new economic opportunities for our province and its’ people.”

----- Honorable Mark Wartman, Minister of Saskatchewan Agriculture and Food -----



The Galleria at Innovation Place Research Park in Saskatoon is just one example of the infrastructure available in Saskatchewan.



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building Saskatchewan's bio-economy

The staff at Ag-West Bio

- | | |
|-------------------------|---|
| Dr. Ashley O'Sullivan | President and CEO |
| Ron Kehrig | Vice President - Bio-Products and Bio-Processes |
| Dr. Lisette Mascarenhas | Vice President - Health and Nutrition |
| Muriel Adams | General Manager |
| Janice Tranberg | Regulatory Affairs Director |
| Krista Dennis | Communications Director |
| Tyler Bradley | Investment Analyst |
| Divyesh Patel | Technical Analyst (Westlink Intern) |
| Jazmin Bolaños | Project Coordinator |
| Susan Kuzmak | Executive Assistant |
| Marylou Langridge | Accounting Assistant |
| Jackie Robin | Communications Assistant |
| Shelby Sluth | Administrative Assistant |

There were several staff changes this year as we welcomed Dr. Lisette Mascarenhas, Vice President Health and Nutrition to Ag-West Bio. Janice Tranberg, formerly our Communications Director, has assumed the newly created position of Regulatory Affairs Director. The new Communications Director for Ag-West Bio is Krista Dennis.

“The Saskatchewan Solution stands apart. It is a model of success built on world-class research expertise and state-of-the-art facilities, combined with a low cost of doing business, a highly trained workforce, and a lifestyle second to none.”

----- Dr. Ashley O'Sullivan, President & CEO of Ag-West Bio Inc. -----

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encouraging entrepreneurs



“Without the skills, expertise and networks that Ag-West Bio can bring to Guardian, it would be more difficult to develop the necessary partnerships to fully exploit our technologies...”

----- Dr. Jim MacPherson,
R&D Director, Guardian Biotechnologies -----

This seminar takes through the specific issues researchers-turned-entrepreneurs face as they progress from academia to a functioning company.

GOING CORPORATE
FROM THE LAB TO THE MARKET

Thursday, January 18, 2006
WEST BLOCK ATTEND!

University and Research institutions, start-up and established entrepreneurs, public sector and private sector business, and finance community for helping your technology commercialize. (RSVP advised)

AGENDA TOPICS:

- How to get started: Why? What's the business model?
- How to get funding: Where? How? What are the options?
- How to get customers: Who? How? What are the options?
- How to get partners: Why? How? What are the options?
- How to get a business plan: Why? How? What are the options?
- How to get a business model: Why? How? What are the options?

Sponsored by:

Ag-West Bio, WestLink, University of Saskatchewan, and the Government of Saskatchewan.

<http://westlink.ca/goingcorp/2006.php>

Ag-West Bio hosted "Going Corporate" in January, 2006, a workshop designed to assist entrepreneurs move their technology from the lab to market.



Saskatchewan Agriculture and Food Minister Mark Wartman speaks at the Ag-West Bio funding announcement in June, 2006.

Ag-West Bio commercialization fund

For R&D based companies in the bio-sciences sector, the road to profitability can be a long haul. Moving innovative research from the lab to market can be challenging, especially at the initial product development stage when sales are not foreseeable for years to come. Ag-West Bio, with their commercialization fund, aims to help bio-science companies cross the funding gap, and drive on towards a profitable business venture.

Over the past year, Ag-West Bio received 34 interested investment inquiries for the commercialization fund. From these inquiries, 14 businesses submitted investment proposals to Ag-West Bio for consideration.

In 2006, Ag-West Bio invested \$500,000 in two Saskatchewan bio-science companies, Guardian Biotechnologies and Northern Quinoa, and the commitment doesn't stop there. Helping to



grow Saskatchewan's bio-economy, Ag-West Bio provides advice to these companies with respect to strategy, priorities and financing.

Building a strong economy means building strong companies. Saskatchewan organizations, including Ag-West Bio, are working together to forge solid vehicles for investment in our province's companies. These vehicles include the Enterprise Saskatchewan Committee and SAINT, Saskatchewan's newest angel investor network. Ag-West Bio is actively working to enhance connectivity between various investment organizations to ensure a fertile investment landscape for Saskatchewan's bio-economy.

Providing opportunities for companies to polish their business skills, Ag-West Bio presented the *Developing the Business Plan Workshop and Primer* in 2006, along with numerous other workshops and seminars for advanced learning.

Saskatchewan is renowned for its pioneering research, and it is rewarding to be able to assist young bio-science companies bring their innovative technologies and solutions to market!

investing in innovation



the tools of technology



“It takes a strong network of university, public and private sector research and development to create a bio-centre such as ours...we are competing against other provinces and countries at BIO 2006 to ensure Saskatchewan’s positive messages are top of mind. We know that getting out and talking to people generates business for Saskatchewan.”

----- Honorable Eric Cline,
Minister of Saskatchewan Industry and Resources -----



The ABIC Foundation is a not-for-profit organization, managed by Ag-West Bio and overseen by a board of directors with representation from several countries.

The Foundation's goal is to ensure on-going opportunities for continuous learning and networking within the ag-biotech community through the ABIC conference.

ABIC returns to Saskatoon in the fall of 2010.

Leading the way

Playing host to a major portion of Canada's research and development in agricultural biotechnology, Saskatchewan is a natural solution for international companies and researchers looking to tap the wealth of knowledge and capabilities housed here.



Our commitment to having Saskatchewan known as a leader in ag-biotech drives Ag-West Bio's activities in this area. Activities include hosting incoming missions from India, the United Kingdom, Israel, and across Europe and the United States; leading delegations to ABIC

(Agricultural Biotechnology International Conference) 2006 in Melbourne, Australia and BIO (Biotechnology Industry Organization) 2006 in Chicago, IL; and promoting our capacity across Canada during National Biotechnology Week.

In 2006, Performance Plants Inc., an Ag-West Bio member and investee company, received \$12 million in financing, one of the largest private investments in an ag-biotech company in Canada. Performance Plants, located in Saskatoon, Saskatchewan and Kingston, Ontario, has developed a value enhanced, stress tolerance technology for crop plants. They are

one example of the many successful Saskatchewan companies leading the way in ag-biotech!

Ag-West Bio is active in promoting and encouraging prospective business, as well as keeping Saskatchewan businesses tapped into the opportunities happening around the globe. Our participation in local, provincial and national committees and focus groups, such as Genome Prairie, the Biotechnology Human Resource Council (BHRC), the Canadian Biotech Accord, CropLife Canada's Biotech Regulatory Committee, and numerous others, allows us and our members to remain at the leading edge of the trends and take advantage of opportunities as they arise.



agricultural biotechnology



energy and materials for a healthier environment



“As the world begins to embrace bio-based solutions, Saskatchewan’s abundant agricultural resources will play a key role in the development of renewable energy systems and environmentally friendly industrial materials.”

----- Dr. Wilf Keller, Research Director,
National Research Council – Plant Biotechnology Institute -----



Ag-West Bio has created our Bio-Products Showcase to help spread awareness of the potential uses of bio-products.



Bio-products encompass much more than bio-fuels. Ag-West Bio helps Saskatchewan manufacturers develop markets for products created from by-products and raw materials. Flax fibre and waste from sawmills are just two examples.

Fueling success

Interest in alternative sources of energy, renewable industrial feedstock's and environmentally friendly products is building and Saskatchewan's researchers and companies are seizing the opportunities. Working along with them to bring the latest information, initiatives and areas for collaboration is Ag-West Bio.

Ag-West Bio actively participates on provincial, national and international committees, constantly finding new prospects for Saskatchewan, as well as promoting our strengths. These committees include the Bio Diesel Task Force, the Canadian Biomass Innovation Network, the Saskatchewan Ethanol Development Council, BIOCAP Canada, the Feed Innovation Institute and Bio-Products Canada, to name a few.

Sharing the knowledge gleaned from numerous events and networking, Ag-West Bio delivers relevant information to its members and the community through incoming and out-going delegations, workshops, and seminars.



The Northern Plains Ethanol Workshop, held in conjunction with the Saskatchewan Ethanol Development Council, was an enormous success. The November 2005 event brought together stakeholders to discuss models to drive down the cost of ethanol production and increase processing activity in our province.

Industrial uses of bio-oils are an up and coming sector in the bio-based economy. Ag-West Bio and the National Research Council - Plant Biotechnology Institute highlighted recent advances, technologies and initiatives in this emerging area during the two day *Plant Bio-Industrial Oils Workshop* in March 2006.



In an effort to provide a better understanding of the benefits and potential of bio-based products and processes, Ag-West Bio has developed a collection of bio-product samples, our Bio-Products Showcase.



The display has grown over the years and now hosts almost 200 bio-products from approximately 61 supplier's world wide and has been featured at several conferences, education and special events, including the 2006 World Congress on Industrial Biotechnology and Bioprocessing.

bio-products and bio-processes

linking agriculture and wellness



Research is being conducted on a variety of crops to explore the potential for natural health products and functional foods as a new market for the agriculture sector in Saskatchewan.

“The collaborative Solutions exhibit at IFT attracted potential business around the world to Saskatchewan, increased the sector profile at the world stage, and enhanced the interaction and cooperation within the province’s R&D sector.”

----- Dr. Nelson Tang, Senior Scientist, POS Pilot Plant, IFT 2006 Solutions Exhibitor -----



Creating connections

Consumers, in search of healthier lifestyles, are motivating the increased use of natural health products and functional foods. This is good news for Saskatchewan. Not only are we known world wide for our quality natural ingredients, but our science and research infrastructure, coupled with our small to large-scale processing facilities, provide scientists and companies with the unique opportunity to move their innovative research all the way from the lab to the market, right here in one location.



Team Saskatchewan at IFT 2006 in Orlando, FL

This is the message Ag-West Bio has been working hard to spread, especially through its mission to the IFT (Institute of Food Technologists) Annual Meeting and Food Expo 2006. Occurring this year in Orlando, Florida, six organizations collectively promoted Saskatchewan Solutions to almost 18,000 business leaders, scientists, and journalists who attended the show.



Saskatchewan's agriculture sector is examining crops and foods from the perspective of disease prevention.

To address this potential, Ag-West Bio, in partnership with the Saskatchewan Health Research Foundation and the National Research Council-Plant Biotechnology Institute, presented *Improving Human Health: Are Plant Compounds Key to Disease Prevention?* in May of 2006. This workshop provided valuable opportunities for the agriculture and health research communities to interact and consider potential collaborations available through the research and development of plant compounds as a tool to address healthy living and disease prevention.

Ag-West Bio, through the Flax Canada 2015 initiative and with support from Agriculture and Agri-Food Canada, the provinces of Alberta, Saskatchewan, Manitoba and the flax industry facilitated the development of a strategic plan for flax. A major component of the plan dealt with flax's potential for improved human and animal health.



Dr. Wendy Dahl from the Saskatoon Health Region speaks at the Improving Human Health workshop in May, 2006.



Ag-West Bio will continue to cultivate the agriculture and health relationships created through initiatives such as these, and represent members and industry by participating on committees such as Wellness West, Nutri-Net Canada and the Canada West Program.



health and nutrition



Saskatchewan: a natural solution

Promotion of the bio-economy is an important aspect of Ag-West Bio's mandate. The brand *Saskatchewan Solutions* was initiated in 2005, with the concept that Saskatchewan can provide everything a bio-based company needs to succeed: quality raw materials, a strong R&D cluster, processing capacity, as well as the financing and business support necessary to take an idea from concept to market.

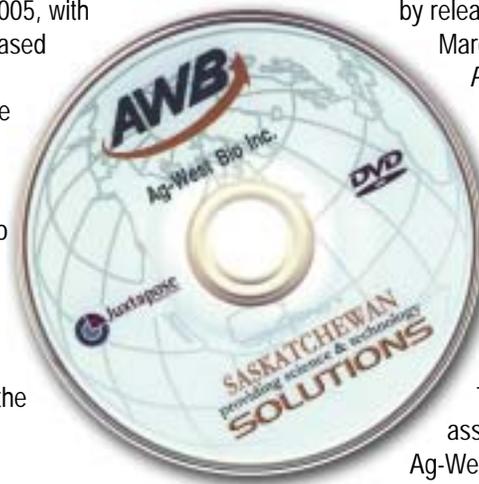


The Ag-West Bio Inc. website is the focus of communications for Ag-West Bio.

Saskatchewan Solutions branding has continued to evolve over the past year. Key to the Solutions brand is a tradeshow display. Ag-West Bio brings together companies and organizations from Saskatchewan's bio-based cluster to be part of the Solutions team, traveling to key conferences and events to promote the bio-economy in this province.



The Solutions display showcases Saskatchewan's capabilities at key conferences and trade shows.



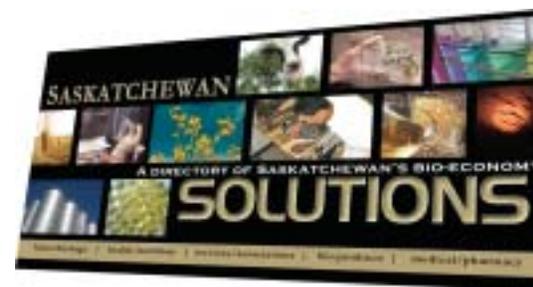
Ag-West Bio further built upon the Solutions brand by releasing a promotional video in March 2006 entitled: *Saskatchewan: Providing Science and Technology Solutions*.

The video is a celebration of Saskatchewan's bio-economy, including current success stories and the future potential of this vibrant science, business and agricultural community.

To compliment the video and assist in the growth of the industry, Ag-West Bio produced a

comprehensive online listing of companies and organizations associated with this province's bio-based economy – *Saskatchewan Solutions Directory*. The directory is available at www.agwest.sk.ca.

Ag-West Bio realizes a dynamic research community helps to build the provincial bio-economy. Working together, we are positioning Saskatchewan as a leader in the global bio-economy and a great place to do business. ***Saskatchewan: Providing Science and Technology Solutions!***



The Solutions directory is available at www.agwest.sk.ca.

SASKATCHEWAN providing science & technology SOLUTIONS

Ag-West Bio membership



Ag-West Bio membership has grown since its launch in January 2005 to more than 90 corporations, individuals and associations involved in agricultural biotechnology, bio-products and bio-processes and natural health products and functional foods.

In order to better understand the issues and challenges facing our members, Ag-West Bio hosted a member consultation for each sector: bio-products and bio-processes, agricultural biotechnology, and health and nutrition in the winter of 2005-06. Approximately 30% of Ag-West Bio's membership was represented at the consultations, with 47 members participating.

Members shared concerns on issues ranging from sourcing financing, access to market intelligence and lack of regulatory support.

Ag-West Bio is addressing these issues by working with a range of potential investors to share deal flow and co-invest, and by seeking ways to increase our own seed capital fund.

Members gain access to market intelligence through Ag-West Bio's e-news, delivered bi-weekly to members via email. E-news is a collection of articles, events and opportunities pertaining to the bio-economy. Market reports are also posted on the member's only section of Ag-West Bio's website.

The recent appointment of a full-time regulatory affairs director will enable Ag-West Bio to guide, educate and inform members of trade, standards and regulatory issues affecting bio-based organizations and companies.

With our finger on the pulse of the emerging bio-economy, membership in Ag-West Bio will help you and your organization become more competitive and better informed of the opportunities, issues and challenges facing the bio-sciences sector.

Corporate Members

Agriculture & Agri-Food Canada —
Saskatoon Research Centre
Alberta Research Council
ABG North America Ltd.
Becker Underwood Inc.
BASF Plant Science Ltd.
Bioriginal Food & Science Corp.
Canadian Bioenergy Corporation
Canadian Light Source Inc.
CanMar Grain Products Ltd.
Can-Oat Milling
Cevena Bioproducts Inc.
Clear-Green Environmental Inc.
Chromatin Inc.
Contact Canada
Davidson Bio Diesel Project
Dow AgroSciences Canada Inc.
Emerald Seed Products Ltd.
ERCO Worldwide
FarmPure Inc.
Foragen Technologies Management Inc.
Fytokem Products Inc.
Guardian Biotechnologies
Genome Canada
Genome Prairie
Heads-Up Plant Protectants
Hodgins & Company Management Consultants Inc.
Industry Canada
Industry Liaison Office, University of Saskatchewan
InfraReady Products 1998 Ltd.
Innovation Place
Investment Saskatchewan
Laprell's Beehive Products Inc.
Maple Leaf Bio-Concepts
MCN BioProducts Inc.
Milligan Bio-Tech Inc.
National Research Council—
Plant Biotechnology Institute
New Era Nutrition
Nipawin Biomass Ethanol —
New Generation Co-Op
Norelco Nutraceuticals
Performance Plants Inc.
Phenomenome Discoveries Inc.
Philom Bios Inc.

Pioneer Hi-Bred Ltd.
Prairie Plant Systems Inc.
Prairie Agricultural Machinery Institute
Saskatoon Regional Economic Development Authority
Saskatchewan Agriculture and Food
Saskatchewan Canola Development Commission
Saskatchewan Canola Growers Association
Saskatchewan Ethanol Development Council
Saskatchewan Flax Development Commission
Saskatchewan Food Industry Development Centre
Saskatchewan Industry & Resources
Saskatchewan Research Council
SaskEnergy Corp.
SNC-Lavalin Audet
The Pathfinders Research & Management Ltd.
The Saskatoon Colostrum Company Ltd.
University of Saskatchewan —
College of Agriculture
University of Saskatchewan —
College of Commerce
Vaccine and Infectious Disease Organization
Wardrop Engineering
Walker Seeds Ltd.

Associate Members

BioAlberta
BIOTECanada
Canadian Bioenergy Association
Canadian Health Food Association
Canadian Institute of Food Science and Technology
Centre Quebecois de Valorisation des Biotechnologies

Manitoba Food Processors Association
POS Pilot Plant
Saskatchewan Advanced Technology Association
Saskatchewan Environmental Industry and Managers Association
Saskatchewan Food Processors Association
Saskatchewan Fruit Growers Association
Saskatchewan Herb & Spice Association
Saskatchewan Trade and Export Partnership
Saskatoon Chamber of Commerce
Western Canadian Functional Food and Natural Health Product Network

Individual Members

Mercedes Alcock
Len Bykowski
Barry Campbell
Hugh Campbell
John Culley
Glen Coulter
Pete Desai
Kathy Johnson
Robert Kallio
Ian McPhadden
Elizabeth Nash
Ian Newton
Satya Panigrahi
GV Shankar
Neil Wagner



Our bi-weekly on-line news clipping service is just one of the many benefits of being a member of Ag-West Bio Inc.

building momentum

Funding for Ag-West Bio is provided by Saskatchewan Agriculture and Food. Financial statements are available upon request. Photo sources include: POS Pilot Plant, Bioriginal Food & Science Corp., and Innovation Place.



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