

**TECTERRA Inc.**  
**Financial Statements**  
**March 31, 2011**

Collins Barrow Calgary LLP  
1400 First Alberta Place  
777 – 8<sup>th</sup> Avenue S.W.  
Calgary, Alberta, Canada  
T2P 3R5

T. 403.298.1500

F. 403.298.5814

e-mail: calgary@collinsbarrow.com

## **Independent Auditors' Report**

---

To the Members of TECTERRA Inc.

We have audited the accompanying financial statements of TECTERRA Inc., which comprise the statement of financial position as at March 31, 2011, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **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.

### **Auditors' 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 auditors' 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 TECTERRA Inc. as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Collins Barrow Calgary LLP*

CHARTERED ACCOUNTANTS

Calgary, Canada  
June 23, 2011

**TECTERRA Inc.**  
**Statement of Financial Position**  
**March 31, 2011**

---

	2011	2010
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 15,939,441	\$ 11,239,148
Accounts receivable	4,362,612	4,304,611
Prepaid expenses and deposits	<u>84,419</u>	<u>11,540</u>
	20,386,472	15,555,299
Capital assets (note 3)	<u>2,702,347</u>	<u>-</u>
	<u>\$ 23,088,819</u>	<u>\$ 15,555,299</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,685,268	\$ 491,571
Deferred revenue (note 4)	<u>21,291,691</u>	<u>15,063,728</u>
	22,976,959	15,555,299
<b>Net Assets</b>		
Unrestricted net assets	<u>111,860</u>	<u>-</u>
	<u>\$ 23,088,819</u>	<u>\$ 15,555,299</u>
Contingency (note 5)		
Commitments (note 6)		

See accompanying notes.

Approved by the Board,

  
\_\_\_\_\_, Director

  
\_\_\_\_\_, Director

# TECTERRA Inc.

## Statement of Operations and Changes in Net Assets

Year Ended March 31, 2011

(with comparative figures for the period from commencement of operations on February 1, 2009 to March 31, 2010)

	2011	2010
Revenue		
Provincial grant	\$ 991,046	\$ 776,135
Federal grant	836,146	145,904
Interest income	117,022	18,189
Industry partner and other income	<u>28,938</u>	<u>-</u>
	<u>1,973,152</u>	<u>940,228</u>
Expenses		
Communications, marketing and public relations	81,301	40,175
Contract services	52,580	203,930
Goods and Services Tax	12,223	10,654
Legal and audit	105,412	56,831
Materials, supplies and services	109,380	39,461
Memberships and subscriptions	1,996	-
Office facilities	39,367	13,933
Program costs	405,550	-
Salaries, benefits and personnel costs	1,024,807	546,271
Travel	<u>33,971</u>	<u>28,973</u>
	<u>1,866,587</u>	<u>940,228</u>
Income from operations	106,565	-
Foreign exchange gain	<u>5,295</u>	<u>-</u>
Excess of revenue over expenditures	111,860	-
Net assets, beginning of year	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 111,860</u>	<u>\$ -</u>

**TECTERRA Inc.****Statement of Cash Flows****Year Ended March 31, 2011***(with comparative figures for the period from commencement of operations on February 1, 2009 to March 31, 2010)*

	2011	2010
Operating activities		
Excess of revenue over expenditures	\$ <u>111,860</u>	\$ <u>-</u>
Changes in non-cash working capital		
Accounts receivable	(58,001)	(4,304,611)
Prepaid expenses and deposits	(72,879)	(11,540)
Accounts payable and accrued liabilities	(260,454)	491,571
Deferred revenue	<u>6,227,963</u>	<u>15,063,728</u>
	<u>5,836,629</u>	<u>11,239,148</u>
	<u>5,948,489</u>	<u>11,239,148</u>
Investing activity		
Acquisition of capital assets	(2,702,347)	-
Change in non-cash working capital		
Accounts payable and accrued liabilities	<u>1,454,151</u>	<u>-</u>
	<u>(1,248,196)</u>	<u>-</u>
Cash inflow	4,700,293	11,239,148
Cash and cash equivalents, beginning of year	<u>11,239,148</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 15,939,441</u>	<u>\$ 11,239,148</u>
Cash and cash equivalents is comprised of:		
Cash	\$ 15,939,441	\$ 828,148
Guaranteed investment certificates	<u>-</u>	<u>10,411,000</u>
	<u>\$ 15,939,441</u>	<u>\$ 11,239,148</u>

**TECTERRA Inc.**  
**Notes to Financial Statements**  
**March 31, 2011**

---

1. Nature of operations

TECTERRA Inc. (the "Organization") was created to be a world leader in providing integrated resource management technology solutions that contribute added value to energy, forestry, agriculture, environment, and land management and development. It will contribute to the growth of economic activity in Alberta and Canada by developing geomatics and related technology products, sciences, and services that enhance the value of resource and land management and development industries.

The Organization is incorporated under Part II of the *Canada Corporations Act* and is exempt from tax under the *Canada Income Tax Act*.

2. Significant accounting policies

(a) Capital assets

Capital assets with a cost greater than \$10,000 are capitalized. Amounts less than \$10,000 are charged to operations in the year of acquisition.

Capital assets are amortized on a straight-line basis over the estimated useful lives of the assets. Equipment is amortized over three years and leasehold improvements are amortized over the term of the lease.

Equipment and leasehold improvements are not being amortized until these capital assets become available for use.

(b) Revenue recognition

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

Industry partner and other income is recognized as revenue when received or when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Some of the project funding agreements may result in a future return to the Organization in the form of a contingent success-based royalty; such returns are recorded as income in the period received.

Interest income is recognized on an accrual basis.

(c) Foreign currency translation

Transactions denominated in foreign currencies are translated using the temporal method whereby:

**TECTERRA Inc.**  
**Notes to Financial Statements**  
**March 31, 2011**

---

- (i) monetary items are translated at the rate of exchange in effect at the balance sheet date.
  - (ii) non-monetary items are translated at historical exchange rates.
  - (iii) income and expense items are translated at the average exchange rates for the year.
  - (iv) exchange gains or losses arising from the translation of foreign currency denominated transactions are included in the determination of net income.
- (d) Measurement uncertainty

The valuation of accounts receivable is based on management's best estimate of the provision for doubtful accounts.

The valuation of capital assets is based on management's best estimates of the future recoverability of these assets and the determination of costs subject to classification as capital assets.

The valuation of accrued liabilities is based on management's best estimate of expenses incurred during the period that will be payable in future periods.

By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

- (e) Financial instruments

Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855 prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. All financial instruments must be classified as one of the following five categories: held-for-trading; held-to-maturity instruments; loans and receivables; available-for-sale financial assets; or other financial liabilities. All financial instruments, with the exception of loans and receivables, held-to-maturity investments and other financial liabilities measured at amortized cost are reported on the balance sheet at fair value. Subsequent measurement and changes in fair value will depend on their initial classification. Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in the statement of loss.

The Organization has chosen not to adopt CICA Handbook Section 3862 - *"Financial Instruments - Disclosures"* and Section 3863 - *"Financial Instruments - Presentation"* and has applied CICA Handbook Section 3861 - *"Financial Instruments - Disclosure and Presentation."*

**TECTERRA Inc.**  
**Notes to Financial Statements**  
**March 31, 2011**

(f) Future accounting pronouncements

The Accounting Standards Board ("AcSB") has issued a new accounting framework for not-for-profit organizations. Not-for-profit organizations must choose to apply this new framework or International Financial Reporting Standards ("IFRS") to fiscal years beginning on or after January 1, 2012. Early adoption is permitted. The standards in this new framework did not substantially change from the existing Canadian Institute of Chartered Accountants ("CICA") Handbook Section 4400 and should not result in substantial changes in the financial statements of the Organization.

3. Capital assets

	Cost	Accumulated Amortization	Net Book Value	
			2011	2010
Equipment	\$ 2,679,801	\$ -	\$ 2,679,801	\$ -
Leasehold Improvements	<u>22,546</u>	<u>-</u>	<u>22,546</u>	<u>-</u>
	<u>\$ 2,702,347</u>	<u>\$ -</u>	<u>\$ 2,702,347</u>	<u>\$ -</u>

The capital assets at March 31, 2011 are not being amortized as they were not available for use until after the year-end.

4. Deferred revenue

	2011			
	Federal Grants	Provincial Grants	Industry Partners	Total
Balance, beginning of year	\$ 11,539,096	\$ 3,499,632	\$ 25,000	\$ 15,063,728
Additions	-	7,150,000	-	7,150,000
Interest earned	-	39,396	-	39,396
Amounts recognized in revenue	<u>(790,668)</u>	<u>(145,765)</u>	<u>(25,000)</u>	<u>(961,433)</u>
Balance, end of year	<u>\$ 10,748,428</u>	<u>\$ 10,543,263</u>	<u>\$ -</u>	<u>\$ 21,291,691</u>

	2010			
	Federal Grants	Provincial Grants	Industry Partners	Total
Additions	\$ 11,685,000	\$ 4,450,000	\$ 25,000	\$ 16,160,000
Amounts recognized in revenue	<u>(145,904)</u>	<u>(950,368)</u>	<u>-</u>	<u>(1,096,272)</u>
Balance, end of year	<u>\$ 11,539,096</u>	<u>\$ 3,499,632</u>	<u>\$ 25,000</u>	<u>\$ 15,063,728</u>

**TECTERRA Inc.**  
**Notes to Financial Statements**  
**March 31, 2011**

---

5. Contingency

The Organization receives the majority of its funding through federal and provincial grant agreements that specify the terms of the funding such as eligible expenditures. The Organization may be required to repay all or a portion of the grant if ineligible expenditures are incurred, or if all of the grant monies are not spent within the designated time frame.

6. Commitments

- (a) The Organization is committed under a lease agreement on premises for future minimum rental payments, exclusive of occupancy costs, as follows:

2012	\$ 53,009
2013	69,255
2014	75,437
2015	73,784
2016	<u>23,180</u>
	<u>\$ 294,665</u>

- (b) Funds totalling \$3,207,495 have been committed for future eligible expenditures through qualifying projects between 2012 and 2014. The timing of these payments for each of these years is unknown as it is dependent upon the recipient meeting specific criterias and the agreements maybe terminated at any time.

7. Financial instruments

The Organization's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. The Organization has designated its cash and cash equivalents as held for trading, which is measured at fair value. Accounts receivable is classified as loans and receivables and accounts payable and accrued liabilities are classified as other financial liabilities, all of which are measured at amortized cost. Unless otherwise noted, the Organization is not exposed to significant credit risk arising from these or other financial instruments.

- (a) Fair values

The fair values of the Organization's cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values because of their short-term nature or because they bear interest at market rates.

**TECTERRA Inc.**  
**Notes to Financial Statements**  
**March 31, 2011**

---

(b) Credit risk

The financial instruments that potentially subject the Organization to a significant concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Organization mitigates its exposure to credit loss by placing its cash and cash equivalents in a major Canadian chartered bank. Accounts receivable consists of grants from the Federal and Alberta government, interest receivable from the Organization's savings bank account, and Goods and Services Tax due from the Federal Government of Canada.

8. Capital management

The Organization's objective when managing capital is to safeguard its ability to continue as a going concern, including the need to fund future operations and pay its obligations as they come due. The Organization carefully monitors its level of cash and cash equivalents and government grants by using financial and non-financial indicators.

The Organization's capital consists of working capital. Certain capital has been externally restricted as per the federal and provincial grant agreements (note 5).

There have been no changes in the Organization's capital management during the year ended March 31, 2011.