

WORKING TOGETHER

Innoventures Canada
Annual Report 2008



WWW.I-CAN.CA

About Innoventures Canada

Innoventures Canada (I-CAN) is a not-for-profit organization incorporated in 2006 to improve Canada's performance in commercializing research.

The network represents 10 provincial and regional members. It eliminates research duplication by combining members' applied research, technology and commercialization capabilities.

It also provides companies with an access point to members' expertise, labs and product development resources.

I-CAN members accelerate ideas into market-ready products and services by connecting colleges, universities and research agencies. This strengthens Canadian industries' competitiveness on the world stage.

I-CAN represents

- 2,400 staff
- \$400 million/yr in market-oriented research and development services
- More than 5,000 industrial and government clients
- 20 facilities in eight provinces

I-CAN member accomplishments in the last decade

- Stimulated more than \$1 billion in direct business investment in science and technology
- Attracted significant foreign investment
- Created several billion dollars in economic benefits through technology commercialization
- Improved Canadian quality of life by mitigating or reducing environmental impacts
- Provided scientific understanding for more effective government regulations

TABLE OF CONTENTS

Message from the Chair	2	Board of Directors	3	Member Organizations	4	Good News for Forest Towns	8
Algae Turns CO ₂ System into a Commodity	11	Jasper Innovation Forum Sparks Future Research Directions	14	Financial Report	16		

Message from the Chair

Innoventures Canada (I-CAN) has completed its third year of operation. We continue on our journey of becoming Canada's leader in technology development and commercialization.

In 2008, we had member organizations in eight provinces across Canada. I-CAN now has a balance sheet that puts us in a position to use our resources to develop new national projects and programs that will contribute to Canadian innovation. With an actively engaged board, we are undertaking projects of national importance and impact such as the Carbon Algae Recycling System (CARS) and a project on utilization of pine beetle damaged wood.

We are now entering challenging times—the economy is still uncertain, governments are facing challenging fiscal situations and many industries are struggling. However, we all know that it will be innovation that provides the tools to move beyond the current struggles.

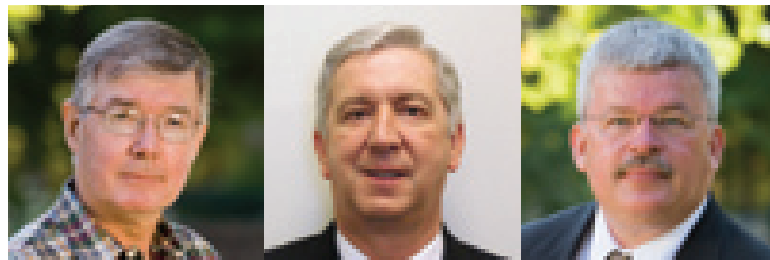
Governments across the country continue to pour money into academic research. But, Canada's innovation performance shows that their actions are based on faulty policy assumptions and, therefore, they do not address the challenge of innovation very well. Evidence shows that 80 to 90 per cent of innovation is actually market-based and relies on the support of organizations like those making up I-CAN. We continue to work hard to improve federal and provincial government understanding about the critical role I-CAN members play in Canada's innovation system.

I extend my thanks and appreciation to I-CAN Board members, member advocates and other member organization staff who have been working hard to help grow and strengthen Innoventures Canada.

John McDougall
Chair of the Board

From left: I-CAN Chair John McDougall speaking with Vice-Chair Laurier Schramm and 2009 Director Marie-Claude Côté.

Board of Directors



John McDougall
I-CAN Chair
President and Chief
Executive Officer of the
Alberta Research Council
(ARC)

Trevor Cornell
I-CAN Treasurer
Chief Operating
Officer of the Industrial
Technology Centre (ITC)

Laurier Schramm
**I-CAN Vice-Chair and
Secretary**
President and Chief
Executive Officer of the
Saskatchewan Research
Council (SRC)



Jacques Brosseau
I-CAN Director
Vice-President Legal Affairs
of le Centre de Recherche
Industrielle du Québec
(CRIQ)

Eric Cook
I-CAN Director
Executive Director of
the New Brunswick
Research and
Productivity Council
(RPC)

Darryl Lake
I-CAN Director
Chief Executive Officer
of the Northern
Centre for Advanced
Technology (NORCAT)

Member Organizations



Alberta Research Council (ARC)

Alberta Research Council (ARC) is an applied research and development (R&D) corporation that develops and commercializes technology to grow innovative enterprises. It specializes in converting early stage ideas into marketable technology products and services.

Key business lines include: applied research; technology assessment; technology development and demonstration; technology commercialization; consultation and policy development; and testing and analysis.

ARC serves more than 950 customers and partners around the world in energy, life sciences, agriculture, environment, forestry and manufacturing. It also works with the Alberta government to deliver Alberta's innovation agenda.

The organization employs over 600 scientists, engineers and professional staff that operate in five facilities located throughout Alberta. Its customers have access to leading-edge expertise, equipment and facilities. ARC offers joint ventures, consortia, strategic partnerships and other flexible working arrangements to meet its customers' needs.

ARC is a not-for-profit corporation wholly owned by the province of Alberta and governed by an eight-member board of directors drawn from the private, public and higher education sectors.



Saskatchewan Research Council (SRC)

Saskatchewan Research Council (SRC) leads the province in providing applied R&D and technology commercialization. It has supplied *Smart Science Solutions*™ in Saskatchewan for over 60 years.

Established in 1947 to advance physical sciences in Saskatchewan, SRC is now a market-driven company that sells services and products to companies in Saskatchewan and around the world.

SRC has five business divisions serving clients across these strategic Saskatchewan sectors: Agriculture, Biotechnology and Food; Alternative Energy and Manufacturing; Energy; Environment and Forestry; and Mining and Minerals.

SRC operates more than 110,000 square feet of bench scale laboratories and pilot scale facilities. Its 350 skilled employees serve more than 1,900 clients and partners.

SRC's 2008-09 annual economic impact assessment shows that it achieved more than \$447 million in direct economic benefit to Saskatchewan while performing more than \$31.8 million in contract R&D services for external clients. Its work also created or maintained over \$40-million worth of jobs.



Centre de Recherche Industrielle de Québec (CRIQ)

The Centre de recherche industrielle de Québec (CRIQ) is a leading source of innovation and expertise in manufacturing technologies, the environment, industrial information and standardization. CRIQ plays an important role in the economy by providing industries with the means to become leaders in national and international markets.

CRIQ provides specialized services in developing manufacturing processes, environmental technologies and industrial equipment. It also provides product qualification tests, product certification, industrial and technological information as well as standardization, certification and registration of International Standards Organization (ISO) systems.

CRIQ employs more than 250 workers in its Quebec City and Montreal facilities. Two thirds are engineers, technologists, chemists and agronomy specialists. Each year these professionals undertake some 800 projects on behalf of CRIQ's 1,000 clients.



FPInnovations (FPI)

FPInnovations brings together FERIC, Forintek, Paprican and the Canadian Wood Fibre Centre of Natural Resources Canada to create the world's largest private, not-for-profit forest research institute.

With over 600 employees spread across Canada, FPInnovations unites strengths in these internationally recognized forest R&D institutes into a single force.

FPInnovations' hallmark is tackling issues and opportunities along the full length of the forest sector value chain. From genetics and harvesting operations to wood and paper products and beyond, FPInnovations provides a sector-wide voice on issues of global importance to the Canadian forest industry and its customers.

FPInnovations assists companies in product development by designing flexible and competitive forestry and transportation processes, advanced wood products, next-generation pulps, papers and nanoproducts. It also helps create new energy and chemical products from forest biomass.



INO (National Optics Institute)

INO (National Optics Institute) is a world-class centre of expertise in industrial applications for optics and photonics. As a leading technology developer and provider, INO is home to Canada's largest concentration of skills in these fields.

INO offers a complete range of optics/photonics services to clients of all size in every industry field of activity. More than 80 per cent of INO's 225 employees possess high-level scientific and technical training.

It excels in the specialized fields of optics and photonics, biophotonics, bolometers and IR modules, 3D sensors, fibre sensors, optical design, beam shaping, specialty optical fibres, lasers, fibre lasers, vision systems, MEMS/MOEMS, laser micromachining, lidar and remote sensing, technologies for space and astronomy and applied spectroscopy.

INO's strong intellectual property (IP) portfolio is the basis for a variety of technologies and innovative processes. These assets represent unique commercialization opportunities for companies.



Industrial Technology Centre (ITC)

The Industrial Technology Centre (ITC) provides a wide range of technical services in support of technology-based economic development in Manitoba.

ITC customers include Manitoba industry, entrepreneurs and government departments and agencies. Services are provided on a fee-for-service basis under an Economic Development Contribution Agreement (EDCA). The EDCA is a performance contract with Manitoba Science, Technology, Energy and Mines (STEM) to support ITC's contribution to Manitoba's economic development activities.

Clients seeking specific technical assistance may be existing or start-up enterprises and range in size from individuals to large corporations.

ITC's services include: technical information and advisory services; engineering; lottery ticket testing; and an advanced visualization centre.

Established in 1979, ITC operates under STEM. ITC uses the economic development contribution from the province of Manitoba to support technical information and advice, library services and infrastructure for testing, product development and the Advanced Visualization Centre. These services support small- and medium-sized enterprises that have limited R&D resources.



Northern Centre for Advanced Technology (NORCAT)

The Northern Centre for Advanced Technology Inc. (NORCAT) is a not-for-profit, non-share incorporated company based in Sudbury, Ontario.

NORCAT is in the heart of North America's premier hard rock mining territories. For over a decade NORCAT has been a leader in specialized mine training, occupational health and safety services and mining technology development for space missions.

A newly constructed 60,000-square foot Innovation and Commercialization Centre in Sudbury is NORCAT's central location for innovation development, contractor training, occupational health and safety resources and eLearning production.

NORCAT also offers residence offices and industrial labs to small- and medium-sized businesses through its residence program.



SCIENCE & ENGINEERING • SCIENCE ET INGÉNIÉRIE

New Brunswick Research and Productivity Centre (RPC)

RPC is an independent contract research and development and technical services organization located in Fredericton, New Brunswick.

RPC's complement of 100 scientists, engineers and technologists are supported by a 13,000-square metre facility housing world-class analytical chemistry and material testing laboratories, extensive prototype design, manufacturing and testing services and pilot facilities for improving industrial and environmental processes and products.

RPC is ISO-certified and accredited by the Standards Council of Canada (SCC). This assures its clients that RPC's services meet all essential quality standards.



Powertech Labs

Powertech is a BC Hydro's subsidiary that specializes in clean energy consulting, testing and power solutions, has been serving electrical, oil and gas companies, automotive clients and electrical equipment manufacturers since 1989 by meeting the complex and changing needs of its customers around the world.

Its areas of focus now include:

- Asset Management - Including knowledge-driven decision-making tools, sustainability assessment, power system analysis and equipment testing
- Clean Transportation - Including hydrogen fueling infrastructure, vehicle system testing, pressure testing and hybrid electric vehicle testing
- Distributed Clean Power - Including clean power systems for remote and urban communities
- Smart Utility - Including smart grids, the integration of renewable energy and demand-side management



PEI Food Technology Centre (FTC)

The Food Technology Centre (FTC) was established in 1987 to provide technical support to Prince Edward Island's food processing industry. Since then, FTC has developed its infrastructure and attained recognition as a quality technology provider to its local, regional, national and international clients.

Situated in Charlottetown, its 20,000-square-foot facility includes laboratories for food safety/microbiological analysis, chemical analysis and product development. Commercial-scale food products and processes are developed and incubated in two federally-inspected pilot plants. Bioresource development, fermentation and bioactive extraction occur in two other pilot plants. A wide array of state-of-the-art scientific instruments and pilot-scale equipment is in place for product development, food quality and safety programs and applied science.

FTC's professional team includes 30 food scientists, technicians and support staff. FTC is actively involved in many aspects of food science, including product development, sensory analysis, nutrition labeling, food safety, analytical service, natural products extraction and applied research. FTC enables technology transfer by selecting appropriate technologies for clients from a worldwide network and customizing them to fit specific requirements.

GOOD NEWS FOR FOREST TOWNS

New technology may prevent mountain pine beetles from decimating economies as they attack forests

Sensors created by I-CAN member Alberta Research Council (ARC) are part of a new \$28-million research project that offers hope to communities threatened by the mountain pine beetle. This project promises to transform beetle-killed wood into tomorrow's newsprint and headlines.

The mountain pine beetle infestation has already carved an economic swath through sections of B.C. by devouring lodgepole pine stands and forestry-based economies. As the beetles move east, residents in Whitecourt and northern Alberta towns are bracing for its effects.

Karey Crawford runs a machine shop in Whitecourt and is among those feeling trepidation. His friend's machine shop in a northern B.C. community closed after the beetles forced the town's pulp mill to close. Like many other businesses around Whitecourt, Crawford's main client is the Alberta Newsprint Company (ANC), a local pulp and paper mill where 300 people work.

"It's definitely a concern when it comes into our livelihood and our neck of the woods," says Crawford. "I would guess a thousand people in Whitecourt would be in dire straits if ANC didn't maintain its viability and profitability."

ANC saw the mountain pine beetle moving east in recent years. ANC management wondered how they could deal with the blue-stained, beetle-killed wood that had shut down other mills. They turned to the Alberta Forest Research Institute and ARC for help. Now, their pulp mill is the test site for a \$28-million, three-year research project.

"The infestation of a public resource is difficult for any one private enterprise to deal with," says Ron Stern, ANC's president. "ARC's been with us every step of the way in terms of optimizing our process to ensure we can deal with this fibre."

The mountain pine beetle may be small, but it has a big bite.
(Photo courtesy Alberta Sustainable Resource Development)



- The mountain pine beetle is less than a centimetre long. It lives most of its life under the bark of pine trees, including lodgepole pine.
- Beetles have destroyed millions of B.C.'s lodgepole pine—the province's most commercially harvested tree—and are spreading to the Alberta Rockies' eastern slopes.
- These insects normally play an important role in speeding up young forests' development by attacking old or weakened trees.
- The wood chips used in newsprint currently come from processing spruce and pine logs.
- Unusually hot summers and mild winters in western Canada during the last few years, along with forests filled with mature lodgepole pine, have led to an epidemic-scale infestation.
- Mixing in chips from lodgepole pine trees killed by the beetle means that less healthy trees are used and more healthy spruce trees remain to provide carbon sinks, clean water and wildlife habitat.

Two Alberta Research Council researchers process test wood pulp created from mountain pine-beetle killed wood. (Photo courtesy Alberta Research Council)



Without harsh winters to kill them off, mountain pine beetles proliferate quickly, spreading a blue-stained fungus and changing the chemistry of the trees they kill as they burrow under the bark. (Photo courtesy Alberta Sustainable Resource Development)



From their test labs in Edmonton, ARC researchers found the beetle carried a fungus that stains the wood, weakens its fibres and creates concentrated levels of sap, known as pitch. ARC pulp specialist Wade Chute explains those factors all undermine paper strength.

"It's blue. It's weak. And if you try to make newsprint out of it, you're going to make a blue, weak sheet of newsprint," says Chute.

To these ends, ARC's sensor specialist Ted Garver devised five different sensors to detect incoming wood's colour, moisture content, pitch content and wood species. With that information, the pulp mill can regain some paper strength by adjusting their refining and bleaching strategies.

Adding a modified equipment piece called a Shoe Press augments newsprint's strength during the final step when pulp is rolled and squeezed into paper.

Areas around the world ravaged by fire, insects or drought can use this technology to harvest value from ruined wood.

Back in Whitecourt, Karey Crawford is glad to hear about the field test happening in his own backyard. Knowing about the research project, Crawford has invested in new equipment for his business. He believes it will also encourage others to have hope for the community's wellbeing.

"It gives employees and their families the confidence to stay in Whitecourt and not be as skeptical when it comes to the mountain pine beetle marching east," Crawford concludes.

- The Mountain Pine Beetle newsprint project's participants include: Alberta Newsprint Company, Alberta Research Council, Alberta Forest Research Institute, Government of Canada and Woodlands County Alberta.
- The project is funded through the Alberta Newsprint Company (\$17 million) and the Government of Alberta (\$11 million).



ALGAE SYSTEM TURNS CO₂ INTO A COMMODITY

Micro-algae— think pond scum—could soon be soaking up industry carbon dioxide (CO₂) emissions to boost companies' bottom lines and combat climate change in the process.

Researchers from five Innoventures Canada (I-CAN) organizations are developing a Carbon Algae Recycling System (CARS) to accomplish this feat. The system will feed waste heat and flue gas containing CO₂ from industrial exhaust stacks to micro-algae growing in artificial ponds.

"What we're doing is fast-tracking Mother Nature's natural process of absorbing CO₂ through photosynthesis," says John McDougall, I-CAN's chair and Alberta Research Council's (ARC) president and CEO.

Algae are ideal for consuming industrial emissions because they are incredibly resilient. They have an ability to grow near NOx, SOx and other harsh toxins.

They are also prime candidates as they can absorb half their weight in CO₂. The CARS system is designed to use up to 233,000 tonnes of CO₂ a year, equal to removing 50,000 cars from the road.

Growing like a weed

Algae are the fastest growing plant-like materials on Earth. Some algae strains can even double their mass several times a day. Because algae produce these massive amounts of organic material, they are well-suited for processing into value-added goods.

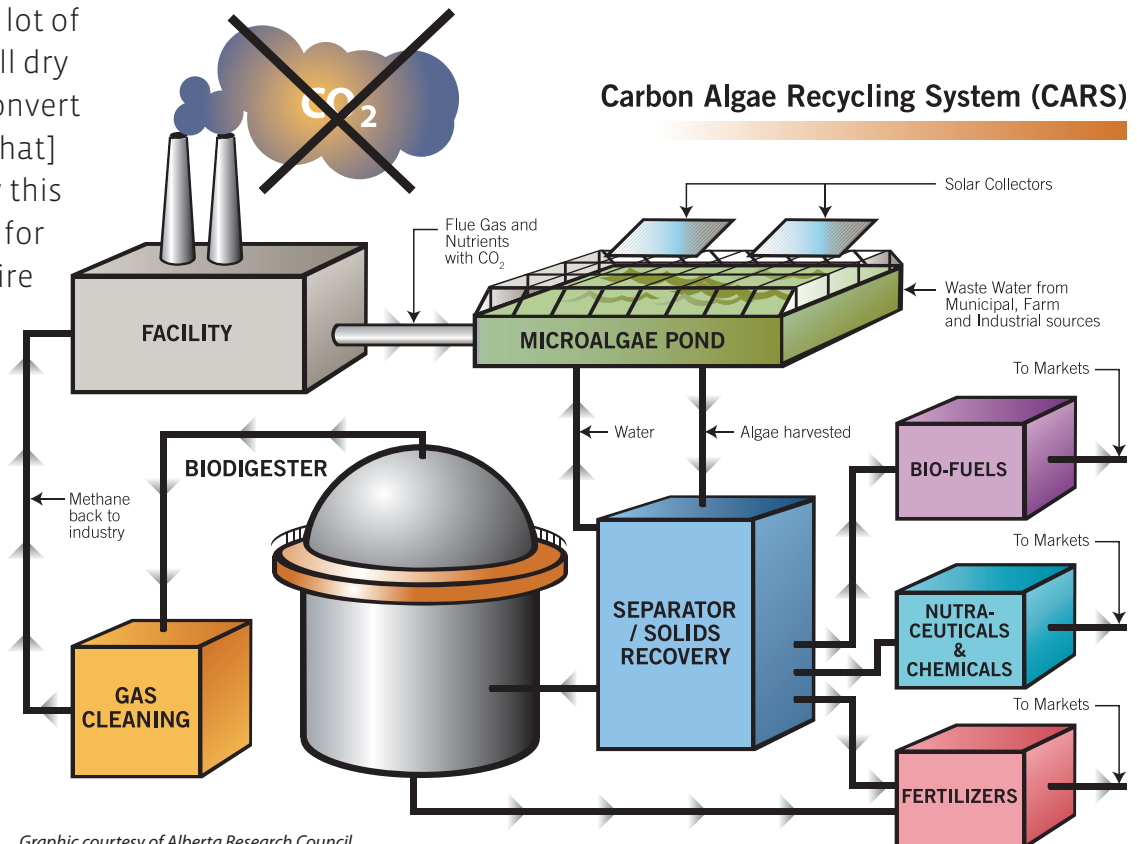
Like plants, algae consist of proteins, carbohydrates and oils that all have value. Their fatty oils can be extracted to make biodiesel while their carbohydrates can be

processed into ethanol and their proteins turned into animal feed or fertilizer. To top it off, renewable algae biofuels can be produced without competing with food crops for land.

“Let’s take CO₂ and mix it with algae in a pond system and grow a lot of algae biomass. We’ll dry it, process it and convert it,” says ARC’s Quinn Goretzky, who manages the CARS project. “If we optimize that process, ultimately this system should pay for itself. It won’t require public support.”

An economic model developed in the project’s first phase found that selling biodiesel made from harvested algae could nearly cover the system’s costs. Converting algal biomass also leaves a smaller environmental footprint than converting many other biofuel sources. As a bonus, participating companies may also qualify for greenhouse gas offset credits and other emission reduction credits.

“ Let’s take CO₂ and mix it with algae in a pond system and grow a lot of algae biomass. We’ll dry it, process it and convert it. If we optimize [that] process, ultimately this system should pay for itself. It won’t require public support.”



Graphic courtesy of Alberta Research Council.

All these potential benefits make CARS an intriguing prospect to large industrial companies such as Mosaic, a major potash producer and one of the project's corporate partners.

"The CARS project has potential to reduce Mosaic's impact on the environment while using excess CO₂ and waste heat from operations to create additional value," shares Carey Heinbigner, Mosaic Potash's research and development manager.

Wading in deeper

Now that the CARS research team has demonstrated that there is economic motivation to continue the project, it faces a hurdle in making algae grow in Canada's northerly location and harsh winters.

The team's first challenge has been determining if there is enough light in Canada to sustain algae growth through the winter months.

The team has determined that Canada's sunlight angle can sustain growth in the algae strains it plans to use in CARS ponds. The scientists have also found that algae in more tropical regions slow down during intense sunshine hours and experience peak growth in early morning hours.

"Canada's northern sunlight mimics that less intense morning sun all through the day, promising optimal growth," says McDougall.

But the CARS team faces another challenge in designing a pond that keeps algae warm during winter but does not take up too much space.

"One of the problems with algae is that it only grows in the top 20 cm of water because light only penetrates to that depth, so algae ponds tend to be very shallow and very large in surface area," says Stephen McKendry-Smith, a researcher at I-CAN member agency International Technology Centre (ITC) in Manitoba.

Growing algae in this shallow water would require unrealistically large ponds to absorb the CO₂ volumes generated by large industrial facilities.

After investigating different lighting options, McKendry-Smith found that fibre optic technology can direct light to greater depths. This would allow algae to grow at 90 cm depth, tripling algae productivity and leaving a much smaller footprint for future CARS ponds.

Cindy Jackson, a senior energy production scientist at I-CAN member Saskatchewan Research Council (SRC), has incorporated this innovative lighting system into the design for a deep hybrid pond that combines features of both a small closed cultivation system and an open pond.

"This pond system has the potential to make winter a non-issue and allow for year round operation to effectively turn CO₂ into a commodity," says Jackson.

Green means go

The CARS team has already knocked off many key points on its project checklist.

An algae strain that survives in Canadian winters—check. An innovative lighting system that allows algae to grow in deep, warm water—check. A hybrid artificial pond system design that can turn a profit—check.

Now the real work begins. To realize its ambitious goals, CARS is entering a second phase to construct a lab-scale demonstration facility to continue proving the concept and the system's initial design.

Following this, the I-CAN team is aiming to find funding to build a field pilot demonstration facility at an industrial site.

From that point, the project has potential to grow nearly as fast as the algae it is harnessing.

Cindy Jackson, a senior energy production scientist at I-CAN member Saskatchewan Research Council (SRC), has incorporated an innovative lighting system into the design for a deep hybrid pond.





JASPER
INNOVATION
FORUM SPARKS
FUTURE
RESEARCH
DIRECTIONS

A low-key meeting between high-profile minds may create waves of innovation that alter how we power the economy and meet our resource needs

The first Jasper Innovation Forum in June 2008 brought together 56 innovative and award-winning Canadian and global leaders. The Alberta Research Council (ARC) hosted the event and invited Innoventures Canada (I-CAN) representatives from across Canada to help identify future research directions that will have a major impact.

The experts met for three days to consider three resource challenges.

“When you’re talking about water, food and energy, you’re talking about our environment and how we get from it our economic prosperity and what we need,” said Alexandre Trudeau, a documentary filmmaker and Trudeau Foundation director who attended the forum.

Participants focused on finding common threads in these topics. They recognized that resources are not always lacking, but it is a challenge to distribute them to the right place at the right time with the least waste.

Self-sufficiency and distribution systems emerged as major themes. Storage, policies, governance, clear information, education, water waste or contamination, food and energy also surfaced as challenges.

“Innovation is multi-disciplinary,” said John McDougall, I-CAN’s chairperson. “It’s clear we need technology and policies to come together to reinforce each other.” He noted that I-CAN members have a role in filling technology gaps and providing clear information to policymakers.

Axel Meisen, the forum’s creator, concluded that, “We have all gained new insights and ideas. This strengthens our commitment to action and we all have new partners and networks we have forged here together to help us collectively work towards those actions.”

The knowledge gleaned from the forum is already inspiring research in the organizations that contributed to the discussions.

Peter Gaffney, a world-renowned energy specialist based in London, England, shared that the forum will shape his future work.

“I’ve written down a list of about 40 new thoughts and points that I hadn’t heard before. One thing is for certain—I have changed some of my perspectives and gained new insights. Who’s to know where those thoughts will lead me, or lead others, from here?”

From left: Alberta Premier Ed Stelmach chats with I-CAN Chair John McDougall and Alexandre Trudeau at the Jasper Innovation Forum 2008. (Photo courtesy Alberta Research Council.)



I-CAN connections

- Colleges, universities, research agencies and national labs
- Multi-national organizations
- Industry boards and organizations
- National agencies in other countries, such as Australia, China, France, Germany, Korea, U.K., U.S. and Latin America



BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Members of
INNOVENTURES CANADA INC.

We have audited the statement of financial position of **INNOVENTURES CANADA INC.** as at December 31, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
February 13, 2009

INNOVENTURES CANADA INC. Statement of Financial Position

December 31	2008	2007
Assets		
Current Assets		
Cash and bank	\$ 120,138	\$ 121,520
Accounts receivable	-	10,600
GST receivable	15,503	-
Due from related parties (Note 2)	-	37,122
	135,641	169,242
Investment - Pine Beetle Research Partnership	100	-
	\$ 135,741	\$ 169,242
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 7,920	\$ 1,800
GST payable	-	2,700
Due to related parties (Note 2)	19,617	112,122
Deferred revenue	-	10,000
	27,537	126,622
Net assets	108,204	42,620
	\$ 135,741	\$ 169,242

INNOVENTURES CANADA INC.
Statement of Changes in Net Assets

For the year ended December 31	2008	2007
Net assets , beginning of year	\$ 42,620	\$ -
Excess of revenue over expenses for the year	<u>65,584</u>	<u>42,620</u>
Net assets , end of year	<u>\$ 108,204</u>	<u>\$ 42,620</u>

INNOVENTURES CANADA INC. Statement of Operations

For the year ended December 31	2008	2007
Revenue		
R&D funding support	\$ 3,199,928	\$ 112,122
Participant contribution fee	155,000	-
Membership fee revenue	55,000	50,000
Other	13,125	-
	3,423,053	162,122
Expenses		
R&D project costs	3,330,334	112,122
Advertising and sales promotion	18,230	-
Professional fees	3,114	7,098
Meetings	2,891	-
Insurance	2,800	-
Bank charges and interest	70	72
Licence and fees	30	30
Printing, stationery and office supplies	-	180
	3,357,469	119,502
Excess of revenue over expenses for the year	\$ 65,584	42,620

INNOVENTURES CANADA INC. Statement of Cash Flows

For the year ended December 31	2008	2007
Cash Flows from Operating Activities		
Net income for the year	\$ 65,584	\$ 42,620
Changes in non-cash working capital balances		
Accounts receivable	10,600	(10,600)
GST receivable	(15,503)	-
Due from related parties	(55,383)	75,000
Accounts payable and accrued liabilities	6,120	4,500
Income taxes payable	(2,700)	-
Deferred revenue	(10,000)	10,000
	<u>(66,866)</u>	<u>78,900</u>
	(1,282)	121,520
Cash Flows from Investing Activities		
Purchase of investment	(100)	-
Increase in cash and cash equivalents during the year	(1,382)	121,520
Cash and cash equivalents, beginning of year	121,520	-
Cash and cash equivalents, end of year	\$ 120,138	\$ 121,520

INNOVENTURES CANADA INC.

Summary of Significant Accounting Policies

December 31, 2008

Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, long-term investments, amounts due from (to) related parties, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair values of cash, accounts receivable, amounts due from (to) related parties and accounts payable and accrued liabilities approximate their carrying value because of the short-term maturity of these instruments.

The organization classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The organization's accounting policy for each category is as follows:

Held-for-trading - This category is comprised of cash and bank. It is carried in the balance sheet at the fair value with changes in fair value recognized in the income statement. Transactions costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and Receivables - These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Other Financial Liabilities - Other financial liabilities include trade accounts payable and accrued liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale and consist of the organization's long-term investment in a partnership. Since it does not have a quoted market price in an active market, this investment is carried at cost. Where a decline in the fair value is determined to be other than temporary, the amount of the loss is removed from other comprehensive income and recognized in the income statement. Transaction costs related to available-for-sale investments are expensed as incurred.

INNOVENTURES CANADA INC.

Summary of Significant Accounting Policies

December 31, 2008

Revenue Recognition

The organization recognizes revenue from application fees when received and annual memberships in the year to which they pertain. The application fee is non-refundable. Participant contribution fee revenue is recognized as services are provided and if collection is reasonably assured. R&D Funding Support is recognized as revenue when the related project expenses are incurred.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the organization, are as follows:

Financial Instruments - Disclosures and Presentation - CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The organization is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Disclosure of Related Party Transactions by Not-for-Profit Organizations - Section 4460 has been amended to make the language in Section 4460 consistent with related Party Transactions, Section 3840. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The organization is currently assessing the impact of the new standard.

INNOVENTURES CANADA INC.

Notes to Financial Statements

December 31, 2008

1. Nature of Business

Innoventures Canada Inc. (I-CAN) was incorporated on May 26, 2006 under the Canada Corporations Act (CCA). I-CAN is a national organization linking Canada's provincial research organizations and other specialized applied research and development partners across the country. The organization combines access to research projects, research service providers and facilities of Canadian based applied research and technology organizations to improve technology development and deployment through customer focused product development and the expertise of commercialization services throughout Canada.

2. Related Party Transactions

The organization's related parties includes Alberta Research Council, Saskatchewan Research Council, CRIQ (Quebec), Manitoba Industrial Technology Centre, NORCAT, and Research and Productivity Council. They are members of the company, and the heads of these organizations are the organization's directors. The Pine Beetle Research Partnership is also a related party because I-CAN is one of the founding partners.

The following table summarizes the organization's related party transactions for the year:

	2008	2007
Membership Fee Revenue		
• Alberta Research Council	\$ 5,000	\$ 5,000
• Saskatchewan Research Council	5,000	5,000
• Centre de Recherche Industrielle du Quebec	5,000	5,000
• Manitoba Industrial Technology Centre	5,000	5,000
• NORCAT	5,000	5,000
• Research and Productivity Council	5,000	5,000
	\$ 30,000	\$ 30,000
R&D Funding Support		
• Province of Alberta	\$ 3,150,000	\$ -
• Alberta Research Council	49,928	37,122
• Centre de Recherche Industrielle du Quebec	-	75,000
	\$ 3,199,928	\$ 112,122
R&D Project Costs		
• Alberta Research Council	\$ 153,465	\$ 47,131
• Saskatchewan Research Council	107,908	36,041
• Manitoba Industrial Technology Centre	-	6,000
• Centre de Recherche Industrielle du Quebec	55,511	22,950
• Pine Beetle Research Partnership	3,000,000	-
	\$ 3,316,884	\$ 112,122

INNOVENTURES CANADA INC.

Notes to Financial Statements

December 31, 2008

2. Related Party Transactions (continued)

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value.

At the end of the year, the amounts due from (to) related parties are as follows:

	2008	2007
Amounts due from related parties for project funding:		
• Pine Beetle Partnership	\$ 10,000	\$ -
• Alberta Research Council	-	37,122
	\$ 10,000	\$ 37,122
Amounts due to related parties for project costs:		
• Alberta Research Council	\$ (29,617)	\$ (47,131)
• Saskatchewan Research Council	-	(36,041)
• Manitoba Industrial Technology Centre	-	(6,000)
• Centre de Recherche Industrielle du Quebec	-	(22,950)
	\$ (29,617)	\$ (112,122)

These balances due are non-interest bearing, and have no specific terms of repayment.

