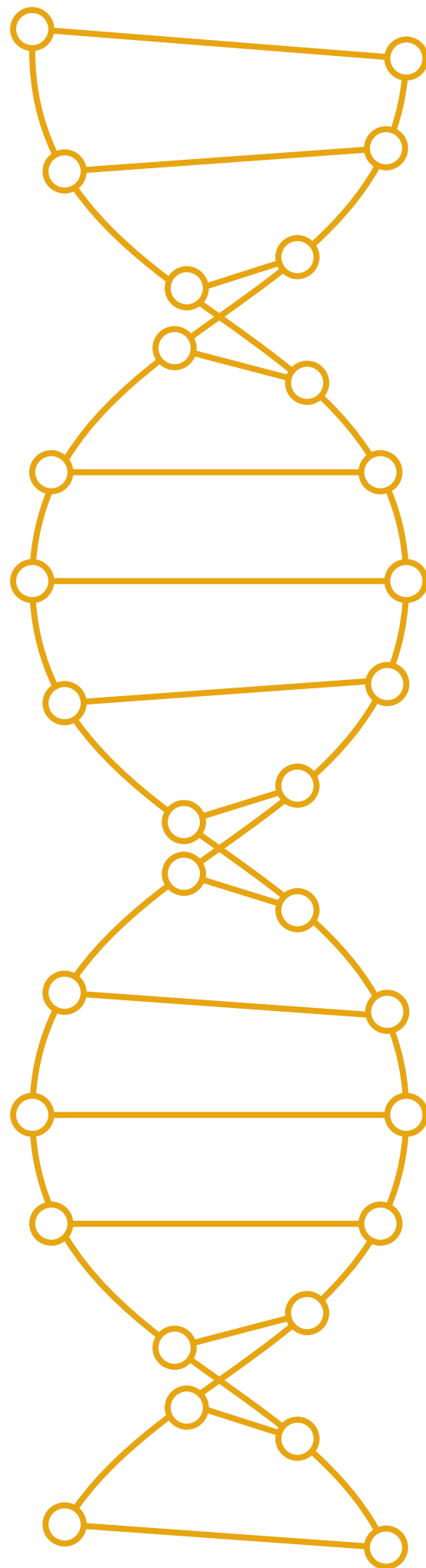


2011 - 2012
Highlights



GenomePrairie





Message from the Chair of the Board

Adapting to change is the only path to sustainability.



These are exciting times for the scientific community in Manitoba and Saskatchewan. The booming Prairie economy has created

numerous opportunities for scientists to develop creative solutions that address real industry needs and genomics research is emerging as an important enabler of these solutions. During this same time, the Canadian federal science and innovation system has undergone a significant amount of scrutiny. The 2012 federal budget outlines a number of sweeping changes that propose to increase the impact of government investment in science.

Genome Prairie's activities continue to support and develop projects that are generating real positive social and economic impacts. Through the development of best practices in corporate governance and long term strategic planning, the corporation has been able to foresee and adapt to changes that affect our mission and deliver the results that our stakeholders expect from us. As we review the new Canada Not-for-profit Corporations Act and prepare to file Articles of Continuance under the new regulations, we will carefully review our corporate governance policies, committee structure and bylaws to ensure that we are strategically prepared for and can proactively respond to additional changes that will certainly come.

Dr. Arnold Naimark, OC, OM, MD, LL.D, FRSC
Chairman of the Board

Message from the President and CEO

What can genomics do? Just look around you.



Genome Prairie and its partners are building recognition of the role that genomics plays in supporting key industry sectors

which are driving the Prairie economy. To date, Genome Prairie has supported more than \$197 million of large-scale research activities that have trained researchers, increased knowledge, and resulted in discoveries that are being developed into commercial products and services of practical value to our communities.

For example, discoveries from two previous Genome Prairie projects are now being used to develop new crop varieties that will allow regional canola and wheat producers to increase yields and reduce crop losses due to cold, heat and drought. Resources created by the *North American Conditional Mouse Mutagenesis* (NorCOMM) project are now being packaged into a “toolbox” that is being used by companies and research institutes world-wide to improve outcomes for cancer, diabetes and organ transplant patients. Working with Genome Canada and the other regional Genome Centres, we are also playing a key

role in the Canadian genomics enterprise by leading the development of an agricultural genomics strategy and supporting the development of a genomics strategy for the energy, environment, and mining sectors.

In addition to our work with Genome Canada, we are also actively coordinating and managing projects that originate in the Prairie region, are locally funded and executed, and have local impacts. For example, the *Microbial Assessment for Value-Add, Environment and Natural Resources* (MAVEN) project was fully launched in 2011. Working with the University of Saskatchewan, Cameco Corporation, and a local biotechnology start-up company, Contango Strategies Limited, Genome Prairie is leading a pilot study to evaluate the role of microbial communities in the uranium mining process in an effort to reduce both the environmental footprint and the costs of extraction and remediation. Funding for this project was provided by the Province of Saskatchewan and Western Economic Diversification Canada through the Western Economic Partnership Agreement. We look forward to continue enriching society through genomics with our partnerships in Manitoba, Saskatchewan and abroad.



Dr. David Gauthier, Ph.D, MBA
President and Chief Executive Officer



A Message from the Chief Scientific Officer

On the ground, digging deep, flying high and getting personal.



In 1969, Austrian biochemist Erwin Chargaff - whose research paved the way for the discovery of the structure of DNA - said, "Science

is wonderfully equipped to answer the question 'How?'; but it gets terribly confused when you ask the question 'Why?'. More than four decades later Chargaff's observation remains relevant, especially as researchers are increasingly called upon to deliver and communicate social and economic benefits through their programs. Genome Prairie plays a critical role in helping researchers generate and articulate these benefits.

Genome Prairie's expertise in project development and project management enables regional researchers to undertake world-class research initiatives focused on Prairie priorities. These

projects are strengthened with ties to industry and other stakeholders from around the world. Now more than ever, the benefits of these efforts are crystalizing as we work towards translating genomic-based discoveries into value-added products and profitable businesses. With an innovative and entrepreneurial mindset, researchers are succeeding in delivering social and economic benefits to the Prairie region, Canada and beyond.

On the ground, the *Canadian Triticum Advancement through Genomics* (CTAG) project, led by the University of Saskatchewan, has solidified Canada's reputation for excellence in the international wheat research community and is also the cornerstone for the development of a long-term, public-private partnership for strategic research and development on the Prairies.

Digging deep, in 2010 Genome Prairie completed Phase One of the *Microbial-Enhanced Oil*



continued...

Recovery (MEOR) project. This project laid the foundation for a joint industry venture currently underway in the Bakken Oil Field Formation in southeastern Saskatchewan. In the long run, these efforts are expected to yield improved recovery rates and improved competitiveness.

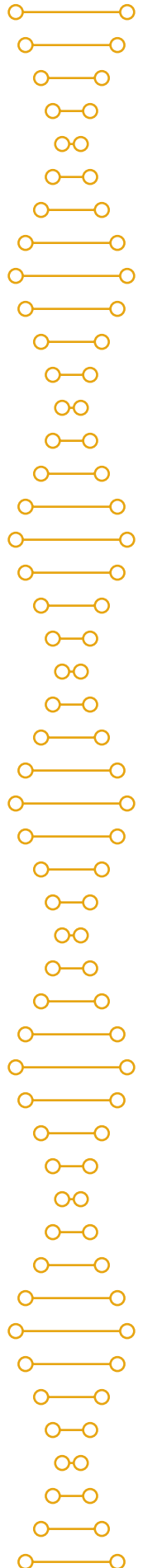
Overhead, the Prairie Gold project - led by Genome Prairie - made international headlines as industry partner Agrisoma Biosciences Inc. developed and released Resonance™, a new industrial oilseed crop derived from *Brassica carinata* (a non-food relative of canola). This industrial oilseed was used to develop a biojet fuel mixture that was successfully tested in a series of test flights with Porter Airlines and the National Research Council of Canada.

In hospitals and universities, Genome Prairie is working side-by-side with researchers and clinical doctors to develop strategies for personalized health care. This initiative will ultimately change

the doctor-patient relationship and the traditional one-size-fits-all approach to patient care. The goal is to refocus medicine on the patient, rather than the disease.

As always, Genome Prairie is grateful for the continued support received from federal and provincial governments, industry and academic partners, and the Prairie research community. This support is generating valuable outcomes and is creating a prosperous environment for enhanced research and commercialization opportunities on the Prairies. Looking forward, we are optimistic that Genome Prairie will build on its past successes and continue to play an important role in supporting the development of research and commercialization initiatives with strong social, scientific and economic benefits.

Dr. Reno Pontarollo, Ph.D, MBA
Chief Scientific Officer





Securing the Future of Wheat in Canada



Wheat is a staple food crop that contributes about \$4 billion annually to the Canadian farm industry and a total value of about \$11 billion when value-added food processing is considered. The *Canadian Triticum Advancement Through Genomics* (CTAG) project is aimed at developing genomic tools and increasing genomic capacity in Canadian wheat breeding programs. Currently, most Canadian breeding programs utilize some genomics technology to improve selection efficiency but the full capabilities of this technology are not being realized. The advent of new genomic sequencing technologies is enabling geneticists and breeders to characterize genes at the most

fundamental level – the DNA sequence. The wheat DNA sequence holds the key to genetic improvements that will allow growers to meet increasing demands for high quality food and feed produced in a responsible, sustainable and profitable manner.

The CTAG project represents Canada's contribution to the sequencing effort led by the *International Wheat Genome Sequencing Consortium*. The consortium's efforts related to the development of genetic platforms in wheat are being conducted in both the public and private sector.

Research Results



Initiated in July 2011, the CTAG project has four major activities. The preliminary activity will be to generate the first high quality sequence of chromosome 6D in wheat. The second part of this project will be to perform targeted sequencing of Canada's most important wheat varieties. A comprehensive list of genetic mapping populations has been assembled which, as a third component, will enable the discovery of markers with relevant traits to Canadian wheat breeding programs. The fourth project activity will examine the role of public-private partnerships in wheat genomics and breeding research. This investigation into public-private partnerships is timely because private investment in wheat genomics and breeding is on the rise.

Notable Outcomes

The project team has completed an initial survey sequence of chromosome 6D as part of the International Wheat Genome Sequencing Consortium.

The CTAG project has worked with other international research partners to develop a first generation capture system which will enable the sequencing of targeted genes within the wheat genome.

Canadian Triticum Advancement Through Genomics (CTAG)

Project Leaders: **Curtis Pozniak, University of Saskatchewan**
Pierre Hucl, University of Saskatchewan

Project Manager: **Chris Barker, Genome Prairie**

Project Value: **\$8.5 Million**

Genome Canada Contribution: **\$4.1 Million**

Other Funding Partners: **\$4.4 Million**

Project Status: **Ongoing (2011 – 2014)**

Competition: **Genome Canada 2010 Large Scale Applied Research Project Competition**

www.cantag.ca



Microbes: Bringing Mining to a Whole New Level



Now more than ever, the extraction industry is striving to achieve greater levels of transparency, accountability and environmental and social responsibility. *Microbial Assessment for Value-Add, Environment and Natural Resources* (MAVEN) researchers are playing an important role in these efforts by developing novel genomic-based approaches for the identification of microbial communities associated with

mining, milling, treatment and remediation operations. By providing a greater understanding of the microbial communities at play, it is anticipated that the tools and techniques developed by MAVEN could ultimately be used to sustainably enhance mining processes while reducing the time and costs needed for the remediation of mine sites and other effluent-receiving environments.

Research Results

Laboratory techniques have been developed to analyze the capabilities of microbial communities. Using these new techniques, a number of microbes capable of reducing constituents of concern have been discovered in lake sediment samples. The presence of these microbes indicates that natural remediation options are available. In addition, a customized software pipeline has been developed to analyze the genetic make-up of these microbial communities. MAVEN researchers can now work towards harnessing the ability of these microbes to benefit both industry and the environment.

Notable Outcomes

MAVEN is building unique infrastructure and human resource capacity for the long-term benefit of Saskatchewan's knowledge-based economy.

- Contango Strategies has developed new in-house sequencing capacity to process and analyze lake samples.
- The University of Saskatchewan has acquired significant computing capacity to store and analyze metagenomic data for MAVEN and future projects.
- Contango Strategies signed a memorandum of understanding with Ducks Unlimited Canada, forming a collaboration that provides support services for the development of scientific data that protects and enhances wetland systems in Canada.

Microbial Assessment for Value-Add, Environment and Natural Resources (MAVEN)

Project Leaders: **Reno Pontarollo, Genome Prairie**
Monique Haakensen, Contango Strategies
Tony Kusalik, University of Saskatchewan

Funding Partners: **Western Economic Partnership Agreement, Cameco, Contango Strategies**

Project Manager: **Kari Doerksen, Genome Prairie**

Project Status: **Ongoing (2011-2013)**

Project Value: **\$1.75 Million**

www.mavenproject.ca



Energizing Commercialization of Industrial Oilseed Crops



Rising oil prices and the increasing desire for environmentally friendly alternatives are driving demand for plant-based industrial oil products. Prairie Gold is an innovative \$4.5 million project to develop the emerging industrial oilseed market in the Prairie region. Managed by Genome Prairie and funded through the Western Economic Partnership Agreement, Prairie Gold research aims to streamline regulatory processes and create a commercial pathway to establish an industrial oilseed market sector, while using genomics to provide a steady pipeline of breeding and bioproduct innovations for years afterwards.

Genome Prairie is integrating expertise in genomics and plant breeding to develop *Camelina sativa* (False flax) and *Brassica carinata* (Ethiopian mustard) as renewable alternatives for petroleum-based products. Potential uses for industrial oil seeds include jet fuel, hydraulic fluids, plant-based polymers, high-quality animal feed, and bio-pesticides. *B. carinata* and *C. sativa* are hardy crops that will boost the agricultural productivity of marginal lands by giving producers an alternative to fallow in their crop rotations; thereby avoiding competition with food acres.

Research Results



- Providing the bio-products industry with access to high-value markets for fuel and non-fuel petroleum products.
- Creating jobs in downstream sectors such as oil processing, product formulations and marketing for environmentally friendly renewable oil products.
- Providing farmers with valuable rotation crops, the ability to grow a high-value crop on marginal land, meal by-products to supplement animal feed, and the ability to maintain farm equipment with products made from agricultural efforts.
- Improving environmental impacts due to the minimal need for fertilizers and pesticides to grow these crops, and reduction of greenhouse gases compared to using petroleum-based products.

Notable Outcomes

- *B. carinata* crop is now being grown commercially in western Canada for biojet fuel production.
- Industry partners are advancing towards Canadian regulatory approvals for future industrial oilseed crops.
- Breeding for oilseeds with improved oil characteristics and agronomic traits continues steadily. This will be aided by the nearly completed genome sequences for these crops.
- By innovating the oil profiles, industrial crop oils have become desirable starting materials for bioproduct manufacturers.
- Genome Atlantic's "Camelina Project" and Genome Prairie's "Prairie Gold" will use the same Camelina genomic data, to develop synergies across the country. One will develop a high protein and nutritious oil for alternative fish meal, and Prairie Gold will focus on optimizing oil profiles for industrial uses.

Prairie Gold - Novel Industrial Oilseed Crops for Canada

Genome Prairie-led consortium:
**Linnaeus Plant Sciences, Agrisoma Biosciences,
 Agriculture & Agri-Food Canada,
 National Research Council Plant Biotechnology Institute**

www.prairiegold.ca

Project Manager:

Doug Heath, Ag-West Bio

Project Value:

\$4.5 Million

Funding Partner:

**Western Economic
Partnership Agreement**

Project Status:

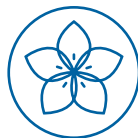
Ongoing (2010-2013)

TUFGEN

A Genome Prairie Project
Highlights



Maximizing the Utility of Flax



Canada is the world's largest producer of flax. Over the past decade flax has become an important multi-purpose crop with increasing demand for flax oil, seed and fibre. Flax oil is a rich source of omega-3 fatty acids and plant estrogens, which have been shown to reduce levels of bad cholesterol and mitigate the risk of heart disease and breast, colon and prostate cancer. Flax has been used for millennia to produce durable fibres and fine linens. Today, flax seeds and fibres are used for an increasing array of industrial products such as durable

linoleum floorings, car panels, industrial oils and solvents, and a myriad of other composite materials.

The goal of the *Total Utilization Flax Genomics* (TUFGEN) project is to increase the benefits and versatility of flax by developing genomic-based tools to assist in crop breeding, to improve field performance and to enhance seed and fibre traits.

Research Results

With the public release of the flax genome sequence, researchers across Canada and around the world are now using this valuable resource to identify new genes and gene variants that will allow flax breeders to design new varieties with greater value-added opportunities for flax producers and processors. To date the TUFGEN project represents the largest single contribution to genome sequencing by a Canadian research team. The TUFGEN team has also created a high density flax gene array that is being used by many research teams, including our partners at the *Indian Agricultural Research Institute* who are studying salt and drought tolerance in flax.

Notable Outcomes

- Flax lignans fed to mice reduced body weight gain and improved blood glucose levels.
- Using advanced biochemical analytical techniques combined with analysis of the flax genomic information, the project team has discovered six new cyclolinopeptides (CLPs) and their corresponding putative gene sequences.
- A new company, Prairie Tides Inc., has been created to exploit this discovery of new CLPs and is currently developing new products for the pharmaceutical industry.
- The TUFGEN research team is developing new "genotype by sequencing" techniques to rapidly evaluate breeding lines and identify new markers for important phenotypes.
- Analysis of the flax genome data is also revealing new details about the evolution of modern flax including evidence of a whole genome duplication some five to nine million years ago.

Total Utilization Flax Genomics (TUFGEN)

Project Leaders: **Gordon Rowland, University of Saskatchewan**
Sylvie Cloutier, Agriculture and Agri-Food Canada

Project Manager: **Chris Barker, Genome Prairie**

Project Value: **\$11.8 Million**

www.tufgen.ca

Genome Canada Contribution: **\$5.6 Million**

Other Funding Partners: **\$6.2 Million**

Project Status: **Ongoing (2009-2013)**

Competition: **Genome Canada Applied Genomics Research in Bioproducts or Crops (2008-09)**

VALGEN

A Genome Prairie Project
Highlights



Capturing the Value of Genomics Research



Genomics research is fundamental to all biosciences and plays a critical role in expanding the economic diversification and well-being of Canada and the Prairie provinces. Research in this field is progressing at a rapid pace and is driving innovation in key areas such as enhanced crops and personalized health care. This research takes place in a highly dynamic environment where innovation and commercialization must be balanced against a wide range of social and regulatory realities.

Value Addition Through Genomics and GE³LS (VALGEN) comprises a diverse team of researchers from across Canada. This team is working to positively shape public policy and streamline regulation in order to move innovation from the laboratory towards practical applications. Key project areas include the role of regulation, knowledge management, intellectual property and technology transfer in moving discoveries into the marketplace.

Research Results

VALGEN researchers have uncovered the need for innovative approaches to the management of intellectual property and that there is no one-size-fits-all approach. Research indicates that there is a need for Canadian university technology transfer offices to consider new models for the commercialization of innovative research. The team now has a greater understanding of the complex Canadian regulatory system and the way the federal and provincial government interacts with the public during policy development.

Results indicate that policy makers should adopt a more holistic view of innovation and challenge the ways by which innovation is measured. Different transfer models will have different outputs and outcomes, ranging from the more conventional metrics of patents or spin-offs to less conventional but still important metrics related to extension services, market development and dissemination and uptake of new business models.

✔ Notable Outcomes

VALGEN has become a valuable source of credible information for policymakers

- A new generation of science policy researchers is being trained through the project's New Researcher Group and Researcher Mobility programs
- VALGEN brings scientists, GE³LS researchers, government and end users together at workshops and web seminars addressing important topics such as the coexistence of conventional and organic foods in the marketplace.
- Provided testimony before the federal Standing Committee on Agriculture and Agri-Food on five occasions.

Value Addition Through Genomics and GE³LS (VALGEN)

Project Leaders: **Peter Phillips, University of Saskatchewan**
David Castle, University of Edinburgh

Project Manager: **Kari Doerksen, Genome Prairie**

Project Value: **\$5.4 Million**

www.valgen.ca

Genome Canada Contribution: **\$2.6 Million**

Other Funding Partners: **\$2.8 Million**

Competition: **Genome Canada Applied Genomics Research in Bioproducts or Crops (2008–09)**

Turning Waste into Value-Added Resources



Microbes are nature's top recyclers. Genome Prairie researchers are leading an international collaboration exploring the ability of certain bacteria to convert waste materials such as straw, woodchips and paper into renewable biofuels and biodegradable plastics. This research is developing new solutions that will help overcome society's reliance on traditional fuels while minimizing the need for waste landfills.

The *Microbial Genomics for Biofuels and Co-Products from Biorefining Processes* (MGCB²) project involves studying the bacterial metabolism and gene structure & function involved in the conversion of waste materials and cellulose to usable products.

The project's goal is to select and design populations of bacteria with enhanced biosynthetic ability and to enable biorefineries that generate products such as ethanol, hydrogen and components of biodegradable plastics from agricultural and industrial waste.

Research Results

Together with partners in the United States and New Zealand, MGCB² researchers have identified and patented several novel bacteria that could be used to create consortia with enhanced abilities to convert waste into energy and fuels. Many of these bacteria are thermophiles that live in extreme conditions such as hot springs and thermal vents, and could have important properties for remediation. The genetic content of those microbes was studied by using genomic sequencing. Subsequent studies and analyses have been conducted to relate gene sequence to protein expression in an effort to gain a better understanding of the utility of particular microbes in the treatment and fermentation of different waste products.

Notable Outcomes

- Determined key enzymes for the synthesis of hydrogen and ethanol in 29 sequenced bacteria with biofuels potential.
- Isolated eight novel bioplastic-synthesizing bacteria, with provisional patent applications submitted for three strains.
- Achieved the production of acceptable amounts of ethanol and hydrogen through successful co-culture of designer bacterial consortia at the bench level.
- An evaluation of the Food versus Fuel survey was undertaken to examine economic, legal and environmental issues surrounding biofuels and barriers to industry.

Microbial Genomics for Biofuels and Co-Products from Biorefining Processes (MGCB²)

Project Leaders: **David Levin, University of Manitoba**
Richard Sparling, University of Manitoba

Project Manager: **Sherif Louis, Genome Prairie**

Project Value: **\$10.6 Million**

www.microbialrefinery.com

Genome Canada Contribution: **\$4.9 Million**

Other Funding Partners: **\$5.7 Million**

Status: **Ongoing (2009-2013)**

Competition: **Genome Canada Applied Genomics Research in Bioproducts or Crops (2008-09)**

Financial Statements of

GENOME PRAIRIE

Year ended March 31, 2012



June 22, 2012

Independent Auditor's Report

To the Directors of Genome Prairie

We have audited the accompanying financial statements of Genome Prairie, which comprise the statement of financial position as at March 31, 2012 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Genome Prairie as at March 31, 2012 and the results of operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

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The Princeton Tower, 123 2nd Avenue South, Suite 200, Saskatoon, Saskatchewan, Canada S7K 7E6
T: +1 (306) 668 5900, F: +1 (306) 652 1315*

GENOME PRAIRIE

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash	\$ 1,728,694	\$ 3,624,804
Investment Certificate	1,032,500	1,001,430
Receivables	713,782	147,417
GST receivable	65,574	50,068
Project advances	746,988	158,795
Prepaid expenses	4,451	5,660
	<u>4,291,989</u>	<u>4,988,174</u>
	<u>\$ 4,291,989</u>	<u>\$ 4,988,175</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 403,748	\$ 1,500,697
Deferred contributions:		
Expenses of future periods (note 4)	3,622,754	3,221,991
	<u>4,026,502</u>	<u>4,722,688</u>
Net assets	265,487	265,487
	<u>\$ 4,291,989</u>	<u>\$ 4,988,175</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

GENOME PRAIRIE

Statement of Operations and Changes in Net Assets

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Revenue:		
Project revenues (note 4)	\$ 6,682,930	\$ 6,563,681
Administrative support revenues (notes 4 & 6)	1,221,053	1,214,367
Interest	101,284	46,623
	<u>8,005,267</u>	<u>7,824,671</u>
Expenses:		
Research project expenditures	6,682,930	6,563,681
General and administrative (notes 4 & 6)	1,192,992	1,159,504
Project development and consulting costs	129,345	101,486
	<u>8,005,267</u>	<u>7,824,671</u>
Excess of revenue over expenses	–	–
Net assets, beginning of year	265,487	265,487
Net assets, end of year	<u>\$ 265,487</u>	<u>\$ 265,487</u>

See accompanying notes to financial statements.

GENOME PRAIRIE

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash flows from (used in):		
Operations:		
Excess of revenues over expenses	\$ -	\$ -
Items not involving cash:		
Change in non-cash operating working capital:		
Receivables	(566,365)	32,528
GST receivable	(15,506)	616
Project advances	(588,193)	873,289
Prepaid expense	1,209	5,413
Accounts payable and accrued liabilities	(1,096,949)	1,242,882
Net change in deferred contributions	400,764	355,101
	(1,865,040)	2,509,829
Investing Activities:		
Investment Certificate	(31,070)	(1,001,430)
Increase (Decrease) in cash	(1,896,110)	1,508,399
Cash, beginning of year	3,624,804	2,116,405
Cash, end of year	\$ 1,728,694	\$ 3,624,804

See accompanying notes to financial statements.

GENOME PRAIRIE

Notes to Financial Statements

Year ended March 31, 2012

1. Nature of business:

Genome Prairie (the "Corporation") was incorporated in 2000 under the *Canada Corporations Act* as a not-for-profit organization. The Corporation funds organizations and institutions that conduct genomic research and development for the economic benefit of the Prairie Region (Saskatchewan and Manitoba) and Canada.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements include the accounts of the Corporation and its subsidiary, Interra Biosciences Inc.

(b) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates.

(c) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when it is earned.

GENOME PRAIRIE

Notes to Financial Statements (continued)

Year ended March 31, 2012

(d) Financial Instruments:

Financial assets and financial liabilities are initially recognized at fair value and subsequent measurement is dependent on their classification as described below:

- Cash and short-term investments are classified as financial assets held for trading and are measured at fair value. Fair value fluctuations in these assets including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.
- Accounts receivable are classified as loans and receivables and are recorded at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities and other liabilities are classified as other liabilities and measured at amortized cost using the effective interest method.

Transaction costs related to held for trading financial assets are expensed as incurred. Transaction costs related to other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

(e) Derivative instruments - embedded derivatives:

The Corporation selected January 1, 2003 as the transition date for embedded derivatives, as such only contracts or financial instruments entered into or modified after the transition date were examined for embedded derivatives. As at March 31, 2012, the Corporation does not have any material outstanding contracts or financial instruments with embedded derivatives that require bifurcation.

(f) Income taxes:

The Corporation qualifies as a tax exempt organization under Section 149 of the Income Tax Act.

GENOME PRAIRIE

Notes to Financial Statements (continued)

Year ended March 31, 2012

3. Financial instruments and risk management:

The Corporation, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk and market risk (interest rate risk and other price risk).

Credit Risk

The Corporation's principal financial assets are cash and accounts receivable, which are subject to credit risk. The carrying amounts of financial assets on the statement of financial position represent the Corporation's maximum credit exposure at the balance sheet date.

The Corporation's credit risk related to accounts receivable is virtually non-existent since the amounts have since been paid. The credit risk on cash is limited because the counterparties are chartered banks with high credit ratings assigned by national credit-rating agencies.

Interest Rate Risk

Cash has a limited exposure to interest rate risk due to its short-term maturity.

Fair Values

The fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

GENOME PRAIRIE

Notes to Financial Statements (continued)

Year ended March 31, 2012

4. Expenses of future periods:

The Corporation receives funding from Genome Canada, Provincial Ministries, Western Economic Diversification Canada and other sources to be held, administered and distributed in accordance with the related funding agreements between Genome Prairie and the other parties. Deferred contributions related to expenses of future periods represent these unspent externally restricted funding and related investment income, which are for the purposes of proving funding to eligible recipients and the payment of operating and capital expenditures in future periods. The changes in the deferred contribution balances for the period are as follows:

	2012	2011
Opening deferred contributions for expenses of future periods	\$ 3,221,991	\$ 2,866,889
Contributions during the year:		
Genome Canada	5,393,726	5,257,038
Province of Saskatchewan	925,064	289,300
Enterprise Saskatchewan	240,000	1,646,944
Western Economic Diversification	900,808	123,081
Project Expense Recoveries	158,565	136,455
Province of Manitoba	0	37,520
University of Manitoba	0	20,312
University of Saskatchewan	0	51,600
Workshops and Other	14,739	51,868
Manitoba Flax Growers Association Inc.	25,000	25,000
Cameco Corporation Inc.	75,000	0
Saskatchewan Flax Development Commission	25,000	25,000
Flax Canada	25,000	50,000
Bio Talent	0	22,500
NRC IRAP	160,000	148,759
Sanofi Aventis	0	13,000
Government of Canada - Service Canada	0	50,803
Bi-Provincial Summit	0	63,970
Ag-West Bio Inc.	126,000	120,000
Canada Revenue Agency	235,844	0
	8,304,746	8,133,150
Total contributions available	11,526,737	11,000,039
Less amounts recognized as project revenues	(6,682,930)	(6,563,681)
Less amounts recognized as administrative support revenues	(1,221,053)	(1,214,367)
Closing deferred contributions for expenses of future periods	\$ 3,622,754	\$ 3,221,991

GENOME PRAIRIE

Notes to Financial Statements (continued)

Year ended March 31, 2012

5. Project commitments:

In accordance with an agreement for funding signed with Genome Canada effective April 1, 2011, Genome Prairie has agreed to obtain equivalent funding support from other parties. As specified in the agreement, Genome Canada may provide transition funding to Genome Prairie notwithstanding the fact that formal commitments from other parties have not yet been secured. In such cases, funds provided in advance "in good faith" as part of the transition budget shall not be reimbursable in the event such commitments from other parties have not been secured. Genome Canada may then terminate the agreement or funding for a particular component. Additional funding arrangements are negotiated with Genome Canada to cover administration, program management, and position papers.

6. Corporation Operating Funds:

Genome Canada has committed to assist in the funding of the Corporation operations until September 30, 2012. In addition, Genome Canada has indicated that it will be asking their Board to approve an extension of this funding until March 31, 2013. Genome Prairie is in the process of negotiating a new Operating funding agreement with the desire that this agreement will be in place prior to March 31, 2013.

7. Future Accounting Change:

The Accounting Standards Board ("AcSB") has approved a new framework for not-for-profit organizations that is based on existing Canadian generally accepted accounting principles ("GAAP") and incorporates the 4400 series of standards which relates to situations unique to the not-for-profit sector. The new standards are available as of December 31, 2010 as Part III of the Canadian Institute of Chartered Accountants ("CICA") Handbook – Accounting and are effective for reporting periods beginning on or after January 1, 2012. Genome Prairie will adopt Part III of the CICA Handbook – Accounting as of April 1, 2012 and have determined the impact of these changes on its financial statements will be minimal.

8. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



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