



UNDER CONSTRUCTION



PARTEQ
innovations

ANNUAL REPORT
2008





CELEBRATING A YEAR OF GROWTH

John Molloy, President & CEO

Letter from the President & CEO

PARTEQ's annual report this year is being assembled in a construction zone, amid the din and dust of power tools and drywall. The physical transformation of our office space that is going on around us reflects the changes that are transforming PARTEQ as we complete our 21st year of operation.

These changes include the growth and refocusing of our commercial development staff, adding six new professionals with sector-specific experience in industry, entrepreneurship, intellectual property protection and research.

As well, we have embarked on a strategy of outreach and collaboration, forging links with research institutions across Ontario and in China.

The coming year will see us building on these efforts, particularly in fostering research-industry collaborations in the exciting and rapidly growing field of green chemistry. We have also begun to pursue efforts to secure additional funding for investment in early stage opportunities.

As the dust settles, we recognize that we are building more than physical infrastructure. By going beyond our institutional walls, by developing creative and unique funding mechanisms, and by sharing expertise and leveraging resources, we are helping to build a model of technology transfer that will be studied, and hopefully used, in Canada and around the world.



ENHANCING COLLABORATION

Kerry Rowe, Chair, Board of Directors & Vice-Principal (Research), Queen's University

Letter from the Chair of the Board

Over the past year, Queen's has witnessed some significant changes — our campus has been alive with major new construction, new land acquisition and new collaborative ventures. Wrapped up in this are the enthusiasm and excitement that accompany all new projects.

One of our proudest recent achievements has been the launch of Innovation Park at Queen's University after years of vision, planning and hard work. Its mission is to create a vibrant model of innovation that enhances intellectual engagement – concentrating universities, industries and companies into a single facility that will promote the sharing of ideas and resources, stimulate and accelerate the innovation process, and move ideas forward from the lab to the market.

PARTEQ, as one of Canada's premier technology transfer agencies, will play a critical role in the success of Innovation Park by supporting the collaborative work that emerges there. PARTEQ has consistently demonstrated that dedication, creativity and critical thought are core elements for turning concepts into reality. To date, 14 companies, research centres, technology providers and professional networks have collected under the park's umbrella, and the relationships that develop between those groups, as well as with PARTEQ, will unquestionably spark creativity, collaboration, progress and economic growth for the region. Together, we will help cement Kingston's place in global R&D.

A handwritten signature in white ink that reads "Kerry Rowe".



BUILDING OUR INFRASTRUCTURE

Anne Vivian-Scott, Vice-President, Commercial Development

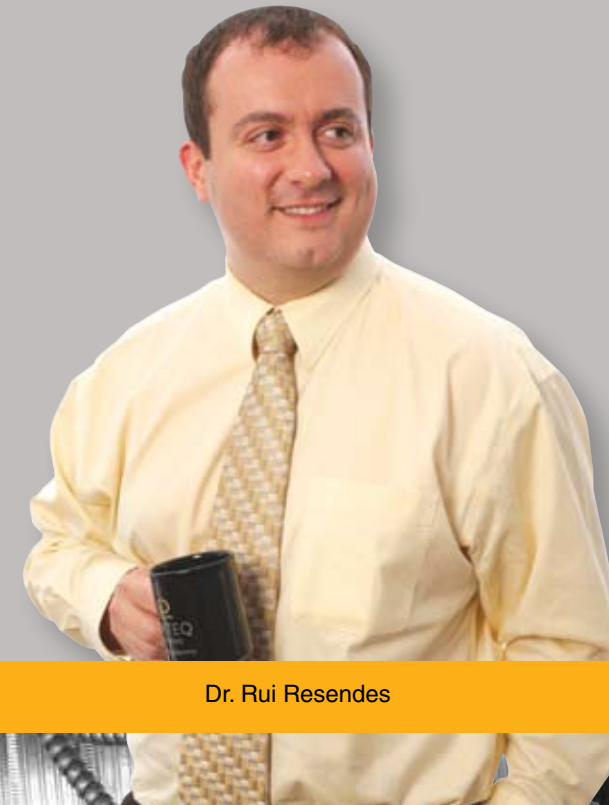
Commercialization Expertise:

Funding of \$3 million from the Ontario Ministry of Research and Innovation and the federal IPM program enabled PARTEQ to expand its staff and to build commercialization strengths in the areas of chemical sciences, engineering and information technology, and life sciences.

Dr. Rui Resendes (PhD), Director of Commercial Development, Chemistry and Materials Science, comes to PARTEQ from LANXESS Inc., a global manufacturer of synthetic rubber, chemicals and plastics. He has extensive research and technology

transfer experience, including product development and marketing, and is a co-inventor on Queen's-LANXESS jointly owned intellectual property.

Mr. Stephen Adolph (MSc), Director of Commercial Development, Engineering and Information Technology, brings considerable experience in company formation and management in the telecom sector, including the founding, funding and eventual sale of Akara Corp. of Ottawa.



Dr. Rui Resendes



Stephen Adolph

Mr. Jason Hendry (MAsc), Manager, Commercial Development, offers a strong background in materials engineering and product development via his experience with Kingston's Millenium Biologix, where he oversaw the development and commercialization of medical devices including synthetic bone grafts and spinal fusion implants.

Dr. Michael Wells (PhD, MBA), Manager, Commercial Development, Life Sciences, combines a biochemistry background with startup company and business development expertise. His experience encompasses drug discovery, product development, and regulatory and intellectual property concerns.

Dr. Marie-France Héту (PhD), Analyst, Life Sciences, is a recent Queen's University graduate from the laboratory of Dr. Daniel Lefebvre, co-founder of Queen's spinoff company Performance Plants Inc. Dr. Héту specialized in phosphate starvation mechanisms in *Arabidopsis* and alfalfa plants.

Mr. Hassan Jaferi (MSc), Analyst, Engineering and Information Technology, was formerly a patent examiner at the Canadian Intellectual Property Office, where he specialized in patent applications relating to computer and electrical engineering inventions.

Intellectual Property Expertise:

Ms. Brenda Dundon, Patent Assistant, joins PARTEQ from Alcan International Ltd., where for many years she worked in the intellectual property department. In addition to processing agreements she administered all aspects of the company's corporate and business trademark portfolio.

Financial Expertise:

Ms. Lisa Knechtle-Jerkiewicz, Finance Administrator, recently received her diploma in Business Administration-Accounting from St. Lawrence College. Currently working towards her Certified General Accountant designation, she provides accounting services in our Finance and Administration Group.

With more than 90 years of collective experience in commercializing discoveries from university research, PARTEQ now has bench strength that is second to none in Canada.





EXPANDING OUR IP RESOURCES

Dr. Carol Miernicki Steeg, Vice-President, Intellectual Property

Professional Development:

Ms. Angela Lyon (MSc) has successfully completed all national examinations and is now a registered patent agent in Canada and in the United States. Ms. Lyon's specialization of chemistry complements PARTEQ's patent team, which now has three patent agents. Ms. Lyon joined PARTEQ in 2002 under the Tri-Council IPM Program.

Dr. Stephen Scribner (PhD) was promoted to a Fellow of the Intellectual Property Institute of Canada.

Disclosures and Patents:

- 77 disclosures, our highest number yet, were received for 2007-08.
- 81 patent applications, including 13 original applications, were filed this year.
- 21 patents issued, including 9 U.S., 7 Canadian, 1 European, 1 Australian, 1 New Zealand, 1 Mexican and 1 Hong Kong.



Angela Lyon



Dr. Stephen Scribner



EXTENDING OUR REACH

Davis Hill, Manager, Commercial Development

Partnerships:

Considerable effort has been invested in expanding our pipeline of promising technologies. One of the ways we are doing this is through collaborations with other research institutions, researchers, startup companies and industry, including the University of Toronto and the Novelis Global Technology Centre.

Randall North (MEng, PEng), PARTEQ's Executive in Residence, was appointed Business Development Manager for the Ontario Centres of Excellence. Mr. North's dual role enables PARTEQ and OCE to leverage one another's expertise, funding and contacts, increasing the likelihood of successful commercial development of innovative technologies generated by research institutions and industry.



Jane Gordon

Randall North

International Initiatives:

PARTEQ has also broken new ground internationally: a visit to the People's Republic of China in October, 2007 resulted in a Memorandum of Understanding between PARTEQ and the Capital Science and Technology Group (CSTG) of Beijing. Collaboration discussions are also underway with Tsinghua University, Beijing and the Innovation Fund for Small Technology-Based Firms, Ministry of Science & Technology, People's Republic of China.





GROWING OUR FUNDING

Dr. Perry Kim, Director, Commercial Development, Life Sciences

PARTEQ Proof of Principle Fund:

Thanks to funding of \$900,000 from the Ontario Ministry of Research and Innovation, PARTEQ launched its first in-house Proof of Principle Fund earlier this year. Eight promising technologies received a total of \$260,000 for further development and testing, enhancing their likelihood of reaching the market. Outcomes included:

- Successful live-agent testing of a green method for deactivating toxic compounds such as chemical warfare agents, pesticides and insecticides.
- Trials of a wearable lift-assist device at a major Canadian automotive plant, resulting in positive feedback by assembly-line workers.
- Continued improvements to eyebox2™ long-range eye contact sensing technology and the development of viewership measurement software for the digital signage industry, which is the first of several promising applications for this technology.

- Installation and testing of a quantitative tool for measuring emboli resulting from open heart surgery. Performance validation of the system has been completed and preparation for clinical trials has begun.
- Software development for a computer-based, patient-customized surgical planning tool for hip resurfacing, a repair procedure used primarily on younger, more active patients. A large U.S. medical device company is in discussions to license this technology, potentially for use in surgical repair of hips and knees.

PARTEQ OCIFs:

PARTEQ's management of four Ontario Commercialization Investment Funds resulted in the investment of more than \$300,000 in early stage Ontario technology companies, including:

- \$100,000 (Tricolour Fund) in Performance Plants Inc.
- \$198,000 (Marsupial Fund) in Nometics Inc.
- \$34,000 (PARTEQ Venture Fund) in Ocorant Inc., the 2007 Atherton Award winner.

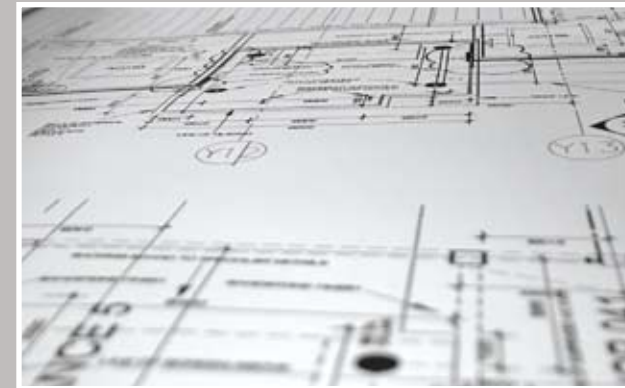


BOOSTING OUR IMPACT

Mary Anne Beaudette, Director, Communications

Company creation and economic spinoffs:

Since 1987 PARTEQ has been instrumental in the formation of 41 spinoff companies. These companies have attracted more than \$800 million in investment and created more than 700 jobs. In FY 2008 our spinoffs attracted \$96 million in investment.



Product milestones:

BKIN Technologies Ltd.: Developing a 'blood test for the brain'

BKIN's flagship product, the KINARM™ robotic neurological assessment tool, is expanding into clinical research applications. Now in use in Canada, the U.S. and Israel, KINARM™ has the potential to radically change clinical assessment of brain function. Capable of measuring subtle neurological deficits otherwise undetectable by standard clinical assessment techniques, the KINARM™ technology effectively gives doctors the equivalent of "a blood test for the brain." BKIN is currently establishing relationships with key research centres for clinical research into stroke prevention, treatment and recovery.

Cytochroma Inc.: Exploring the promise of vitamin D

Cytochroma continues its development of therapeutics for the treatment of vitamin D-related diseases, including secondary hyperparathyroidism associated with chronic kidney disease (CKD). Over the past year it commenced dosing in a Phase I/II clinical trial of CTAP101 capsules, Cytochroma's product candidate for the treatment of vitamin D insufficiency in CKD. Results of a Phase I clinical trial of its CTA018 injectible drug candidate showed reduced blood levels of parathyroid hormone, suggesting a potential treatment for secondary hyperparathyroidism.

DUSA Pharmaceuticals Inc.: Shedding new light on skin diseases

Revenues from the sale of Levulan™ photodynamic therapy increased by 28 per cent last year, and the product is now in use for the treatment of precancerous skin lesions in the U.S., Canada, Mexico, South America and Korea. The company completed enrolment in a Phase IIb clinical trial of Levulan™ for the treatment of moderate to severe acne. Levulan™ also received orphan drug designation for the treatment of esophageal dysplasia, a leading cause of esophageal cancer.

EnerWorks Inc.: Helping North Americans warm to solar technology

EnerWorks' hot water heating technology was highlighted with the completion of the 52-home Drake Landing, North America's largest solar-heated subdivision, in Okotoks, Alberta. Responding to demand for this solar technology, EnerWorks established a commercial-industrial division of its manufacturing and installation operations. The company's system was also introduced into Home Depot's Eco Options line of home improvement products last June.

Integran Technologies Inc.: From Queen's to greens

Innovative research at Queen's University into nanomaterials yielded a "green" impact of a different kind this year — victory at the 2008 Masters Tournament. Golf pro Trevor Immelman of South Africa earned his green jacket after out-driving his competitors using a golf club shaft made of Grafalloy™, a proprietary material developed by Integran Technologies Inc., a PARTEQ spinoff company.

Neurochem Inc.: Protecting brain power — naturally

A strategic realignment of Neurochem's portfolio is reflected in the company's name change to BELLUS Health Inc. and its establishment of a nutraceutical subsidiary, OVOS Natural Health Inc. OVOS is poised to launch Vivimind™, to enhance memory and cognitive function. On the pharmaceutical side, BELLUS will initiate a second Phase III clinical trial for its drug candidate for the treatment of secondary amyloidosis.

Performance Plants Inc.: Supporting biofuels and sustainable crops

Performance Plants has entered into a unique partnership with industry to develop, produce, harvest, process and use non-food crops, particularly those that grow in poor soil, for biomass energy. The company also transferred its breakthrough Yield Protection Technology™ to Africa Harvest Biotechnology Foundation to develop and field-test drought-tolerant white corn, a staple food crop in Africa.

Innovator Recognition:

Two of PARTEQ's earliest inventors, Dr. James Kennedy of Queen's University and Dr. Roy Pottier of Royal Military College of Canada, were recognized with a 2007 Manning Innovation Award. The duo received the \$100,000 EnCana Principal Award for their discovery of a light-based therapy, now licensed to DUSA Pharmaceuticals Inc., to treat a precancerous skin condition.

PARTEQ marked its 20th anniversary celebration with inventor recognition awards. Recipients were:

- Drs. Michael Adams (Pharmacology & Toxicology) and J. Scott Parent (Chemistry), for Most Prolific Inventors in Life Sciences and Physical Sciences, for having the greatest number of different inventions on which PARTEQ has filed patent applications — 16 and 8, respectively.
- Prof. Henk Wevers and his research team, for Technology with the Longest Term Impact, for the development of Q'Straint™, a wheelchair securement system now in use around the world.
- Mr. Robert Bender, an investor with a long career of helping to develop Queen's University technologies, for his overall contribution to PARTEQ's success.



FINANCIALS

Paul Vickers, Vice-President, Finance and Administration

	2008	2007
Consolidated statement of revenue and expenditures for the year ended March 31, 2008 (in thousands of dollars).		
Revenues:		
Licensing	1,304	1,028
Less: Distributions to inventors	(633)	(605)
	671	423
Expenditures:		
Operating	2,897	2,286
Less: Grant revenue	(963)	(431)
	1,934	1,855
Gain on sale of equity	5	1,032
Other revenues (expenditures)	(88)	67
Excess of expenditures over revenue before return to Queen's University	(1,346)	(333)
Return to Queen's University	213	1,180



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