



A SOLID FOUNDATION

VITAL CONNECTIONS

INNOVATIVE SOLUTIONS

AG-WEST BIO INC.
2008 ANNUAL REPORT



OUR 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:

To lead and support the development of an economically viable bio-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.



A message from the president

As with any new position, there are always surprises; fortunately they have for the most part been positive with Ag-West. One positive surprise is the depth of competencies within the staff. I have been impressed also with the expertise and support of the board of directors, Saskatchewan Ministry of Agriculture and Ag-West Bio members.

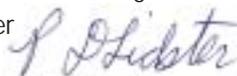
I have found Ag-West Bio to be a unique arm's length organization that can transition government priorities to business, business priorities to government while maintaining the independent capacity to commercialize emerging technologies and foster the development of small and medium size enterprises (SMEs). Saskatchewan, with the cultivation of Ag-West and the research and development cluster that surrounds it, is well placed to benefit from the investment it has made in its core agricultural-based businesses. As with all investments, the return depends upon the ability to translate the investment meaningfully into the marketplace.

In the last four months, Ag-West has been restructured to make its operations more efficient and cost-effective. Ag-West has developed a number of initiatives with complementary organizations to increase its mentoring and investment capacity for new technologies and SMEs.

Ag-West Bio's focus will remain on pathfinding for new technologies and providing support to its members for commercialization. Ag-West represents its members and associated industries as a collective voice to government, encouraging economic development and addressing regulatory and other issues. Ag-West acts as a catalyst, connecting Saskatchewan organizations to emerging global opportunities. Through these initiatives Ag-West creates value for its members.

I look forward to meeting more of our members to share with you Ag-West Bio's vision for the future.

Perry Lidster



A letter from the chair

It was another exciting year for Ag-West Bio. Although the retirement of Dr. Ashley O'Sullivan left difficult shoes to fill, we are pleased to welcome Dr. Perry Lidster to the team. His diverse experience in science, business and government will help guide Saskatchewan companies into the future.

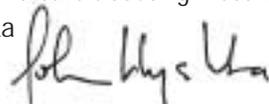
Ag-West Bio continues to be one of the leading biotechnology industry organizations in the world. Over the years, our focus on programs has evolved and we are now going through another strategic planning process which places increased emphasis on commercialization.

We will continue to gather input from government, our members and stakeholders in the industry during this strategic planning process. Our dynamic board is filled with industry leaders working to build the bio-sector in the province.

Last year, we organized workshops in the bioproducts and health areas, hosted a number of company and government delegations, and provided input on various panels discussing topics of innovation and government policy relating to science and agriculture. We participated in conferences addressing areas of importance to our mandate and invested in innovation through local companies.

From a personal perspective, I am pleased that we have been able to recruit a high calibre board and staff that are motivated and care about Ag-West Bio and the province.

John Hyshka



A photograph of a modern building with a mix of stone and glass facades. The building has multiple levels with large glass windows and balconies. A prominent feature is a green roof on the upper right section. In the foreground, there is a rustic stone wall with a white pipe running horizontally across it. The overall scene is well-lit, suggesting daytime.

A SOLID FOUNDATION

STRENGTH IN TEAMWORK: NEW FACES, FRESH IDEAS

The past year has been a time of change at Ag-West Bio, with fresh faces coming on board and others moving on to new opportunities. We appreciate everyone who has contributed their talents to the organization. The qualified and conscientious group is working hard to ensure Ag-West is effective in fulfilling its goals. In May, with the retirement of Dr. Ashley O'Sullivan, Dr. Perry Lidster stepped into the role of President and CEO. With the Board of Directors, he has implemented a number of organizational changes aimed at making Ag-West more efficient and streamlined: Lisey Mascarenhas, formerly VP Health and Nutrition, has added company investments to her duties, becoming VP Investments and Health. Deb Shutiak is General Manager, moving from the position of Communications Director. Terry-Lynn Quadri holds a term position, working with stakeholders to create a Biofuels and Bioproducts Centre.

Quality raw materials. Outstanding science infrastructure.

A talented workforce. A solid business environment.

Agriculture and science have roots that grow deep in Saskatchewan. With over 40 percent of Canada's arable land, agriculture has traditionally been the economic mainstay in the province. Life sciences have played a parallel role in the province: the University of Saskatchewan (U of S) has been central to the creation of the life-science cluster.

Merging these essential areas has created huge opportunities in the life-sciences industry. Particularly in agricultural biotechnology, major advances have occurred, with Saskatchewan often taking the lead. New, hardier crops, more nutritious food and better feeds are giving farmers more options in their businesses. Resourceful entrepreneurs are exploring the potential of native plant species and developing innovative products. Environmentally friendly bioproducts are becoming commercially viable, as researchers develop efficient technologies to produce them.

The health sector is also being affected by advances in biotechnology. Using locally grown crops, companies are developing nutraceuticals and researching the effects of functional foods on human health. Saskatchewan has become a major player in the areas of vaccines and genomics research. Bio-diagnostics tools are being developed as less invasive options for medical care.

Today, the 'science cluster' in Saskatchewan has grown to encompass two university campuses and three research parks, as well as a number of provincially and nationally funded research institutions and technical training centres. These provide a stable base for high level research in the life sciences. As Alanna Koch, Deputy Minister of Agriculture, puts it, "The biotechnology research advantages today didn't happen overnight; they are the result of expanding scientific capacity that has been building for more than a century."

Building on Saskatchewan's historical strengths in agriculture and life-science, Ag-West Bio is working to create a solid foundation where life-science organizations can turn great ideas into viable businesses. We work with start-up and early-stage companies to help them develop sound business plans and secure financing. Our commercialization fund is a source of start-up capital, launching several successful businesses. We also work with all levels of government to encourage a business-friendly environment in the province, by providing an industry perspective to government, and supporting the development of a transparent and efficient framework of policies and regulations.

Ag-West Bio's Staff: Dr. Perry Lidster, President and CEO ♦ Ron Kehrig, VP Biofuels and Bioproducts ♦ Dr. Lisey Mascarenhas, VP Investments & Health ♦ Deb Shutiak, General Manager ♦ Darcy Pawlik, Director of Regulatory Affairs ♦ Terry-Lynn Quadri, Manager, Biofuels & Bioproducts Centre ♦ Shelby Sluth, Research/Project Assistant ♦ Jackie Robin, Communications Director ♦ Marilyn Wood-Sparrow, Accountant ♦ Kristen Dubé/Lori Raine Receptionist/Administrative Assistant

Ag-West Bio's Board of Directors: John Hyshka (Chair), CFO Phenomenome Discoveries Inc. ♦ Armand Lavoie, VP Western Canada, Foragen Technology Ventures Inc. ♦ Abdul Jalil, Director of Research Branch, Saskatchewan Ministry of Agriculture ♦ Pete Desai, President, Desai & Desai Inc. ♦ Ian McPhadden, Producer ♦ Kevin Gellatly, VP Alliances, Performance Plants Inc. ♦ Karen Chad, Associate VP Research, University of Saskatchewan ♦ Susan Milburn, VP and Investment Advisor, Raymond James Ltd. ♦ Ron Styles, President & CEO, Crown Investments Corporation ♦ Joe Vidal, President & CEO, Bioriginal Food & Science Corp. ♦ Calvin Sonntag, President, Novozymes BioAg Group

VITAL CONNECTIONS

AG-WEST BIO: HELPING SASKATCHEWAN COMPANIES ON THEIR PATH TO SUCCESS

The science cluster in Saskatchewan

is a network of cooperative centres and institutions essential for the healthy development of the bio-economy. At the University of Saskatchewan (U of S) the Colleges of Agriculture and Bioresources, Medicine, Pharmacy and Nutrition, Kinesiology, Engineering, as well as the Western College of Veterinary Medicine, are focused on life sciences. The College of Arts and Science delivers a sound base in all the sciences. The U of S Edwards School of Business offers a variety of commerce programs, including a bachelor of science in agribusiness. The department of Applied Research and Innovation at the Saskatchewan Institute of Applied Science and Technology (SIAST) ensures skilled technicians are available for life-science companies. At the University of Regina, faculty members are involved in a number of research initiatives related to energy and the life sciences, including CO₂ technologies and other projects designed to develop new methods of producing biodiesel and hydrogen fuel from renewable resources.

Three research parks are located in the province's largest cities: Innovation Place in Saskatoon, the Forest Centre in Prince Albert and the Regina Research Park. The U of S campus houses a number of vital research stations: Vaccine and Infectious Diseases Organization (VIDO) and Canada's only synchrotron, the Canadian Light Source (CLS). Construction of InterVac, a Containment Level 3 vaccine research lab which will be led by VIDO, is expected to be completed in 2010. Two nationally funded research organizations are located in Saskatoon: Agriculture and Agri-food Canada Saskatoon Research Centre and National Research Council – Plant

Biotechnology Institute. POS Pilot Plant, the Saskatchewan Research Council, Innovation Place Bioprocessing Centre, Prairie Agricultural Machinery Institute and the Saskatchewan Food Research Centre are other integral players in the cluster. Scientists from around the globe are enticed to Saskatchewan with the opportunity of conducting their research at these superlative research centres.

Ag-West Bio has built relationships with each one of these organizations, acting as a catalyst to facilitate the flow of knowledge and ideas through to the commercialization of products and services. A cooperative atmosphere means organizations collaborate on projects and work together to promote the province at outside events.

Communication is an essential role for Ag-West Bio. We maintain a number of publications to deliver the message of Saskatchewan's successes in the bio-economy and to try to keep our members abreast of new discoveries, technologies and issues.

In September 2007, Ag-West collaborated with the College of Agriculture and Bioresources, SIAST, Ag in the Classroom, Genome Prairie and Eclecthink International, to organize a series of events for National Biotechnology

Week. The events included a lecture series, public tours, and an Outreach Day geared to grade-school children.

"A Night in the Lab" was hosted by Ag-West at ABIC 2007 in Calgary. The event was a fun opportunity for delegates to make connections and proved to be a great way to promote Saskatchewan's capacity and interest in doing business with

companies and researchers from around the world.

In June, Ag-West Bio and the Saskatchewan Ministry of Enterprise and Innovation worked together to bring a delegation to BIO 2008 in San Diego. The impact was monumental. Promoting their businesses to a targeted audience garnered significant deals for the

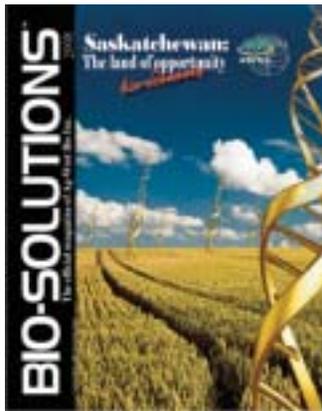


From the top:
Regina Research Park,
Canadian Light Source,
Innovation Place,
NRC-PBI, College of
Agriculture and
Bioresources (U of S)

Saskatchewan participants. The show also brought Saskatchewan organizations together as gracious ambassadors, unified by the goal of showcasing the province.

Also in June 2008, Ag-West collaborated with STEP to send our SOLUTIONS booth and three companies to International Food Technologists Conference in New Orleans. Betty Forbes, president and CEO of Northern Vigor Berries says, "As a new company, we found IFT invaluable in introducing ourselves and our products to companies from all over the world. We are now in the process of following up on the great deal of interest shown."

E-news is a clipping service available exclusively to Ag-West members. New science and technologies, issues and trends as well as events and opportunities are posted in this electronic, bi-weekly publication.



Ag-West's third edition of **Bio-Solutions** magazine was published in May. Articles included updates on the progress of a number of member companies, the value of investing in infrastructure to attract research and the promise of success in the Saskatchewan bio-economy. The publication articulated the optimism of those in the life

sciences and the enthusiasm for business.

SUCCESS continues to be our communications vehicle directed at decision-makers. We highlight member companies, discuss regulatory and policy issues, and present new areas of business development.

Bio-Bulletin is a bimonthly, on-line newsletter with over 2000 copies distributed around the world. Bio-Bulletin includes articles that inform stakeholders about regulatory topics, reviews of Ag-West's activities and events, as well as information about local innovations

and opportunities. This publication is available on our website: www.agwest.sk.ca.

Ag-West Bio creates vital connections

through pathfinding and networking activities. We conduct countless meetings with business people, government representatives and researchers across Canada and around the world to promote Saskatchewan as *the* place to do business in the bio-economy. We help individuals and organizations make the connections they need, whether it be researchers sharing ideas, businesses finding skilled technicians, or entrepreneurs connecting with funding organizations to take the next step into commercialization.

We host external delegations, arrange meetings to bring people face to face and organize tours of facilities to showcase Saskatchewan's state of the art infrastructure. We also encourage local companies to attend important conferences as part of 'Team Saskatchewan.' Involvement increases the member's visibility and often leads to establishing vital business contacts, while reducing expenses. Throughout the year, we invite a variety of speakers from bio-based industries to share their expert insight and advice at seminars and workshops.

In March, we launched **go-Bio**, a searchable database that lists Saskatchewan organizations active in the biofuels and bioproducts sector. (See page 11 for more information on go-Bio).



In the last year, Ag-West Bio cooperated with stakeholders to further a variety of projects, ranging from increasing annual R&D expenditure limits from \$2M to \$3M under the Scientific Research and Experimental Development (SR&ED) tax program to ensuring the New Substances Notification Requirements for Organisms does not handicap Canadian R&D efforts at public and private institutions.

Ag-West Bio contributes its perspectives on federal objectives by participating with BIOTECANADA's Industrial & Environmental committee, Agriculture Nutrition Advisory Board and the Biotechnology Accord. As part of CropLife Canada's Biotechnology Science and Regulatory Committee, Ag-West added input on a variety of policy topics which were then submitted to the Government of Canada for consideration. As a result of cooperation, new standards for low-level presence of modified seeds in commodity shipments was supported by the Codex Alimentarius Commission. Ag-West also participates on the Plant Inoculants Canada Board, which strives to reduce the regulatory burden on the inoculant industry, largely located in Saskatchewan.

KEEPING MEMBERS CONNECTED IS ONE OF OUR MOST IMPORTANT GOALS.

Our publications, an in-house library, a members-only section on our website, and bi-weekly E-news clipping service are resources available to our members. Member profiles and contact information are posted to our website. Networking events, workshops and ambassadorship opportunities are offered at a discounted rate.

Ag-West can offer members assistance in finding matching grants and investments. Members also have an opportunity to access direct investment capital through our commercialization fund.

Join Ag-West Bio. We'll keep you informed about the issues, challenges and opportunities in today's bio-economy.

Ag-West Bio Members

Associate members

AusBiotech
 BioAlberta
 BioMed SA
 BIOTECanada
 Canadian Health Food Association
 Canadian Institute of Food Science and Technology
 Feeds Innovation Institute
 Greater Saskatoon Chamber of Commerce
 Life Science Association of Manitoba
 Manitoba Food Processors Association
 POS Pilot Plant Corporation
 Saskatchewan Trade and Export Partnership
 Western Canadian Functional Food and Nutraceutical Network
 Saskatchewan Advanced Technology Association
 Saskatchewan Environmental Industry & Managers Association
 Saskatchewan Food Processors Association
 Saskatchewan Herb & Spice Association
 Saskatchewan Fruit Growers Association

Corporate members

Agriculture and Agri-Food Canada
 Advance-Tek Consulting Inc.
 Alberta Research Council
 Banda Marketing Group
 BASF Plant Sciences Ltd.
 Becker Underwood Inc.
 Bioriginal Food and Science Corp.
 Canadian Bioenergy Corporation
 Canadian Light Source Inc., U of S
 CanMar Grain Products Ltd.

College of Agriculture and Bioresources, U of S
 Cypress Agri Energy Inc.
 Dow AgroScience Canada Inc.
 Edwards School of Business, U of S
 Emerald Seed Products Ltd.
 Foragen Technologies Management Inc.
 Farmers of North America
 Foreign Affairs and International Trade Canada
 Heads-Up Plant Protectants
 Genome Prairie
 Guardian Biotechnologies
 Industry Liaison Office, U of S
 Innovation Place
 Industry Canada
 Maple Leaf Bio-Concepts
 March Consulting Associates Inc.
 MCN BioProducts Inc.
 Milligan Bio-Tech Inc.
 Mold Solutions LLC Canada
 Mustard Capital Inc.
 National Research Council - Plant Biotechnology Institute
 Natraceutical Canada Inc.
 Northern Vigor Berries
 Pfizer Canada Inc.
 Phenomenome Discoveries
 Philom Bios Inc.
 Prairie Agriculture Machinery Institute
 Prairie Plant Systems Inc.
 Quantum Genetics Canada Inc.
 Ridout & Maybee LLP
 SaskEnergy Corp.
 Saskatchewan Biofuels Development Council

Saskatchewan Canola Development Commission
 Saskatchewan Flax Development Commission
 Saskatchewan Pulse Growers
 Saskatchewan Research Council
 Saskatoon Regional Economic Development Authority Inc.
 Saskatchewan Food Industry Development Centre Inc.
 Saskatchewan Ministry of Enterprise and Innovation
 Titan Clean Energy Projects Corporation
 The Pathfinders Research and Management Ltd.
 The Saskatoon Colostrum Company Inc.
 Vaccine and Infectious Disease Organization, U of S

Individual Members

Les Beres
 Pete Desai
 Jack Grushcow
 Morris Johnson
 Ian McPhadden
 Garnet Martin
 Susan Milburn
 Elizabeth Nash
 Michael Oelck
 Joanne Post
 G.V. Shankar
 Ron Styles
 Neil Wagner

Title page illustrations: Cover: Agriculture and science both have solid roots in Saskatchewan. Page 2: A Solid Foundation: A composite photograph of the Stone Barn and the Agriculture building, both on the U of S Campus. Page 5: Vital Connections: The Galleria at Innovation Place in Saskatoon, superimposed on a field of canola. Page 8: Innovative Solutions: Saskatchewan has the resources along with the knowledge, skill and creativity necessary to build the bio-economy.

INNOVATIVE SOLUTIONS

INVESTMENTS AND HEALTH



Dr. Lisey Mascarenhas, Vice President Health and Investments at Ag-West Bio.

A message from Dr. Lisette Mascarenhas

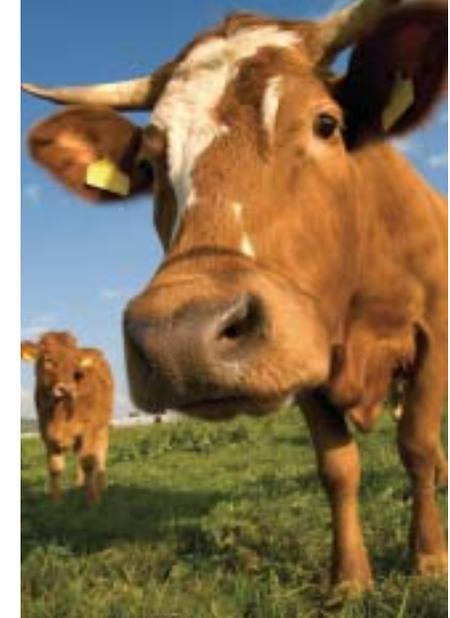
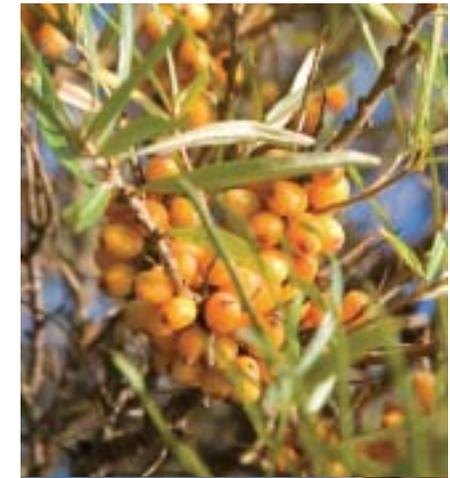
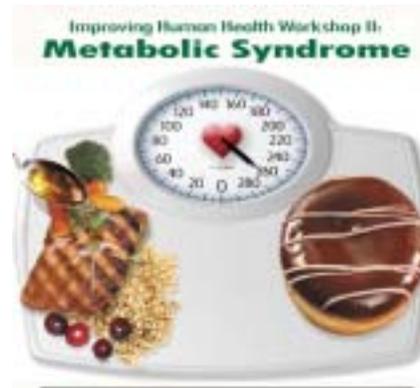
The time of reactive medicine practice is slowly but steadily moving to middle ground to accommodate the evolution of proactive, personalized and preventive medicine. Advances in information technology, combined with a burst of activity on the natural products side, have brought about good news that many chronic health conditions can be prevented, managed and even treated better by subscribing to a healthier, holistic lifestyle. At the heart of the prevention and management of chronic diseases, especially metabolic disorders such as type 2 diabetes, is nutrition, and all the elements of good nutrition can be found right here in Saskatchewan.

In Saskatchewan, many aspects of nutrition are being discussed and dealt with. From its 'Canada quality' raw ingredients to its bioprocessing capabilities, the province provides contamination and contention-free raw materials for large manufacturers and cutting edge solutions for novel product creation. The strategically-created research cluster in Saskatchewan offers a one-of-a-kind environment for human and animal health product and process development, eliminating the need for self-sustained vertical integration.

We undertook a significant step in our education campaign to highlight the link between agriculture, nutrition and chronic illness by hosting the first Metabolic Syndrome (pre-diabetes) workshop. Through eloquent and well-known researchers, we stressed the importance of preventing type 2 diabetes using a number of strategies outside the traditional pharmaceutical stream. The attendance, enthusiasm and feedback received from our participants and the larger science and R&D community was very gratifying.



The keynote speaker for AWB's Improving Human Health Metabolic Syndrome Workshop was nutrition expert Leslie Beck.



Above: The diversity of health research in Saskatchewan covers everything from human and animal health, feeds and food research, natural health products, nutraceuticals, bi-diagnostics, vaccines and genomics.

Top: Seabuckthorn has incredible nutritional value and is one of the crops with great potential in the natural health products market.

Investments and commercialization

One of our key objectives in identifying and hosting meetings of relevance to our membership and to the larger stakeholder community is bio-economic development in Saskatchewan. Bio-economic development can come in several forms: attracting companies from other jurisdictions; by out-licensing Saskatchewan grown technologies for further development; vertical integration of new technology companies; growth and expansion of existing companies and others.

Last year we were involved in attracting several companies from other jurisdictions to Saskatchewan in the human and animal health space. While some of these companies, such as Bio-Extraction Inc., join the class of companies specializing in animal health and nutrition, others, such as ARC Pharmaceuticals, fall into the disease prevention category. We also mentored several of our companies in pathfinding, business development and marketing. For example, we assisted two Saskatchewan companies, Northern Vigor Berries and Mustard Capital Inc., take new product concepts and new products to IFT 2008 in New Orleans. As discovered at IFT 2008, these companies carved out a niche in the high plant protein and the super fruit categories.

In January, Ag-West approved a \$300,000 investment in Titan Clean Energy Project Corporation (Titan) for market research and infrastructure scale-up. This came after Ag-West worked with Titan to help them build relationships with suppliers and researchers. Jason Praski, Titan's President and COO stated, "We are grateful for the support of Ag-West Bio and are delighted to have the mentorship and on-going collaboration with the entire Ag-West team."

Investment and company attraction in the life science space doesn't merely add to the list of Saskatchewan life sciences companies. It is a commitment to being part of a larger cluster, to engage all appropriate core and peripheral technical and non-technical service

providers such as the Saskatchewan Research Council, Innovation Place Bioprocessing Centre, the University of Saskatchewan (U of S), the U of S Vaccine and Infectious Diseases Organization and Canadian Light Source, POS Pilot Plant and others. By adding to our list of unique companies that have made Saskatchewan their home we are enabling and enhancing the profile of our research cluster in Saskatchewan.

Moving into the future, we hope to build on our strengths in investment and company attraction and grow the bio-economic potential and reality of the province.



REGULATORY UPDATES

2007- 2008 has been a busy time for policy reform in Canada's health and nutrition sector. Health Canada consulted with stakeholders to determine Canada's path forward. Focus was directed on developing standard operating procedures to improve efficiencies, adopting Generally Regarded as Safe (GRAS) criteria for foods and keeping labels simple and unambiguous.

Consultations were held on Health Canada's *Draft Guidance on the Management of Pre-Market Submissions* to the food directorate. Ag-West supports the continued work of Health Canada on the modernization of the regulatory framework surrounding food and nutrition. We also support the creation of standard operating procedures to improve evaluation timelines.

Ag-West Bio has been involved on proposed bills such as Bill C-571 (labeling of GMOs) and C-51 (therapeutics and ensuring consumer safety). When working on these and other regulatory issues in the health sector, the expertise of BIOTECanada staff is utilized to ensure information is accurate, updates are received and the best possible outcome for Saskatchewan stakeholders is realized.

BIOFUELS & BIOPRODUCTS



Ron Kehrig, Vice President Biofuels and Bioproducts at Ag-West Bio.

Saskatchewan is fortunate to be enjoying the rewards of our solid foundation in commodity agriculture and biosciences research.

On this foundation, a new bioeconomy is being built through the actions and contributions of the many innovative researchers and companies in Saskatchewan.

Biofuels and bioproducts were the center of media and industry attention in the past year as the price of oil and food commodities surged to highs never before seen. Certainly, the two topics (food and the price of oil) are solidly linked. The impact of rising energy costs on transportation (and almost everything else) are very complex issues and not without connection to other topics, such as climate change, environmental sustainability and challenges around productivity and land use.

The commercial development scene for biofuels is evolving to second generation biofuels and an integrated biorefinery approach. Emerging technologies are leading to new products and integrated processing solutions. This sort of product integration, like turning canola meal into aquatic feeds and energy integration from oat hulls or grain screenings, is already happening in Saskatchewan. Transformation in agriculture is occurring as biomass is viewed now as a cost-competitive source for energy and

at least some industry chemicals and materials. Many industries are looking to source renewable and sustainable materials as cost-effective alternatives to petroleum products.

The task now will be commercializing technologies to deliver these new biofuels and bioproducts to market. Ag-West has taken an active role in the development of a viable biofuels and bioproducts industry in Saskatchewan. Through the Biofuels and Bioproducts Centre initiative, we are focusing on inter-institutional capacity in research and aligning efforts to commercial opportunities.

Saskatchewan is a powerhouse when it comes to temperate oilseeds and lipids - from biotech and plant breeding capacity to developing new crop platforms and commercializing new traits to turning all fractions into products and scale-up. Another area of strength in Canada, which is no less a Saskatchewan strength, is the area of lignocellulosic conversion to fuels and chemicals. If the 'sugar platform' of bioconversion makes Brazil the Saudi Arabia of Biomass, 'Lignocellulosics' is Canada's sustainable version of Oil Sands. Challenging but possible!

Ag-West is also active on the NRC/AAFC National Bioproducts Program Committee, the Saskatchewan



In March, Ag-West launched www.go-BiO.ca, a user-friendly, self-entry internet database of Saskatchewan organizations involved in bioproducts, biofuels and bioprocessing. Funding for the *go-BiO* project was provided by Agriculture Council of Saskatchewan through Agriculture and Agri-Food Canada's Canadian Adaptation and Rural Development in Saskatchewan (CARDS) program. Industry Canada provided funding with the idea that the go-BiO site would serve as a prototype for other provinces to create a similar database. To date, the database contains 127 listings – all organizations currently operating with an on-the-ground presence in Saskatchewan.

After the Canadian Food Inspection Agency (CFIA) conducted an analysis on the distillers grains (DGs) from ethanol production and found a small number of unapproved substances, Ag-West and the Saskatchewan Biofuels Development Commission conducted a consultation in order to understand current practices and to ensure operations could remain viable while upholding strict safety standards. To ensure the sustainability of the industry, we successfully recommended a greater alignment with the U.S. use of a risk-based approach when determining safety of products and for DGs to be given a flexible definition.

Ag-West Bio participates on a variety of committees through CropLife Canada and BIOTECanada to ensure plant biotechnology can be used to capture opportunities in the green economy. Given our climate, talented producers and resources, Saskatchewan needs to recapture its place as the agricultural biotechnology hub of the world. Ag-West works with other organizations and the provincial government to create a welcoming policy environment for biotech R&D and commercialization, essential to solve global problems of drought, nutrient deficiency and sustainability.

To capture the benefits of agricultural biotechnology for Saskatchewan, Ag-West Bio participates in a variety of high-level meetings and workshops. The CFIA's workshop on risk assessment detailed the need for science-based regulations. Biotechnology was recognized as a tool to reduce risks and improve Canada's economic and social prosperity. Agriculture Canada's *Growing Forward* policy framework and the Canadian Grains Council *Commercialization of Canadian Innovation* both promote the use of biotechnology in agriculture, manufacturing, environment and other green industries.

Biofuels Development Council, the Feeds Innovation Institute, the Canadian GreenCrop Network and federal S&T roundtable consultations.

Ag-West is a catalyst in the biofuels and bioproducts industry, creating connections and pathfinding for both start-up and existing organizations. Last year, we hosted a number of international visitors and seminars. We brought in representatives from leading companies such as BioGasol ApS (Denmark), Elevance Renewable Science (U.S.) and Verenium Corporation (U.S.) to address diverse topics, from novel research to the



challenges of commercialization. In February, the 4th Plant Bio Industrial Oils Workshop, co-hosted by Ag-West Bio and NRC-PBI, was very well received. Companies from around the world were represented, such as ADM (U.S.A.), Agrisoma Biosciences and the Canola Council (Canada), PBI Lipid Technologies Group (Sweden), BASF Plant Science and BBK (Germany), and Palm Oil Board (Malaysia) among others. Information shared and connections formed at the meeting led to some interesting commercial development.

Saskatchewan has particularly strong connections with India in the biofuels and bioproducts area and continues to grow with this new developing market and technology partner. Ag-West Bio has been working with the Saskatchewan Research Council and the University of Saskatchewan to foster research and business connections with India.

The commercialization of technology is at the heart of Ag-West Bio's mandate. Increasingly, business success depends on far more than a single technology. Collaboration and the development of business relationships and business structures, in addition to financing, are key ingredients.

Ag-West Bio helps organizations make these vital connections and assemble financing to bring their innovative solutions to life.



Just a few examples of the wide range of bioproducts manufactured in Saskatchewan.

AUDITORS' REPORT TO THE DIRECTORS ON SUMMARIZED FINANCIAL STATEMENTS

The accompanying summarized statement of financial position and statement of operations are derived from the complete financial statements of Ag-West Bio Inc. as at March 31, 2008 and for the year then ended on which we expressed an opinion without reservation in our report dated May 16, 2008. The fair summarization of the complete financial statements is the responsibility of management. Our responsibility, in accordance with the applicable Assurance Guideline of The Canadian Institute of Chartered Accountants, is to report on the summarized financial statements.

In our opinion, the accompanying financial statements fairly summarize, in all material respects, the related complete financial statements in accordance with the criteria described in the Guideline referred to above.

These summarized financial statements do not contain all the disclosures required by generally accepted accounting principles. Readers are cautioned that these statements may not be appropriate for their purposes. For more information on the Foundation's financial position, results of operations and cash flows, reference should be made to the related complete financial statements.

KPMG LLP

Chartered Accountants
Saskatoon, Canada
May 16, 2008

Complete financial statements are available on request.

KPMG LLP Chartered Accountants
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600-128 4th Avenue South
Saskatoon, SK S7K 1M8
Website: www.kpmg.ca

SUMMARIZED STATEMENT OF FINANCIAL POSITION

March 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Cash and short-term investments	\$ 4,119,282	\$ 4,082,495
Long-term investments	1,402,105	1,201,683
Other assets	396,137	543,108
	\$ 5,917,524	\$ 5,827,286
Liabilities and Fund Balances		
Current liabilities	\$ 288,124	\$ 662,183
Fund balances	5,629,400	5,165,103
	\$ 5,917,524	\$ 5,827,286

SUMMARIZED STATEMENT OF OPERATIONS

Year ended March 31, 2008, with comparative figures for 2007

	2008	2007
Revenue	\$ 1,962,053	\$ 2,291,194
Expenses:		
Operations	1,112,643	1,153,240
Workshops and events	213,351	284,530
Funded projects	139,848	187,843
Investment fund	125,876	150,712
Regulatory	81,474	80,287
	1,673,192	1,856,612
Excess of revenue over expenses	288,861	434,582
Write-down of long-term investments	(72,750)	(232,356)
Net earnings	\$ 216,111	\$ 202,226

AG-WEST BIO INC. Summarized Financial Statements

To request a copy of the full financial statements, contact Ag-West Bio at 306-975-1939.

Photo sources include:
Vaccine Infectious Disease
Organization (VIDO)
Canadian Light Source Inc.
University of Saskatchewan
POS Pilot Plant
National Research Council-Plant
Biotechnology Institute
Saskatchewan Research Council
University of Regina

Funding for Ag-West Bio is
provided by the Saskatchewan
Ministry of Agriculture.

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