

Services UNIVERSITY TECHNOLOGIES INTERNATIONAL INC.

Expertise in:

- technology assessment
- intellectual property protection and management
- market assessment and evaluation
- license negotiation and management
- company creation and development

Technology is sourced from the University of Calgary and a wide variety of research-based clients in post-secondary, government and private laboratories. Customer base includes corporations, startups, R&D firms and research institutions. UTI seeks out and evaluates technology, protects the intellectual property and carries it to commercialization through:

- Licensing
- Company Creation

UTI Technology Licensing Strategy

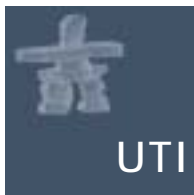
- Identify, assess and protect research-derived intellectual property
- Seek out effective licensing partners in industry
- Create long-term, beneficial licensing arrangements
- Monitor the agreements and build on them

UTI Company Creation Strategy

- Seek out outstanding technology innovators with proprietary platform technology of significant market potential
- Assess and protect the intellectual property
- Build corporate structure
- Build management team
- Build the business
- Build industry partnerships

When dealing with technology from the University of Calgary, UTI operates under the University's Research Services Department Intellectual Property Policy which governs the commercial activity of all members of the University community. Intellectual Property is the material or communicable result of scientific, humanistic, literary and artistic endeavour.

The University of Calgary's IP Policy can be found online at www.ucalgary.ca/UofC/research/html/policies/int_prop.html. An explanatory document, called the IP Policy Resource Document, and charts are at www.ucalgary.ca/UofC/research/html/tech_comm/tech_comm.html.



UTI MISSION

Excellence in creating business opportunities from scientific innovation

Wholly owned by the University of Calgary, University Technologies International Inc. offers the entire spectrum of technology commercialization services including technology assessment, intellectual property protection and management, market assessment and evaluation, license negotiation and management, and company creation and development.

Operating as a private, for-profit company, UTI serves a wide variety of research-based clients in post-secondary institutions, government research laboratories, industrial research and development installations, and private facilities. Its customer base includes corporations, startup companies, research and development facilities and other research institutions.

In Canada's Arctic, Inuit travelers leave a marker for those who follow. The marker, a stone figure called an **inukshuk**, shows direction, marks travel routes, warns of dangers, stands as a memorial or acts as a reminder. Tradition forbids the destruction of an inukshuk. In this, the year of University Technologies International Inc.'s 15th anniversary, we have borrowed the symbolism of the inukshuk as a reminder of and a tribute to our creators, founders and builders who left the markers for us to follow to our current and future successes.

Cover photograph *And We Were Here* by David Brosha, Yellowknife, NWT.



UTI Team

Staff

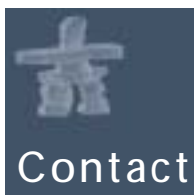
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- Hugh Jones** Vice President
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Board of Directors

- Dr. William Cochrane Chairman of the Board
- Paul Cataford
- Stephens Allan
- James Gray
- William Kaufmann
- Michael McAdam
- Dr. Thomas Back
- Leigh Pullen
- Christopher Robb
- Dr. Dennis Salahub
- Bobbie Sparrow
- Dr. Hans van de Sande
- Dr. Chan Wirasinghe
- Brad Zumwalt

Advisory Council

- Mike Beamish
- Bob Brawn
- Dr. Robert Church
- William Croft
- Jack Davis
- Richard Elenko
- Brian Felesky, QC
- Larry Fichtner
- Robert Gibson
- Richard Haskayne
- Bruce Healy
- Brian Hunt
- Dr. Tom Keenan
- John Lau
- Alvin Libin
- Joe Lukacs
- Archie MacKinnon
- Mike Maher
- Dr. Jack Manns
- John Masters
- Ken McCready
- Robert Mills
- Maury Parsons
- Doug Reid
- Dr. Alf Sailer
- Robert Schulz
- Richard Shannon
- Dr. Eldon Smith
- Hugh Stanfield
- Don Thurston
- Dr. Howard Tennant



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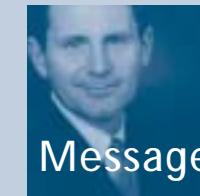


The UTI Board of Directors

Fiscal year 2003-2004 saw a number of moves on UTI's Board of Directors. Departing directors Dr. Grant Gall, Dr. Gérard Lachapelle and Peter Tertzakian were honoured for their service to the board while new directors Dr. Robert (Rob) Stewart (University's General Faculties Council representative), and Michael W. McAdam, Vice-President (Finance and Services) at the University of Calgary were welcomed. Board Chairman Dr. William Cochrane and the Board thanked Hugh Jones for his exemplary performance, stepping in as interim president between Oleh Hnatiuk and Paul Cataford.

University Technologies International Inc.

2004 Annual Review



Message FROM THE CEO

To begin, I would like to thank the Board of UTI for having the confidence and trust in appointing me as the new President and Chief Executive Officer. After just a few weeks into the new job, I was able to celebrate UTI's 15-year anniversary together with a great number of the stakeholders, employees and members of the business community – all contributors past and present. There was good reason to celebrate. In its 15 years, UTI has established itself as one of Canada's top technology transfer/commercialization institutions. UTI has excelled because of the determination, talent and skills of its team and its past leadership. UTI's independent Board of Directors, comprised of leaders drawn from the business and university community, have provided the gift of guidance, stewardship and vision. However, success would not be possible without the ingenuity and entrepreneurial spirit of our clients—the inventors, researchers, investigators and faculty of the University of Calgary.

UTI is unique in its relationship with its parent, the U of C. Over 15 years ago UTI was spun out of the University with the intent of creating a structure and culture allowing us to be more effective as an intermediary through the transfer/commercialization process. One of the results is a company which has become service-oriented in order to secure and retain clients. At the U of C, it is not mandatory for U of C staff to use UTI services. Fortunately, virtually all of the U of C campus, and a growing number off-campus, use UTI services. Interestingly enough, many of those that have chosen to strike out on their own have come to UTI realizing how difficult the commercialization process is and how UTI can help.

UTI has a 15-year track record of assessing and analyzing technology, devising and applying IP strategy for protection, and negotiating licenses. Many in the country have become interested in university spin-out activity as a way of commercializing university research. UTI has had its share of success in this arena, having created 38 companies in its 15-year history. Converting

intellectual property rights into equity is a way of maximizing value for the holder, but comes with increased risk and investment duration. This is an area where our shareholder, the University of Calgary, has a keen interest and is the primary reason for bringing on someone with my experience and skills. With a background in the venture capital industry and a strong emphasis on creating and building companies, I believe I may be able to offer something to this challenging mandate. Raising capital for our early-stage ventures is always a difficult task and we will be calling on our stakeholders, partners and the business community to get involved in this potentially lucrative asset class.

The University of Calgary has endorsed the Canadian Association of Colleges and Universities goal to double the disclosures of new research technologies and triple the revenue from commercialization within the next decade. UTI firmly supports the University in the achievement of this objective. Attainment is certainly a stretch, however with the team we have in place and the support from our many stakeholders, we believe we will be successful in our campaign.

Turning to the fiscal year which UTI has just completed, we have achieved another year of strong licensing revenues and an increase in the number of disclosures and deals. We have continued to invest dollars proactively protecting intellectual property and seeking new licensees. Our company creation activities are currently focused on developing our existing portfolio and, as such, no new companies were created in fiscal '04. New company formation should resume in the fall.

We would be remiss if I did not acknowledge the contribution that Oleh Hnatiuk made during his five-year tenure as President and CEO of UTI; thank you Oleh. I would also like to thank our Vice President, Hugh Jones who was acting President and CEO during a five-month transition period and who has become a key advisor as I slowly get up the curve. Finally, we would like to thank our Board of Directors and our shareholder—all of which have provided support, guidance and trust.



Paul G. Cataford
President and CEO





15-year SUMMARY

1989 June 1, University Technologies International Inc. became operational, changing the way Canadian universities work in Canada's technology transfer industry. The new company hired its first employee, Wendy Porter, now UTI's Financial Administrator, in July. Hugh Jones, now UTI's Vice President, joined the company in September.

1990 Beverley Sheridan became a UTI employee January 1. Early researchers included Dr. Anthony Schryvers, Dr. Klaus-Peter Schwarz, Dr. Elizabeth Cannon, Dr. John Remmers, Dr. Gérard Lachapelle, Dr. Benno Nigg, Dr. Maurice Moloney and Dr. Michel Fattouche, all of whom became significant figures in Alberta's high-technology community.

1996 UTI Inc. went online in June 1996 with the launch of its Web site – www.uti.ca. UTI brought its roster of startup companies to 10.

1997 In October UTI announced it was creating a series of \$15,000 Fellowships for postgraduate and doctoral researchers.



Fifteen years ago, Dr. Michael Raymont, then Director of the University of Calgary's Office of Technology Transfer and now Acting President of the National Research Council, oversaw the creation of University Technologies International Inc.

"The early days at UTI were a fascinating mix of meetings with those visionaries who helped establish the concept and the company (Norm Wagner, Bob Willson, Mike Ward, Hugh Planche and Brian Felesky amongst others); researchers with inventions from medicine to music; patent agents; lawyers; people from the private sector, etc. Every day was different and required the staff to be truly multitasking. I say the staff, but to begin with it was really only four of us—myself, Elizabeth White, Bev Sheridan and Christine Larkin, the only administrative resource we had. She was truly incredible, calmly handling everything from bookkeeping, budgeting, correspondence, phone, travel, scheduling, meeting arrangements, and email (yes, we had the Mark 1 version in those days: lurid green type on a black screen.) Mike Ward and Norm Wagner were convinced email was the up-and-coming thing (boy! were they correct) and we all

became computer literate. John Remmers was one of our very early "customers," and what a pleasure it was to work with John—he respected our skills in technology transfer while quickly grasping key elements of what needed to be done. We had some false starts including one attempt to commercialize John's sleep apnea technology, and we all rode the emotional rollercoaster (the deal is on, the deal is off, on again, off again!), but we fairly quickly got some deals under our belts. We were also very lucky to get financial support from NRC/IRAP (Andy Gilliland and Roger Woods were a great help on this), and so with a trickle of licencing income, some money from the University and support from IRAP, we were on our way. UTI has not looked back and has gone on to be a model of how well technology transfer can be done. But then what would you expect? After all, UTI always had that great Alberta spirit and energy behind it. Good luck in the next fifteen years!"

1998 UTI's company creation initiative announced in May.

1999 Oleh Hnatiuk became UTI's Chief Executive Officer in March.

2000 UTI records \$4.6 million in revenue and donates \$900,000 to the University of Calgary. Dr. William Cochrane assumes board chairmanship, replacing longtime chair Brian Felesky. UTI participates in the creation of WestLink and the Alberta Technology Commercialization Network.

2001 UTI sets record for disclosures – 135 – and donates \$300,000 to the U of C. In October, UTI moves its offices to the Alastair Ross Technology Centre in the University Research Park.

2002 UTI sets a record for U of C disclosures – 62 – and records five startup companies.

2003 Another record for U of C disclosures – 78. UTI re-aligns its business units to parallel the U of C's research strengths.

2004 Paul G. Cataford becomes UTI's President and CEO.



Summary OF STATISTICS 2003/2004

Disclosures

Total	98
- University of Calgary	77
- Non-University of Calgary	21
- Previous Year Total (2002-2003)	115
- Historic Total (1989-2004)	1,129

Deals

- Deals (Licenses, Options and PDAs) ¹	24
- Historic Total (1989-2004)	442
- Active Licenses (Generating Revenue) ²	109 (83)
- Gross Revenue and Gains ³	\$3,887,719

New Company Development⁴

- Companies Created	0
- Companies Under Development	16
- Companies Developed or Assisted 1989-2004	38
- With UofC technology	26
- With non-UofC technology	12

Intellectual Property Protection⁴

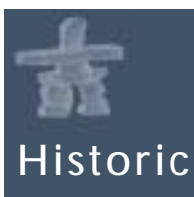
- New Patent Applications Filed	20
- Total Patent Applications Filed	54
- Total Patents Issued	47
- U.S. Issued	14
- International Issued	33
- Patent & IP Expenditures	\$490,497

¹Product Development Agreements – research contracts connected to licencing agreements.

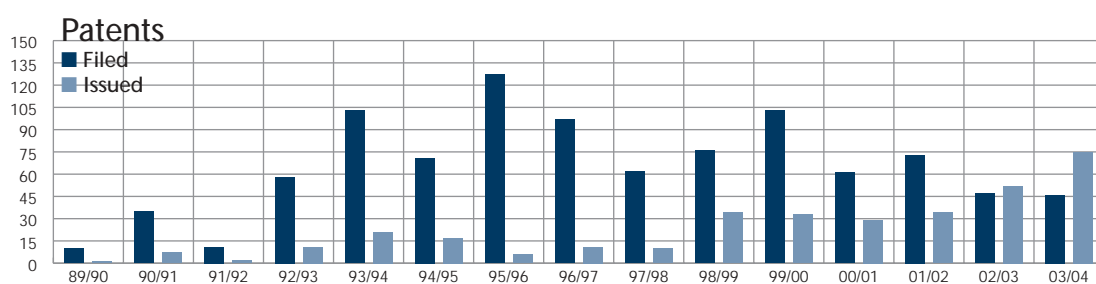
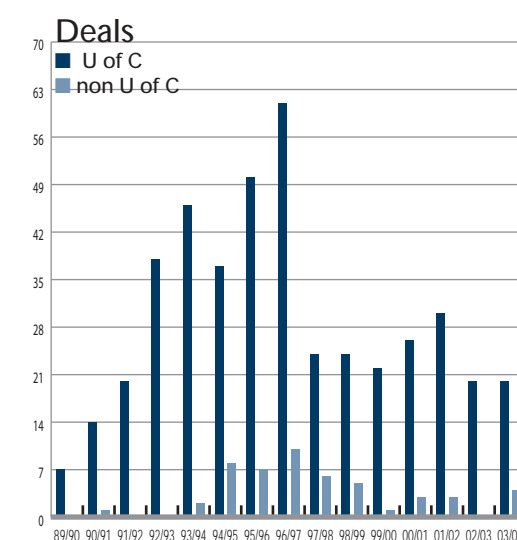
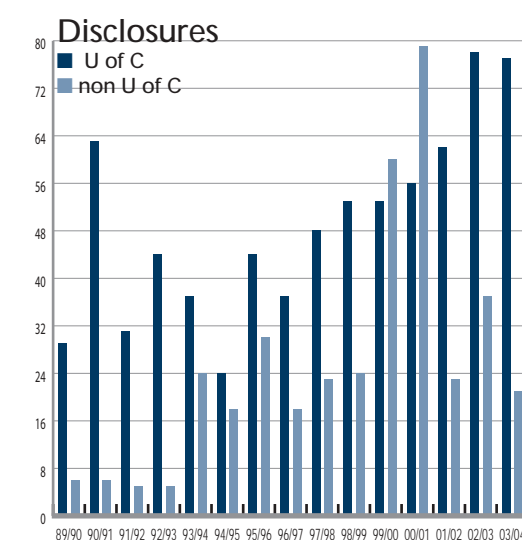
²Revenue received in this fiscal year.

³Gross Revenue and Gains - gross licencing revenue, product development agreements, consulting and contract revenues, miscellaneous revenues and net gains from sale of equity interests.

⁴Because of delays in processing and notification, these numbers are tallied on the day UTI is notified.



Historic PERFORMANCE



Highlights APRIL 1, 2003 – MARCH 31, 2004

APRIL '03

The Alberta Heritage Foundation for Medical Research's Technology Commercialization Program approved a \$150,000 Phase 2 Application from UTI startup AB BioPharma Inc.

AHFMR Internship

Denise Chan, a Masters in Biomedical Technology graduate from the University of Calgary, has been awarded an Alberta Heritage Foundation for Medical Research internship to work with UTI startup CytoStore Inc.

Technology Licenced

Technology developed by Dr. Anthony Schryvers, Department of Microbiology and Infectious Diseases, Faculty of Medicine, University of Calgary, was part of a multi-party licencing agreement with Bioniche Animal Health Canada Inc. The licence is for the commercial development of a vaccine to prevent bacterial disease in cattle.

Startup Honoured

Davnor Water Treatment Technologies Ltd. and its founder Dr. David Manz was awarded the Calgary Export Achievement Award for Social Responsibility at Calgary Economic Development's Export Achievement Awards.

JULY '03

UTI startup CytoStore Inc. has opened offices and laboratory space in the University of Calgary's Research Transition Facility in the University's Research Park.

Summer Student

Ronen Behar, a graduate student in the Faculty of Medicine's Master of Biomedical Technology Graduate Program, is working with UTI in a summer internship.

AUGUST '03

UTI startup SemBioSys Genetics Inc. (www.sem-biosys.ca) has been granted U.S. Patents 6,582,710 and 6,596,287 entitled, "Products for Topical Applications Comprising Oilbodies," which broadly cover oilbody-based formulations for topical applications.

New Director

Dr. Robert (Rob) Stewart joined the UTI Board of Directors replacing Dr. Gérard Lachapelle as the University's General Faculties Council representative.

OCTOBER '03

Michael W. McAdam, Vice-President (Finance and Services) at the University of Calgary, joined the UTI Board of Directors.

Researcher's Patent Honoured

A patent filed by Dr. Michael Surette of the Faculty of Medicine, University of Calgary, and researchers at Princeton University and Quorex Pharmaceuticals Inc. of Carlsbad, California, has won the prestigious 2003 Thomas Alva Edison Patent Award for Medical/Technology Transfer.

Thanking Directors

UTI held a reception to thank Directors Dr. Grant Gall, Dr. Gérard Lachapelle and Peter Tertzakian who left the UTI Board during the year.

NOVEMBER '03

UTI President and CEO Oleh Hnatiuk resigned. Vice President Hugh Jones is acting in the position until it is filled.

DECEMBER '03

J. Stephens Allan, FCA, CIRP, President, Richter, Allan & Taylor Inc., joined the Board of Directors.

2002 AUTM Rankings Out

The Association of University Technology Managers released its fiscal year 2002 comparative rankings showing UTI/University of Calgary fourth in the country based on gross income from technology commercialization.

SemBioSys Signs Development Agreement

UTI startup SemBioSys Genetics Inc. has signed a development agreement worth up to US\$10 million with Martek BioSciences Corporation (NASDAQ: MATK) to use SemBioSys' patented technology to produce value-added specialty oil products with potential pharmaceutical and nutraceutical capabilities.

Datalogger

SubCue, an implantable temperature datalogger, developed by Dr. Quentin Pittman and Lorenzo Bauce of the Neuroscience Research Group at the University of Calgary's Faculty of Medicine, is now available commercially.

JANUARY '04

Television health reporter Leah Sarich of A-Channel covered Dr. Gregory Kawchuk's patented Ultrasonic Indenter medical device being commercialized by UTI.

MARCH '04

UTI Employee Ian Bell was promoted to Assistant Project Manager.

Investment News

UTI startup SemBioSys Genetics, Inc. announced an agreement giving Syngenta, an agribusiness world leader in crop protection and commercial seeds, access to SemBioSys' proprietary oilbody-based technology.

Venture Success

UTI Inc. became an industry partner of TSX Venture Exchange's 2004 campaign Venture Success to raise awareness of public venture capital as a viable financing option for emerging companies.



Message

FROM DR. HARVEY WEINGARTEN,

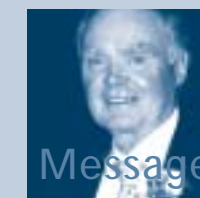
President and Vice-Chancellor, University of Calgary

The commercialization of research is one of the important ways that the University of Calgary can provide a return to its community.

New ideas, innovations and discoveries translate into new jobs, businesses and economic opportunities. University research breakthroughs also translate into innovative products that are improving the quality of life for people locally and internationally.

Since UTI opened its doors for business in 1989, it has developed into one of Canada's most successful university technology commercialization firms. On our campus, UTI's impact has been far reaching. It is encouraging to see that UTI has helped launch commercialization endeavours based in disciplines such as social work and the humanities as well as many other projects based in the sciences, engineering and medicine.

Like the City of Calgary itself, there is a strong entrepreneurial spirit on this campus. Nevertheless, the U of C's entrepreneurial spirit also needs to be turned up a notch to meet the federal government's challenge for Canadian universities to collectively triple our commercialization activities by the end of the decade.



Message

FROM DR. WILLIAM A. COCHRANE,

Chairman, UTI Board of Directors

A change in leadership in any organization can be a double-edged sword. One edge can be disruptive as new people and a new management style move into the scene. The other edge can be immensely positive as change revitalizes an organization and presents an opportunity for the organization and everyone in it to re-examine and revitalize the way they do business. It is the role of the Board of Directors to ensure that the transition goes smoothly and that the opportunities that are presented by the changes are maximized.

When UTI faced this situation this past fiscal year, the Board of Directors first played a role by selecting the candidate which we felt offered UTI the chance to take best advantage of the growth opportunities available to it. The company has always been strong in the licensing of technology into business and industry and it is building on its accumulating

The U of C will do its part to help Canada reach this goal. This optimism is based on a few reasons.

The first reason is the proven ingenuity of U of C researchers, graduate students and students. A second reason is UTI's successful track record and its ongoing commitment to helping the U of C boost its commercialization activities. The appointment of Paul Cataford as President and CEO is a third reason. We are delighted to have a leader of Paul's calibre in Calgary. Given his extensive experience in commercializing early stage technologies, we know our researchers are in good hands.

This annual report highlights UTI's growth and accomplishments as well as its promise. Congratulations to both the staff at UTI and the many talented researchers for helping the U of C provide a very important and tangible return to our community.

expertise in startup company creation and development. Building startups, it is obvious to everyone who knows the climate for technology companies in this province, is fraught with challenges like a lack of experienced startup company management and a shortage of affordable space for new companies. The primary problem, however, is the lack of early stage seed investment money to create and grow companies to the point where they can become self-sufficient, either on their own or partnering with existing ones. We looked for and found a candidate who understood this requirement and who has a plan to deal with it. The Board was delighted to attract an outstanding candidate, Paul Cataford.

The Board plans to work with Paul in this regard, giving him the guidance, expertise, advice and assistance required to meet the high expectations that the University of Calgary, the people of Alberta and the high tech community has of University Technologies International Inc.