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GenomePrairie

2006 - 2007 ANNUAL REPORT

T ABLE OF CONTENTS

Message from the Chair	1
President's Report	2
Chief Scientific Officer's Report	3
Director of Communications' Report	4
Our People	5
A New Vision	6
Leading	8
A Resource for Discovery & Preclinical Genomics	9
Designer Seeds	10
Crop Adaptation Genomics	11
Health & Immunity	12
Investing	13
GE ³ LS: Responsible Research	14
Education & Public Outreach	15
Connecting	16
Strategic Partners	17
Financial Statements	18



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ESSAGE FROM THE CHAIR



~ **Dr. Arnold Naimark,**
Chair, Board of Directors

The Prairie region's excellence in genomics research is being recognized the world over.

Research projects like Genome Prairie's North American Conditional Mouse Mutagenesis Project are finding new, exciting opportunities through collaborations with international partners.

The role of the region's researchers in creating a completed 23,000 knock-out gene library that will speed major human disease research internationally cannot be overstated. Improving vaccines to guard people and animals from disease, protecting food supplies and the environment and helping to secure the sustainability of incomes for the region's agricultural base are projects with far reaching effects. These embody the vision of Genome Prairie's Board, Genome Canada and Canada's new National Science and Technology Framework.

Genome Prairie's ability to engage the region's research community in collaboration with industry, academia and government is testament to the success of the organization and its people. The formation of the external Scientific Advisory and Stakeholder Advisory Committees reflect Genome Prairie's commitment to assuring the quality and relevance of its programs and strategic initiatives.

Completion of the Winnipeg office and regional restructuring of Genome Prairie and its Board of Directors is allowing the organization to build on its many successes. Genome Prairie's Board is proud of its role in creating new opportunities for genomics research, enhancing the lives of people throughout the region, the nation and the world.

On behalf of the Board of Directors, I wish to thank the Saskatchewan and Manitoba provincial governments for their support and for sharing our vision of the vital role genomics plays in the Prairie region. Thanks also to the staff, collaborators and stakeholders who make our vision a reality through the creation and commercialization of the genomics discoveries Genome Prairie supports.

I would personally like to thank my fellow Directors for their effort and direction. Your guidance is building the foundation for discovery and development that will sustain genomics research in this region long into the future.

A handwritten signature in black ink, appearing to read "A. Naimark".

“ Genome Prairie's Board is proud of its role in creating new opportunities for genomics research... ”

P RESIDENT'S REPORT



~ Jerome Konecni,
President & CEO

“ We anticipate success because of the strengths of our team and partners. ”

Genome Prairie is fulfilling its mandate to support life science strategies in the provinces of Saskatchewan and Manitoba by leading, investing and connecting.

Opening our Winnipeg office in June 2006 was a critical step in further establishing our presence on the Prairies.

By partnering with the University of Manitoba, we play a significant role in creating a research strategy in Manitoba that builds on the strengths of the research community.

In Saskatchewan, Genome Prairie is working closely with Ag-West Bio Inc., the University of Saskatchewan, the National Research Council - Plant Biotechnology Institute (NRC-PBI) and Agriculture and Agri-Food Canada to define the strategic role for genomics in the province's life science sector.

Last year marked the launch of the first Genome Prairie project funded by the Province of Saskatchewan: a comparative study of rye and wheat genomics, which will accelerate the development of new cold-tolerant wheat varieties.

The establishment of networks in key sectors such as flax, oilseeds and nutrigenomics resulted in important linkages and the exchange of knowledge between Prairie researchers and industry, and collaboration with national and international partners.

In 2006, we engaged and connected researchers from across Canada, Europe, Australia and the United States, resulting in international opportunities for the scientific community. A significant accomplishment was the signing of a Memorandum of Understanding with New Zealand's University of Auckland to develop collaborative research projects in nutrigenomics.

Fostering the formation of genomic networks in the region and pooling the talent of industry, academia and government will be the focus of Genome Prairie's efforts in 2007-08. We anticipate success because of the strengths of our team and partners.

A handwritten signature in black ink, appearing to read 'Jerome Konecni', written over a light blue background that features a stylized graphic of a DNA double helix.

C HIEF SCIENTIFIC OFFICER'S REPORT

For Genome Prairie, success is measured by advancing current projects, engaging Manitoba and Saskatchewan scientists to develop new projects, and fostering international partnerships to complement regional and national scientific strategies.

The \$24.9 million North American Conditional Mouse Mutagenesis Project is part of the International Knockout Mouse Consortium which coordinates the activities of Canadian scientists with European and American funded mouse mutagenesis programs. The project is establishing mutagenesis pipelines to create mutant embryonic stem cells using random and targeted mutagenesis technologies.

The \$8.1 million Crop Adaptation Genomics project uses comparative genomic analysis of barley and wheat to identify and harness the genetics behind frost tolerance for utilization in future crop breeding programs. Led by University of Saskatchewan crop breeder Brian Fowler, this project includes scientists from the USA, Sweden, and the Czech Republic.

Genome Prairie also supports projects led by Genome Alberta and Genome British Columbia on designing oilseeds for tomorrow's markets and understanding the pathogenomics of innate immunity.

Genome Prairie researchers contributed to 17 expressions of interest (EOIs) in the 2006-07 Genome Canada position paper process. The variety of EOIs included the areas of child health, chronic disease, aboriginal health, and GE³LS. There were several with plant-related themes ranging from enhancing performance to bio-products and climate change.

Genome Prairie continues to build potential international strategic partnerships for nutrigenomics and crop genomics that link the activities of regional scientists involved in national initiatives.



~ **Dr. Reno Pontarollo,**
Chief Scientific Officer

A handwritten signature in black ink, which appears to read "R. Pontarollo". The signature is written in a cursive, flowing style.

DIRECTOR OF COMMUNICATIONS' REPORT

Communicating the importance and impact of genomics is critical to research success.

By maintaining contact with commodity groups, government, media and the public, Genome Prairie is building a foundation of balanced information about the science and scientists expanding our frontiers of genomics knowledge.

Through various events and networking opportunities, we relay research information and build relationships with our stakeholders. As sponsors of scientific events and workshops throughout the year, Genome Prairie supports scientists and encourages collaborations regionally, nationally and internationally.

Genome Prairie also works to foster relations with provincial governments and believes in being transparent by demonstrating return on public investment. We succeed in this area by communicating research results and successes to our investors and the media.

Initiating discussion and education surrounding ethical, economic, environmental, legal and social implications of genomics research (GE³LS) is part of Genome Prairie's stakeholder communications.

Through educational events and presentations, we provide information to the public on the important aspects of genomics research and how projects address these topics. Genome Prairie raises awareness of genomics and biotechnology through educational workshops and promotional vehicles.

We will continue to work with our stakeholders to strengthen life science strategies in Manitoba and Saskatchewan and look forward to the opportunities and research discoveries in the year ahead.



Carol Reynolds



~ Carol Reynolds,
Director of Communications

We would like to acknowledge the following groups and individuals who assisted with this Annual Report: researchers, Genome Prairie's management and staff, Genome Alberta, Genome BC, Genome Prairie's Communications Advisory Committee, Jackie Robin and Dr. Brian Fowler for the spring wheat photo on page 11.



OUR PEOPLE:

Genome Prairie Board Members & Staff

BOARD MEMBERS

Dr. Arnold Naimark (Chair)

Director, Centre for the
Advancement of Medicine,
University of Manitoba

June Bold

CEO, Saskatchewan Health
Research Foundation

Dr. Gerald L. Brown

Consultant

Dr. Paul Dribnenki

Linum Research Program Leader,
Agricore United

Dr. David Gauthier

Regional Director, IRAP West
National Research Council Canada
Industrial Research Assistance Program

Dr. Martin Godbout

President & CEO, Genome Canada

Dr. Murray McLaughlin

President, McLaughlin Consultants Inc.

Dr. Gordon Neish

Director General, Bioproducts &
Bioprocesses, National Science Program,
Agriculture and Agri-Food Canada

Dr. Ashley O'Sullivan

President & CEO, Ag-West Bio Inc.

Dr. Ian Smith

Director General,
Institute for Biodiagnostics
National Research Council Canada

STAFF

Jerome Konecni

President & CEO

Dr. Reno Pontarollo

Chief Scientific Officer

Patrick Pitka

Chief Financial Officer

Carol Reynolds (interim)

Lisa Jategaonkar (on leave)

Director of Communications

Cindy Yungwirth

Office Manager

Patricia Reid

Accountant

Faye Pagdonsolan

Branch Office Manager (Winnipeg)

Shelby Sluth

Administrative Assistant

Dr. Carolyn Ashley

Project Manager,
*North American Conditional Mouse
Mutagenesis (NorCOMM) Project*

Chris Barker

Project Manager,
*Use of Genomic Tools for Crop Improvement
in Temperate Climates*



A NEW VISION:

leading, investing, connecting

Genome Prairie invests in the Prairies' top health, agricultural and environmental researchers and fosters relationships with industry and government. Through these investments and connections, we facilitate sustainable research and development capacity within Western Canada, to the benefit of all Canadians.

Our focus is on leading world-class genomics research through network establishment, identifying capacity and research priorities that meet the needs of the region and the nation. Genome Prairie works with scientists in Saskatchewan and Manitoba to facilitate research linkages with financial support from Genome Canada, provincial governments, industry and other granting bodies.

Genome Prairie strives to improve life in Western Canada. We accomplish this by building genetic tools for cancer research, making cereal plants more tolerant to drought and cold, improving oilseed crops to meet consumer demands of tomorrow, enhancing nutrition and improving public understanding of genomics research.

Leading, investing,
connecting...

Genome Prairie facilitates
sustainable research and
development capacity,
to the benefit of all
Canadians.

Leading

LEADING

A RESOURCE FOR DISCOVERY

& Preclinical Genomics

In 2006, the North American Conditional Mouse Mutagenesis (NorCOMM) Project joined partners from around the world to create a truly international knock-out mouse project that is accelerating disease and drug research.

NorCOMM is co-led by two researchers based at the University of Manitoba and the University of Toronto. The goal of the project is to create an internationally available library of mouse embryonic stem cells containing gene knock-outs.

Working with partner projects funded by the European Commission (EUComm) and the American National Institutes of Health (NIH), NorCOMM represents Canada's contribution and is the leader in many areas of the initiative, such as gene trapping. NorCOMM will use a combination of high through-put random gene trap mutagenesis and targeting disease-critical genes to provide complete coverage of the mouse genome.

Genome Prairie is working with NorCOMM to bring together researchers in functional and cellular genetics from academic centres across Canada, and internationally, to collaborate on the \$24.9 million project.

To date, more than 50,000 gene-trap clones are banked and NorCOMM is working to deliver 30,000 gene trap cell lines in the next two years. NorCOMM will also create at least 500 targeted knock-out cell lines. When complete, the project is expected to cover the entire mouse genome.



Dr. Geoff Hicks & Dr. Janet Rossant

North American Conditional Mouse Mutagenesis (NorCOMM) Project

Led by Genome Prairie

Project Leaders:

Dr. Geoff Hicks,
Manitoba Institute of Cell Biology
CancerCare Manitoba
University of Manitoba

Dr. Janet Rossant,
Hospital for Sick Children

Project Manager:

Dr. Carolyn Ashley

Project Value:

\$24.9 M

Genome Canada Contribution:

\$8.9 M



D ESIGNER SEEDS



Dr. Wilf Keller

Designing Oilseeds for Tomorrow's Markets

Led by *Genome Alberta*

Project Leader:

Dr. Randall Weselake,
University of Alberta

Supported by *Genome Prairie*

Project Leader:

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

Project Value:

\$14.8 M

Genome Canada Contribution:

\$6.8 M

Designing and enhancing products from canola provides direct benefits to an \$11 billion industry. Designing Oilseeds for Tomorrow's Markets (DOTM) is a \$14.8 million project, with Genome Canada funding \$6.8 million. This investment allows researchers from the Prairies to pursue genetic advancements in the breeding of *Brassica napus* (Canola).

Scientists working on this Genome Prairie-supported project are striving to enhance the meal quality and composition of Canola.

While oil is the primary product of Canola seed, the by-product high protein meal represents more than 50% of the weight of the seed.

Improving meal quality makes Canola more competitive as a commodity, and more valuable to seed producers, oil crushers and animal producers.

Researchers are discovering ways to reduce undesirable secondary metabolites, such as glucosinolates, sinapine and phytate, in canola meal.

In a related project, a team of experts in the areas of metabolism and genetics are collaborating to exploit the data collected from genomic and proteomic investigation of the large array of genes that are responsible for seed composition in Brassica crops.

DOTM supports Western Canadian farmers by expanding their production options, allowing them to continue to lead the world in a highly competitive market.

Rye is the most frost-tolerant commercial cereal crop grown in Western Canada. Its market, however, is only 10 percent of winter wheat and one percent of all wheat.

Numerous biochemical, physiological and metabolic processes give rye its ability to handle the cold. Discovering the responsible genes and transferring those traits to wheat crops would expand opportunities for Prairie grain producers.



By producing new, higher yielding, higher value wheat and other cereals with increased frost tolerance, growers can take advantage of early season moisture and weed competitiveness. These advantages minimize soil erosion and reduce herbicide use, thereby improving financial and environmental sustainability of farms.

However, rye's cold temperature genetics cannot easily be bred into wheat as they are not expressed when combined with wheat genes. When breeders cross rye with other cereals using conventional techniques, cold tolerant traits are not transferred to new plants.

The Use of Genomic Tools for Crop Improvement in Temperate Climates project provides genomic tools to plant breeders seeking improved frost tolerance for cereal crops. Stress from low temperatures triggers processes that cause hardy crops like rye to protect themselves from environmental extremes.

These plant responses to low temperature stress are similar to reactions by other plants to dehydrating stresses such as drought and salinity. Researchers expect that the identification of new genes involved in cold tolerance will also create improved understanding of the metabolic pathways involved in other yield limiting abiotic stresses.

This \$8.1 million project supports exclusive research on behalf of the Canadian cereal grain industry, which produced 40.8 million tonnes of grain in 2006 with a value of over \$7.5 billion.



Dr. Brian Fowler

Use of Genomic Tools for Crop Improvement in Temperate Climates

Led by Genome Prairie

Project Leader:

Dr. Brian Fowler,
University of Saskatchewan

Project Manager:

Chris Barker

Project Value:

\$8.1 M

Genome Canada Contribution:

\$4.1 M

Innate immunity is the body's way of protecting itself from disease-causing microbes.

However, if over-stimulated, this powerful disease-fighting system can have tissue damaging side-effects, including severe inflammation. Understanding the immune system's processes is crucial to harnessing its abilities to defend the body.

The increasing prevalence of bacteria and viruses capable of overcoming natural immune system defenses and existing anti-microbial drugs is creating media headlines and concern in the medical community.

Diseases such as Severe Acute Respiratory Syndrome (SARS), Bovine Spongiform Encephalopathy (BSE) and Avian flu have cost Canadians nearly \$16 billion over the past five years. The World Health Organization (WHO) estimates the international cost of SARS to be more than \$30 billion. WHO identified *zoonosis* - the animal to human transmission of disease - as one of the greatest global threats of this century.

Vaccines stimulate a body to create specialized defenses for specific diseases, but they rely on innate immunity for the foundation of their defense against infection.

Researchers are seeking to understand the genetic systems of innate immunity to make existing vaccines more effective and to develop new vaccines that take full advantage of innate immunity.

Working with academic and industry partners, researchers are isolating genes of interest to create platform technologies that can be applied to the development of human and livestock vaccine systems.

Genome Prairie and Genome British Columbia researchers are using computer-assisted biological and genomic tools, and bioinformatics to map the complex, systemic reactions to infection. Using computer systems to look at more than 20,000 genes in each of three large animal species models (human, bovine and equine), scientists are determining which genes are responsible for innate immunity.

Using genomic analysis, researchers are developing novel methods of building innate responses to infections before they become serious societal issues.



Dr. Lorne Babiuk

The Pathogenomics of Innate Immunity

Led by Genome British Columbia

Project Leader:

Dr. Robert Hancock,
University of British Columbia

Supported by Genome Prairie

Project Leader:

Dr. Lorne Babiuk,
Vaccine and Infectious Disease
Organization

Project Value:

\$17.1 M

Genome Canada Contribution:

\$8.5 M

INVESTING...



...in our future!

GE³LS: Responsible Research

“GE³LS” is a term used to represent the Ethical, Economic, Environmental, Legal and Social implications of genomics research. Genome Prairie promotes GE³LS awareness by including GE³LS researchers on each project team.



The North American Conditional Mouse Mutagenesis (NorCOMM) project, for example, is examining the impact of developing a global public repository of single gene knock-outs of mouse embryonic cells and gametes. GE³LS researchers are involved in assessing the opportunity costs and benefits of global access to the database model.

In the area of genetically enhanced flax or plants with novel traits, researchers are consulting growers' associations and examining market issues. Market acceptability, effects on the environment and social issues related to crop breeding are also being discussed. Improved economics for producers is also part of the decision making equation.

Comparative analysis of cold tolerance in cereal crops contains several GE³LS issues. Improved frost tolerance in fall sown crops could increase their use in areas of marginal farmland, reducing soil erosion and increasing financial returns to growers, while novel traits in cereal crops challenge regulatory policies and industrial handling systems. GE³LS research is examining all of these factors.

Public understanding of genomics is critical for advancing genetic research at all levels. Relationships between public benefit, science and commercialization are being examined in the Pathogenomics of Innate Immunity project as its researchers seek to improve the way vaccines enable the body to defend against disease.

Genomics is a multi-disciplinary field which touches many facets of our lives. Genome Prairie promotes responsible research through the facilitation and support of open dialogue about GE³LS issues within the research, public, government and industrial communities.

E DUCATION & PUBLIC OUTREACH

Awareness of genomics research and its crucial role in the future of Canada forms a significant component of Genome Prairie's efforts to deliver the benefits of genomics to Canadians.



Through the sponsorship of a screening of the award-winning film *The Score* in Saskatoon and Regina, the public was invited to explore the potential issues between science and society. The screening created opportunities for dialogue between the audience and an expert panel of scientists and industry leaders about key GE³LS issues.

Keeping Canada internationally competitive begins by educating tomorrow's scientists today. Genome Prairie sponsors the sanofi-aventis Biotech Challenge (SABC) in Manitoba and Saskatchewan. By providing awards to high school students for top genomics projects, Genome Prairie encourages awareness and interest for young people in the research field.

Genome Prairie sponsors other educational activities, such as the Crime Scene Investigation (CSI) and Debunking DNA workshops at the Saskatchewan Science Centre in Regina. These programs provide hands-on activities and invite students to get excited about science and to learn about the opportunities it offers.

By providing the most recent research information and raising awareness of the applications of genomics research, Genome Prairie continues to educate and facilitate the transfer of knowledge to its stakeholders.



“
Education:
It's knowing
where to go
to find out
what you
need to
know; and it's
knowing how
to use the
information
once you get
it.”

~ William Feather,
Publisher and Author
(1889–1981)



connecting

CONNECTING



S

TRATEGIC PARTNERS

Regional, national and international partners are key to successful research discoveries and innovations. Genome Prairie believes in the collaborative efforts of networks and relationships to enhance the beneficial global impact of genomic research.

We would like to acknowledge our strategic partners in this mission:

Advancing Canadian Agriculture
and Agri-Food Saskatchewan
Ag-West Bio Inc.
Agricultural Biotechnology
International Conference Foundation
Agriculture and Agri-Food Canada
Agriculture Development Fund
Alberta Agricultural Research Institute
Alberta Cancer Board
Alberta Ingenuity Centre for Machine Learning
Alberta Livestock Industry Development Fund
Australian Phenomics Facility
Bio Tools Inc.
British Columbia Cancer Agency
Canadian Cystic Fibrosis Foundation
Canadian Foundation for Innovation
CancerCare Manitoba
Canola Council of Canada
Chenomx Inc.
Cryolab
Ducks Unlimited
European Conditional Mouse Mutagenesis
Flax Canada 2015
Flax Council of Canada
Gates Foundation
Genome Alberta
Genome Atlantic
Genome British Columbia
Genome Canada
Genome Québec
Inimex Pharmaceuticals Inc.
Institut für Entwicklungsgenetik, GSF
Irish Department of Agriculture and Food
Manitoba Institute of Cell Biology
Manitoba Science, Technology, Energy and Mines
MDS Sciex
Merial Limited
Michael Smith Foundation for Health Research
Mount Sinai Hospital
National Institutes of Health
National Research Council -
Plant Biotechnology Institute

National University of Singapore
Ontario Genomics Institute
Ontario Cattlemen's Association
Oregon State University
Poultry Industry Council of Canada
Province of Alberta
Province of Manitoba
Province of Québec
Province of Saskatchewan
Research Institute of Crop
Production, Czech Republic
Roslin Institute
Saskatchewan Industry and Resources
Saskatchewan Trade and Export Partnership
Saskatchewan Health Research Foundation
Science Foundation Ireland
Simon Fraser University
St. Boniface General Hospital
Sun Microsystems Inc.
Swedish University of Agricultural Sciences
The Hospital for Sick Children
The Wellcome Trust Sanger Institute
Trinity College
United States Department of Agriculture
University of Adelaide
University of Alberta
University of Auckland
University of British Columbia
University of Calgary
University of California Davis
University of Giessen
University of Manitoba
University of Manitoba - Faculty of Medicine
University of Manitoba - Richardson Centre for
Functional Foods and Nutraceuticals
University of Saskatchewan
University of Toronto
Vaccine and Infectious Disease Organization
Western Ag Innovations
Western Grains Research Foundation
Western Economic Diversification Canada

FINANCIAL STATEMENT OF GENOME PRAIRIE

Year ended March 31, 2007

AUDITOR'S REPORT TO THE DIRECTORS

We have audited the statement of financial position of Genome Prairie as at March 31, 2007 and the statements of earnings and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Saskatoon, Canada

June 18, 2007

KPMG LLP Chartered Accountants
Telephone: 306-934-6200
Fax: 306-934-6233
600 - 128 4th Avenue South
Saskatoon, SK S7K 1M8
Website: www.kpmg.ca

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets:		
Cash	\$ 4,265,383	\$ 2,063,551
Receivables	48,548	82,292
GST receivable	17,488	70,843
Project advances	651,725	305,863
Prepaid expenses	12,278	6,100
	4,995,422	2,528,649
Equipment and leasehold improvements (note 3)	22,803	17,743
	\$ 5,018,225	\$ 2,546,392

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 202,251	\$ 227,108
Deferred contributions:		
Expenses of future periods (note 4)	4,527,685	2,121,194
Equipment and leasehold improvements	22,803	17,743
	4,752,739	2,366,045
Net Assets		
Unrestricted	265,486	180,347
	\$ 5,018,225	\$ 2,546,392

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

Statement of Earnings and Changes in Net Assets

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Project revenues (note 4)	\$ 8,952,641	\$ 28,153,410
Administrative support revenues (note 4)	848,277	957,888
Amortization of deferred capital contributions related to equipment and leasehold improvements	25,526	8,120
Interest	243,850	112,719
	10,070,294	29,232,137
Expenses:		
Research project expenditures	8,952,641	28,137,091
General and administrative	1,006,988	1,050,529
Research project development	-	16,319
Amortization	25,526	8,120
	9,985,155	29,212,059
Excess of revenue over expenses	85,139	20,078
Gain on sale of equipment	-	32,292
Net earnings	85,139	52,370
Net assets, beginning of year	180,347	127,977
Net assets, end of year	\$ 265,486	\$ 180,347

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash flows from (used in):		
Operations:		
Net earnings	\$ 85,139	\$ 52,370
Items not involving cash:		
Amortization	25,526	8,120
Gain on sale of equipment	-	(32,292)
Transfer of ASRA funds to Genome Alberta	-	(152,292)
Change in noncash operating working capital:		
Receivables	33,744	(82,292)
GST receivable	53,355	(47,088)
Funding receivable	-	380,241
Project advances	(345,862)	1,596,340
Prepaid expenses	(6,178)	18,966
Accounts payable and accrued liabilities	(24,857)	(2,307)
Net change in deferred contributions	2,411,551	(1,494,626)
	2,232,418	245,140
Investing:		
Purchase of equipment and leasehold improvements	(30,586)	(16,959)
Proceeds on disposal of equipment	-	32,292
	(30,586)	15,333
Increase in cash	2,201,832	260,473
Cash, beginning of year	2,063,551	1,803,078
Cash, end of year	\$ 4,265,383	\$ 2,063,551

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2007

1. Operations:

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) 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.

(b) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions which includes funding from Genome Canada, Provincial Ministries, the Commercial sector and other funding sources. 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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Certain contributions include amounts paid directly by the funding sources to the institutions completing the research. The Corporation includes these direct payments as contributions in its financial statements. Restricted contributions applied toward the purchase of equipment and leasehold improvements are deferred and amortized to revenue on a straight line basis, at a rate corresponding with the amortization rate for the related equipment and leasehold improvements.

Contributions received in kind are recorded at their fair value.

(c) Equipment and leasehold improvements:

Equipment and leasehold improvements are recorded at cost. Amortization is provided for on the straight line basis to amortize the cost of the assets over the remaining period to March 31, 2008.

Effective April 1, 2006, the Corporation revised its amortization policy of its equipment and leasehold improvements to coincide with the funding commitment from Genome Canada, which as outlined in note 5, is for the period April 1, 2005 to March 31, 2008. The effect of this change was to increase amortization expense for the current year by \$15,400. This change has been applied on a prospective basis.

(d) Financial Instruments - Recent Accounting Pronouncements:

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1530, "Comprehensive Income"; Section 3251, "Equity"; and Section 3855, "Financial Instruments Recognition and Measurement". On April 1, 2007 the

(CONTINUED ON NEXT PAGE)

2. (cont)

Corporation will adopt these accounting guidelines resulting from the issuance of these sections. Under the new standards, all financial assets will be classified as either loans or receivables, held-for-trading, available-for-sale, or held-to-maturity and all financial liabilities will be classified as heldfortrading or other financial liabilities.

Financial instruments classified as held-for-trading will be measured at fair value with changes in fair value recognized in net earnings. Financial assets classified as held-to-maturity or as loans and receivables and other financial liabilities will be measured at amortized cost using the effective interest rate method.

Available-for-sale financial assets will be measured at fair value with changes in unrealized gains and losses recognized in other comprehensive income.

The Corporation will also be required to present a new statement of Comprehensive Income and its components, as well as the components of accumulated other comprehensive income (OCI), in its financial statements. Comprehensive income includes both net earnings and OCI. Major components of OCI include changes in unrealized gains and losses of financial asset classified as available-for-sale.

(e) Income taxes:

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

3. Equipment and leasehold improvements:

			2007	2006
	Cost	Accumulated amortization	Netbook value	Netbook value
Furniture and equipment	\$ 22,619	\$ 17,531	\$ 5,088	\$ 4,302
Computer equipment	23,084	15,586	7,498	3,256
Computer software	7,895	4,327	3,568	3,239
Leasehold improvements	13,663	7,014	6,649	6,946
	\$ 67,261	\$ 44,458	\$ 22,803	\$ 17,743

4. Expenses of future periods:

Deferred contributions represent unspent externally restricted amounts for the purpose of providing funding to approved projects and for Corporate operating expenses in future periods.

	2007	2006
Opening deferred contributions for expenses of future periods	\$ 2,121,194	\$ 3,776,951
Contributions for the year:		
Saskatchewan Government	4,600,000	202,214
Genome Canada	3,228,379	15,953,761
University of California Davis	1,462,499	-
European Mouse Mutagenesis Project	1,371,867	-
Agriculture and AgriFood Canada	308,891	264,397
Genome Alberta	308,186	-
Province of Manitoba	290,000	-
Oregon State	277,653	-

(CONTINUED ON NEXT PAGE)

4. (cont)

	2007	2006
Plant Biotechnology Institute	\$ 899,897	\$ 653,046
Roslin Institute	198,341	-
Ducks Unlimited	186,000	-
U.S. Department of Agriculture Research Institute of Crop Production Czech Republic	182,327	-
Alberta Industry and Science	119,710	-
University of Adelaide	65,683	-
University of Calgary	64,888	-
Western Economic Diversification	60,000	673,814
Western Grain Research Foundation	50,000	-
Flax Council of Canada	38,812	-
MDS Sciex	28,302	-
Quebec Government	25,491	5,482,557
Sask Industry	25,372	440,778
Western Ag Innovation	21,818	-
Cryolab	19,000	-
Trinity College	17,505	17,505
University of Manitoba	17,400	-
Canadian Foundation for Innovation	16,428	-
Agricultural Development Fund	15,129	877,783
Poultry Industry Council	11,189	227,545
Advancing Canadian Agriculture and AgriFood Saskatchewan	9,894	-
Alberta Livestock Industry Development Fund	5,471	-
Ag-West Bio Inc.	4,000	39,974
Ontario Cattleman Association	3,765	3,458
Agriculture Biotechnology International Conference	2,422	-
Canola Council	2,000	-
Inimex Pharmaceutical Inc.	1,200	-
University of Alberta	-	725,158
Sun Microsystems	-	671,515
Irish Department of Agriculture and Food	-	462,143
Genome BC	-	251,195
Alberta Ingenuity Centre for Machine Learning	-	163,763
University of Toronto	-	106,781
Merial Limited	-	55,622
Alberta Cancer Board	-	(214,073)
Biotoools	-	25,000
Chenomx	-	21,600
Canadian Cystic Fibrosis Foundation	-	46,067
Others	(12,686)	30,000
Michael Smith Foundation for Health Research	(18)	51,688
Alberta Agricultural Research Institute	(1,625)	30,375
National Health Institute	(11,642)	322,126
	(26,000)	39,000
	13,887,548	27,624,792
Total contributions	\$ 16,008,742	\$ 31,401,743

4. (cont)

	2007	2006
TOTALS FROM PREVIOUS PAGE	\$ 16,008,742	\$ 31,401,743
Less amounts recognized as project revenues	(8,952,641)	(28,153,410)
Less amounts recognized as administrative support revenues	(848,277)	(957,888)
Transfer to deferred contribution - equipment and leasehold improvements	(30,586)	(16,959)
Transfer of ASRA funds to Genome Alberta	-	(152,292)
Transfer to Genome Alberta	(1,649,553)	-
Closing deferred contributions for expenses of future periods	\$ 4,527,685	\$ 2,121,194

Contributions received of \$341,423 (2006 \$9,150,737) were paid directly by the funding sources to the research institutions. Contributions of \$5,012,759 (2006 \$7,263,685) represent the estimated fair value of inkind contributions and is included in the contributions for the year.

Deferred contributions have been externally restricted for the following purposes:

	2007	2006
Project expenses	\$ 4,527,685	\$ 2,108,685
Associated development costs	-	12,509
	\$ 4,527,685	\$ 2,121,194

5. Project commitments:

In accordance with an agreement signed with Genome Canada effective April 1, 2005, with regard to a financial commitment of \$22,850,522 from Genome Canada for the period from April 1, 2005 to March 31, 2008, Genome Prairie has agreed, among other things, 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.

6. Comparative figures:

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

7. Financial assets and liabilities:

The carrying value of cash, receivables, GST receivable, project advances and accounts payable and accrued liabilities approximate fair value due to the short period to maturity of these items.



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