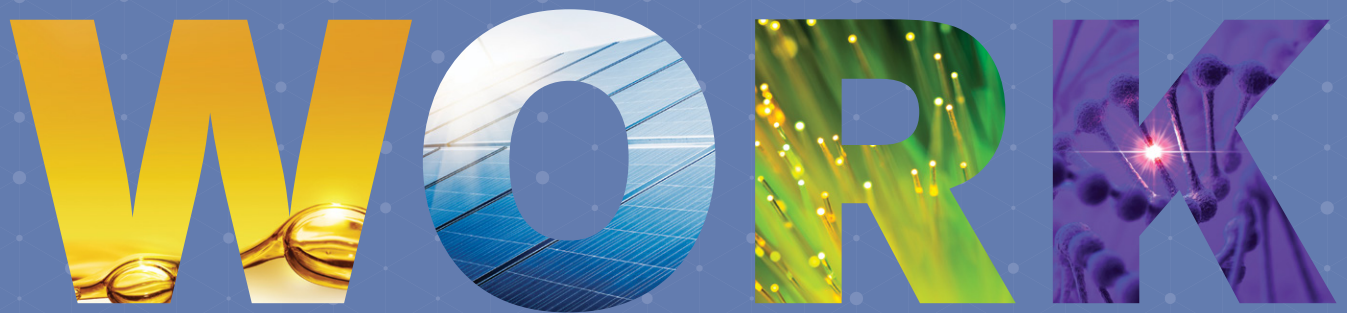


OPPORTUNITY AT

WORK



2015
2016

ALBERTA ENTERPRISE
ANNUAL REPORT

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ACCOUNTABILITY STATEMENT

Alberta Enterprise Corporation was established in December 2008 upon proclamation of the Alberta Enterprise Corporation Act. The Alberta Enterprise Corporation (“Alberta Enterprise”) Board of Directors is accountable to the Minister of Economic Development and Trade (“EDT”).

WE'RE WORKING FOR THE FUTURE OF ALBERTA

OUR CAPITAL IS AT WORK CONNECTING KNOWLEDGE-BASED ALBERTA COMPANIES TO MONEY, MARKETS AND MENTORS. WE ARE INVESTED IN SUPPORTING A VARIETY OF BUSINESSES, ENCOURAGING INNOVATION AND ECONOMIC DIVERSIFICATION.

OUR MISSION

Alberta Enterprise's mission is to foster a thriving Venture Capital ("VC") industry in Alberta that provides the capital and other resources needed to bring Alberta technologies to market, and create globally successful companies. We are a key component for economic diversification and development of an innovation-based economy in Alberta.

We are invested in supporting businesses that will create high skilled jobs for Albertans and contribute to a healthy provincial economy.

In compliance with our governing legislation and agreement with EDT, we are working to fulfill our mission and mandate through investment as a Limited Partner ("LP") in Venture Capital funds that meet the criteria outlined in our investment policy, and through targeted initiatives to support, grow and nurture the local VC industry. We do not invest directly in companies, but in VC funds that have a track record of success, strong global networks and a demonstrated commitment to the province of Alberta.

What makes Alberta Enterprise unique is our investment model. The capital provided is invested, and as such, we expect to return our capital back to the Government of Alberta – in a timeframe consistent with the life of a VC fund. As a result, the Province benefits not only from the potential return on our VC fund investments, but also in the creation of a local VC industry with resident professionals which support the creation of a diversified economy.

During this fiscal year, the Government of Alberta extended our mandate and we are now allowed to re-invest the capital returned to us from our funds. Additionally, Alberta Enterprise has been allocated another \$75 million, \$25 million this fiscal year and \$50 million next year. We can now continue to build upon the success that we have already achieved.

HIGHLIGHTS

EVERY \$1 INVESTED BY ALBERTA ENTERPRISE HAS RESULTED IN ALMOST \$4 OF INVESTMENTS BACK INTO ALBERTA COMPANIES.

EXPERTISE AT WORK:

Alberta Enterprise has committed \$105 million¹ for investment in 32 Degrees, the Accelerate Fund, Avrio II and III, Azure, Chrysalix, Enertech, iNovia, McRock and Yaletown.

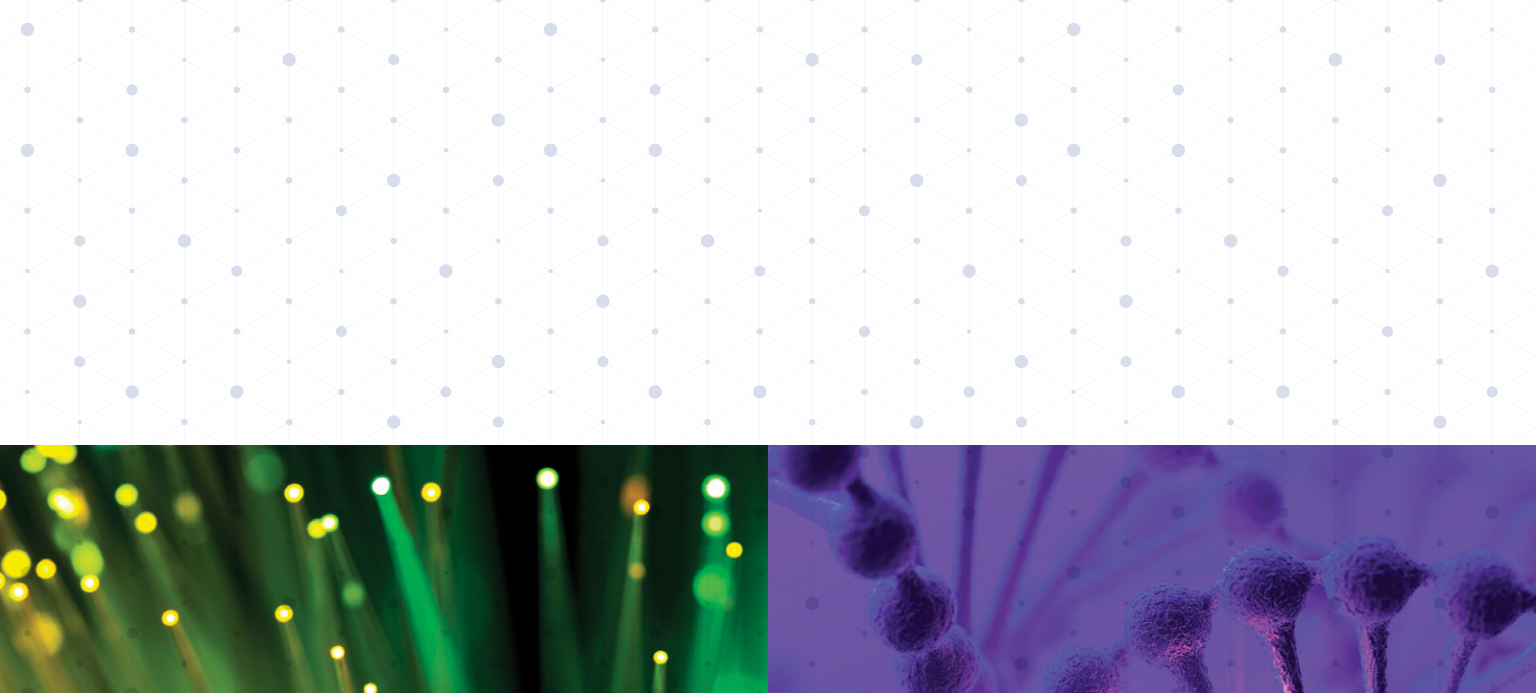
DIVERSIFICATION AT WORK:

Our funds invest in technologies which diversify the Alberta economy; Internet and Communication Technology, Clean Technology, Energy Technology, and Life Sciences (including value added agriculture and food technology).

PERFORMANCE AT WORK:

By investing strategically, we have as of March 31, 2016 leveraged our \$105 million¹ capital commitments into >\$940 million (9.1 leverage). These investments have also extended our ecosystem by forging connections to >140 other Limited Partners, >350 portfolio companies, and >340 VC firms. We have co-invested with companies such as Dell, Citrix, Cisco, Shell, Total, Fortum, SABIC, and Newalta to mention a few.





ECONOMIC IMPACT AT WORK:

Our VCs and their partners have already invested over \$305 million in 28 Alberta technology companies, creating more than 1,100 direct jobs in Alberta. Every \$1 invested by Alberta Enterprise has resulted in almost \$4 of investments back into Alberta companies. The amount of investment in Alberta companies has more than tripled over the last three years, and is expected to grow significantly over the 10-year life of these funds.



RESULTS AT WORK:

Already, the results of our efforts are being realized. In the years since Alberta Enterprise Corporation was created in 2008:

- Our investments have resulted in five new and four expanded VC offices in the Province, greatly increasing the number of VC professionals actively at work in Alberta.
- Our VCs have already had eight profitable exits, resulting in distributions to LPs.
- A renaissance in Alberta's tech ecosystem has begun. Alberta Enterprise has been instrumental in providing advice, guidance and strategic support to the ecosystem, and our efforts are seen as critical to the VC industry's success.

MESSAGE FROM THE BOARD OF DIRECTORS CHAIR AND THE CHIEF EXECUTIVE OFFICER

THE PAST TWELVE MONTHS HAVE BEEN CHALLENGING FOR ALBERTA. NOW MORE THAN EVER IS THERE A NEED TO CREATE A RESILIENT ECONOMY IN THE PROVINCE.

Venture Capital is a critical part of the ecosystem that takes research from the laboratory to commercial products, and it is an important source—industry for economic development, innovation and job creation. Venture Capital is a central part of the funding continuum for technology start-ups. It provides a bridge between grants and commercialization funding to bank loans and larger institutional funding.

On behalf of the Government of Alberta, Alberta Enterprise has made investments in Venture Capital funds, which invest in Alberta tech ventures. These investments have yielded new products, high tech jobs and have generated interest in Alberta entrepreneurs by Venture Capital funds.

Our capital is indeed ‘at work’. Last year Alberta Enterprise fully committed the original \$100 million allocation from the Alberta Enterprise Fund. In an evolutionary process that requires patience and the long view, Alberta Enterprise has produced strong short-term results that are transforming the technology and Venture Capital sector in Alberta. The unique investment model used by Alberta Enterprise has brought tangible results to Alberta technology companies. By investing in Venture Capital funds, we are generating economic development in Alberta, while also creating long term investment returns for the Province on its original investment.

As Alberta continues to move to a more diversified economy the Province has shown it recognizes that creating access to Venture Capital is key. Alberta Enterprise has been allocated another \$75 million, \$25 million this year and \$50 million next year, and we are now able to

re-invest capital that is returned to us from our funds. With the new capital, and an extended mandate, we can continue to build upon the success that we have already achieved.

Alberta Enterprise is working to create high skilled jobs for Albertans and to keep those jobs here. At the same time, we are working to support the development of technologies that can help to solve the environmental challenges of the energy industry, and in the creation of value added products here in the Province.

However, building a Venture Capital industry is a long-term project. Once the industry reaches a critical mass (a process which will take years or even decades) the case for public intervention will wane. A self-sustaining Venture Capital industry will result in a diversified, resilient economy, where Albertans will benefit from quality jobs, a high standard of living and a broad base of economic opportunities. Additionally, with a sustainable Venture Capital industry and capital available for investment, Alberta will be globally recognized as a competitive business choice.

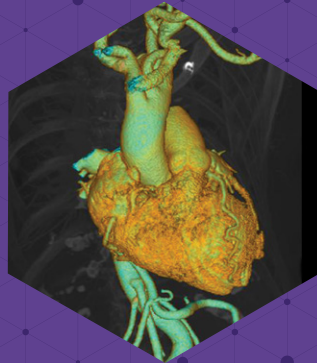
With the injection of new capital, there is opportunity to attract and grow investments in Alberta, and there is an opportunity to shape Alberta into a formidable knowledge-based economy.

[Original signed
by Paul Haggis]

Paul Haggis
Chair

[Original signed
by Kristina Williams]

Kristina Williams
President and CEO

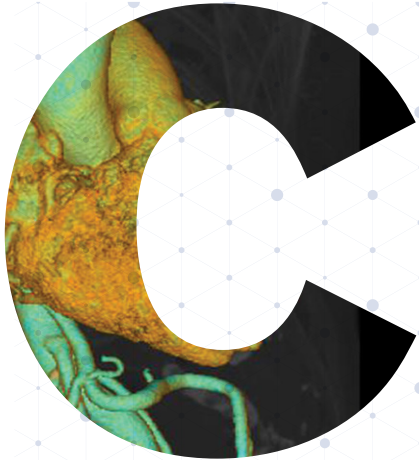


SUCCESS STORIES

OPPORTUNITY AT WORK:

ALBERTA ENTERPRISE INVESTS IN VC FUNDS THAT HAVE A STRONG TRACK RECORD OF SUCCESS, STRONG GLOBAL NETWORKS AND A DEMONSTRATED COMMITMENT TO THE PROVINCE OF ALBERTA.

Alberta Enterprise continues to encourage innovation and economic diversification by supporting investment in a variety of Alberta businesses. Here are the stories of five of those companies that have received investments from our funds.



CIRCLE CARDIOVASCULAR IMAGING

By doctors. For doctors.

Head Office: Calgary, Alberta

Alberta Employees: 64

Fund: Accelerate Fund

COMPLICATED DIAGNOSIS SHOULD NOT REQUIRE COMPLICATED SOFTWARE.

Circle Cardiovascular Imaging's mission is to redefine the cardiovascular healthcare industry by harnessing the power of imaging, analytics, and automation.

Our Calgary-based company provides innovative, accurate, comprehensive, efficient cardiac MR and CT post processing software with multi-vendor capacities. Circle is striving to raise the standard of excellence by creating software solutions known for ease-of-use, better patient outcomes and world class support. As a reflection of our innovative culture, we constantly garner guidance and input from MR and CT health professionals – thus ensuring our development process aligns with industry priorities. The goal is to provide leading edge solutions that deliver stronger patient outcomes with reduced healthcare cost.

Circle has established a strong international presence. Our growth rate is the envy of any solution provider. Today, the company's footprint spans over 600 sites in 35 countries. Our software suite is being successfully employed to interpret hundreds of thousands of cardiac exams annually – in both clinical and research applications.

Circle plans to further expand our platform capabilities, including the build-out of CMR-guided procedural planning and predictive analytics tools, in addition to supporting the recent Global Licensing and Distribution Agreement signed with GE Healthcare

Circle currently employs 64 performance-driven employees. We see unlimited growth potential and continue to expand. BDC Capital and the Accelerate Fund (in conjunction with other investors) have been very supportive of Circle. Their funding has been an important building block in helping us prepare to compete globally.

Greg Ogrodnick, CEO Circle Cardiovascular Imaging





DISSOLVE

Video and images to feed the booming content market.

Head Office: Calgary, Alberta

Alberta Employees: 30

Fund: iNovia

MARKETING GURU SETH GODIN FAMOUSLY SAID, “CONTENT MARKETING IS THE ONLY MARKETING LEFT.”

In an age where everyone has Hollywood-level entertainment options at their fingertips (along with the user-generated content of social media) companies that advertise need to create inherently watchable, sharable, and compelling video content. This includes ads, branded entertainment, and interactive experiences.

Founded in 2013, Dissolve provides raw material – stock footage clips and photography – for both sides of the content boom: to producers (of motion pictures, television or streaming services like Netflix and Hulu) and to advertisers responsible for creating commercials and pre-roll ads that play on every platform.

Our collection of video clips is curated from a broad range of contributors: including established footage agencies in Los Angeles and New York City, independent shooters and CGI creators. Production companies and ad agencies use Dissolve’s footage as an alternative to shooting scenes themselves – which can be a costly and involved process, and take days or weeks of production.

Dissolve’s pre-shot scenes let our customers enhance their videos with high-value clips such as aerial footage, exotic locations, and time-lapse scenes – all shot on leading-edge camera equipment and gear. Lifestyle footage of models, actors, and everyday people lets producers tell stories or create commercials to appeal to a broad range of demographics. As part of the package, all clips are pre-cleared for commercial use.

We recently introduced a high-end stock photography collection to increase our market share with commercial ad agencies and design firms. Our stock photography adheres to the same high quality standards we apply to our footage.

In a few short years, Dissolve has become a marketing powerhouse. Our witty viral videos have been viewed over 5 million times, have received 5 Vimeo Staff Picks, and have garnered coverage in major industry publications such as Ad Age, AdWeek, Fast Company, Mashable, and even Time Magazine. This buzz and reputation is helping Dissolve rapidly build market share in a growing \$5B stock image market. Since our inception, iNovia Capital has supported Dissolve with valuable insights regarding perspective on the industry, capital options and corporate guidance.

Rupa Sandhu, CEO Dissolve





DECISIVE FARMING

Solutions for greater farm profitability and sustainability.

Head Office: Irricana, Alberta

Alberta Employees: 26

Fund: Accelerate Fund

FARMING IS A TOUGH BUSINESS WITH HIGH INPUT COSTS, ENVIRONMENTAL PRESSURES, AND SHRINKING AVAILABLE FARMLAND.

Experts say that farms will need to produce 70% more food by the year 2050 to feed a population of 9 billion people. To get there, farms must adopt new technologies and farm smarter. With the agricultural technologies available today, farmers have access to more data than ever. The challenge for farmers is pulling it all together and processing it into actionable information that works for them. Decisive Farming helps growers simplify decisions by combining data management and analytics with best practices and hands-on expertise.

Farmers can now access their data through Decisive Farming's revolutionary My Farm Manager platform. With all of the farm, all in one place, farmers benefit from a verified and complete data set that enables them to make massive improvements to efficiency. A typical farm will see a 10% increase in yield. The platform allows farms to utilize expert service providers who help enrich their data sets, while delivering value-added services.

In addition, Decisive Farming's precision agriculture and crop marketing services help growers to increase crop production, and allow farms to operate more sustainably – with decreased CO2 emissions, fuel and input costs. These services include:

- Variable rate technology that optimizes fertilizer and seed within the field by utilizing a patented process for GIS, soil, and agronomic analysis.
- Connection with equipment telematics for remote support and data streaming from the field.
- Comprehensive crop marketing and risk management tools and expertise. These services are provided through Decisive Farming's partner, INTL FCStone.

With the support we received from Accelerate Fund, Decisive Farming has been able to enjoy consistent growth in the number of serviced farm acres. They have also helped us to rapidly introduce new functionality to the My Farm Manager data management platform. Our unique offerings and host of strategic partnerships position Decisive Farming for ongoing success.

Remi Schmaltz, CEO Decisive Farming





CHAORDIX

Innovation through engagement.

Head Office: Calgary, Alberta

Alberta Employees: 25

Fund: Yaletown

**TEN YEARS AGO, COMPANIES DEFINED WHAT THE MARKETS NEEDED.
TODAY CONSUMERS ARE DICTATING WHAT THE PRODUCTS SHOULD LOOK LIKE,
AND ARE EVEN CREATING PRODUCTS THEMSELVES.**

Chaordix (kay-or-dix) uses the power of crowdsourcing to help leading companies across the globe advance innovation, connect with stakeholders and market their brands more effectively. Our innovative Crowd Intelligence™ platform enables clients to engage, understand, and co-create with customers, employees and other stakeholders.

Today, people are more willing than ever to participate in online communities and feel invested in the companies whose products and services they are fans of. Crowdsourcing takes advantage of the popularity and global reach of the internet to solicit contributions from a large group of people in a timely and cost-effective manner. These contributions can identify product ideas, recognize market opportunities and even create compelling marketing content.

Many of the world's most recognizable brands (such as LEGO, HTC, and Rust-Oleum) use the Chaordix platform to power their online communities and genuinely connect with the people invested in their success. The result: clients can make more informed business decisions, innovate faster and gain a true competitive advantage.

Yaletown's investment has enabled Chaordix to develop the proprietary engagement and innovation technology that has made us one of the groundbreakers in the innovation management space. The relationship with Yaletown allows Chaordix to continue to make technology advancements and to create global innovation communities that deliver real business value for our clients.

Terry Sydoryk, CEO Chaordix





SAM

Gathering news in the age social media.

Head Office: Edmonton, Alberta

Alberta Employees: 7

Fund: Accelerate Fund

THE NEWS BUSINESS HAS FOREVER BEEN CHANGED BY THE LONG REACH OF SOCIAL MEDIA.

Once upon a time, it was the exclusive domain of professional reporters to cover a story or gather the facts. Today, it is everyday citizens armed with smartphones who are breaking stories and documenting every news event around the globe in real time – thanks to the constant connectivity and the ease of social media. Far from being competition, this flood of information, photos and videos is a godsend to media companies.

The challenge these media outlets face is that finding, sorting, managing and processing this wealth of content has been next to impossible. The sheer volume and complexities involved with managing content from social media means it is extremely hard for journalists or storytellers to effectively tap into the richness of social without the help of massive machine power. That is where SAM comes in. SAM is the only social media CMS (content management system) that turns noise into workable assets for media companies.

Today SAM powers the two largest news agencies in the world: Associated Press and Reuters. SAM also serves many blue chip brands, including the Wall Street Journal, The Financial Times, The Press Association, The Guardian and many others. These newsrooms rely on SAM daily, to break news faster and to tell better stories, while saving costs.

The opportunity ahead for this visionary Alberta company is massive. Everyone in the media industry realizes the need and power of curation – even Twitter and Facebook themselves increasingly rely on human-curated feeds. Our goal is to emerge as the go-to curation and CMS for the world's largest source of content: social media.

Accelerate Fund has been a big part of our success since the very early days, and continues to play a big part of the SAM story today. Alberta has a small but growing angel investment community. Accelerate Fund has helped SAM to truly maximize and stimulate that investment community to create a solid group of active investors dedicated to our success.

James A. Neufeld, Founder SAM



MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

ALBERTA ENTERPRISE'S OPERATIONS FOCUS ON TWO KEY AREAS: INVESTMENT AS A LIMITED PARTNER IN TECHNOLOGY VENTURE CAPITAL FUNDS THAT FINANCE EARLY-STAGE, KNOWLEDGE-BASED COMPANIES; AND TARGETED INITIATIVES TO DEVELOP THE VENTURE CAPITAL ECOSYSTEM AND IMPROVE THE NETWORKS CONNECTING ENTREPRENEURS, EXPERIENCED MANAGEMENT, AND INVESTORS.

OPERATIONAL OVERVIEW: INVESTMENTS

Alberta Enterprise was established to build a local Venture Capital industry which can provide the capital needed to support the growth and success of knowledge-based companies in Alberta. To achieve this, Alberta Enterprise invests as a Limited Partner in technology Venture Capital funds that have, or will establish, a *presence* in the Province staffed with a senior level investment professional.

By investing in VC funds that finance early stage, technology start-ups in Alberta and beyond, we create access to a much larger pool of capital than the \$125 million Alberta Enterprise Fund, while also creating access to external markets and the expertise of these funds.

We have targeted three types of funds for investment: North American funds currently operating outside Alberta, funds that are local to Alberta, and an early stage angel co-investment fund. Our strategy is to ensure that funds representing each investment objective are integrated such that each type can syndicate deals and leverage each other's network. As an example, we are encouraging VC's from out of province to co-operate with local investors so that they can leverage the local deal flow networks, and so local investors can take advantage of the global networks that external VC's bring. It is all about networks, relationships and who Alberta entrepreneurs can leverage to compete globally.



GOALS AND OUTCOMES: INVESTMENTS

Outcomes	Results achieved by Alberta Enterprise to date
<i>Immediate and intermediate outcomes</i>	
<p>Improved access to capital for Alberta companies and stimulated investment in knowledge-based industries to diversify and broaden Alberta's economic base.</p>	<ul style="list-style-type: none"> • Alberta Enterprise has committed \$105 million² for investment into nine VC funds and the Accelerate Fund, an angel co-investment fund. • Through these funds Alberta knowledge-based companies Alberta Enterprise created access to >\$940 million in Venture Capital, successfully leveraging our capital 9:1. • Our investments resulted in five new and four expanded VC offices in the Province, giving Alberta entrepreneurs easier access to VC professionals. One of our most recent fund investments, McRock, opened an Alberta office in 2015. • Alberta Enterprise's investments in funds have generated almost four times the capital back into Alberta companies. As of March 31, 2016 our VCs and their syndicate partners have already invested over \$305 million in 28 Alberta technology companies. This amount is expected to grow significantly over the 10-year life of these funds. • We have deployed capital across all knowledge-based sectors (ICT, clean/energy tech, and Life Sciences), working toward a diversified economy in Alberta. • We have developed a solution to address funding gaps for earlier-stage companies by launching the Accelerate Fund, an angel co-investment fund.
<p>Improved profile for Alberta Venture Capital and Private Equity sectors internationally, and enhanced ability to attract external investment capital.</p>	<ul style="list-style-type: none"> • Alberta Enterprise has attracted external VC funds to Alberta. By attracting international VC funds, we bring expertise to the Province and also connect Alberta entrepreneurs to international markets and opportunities. • Eight of our nine VC funds have international investors, and five of the funds have offices outside of Canada. We have co-invested with multi-national companies such as Dell, Citrix, Cisco, Shell, Total, Fortum, SABIC and Newalta to mention a few. • We have actively engaged these co-investors (also called "Limited Partners") to increase awareness of Alberta value added products. • Through Alberta Enterprise's VC funds, Alberta entrepreneurs now have access to more than 300 other international VC funds. • Our VCs and the Accelerate Fund have attracted almost \$230 million of investments into Alberta technology companies. This shows that Alberta companies not only have access to the capital of our VC funds, our funds are also helping Alberta companies access a significant amount of outside capital.

² Including \$40 million of commitments payable in US dollars and \$65 million payable in Canadian dollars.

Outcomes

Results achieved by Alberta Enterprise to date

Ultimate outcomes

Building a self-sustaining VC industry in Alberta

Alberta knowledge-based companies need access to Venture Capital. Venture Capital serves as an important source industry for economic development, job creation, as well as innovation. Alberta wishes to move from a largely resource-based economy to one augmented by knowledge-based industries. The VC industry is a critical part of the ecosystem that takes research from the laboratory to commercial products. A self-sustaining VC industry will result in a diversified, resilient economy, where Albertans will benefit from quality jobs, a high standard of living and a broad base of available economic opportunities. Additionally, with a sustainable VC industry and available capital for investment, Alberta will be globally recognized as a competitive business choice.

Alberta Enterprise has only been investing in VC funds for six years. A typical VC fund has a life of 10 years. It is therefore too early to predict the full impact of Alberta Enterprise's activities, but as detailed above, in only six years we have achieved excellent results.

Building a self-sustainable VC industry can however take up to 20 years. To achieve this outcome we need to:

1. Attract more VCs to Alberta.
2. Address the critical gap in early-stage funding.
3. Assist local Alberta managers.
4. Support our high performing VC funds with follow-on capital to ensure they maintain a presence in the Province.

To build a sustainable VC industry in *Alberta will require patience and additional investments from Alberta Enterprise.*

Return to the Province its initial investment capital plus an appropriate rate of return.

The investment capital from the Government of Alberta is a financial investment, not a cost. We expect to return to the Province its \$125 million investment capital plus an appropriate return on this investment in a timeframe consistent with the life of a VC fund (approximately 10 years).

Our funds have already had eight profitable exits, which is well ahead of expectations for this early stage in the life of the funds.

The financial return to the Province on our initial investment will however not fully be known for another 6-10 years.

During the year, Alberta Enterprise's investment team continued to monitor and report on the Corporation's investments made previously:

- Accelerate Fund, a \$10 million angel co-investment fund focused on Alberta technology companies.
- Avrio Ventures II and III, focused on the agriculture and food sectors.
- Azure Capital Partners III, focused on the information technology sector.
- Chrysalix Energy Limited Partnership III, focused on the clean energy technology sector.
- EnerTech Capital Partners IV Limited Partnership, focused on the energy and clean technology sectors.

- iNovia Investment Fund III Limited Partnership, focused on the information technology sector.
- McRock iNFund Limited Partnership, focused on the industrial internet of things sector.
- Yaletown Ventures II Limited Partnership, focused on the information and communications technology and clean technology sectors.
- 32 Degrees Diversified Energy Fund II (Services & Technology Co-Invest), focused on energy technology.

During the year, Alberta Enterprise committed \$5 million for investment in Avrio Ventures III, an Alberta-based fund focused on the agriculture and food sectors.

OPERATIONAL OVERVIEW: INDUSTRY DEVELOPMENT

The key to developing a self-sustaining Alberta-based VC industry is cultivating the industry ecosystem surrounding technology startups, technology investors and related networks. This means bringing together and supporting investors, startups and management talent. We have seen continued revitalization in Alberta’s technology ecosystem over the past year, and Alberta Enterprise has been at the forefront of this success.

Alberta Enterprise works to fill the gaps in the ecosystem and to create links between existing organizations. Alberta Enterprise has been successful in supporting the creation of industry-driven, grassroots organizations that play a meaningful role in the technology and VC ecosystems. These groups connect Alberta entrepreneurs, startups, investors and mentors within Alberta and outside the Province.

GOALS AND OUTCOMES: INVESTMENTS

Outcomes	Results achieved by Alberta Enterprise to date
<i>Immediate and intermediate outcomes</i>	
Stimulated investment in knowledge-based industries to diversify and broaden Alberta’s economic base.	<p>To stimulate investment we have:</p> <ul style="list-style-type: none"> • Connected entrepreneurs to experienced management talent through the AccelerateAB conference and by creating the A100: a non-profit, member-driven group of Alberta’s top technology executives focused on mentoring and supporting Alberta’s next generation of tech entrepreneurs. • Connected investors to each other through the continued support of the Venture Capital Association of Alberta (VCAA), their annual VCAA Conference and the VCAA Stampede event, creating the ability for VCs to share best practices and investment opportunities. The VCAA is now at 27 member firms, exhibiting a growth rate of 37% year-over-year since 2012. • Held an Alberta VC update with the A100, the Canadian Venture Capital and Private Equity Association (CVCA), and the VCAA. • Connected entrepreneurs to each other through the continued support of the AccelerateAB conference, which Alberta Enterprise founded and passed on to the A100. In 2016 the event was held in Edmonton and had 385 attendees – of whom 14% were investors and 58% were entrepreneurs. • Continued our support of existing organizations such as Startup Edmonton and Startup Calgary. • Begun to support the life sciences ecosystem through a Life Sciences Grant Agreement with the Government of Alberta. The objective is to engage industry to execute on detailed opportunities to enhance access to needed resources for the Life Sciences industry in Alberta.

Improved profile for Alberta Venture Capital and Private Equity sectors internationally, and attract external investment capital.

- Through our ecosystem efforts we have showcased Alberta investment opportunities to private technology investors across the globe. For example, we sponsor and actively engage with the C100 (a US-based group of successful, expat Canadians who want to help build the next technology success) to help our entrepreneurs get exposure at US-based events such as the 48 Hours in the Valley. In 2015, we enabled three Alberta based startups to participate in the C100's 48 Hours in the Valley program, which provides access to high caliber Silicon Valley based mentors and investors.
- We also sponsor the Canadian Venture Capital and Private Equity Association's (CVCA) annual conference, providing us visibility and access to potential VC partners. Other events we sponsored, and which provided increased visibility for Alberta's ecosystem included the Banff Venture Forum and the PROPEL Energy Tech Forum.
- We have actively engaged the Limited Partners of our VC funds to increase awareness of Alberta value added products.
- We have leveraged our investment capital to engage VC's, strategic investors, and mentors to attend local events including AccelerateAB, the Banff Venture Forum and the VCAA Conference.

Outcomes

Results achieved by Alberta Enterprise to date

Ultimate outcomes

Building a self-sustaining VC ecosystem in Alberta.

Alberta Enterprise works *to fill the gaps* in the ecosystem and *to create links between existing organizations*. We have been successful in supporting the creation of industry-driven, grassroots organizations that play a meaningful role in the innovation investment ecosystem. These include the A100 and the VCAA, and events like AccelerateAB. Much effort has already been expended in this area, and the results are very promising, however, getting these groups and initiatives to long-term sustainability will require more hands-on support and some additional capital.

With a relatively small amount of capital Alberta Enterprise can effectively and efficiently enhance the Alberta innovation investment ecosystem. Our approach is highly collaborative – rather than building a large team within Alberta Enterprise, we take a partnership approach, working with many public and private organizations to fulfill our mandate. This collaborative approach allows our organization to have a very broad reach, delivering outcomes far beyond the capacity of our small team, all while keeping operating costs very low.

The key to our success is the engagement of VC's, strategic investors, entrepreneurs and mentors by leveraging our investment capital.

OPERATIONAL OVERVIEW: OPERATIONAL BUDGET AND CAPITAL DEPLOYMENT

Operational Budget and Statement of Operations

The Statement of Operations shows an operating cost of \$339,000 above budget for fiscal 2015-2016. The operating budget was increased mid-year due to the new capital allocation, however the budget line in the financial statements does not reflect this change. The fiscal 2015-2016 operating cost of \$ 1,189,000 is below the increased operating budget.

The net surplus for fiscal 2015-2016 is primarily due to the new \$25 million capital allocation from the Alberta government. The investment loss of \$350,000 is primarily due to realized losses of the Limited Partnerships which Alberta Enterprise is an investor of. Alberta Enterprise records a proportionate share of any realized gains or losses of the Limited Partnerships. The Corporation concurrently had an unrealized re-measurement gain of \$6.7 million on investment. Similar to realized gains and losses, Alberta Enterprise records a proportionate share of any increases or decreases in the value of investments made by the funds. Changes in value form part of net assets and are not captured as income or losses (i.e. realized) until the investments are sold by the Limited Partnerships.

The above is consistent with Canadian Public Sector accounting standards for investments in Limited Partnerships in both the Private Equity and Venture Capital industries.

Capital Deployment and Investments

To date and in the fiscal year 2015-2016, Alberta Enterprise's financial statements show total capital committed for investment of \$111.4 million. Three of our ten investments are in US dollars and the total capital committed is therefore impacted by the weaker Canadian dollar as compared to the US dollar.

In fiscal year 2015-2016, Alberta Enterprise disbursed \$11 million to the Limited Partnerships in which we have invested, in order to meet their funding requirements for both investments and operational expenses. The balance of committed capital is held as cash until such time as is it drawn down upon.

For the fiscal year ended 2015-16 our Partnership investments were valued at \$83.6 million.

LOOKING AHEAD

BUILDING A SELF-SUSTAINABLE VENTURE CAPITAL INDUSTRY IN ALBERTA WILL TAKE TIME. ONCE THE INDUSTRY REACHES A CRITICAL MASS, A PROCESS WHICH WILL TAKE YEARS OR EVEN DECADES, THE CASE FOR PUBLIC INTERVENTION WILL WANE.

The Government of Alberta has extended our mandate, allocated another \$75 million - \$25 million this year and \$50 million next year - and allowed us to re-invest the capital returned to us from our funds. We can now continue to build upon the success that we have already achieved.

CORPORATE GOVERNANCE STATEMENT

Management of the Company

The business and affairs of the Corporation are managed by or under the direction or supervision of the Board of Directors. The Board exercises all powers of the company not required to be exercised by the shareholders.

Board of Directors

The Board meets four to eight times per year and as required for strategic planning purposes and to progress specific decisions. The Board is accountable to the shareholder, the Minister of Economic Development and Trade, in the manner set out in the Alberta Enterprise Corporation Act, Alberta Enterprise Corporation Regulation and the Alberta Enterprise Corporation Transfer Agreement.

The Board establishes strategic policy, guides and monitors the business and affairs of the Corporation on behalf of the shareholder, and is committed to a high standard of corporate governance. Responsibility for the operation and administration of the company is delegated to the President and CEO who is accountable to the Board. In particular, the Board places emphasis on implementation of Venture Capital best practices, sound administrative systems and procedures, and regulatory compliance.

The directors are appointed by the Lieutenant Governor in Council. A director holds office for a term fixed in the order appointing the director, which term must not exceed three years. Alberta Enterprise's Board of Directors presently includes five external and independent members.

Governance Review

A governance review is undertaken annually, to ensure the effectiveness of governance structures.

Conflict of Interest Policy and Procedures

As outlined in the Alberta Enterprise Code of Conduct and Ethical Standards a conflict of interest exists when an individual's private interests interfere or conflict with or appear to interfere or conflict with the interests of the Corporation. A conflict situation may arise when an employee, officer, or director takes actions or has interests that may make it difficult to perform his or her professional obligations objectively and effectively or when he or she otherwise takes action that is inconsistent with the interests of the Corporation for his or her direct or indirect benefit or for the direct or indirect benefit of a third party. A conflict of interest may also arise when an employee, officer or director, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Corporation, whether received from the Corporation or a third party. Loans to or guarantees of obligations of employees or any of their respective family members are likely to amount to conflicts of interest as are transactions of any kind between the Corporation and any other entity in which an employee, officer or director has a material interest.

Conflicts of interest are prohibited as a matter of corporate policy, except as specifically approved by the Corporation's Board of Directors (the "Board") and except in accordance with applicable laws and regulations. It is not always easy to determine whether a conflict of interest exists, so any potential conflicts of interest must be reported immediately to senior management.

FINANCIALS

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

Alberta Enterprise's management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the annual report, including the financial statements, performance results, and supporting management information. Systems of internal control are designed and maintained to produce reliable information that meets reporting requirements, and to ensure that transactions are properly authorized, reliable financial records are maintained, assets are properly accounted for and safeguarded, and relevant legislation and policies are complied with. Corporate business plans, performance results and the supporting management information are also integral to both financial and performance reporting.

The annual report has been approved by the Board of Directors and is prepared in accordance with Ministerial guidelines.

The Auditor General of Alberta, the Corporation's external auditor appointed under the Auditor General Act, performs an annual independent audit of Alberta Enterprise's financial statements in accordance with Canadian generally accepted auditing standards.



Independent Auditor's Report

To the Board of Directors of the Alberta Enterprise Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of the Alberta Enterprise Corporation, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, change in net financial assets, remeasurement gains and losses 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Enterprise Corporation as at March 31, 2016, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCPA, FCA]

Auditor General

May 31, 2016

Edmonton, Alberta

STATEMENT OF OPERATIONS

Year Ended March 31

(in thousands)	2016		2015
	Budget	Actuals	Actuals
Revenues			
Government Transfers			
Government of Alberta Grants	\$ 25,850	\$ 25,909	\$ 850
Other Revenue	–	9	30
	25,850	25,918	880
Expenses - Directly Incurred (Note 2, Schedule 1)			
Operating Costs	850	1,189	817
	850	1,189	817
Annual Operating Surplus	25,000	24,729	63
Investments Loss (Note 6)	–	(350)	(3,177)
Annual Surplus (Deficit)	\$ 25,000	\$24,379	\$ (3,114)
Accumulated Surplus, Beginning of year		91,477	94,591
Accumulated Surplus, End of year		\$ 115,856	\$ 91,477

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at March 31

(in thousands)	2016	2015
Financial Assets		
Cash and cash equivalents (Note 5)	\$ 53,694	\$ 34,865
Investments (Note 6)	83,557	71,176
	137,251	106,041
Liabilities		
Accounts Payable and Accrued Liabilities	381	688
Deferred Revenue	441	-
	822	688
Net Financial Assets	136,429	105,353
Net Assets	136,429	105,353
Net Assets		
Accumulated Surplus	115,856	91,477
Accumulated Remeasurement Gains	20,573	13,876
	\$ 136,429	\$ 105,353

Contractual Obligations (Note 7)

The accompanying notes and schedules are part of these financial statements.

Approved by the Board of Directors:

[Original signed by Paul Haggis]

[Original signed by Barry Heck]

Director
May 31, 2016

Director
May 31, 2016

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

Year Ended March 31

(in thousands)	2016		2015
	Budget	Actual	Actual
Annual Surplus (Deficit)	\$ 25,000	\$ 24,379	\$ (3,114)
Net Remeasurement Gains for the Year	–	6,697	9,182
Increase in Net Financial Assets in the Year	25,000	31,076	6,068
Net Financial Assets, Beginning of Year	105,353	105,353	99,285
Net Financial Assets, End of Year	\$ 130,353	\$ 136,429	\$ 105,353

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

Year Ended March 31

(in thousands)	2016	2015
Unrealized Gains Attributable to:		
Investments	\$ 6,129	\$ 5,857
Foreign Exchange	568	3,325
Net Remeasurement Gains for the Year	6,697	9,182
Accumulated Remeasurement Gains at the Beginning of Year	13,876	4,694
Accumulated Remeasurement Gains at the End of Year	\$ 20,573	\$ 13,876

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF CASH FLOWS

Year Ended March 31

(in thousands)	2016	2015
Operating Transactions		
Annual Surplus (Deficit)	\$ 24,379	\$ (3,114)
Non-cash items:		
Investment Loss	350	3,177
Decrease in Accounts Receivable	–	327
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(307)	445
Increase in Deferred Revenue	441	–
Cash Provided by Operating Transactions	24,863	835
Investing Transactions		
Purchase of Investments	(11,051)	(15,412)
Distributions received from Limited partnerships	5,017	1,013
Cash Applied to Investing Transactions	(6,034)	(14,399)
Increase (Decrease) in Cash	18,829	(13,564)
Cash and cash equivalents at Beginning of Year	34,865	48,429
Cash and cash equivalents at End of Year	\$ 53,694	\$ 34,865

The accompanying notes and schedules are part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2016

NOTE 1 AUTHORITY

The Alberta Enterprise Corporation (the Corporation) is a Provincial Corporation that operates under the authority of the *Alberta Enterprise Corporation Act*.

The Alberta Enterprise Corporation was established on December 5, 2008 and is part of a strategy to encourage technology commercialization and promote growth in Alberta's venture capital industry.

The Corporation is exempt from income taxes under the *Income Tax Act*.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

a) Reporting Entity

The reporting entity is the Corporation, which is part of the Ministry of Economic Development and Trade and for which the Minister of Economic Development and Trade "Minister" is accountable. Other entities accountable to the Minister are the Department of Economic Development and Trade, Alberta Innovates – Bio Solutions, Alberta Innovates – Energy and Environment Solutions, Alberta Innovates – Technology Futures. The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial positions and results of the Ministry's operations for which the Minister is accountable.

b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government transfers

Transfers from the Government of Alberta are referred to as government transfers.

Government transfers are recorded as deferred revenue if the eligibility criteria for use of the transfer, or the stipulations together with the Corporation's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the stipulations are met and, when applicable, the Corporation complies with its communicated use of the transfer.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

(in thousands)

All other government transfers, without stipulations for the use of the transfer, are recorded as revenue when the transfer is authorized and the Corporation meets the eligibility criteria.

Investment Income

Investment income includes realized gains or losses on the sale of investments. Unrealized gains and losses on investments that are not from restricted transfers, donations or contributions are recognized in the Statement of Accumulated Remeasurement Gains and Losses until the related investments are sold. Once realized, these gains or losses are recognized in the Statement of Operations.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Valuation of Financial Assets and Liabilities

The Corporation's financial assets and liabilities are generally measured as follows:

Financial Statement Component	Measurement
Cash	Amortized Cost
Investments	Fair Value
Accounts Payable and Accrued Liabilities	Cost

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash, Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values, because of the short term nature of these instruments.

Financial Assets

Financial assets are the Corporation's financial claims on external organizations and individuals.

Cash and Cash Equivalents

Cash comprises of cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents are held for the purposes of meeting short-term commitments rather than for investment purposes.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Investments

The Corporation records investments using Public Sector Accounting Board (PSAB) Standard PS 3450 – Financial Instruments and PS 2601-Foreign Currency Translation.

The Corporation records investments in limited partnerships on a fair value basis. Fair value is determined by the Limited Partnerships based upon valuation techniques considered appropriate by the Corporation and may include techniques such as discounted cash flows, prevailing market values for instruments with similar characteristics and other pricing models as appropriate. The Corporation relies upon the General Partner's valuation of the investments in the Limited Partnerships.

Unrealized changes in the fair value of investments are recognized in the Statement of Remeasurement Gains and Losses. Once realized, the cumulative gain or losses previously recognized in the Statement of Remeasurement Gains and Losses are recorded in investment income. Purchases and dispositions of investments are recorded on the trade date. Management fee paid are expensed in the year.

Liabilities

Liabilities represent present obligations of the Corporation to external organizations and individuals arising from transactions or events occurring before the year end. They are recorded when there is an appropriate basis of measurement and management can reasonably estimate the amount.

Liabilities also include:

- all financial claims payable by the Corporation at the year end;
- accrued employee vacation entitlements

Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Investments recorded at \$83,557 (March 31, 2015 - \$71,176) in the financial statements are subject to measurement uncertainty.

Measurement uncertainty exists with the determination of the fair value of the investments. The fair value of the investments is estimated by the General Partner of each fund. The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from value that would have been used had a ready market existed for the investments.

c) Foreign Currency Translation

Financial assets and liabilities recorded in foreign currencies are translated to Canadian dollars at the year-end exchange rate.

Revenues and expenses are translated at the average exchange rate for the year. Unrealized gains and losses due to foreign currency fluctuations are recorded in the Statement of Remeasurement Gains and Losses.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

d) Change in Accounting Policy

Adoption of the Net Debt Presentation

The net debt presentation (with reclassification of comparatives) has been adopted for the presentation of financial statements. Net debt or net financial assets is measured as the difference between the Corporation's financial assets and liabilities.

The effect of this change results in changing the presentation of the Statement of Financial Position and adding the Statement of Change in Net Financial Assets.

Note 3 FUTURE ACCOUNTING CHANGES

In June 2015 the Public Sector Accounting Board issued the following accounting standards:

- PS 2200 Related Party Disclosures and PS 3420 Inter-Entity Transactions (effective April 1, 2017)

PS 2200 defines a related party and establishes disclosures required for related party transactions; PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. Management is currently assessing the impact of these standards on the financial statements.

- PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual Rights (effective April 1, 2017)

PS3210 provides guidance for applying the definition of assets set out in FINANCIAL STATEMENT CONCEPTS, Section PS 1000, and establishes general disclosure standards for assets; PS 3320 defines and establishes disclosure standards on contingent assets; PS 3380 defines and establishes disclosure standards on contractual rights. Management is currently assessing the impact of these standards on the financial statements.

- PS 3430 Restructuring Transactions (effective April 1, 2018)

This standard provides guidance on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities, together with related program or operating responsibilities. Management is currently assessing the impact of these standards on the financial statements.

NOTE 4 BUDGET

(in thousands)

A business plan with a budgeted surplus of \$25,000 was approved by the Board on November 25, 2015 and the full financial plan was submitted to the Minister of Economic Development and Trade.

NOTE 5 CASH AND CASH EQUIVALENTS

(in thousands)

As at March 31, 2016, cash held by the Corporation had a time weighted return of 0.83% per annum (2015 – 1.20% per annum). Due to the short term nature of the CCITF investments, the carrying value approximates fair value. Interest earned is returned directly to the General Revenue Fund of the Government of Alberta.

As at March 31, 2016 the Corporation has \$53,694 (2015 – \$34,865) in Cash. \$33,263 (2015 – \$38,638) has been committed for partnership capital contributions. Distributions from the Limited Partnerships can be used toward future cash calls from the fund which distributed the capital.

NOTE 6 INVESTMENTS

(in thousands)

The Government of Alberta originally allocated \$100,000 in 2008 for investments in Limited Partnerships that provide venture capital in knowledge-based industries. In the current year an additional \$25,000 was allocated for 2016 and \$25,000 committed for 2017 in additional investments in Limited Partnerships.

The Corporation is a Limited Partner in ten (2015 – nine) Limited Partnerships and \$111,379 (2015 – \$ 105,823) has been disbursed and committed to these Limited Partnerships. Committed funds are paid into the Limited Partnership in amounts and at times determined by the General Partner in order to meet the Limited Partnership's funding requirements. Distributions from the Limited Partnerships can be used toward future cash calls from the fund which distributed the capital. The Corporation's disbursements to date and commitments are as follows:

	Chrysalix Energy III Fund ^(a)	Yaletown Ventures II	iNovia Fund III	Enertech Capital Partners IV ^(a)	Azure Capital Partners ^(a)	32 Degrees D.E.Fund II (S&TAIV) LP	Avrio Ventures II	Accelerate Fund	McRock iNfund	Avrio Ventures LP III	2016 Total	2015 Total
Funds disbursed to partnership for Investments ^(b)	\$ 11,776	\$ 12,277	\$ 8,300	\$ 9,354	\$ 9,487	\$ 9,446	\$ 5,816	\$ 10,000	\$ 1,660	\$ –	\$ 78,116	\$ 67,185
Remaining Commitment	5,068	1,723	1,700	8,912	1,782	554	184	–	8,340	5,000	33,263	38,638
Total Funds Disbursed and Committed ^(c)	\$ 16,844	\$ 14,000	\$ 10,000	\$ 18,266	\$ 11,269	\$ 10,000	\$ 6,000	\$ 10,000	\$ 10,000	\$ 5,000	\$ 111,379	\$ 105,823

^(a) Commitments are payable in US dollars. Remaining commitments are based upon the exchange rate on March 31, 2016.

^(b) Funds disbursed to partnership for Investments include management fees of \$14,615 (including \$3,049 in 2016).

^(c) A \$5,000 commitment was made for a new Partnership with Avrio Ventures LP III with the initial capital call made on April 5, 2016.

NOTE 6

INVESTMENTS (Cont'd)

(in thousands)

The Corporation's investment in Limited Partnerships is as follows:

	2016		2015	
	Share of Equity	Percentage in Partnership	Share of Equity	Percentage in Partnership
Chrysalix Energy III Fund	\$ 16,486	10.32%	\$ 11,427	10.32%
Yaletown Ventures II	12,352	15.58%	10,657	15.58%
iNovia Fund III	13,242	9.04%	8,528	9.04%
Enertech Capital Partners IV	7,870	12.66%	7,630	12.66%
Azure Capital Partners III	12,483	12.42%	9,217	12.42%
32 Degrees D.E. Fund II (S&T AIV)	5,589	99.99%	9,043	99.99%
Avrio Ventures II	6,279	6.56%	5,499	6.56%
Accelerate Fund	7,957	99.99%	8,676	99.99%
McRock iNfund	1,299	15.33%	499	19.22%
Total	\$ 83,557		\$ 71,176	

Note 6

INVESTMENTS (Cont'd)

(in thousands)

The changes in fair values of the investments in Limited Partnerships since April 1, 2015 are as follows:

	Chrysalix Energy III Fund	Yaletown Ventures II	iNovia Fund III	Enertech Capital Partners IV	Azure Capital Partners III	32 Degrees D.E.Fund II (S&T AIV)	Avrio Ventures II	Accelerate Fund	McRock iNfund	2016 Total	2015 Total
Investment in Partnership, Beginning of Year	\$ 11,427	\$ 10,657	\$ 8,528	\$ 7,630	\$ 9,217	\$ 9,043	\$ 5,499	\$ 8,676	\$ 499	\$ 71,176	\$ 50,772
Funds disbursed to Partnership for Investments ^(a)	800	1,540	2,250	2,139	1,294	1,192	729	-	1,107	11,051	15,412
Distributions received from Limited partnerships	-	(1,146)	(58)	(832)	-	(2,439)	(542)	-	-	(5,017)	(1,013)
Remeasurement Gain (Loss)	4,667	595	3,936	(1,076)	2,310	(4,010)	300	(37)	12	6,697	9,182
Investments Income (Loss)	(408)	706	(1,414)	9	(338)	1,803	293	(682)	(319)	(350)	(3,177)
Investment in Partnership, End of Year	\$ 16,486	\$ 12,352	\$ 13,242	\$ 7,870	\$ 12,483	\$ 5,589	\$ 6,279	\$ 7,957	\$ 1,299	\$ 83,557	\$ 71,176
Funds disbursed to Partnership for Investments ^(a)	\$ 11,776	\$ 12,277	\$ 8,300	\$ 9,354	\$ 9,487	\$ 9,446	\$ 5,816	\$ 10,000	\$ 1,660	\$ 78,116	\$ 67,185

^(a) Amounts include management fees of \$3,049 paid by Limited Partnerships to General Partners. Management fees may be recovered from limited partnerships in accordance with the Limited Partnership agreements.

Fair Value Hierarchy

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1** Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities traded in active markets. Level one primarily includes publicly traded listed equity investments.
- Level 2** Fair value is based on valuation methods that make use of inputs, other than quoted prices included within level one, that are observable by market participation either directly through quoted prices for similar but not identical assets or indirectly through observable market information used in valuation models. Level two primarily includes debt securities and derivative contracts not traded on a public exchange and public equities not traded in an active market.

NOTE 6

INVESTMENTS (Cont'd)

(in thousands)

Level 3 Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. For these investments trading activity is infrequent and fair values are derived using valuation techniques.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Corporation. The Corporation considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Corporations perceived risk of that investment.

The Corporation's investments have all been classified within level 3 as the fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on valuation. When observable prices are not available for these securities the Limited Partnerships use one or more valuation techniques (e.g. the market approach, the income approach) for which sufficient and reliable data is available. Within level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of the estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

As quoted market prices are not readily available for private investments, estimated fair values may not reflect amounts that could be realized upon immediate sale, nor amounts that may ultimately be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

Financial Risk Management

The Corporation is exposed to a variety of financial risks associated with the underlying securities held in the Limited Partnerships. These financial risks include market risk and liquidity risk. Market risk is the risk of loss from unfavourable change in fair value or future cash flows of a financial instrument causing financial loss. Market risk is comprised of price risk and currency risk. Liquidity risk is the risk the fund will not be able to meet its obligations as they fall due.

a) Price Risk

The Corporation's price risk is driven primarily by volatility in its venture capital investments. The Corporation generally invests in Limited Partnerships in the initial stages of development. Because of the inherent uncertainty of valuations, estimated fair values may differ significantly from the values that would have been used had a ready market for the securities existed, and the difference could be material.

NOTE 6

INVESTMENTS (Cont'd)

(in thousands)

b) Foreign Currency Risk

The value of the Corporation's investments in Limited Partnerships denominated in foreign currencies may change due the changes in exchange rates. \$36,839, or 44% of the Corporation's investment, are denominated in US dollars (2015 - \$28,274, or 40%).

If the value of the Canadian dollar increased by 10% against the U.S. dollar, and all other variables are held constant, the potential loss in fair value to the Corporation would be approximately 4.0% of total investments (2015 - 4.0%).

c) Liquidity Risk

Liquidity risk is the risk that a given investment or asset cannot be traded quickly enough in the market to prevent a loss.

The Corporation's investments are long term and highly illiquid. There is no assurance that the Corporation will ultimately realize the carrying value of the investments.

To manage these risks, the Corporation has established policies around the type of limited partnerships that it invests in. In addition, each limited partnership has established a target mix of investment types designed to achieve the optimal returns within reasonable risk tolerance and in accordance with the Limited Partnership's investment mandate. The Corporation does not participate in any foreign currency hedging activities.

Investment commitments exceed cash on hand, and management plans to use future distributions from the limited partnerships to meet the commitments.

d) Other Risks

The Corporation is not exposed to significant credit, and interest risk.

NOTE 7

CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts are met. The Corporation has committed funds to be paid into limited partnerships. The details of the commitments are listed in Note 6.

	2016	2015
Obligations under Operating Leases	\$ 119	\$ 151
Obligations under Service Contracts	243	134
	\$ 362	\$ 285

NOTE 7 **CONTRACTUAL OBLIGATIONS** (Cont'd)
(in thousands)

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Operating Leases	Service Contracts	Total
2016-17	\$ 32	\$ 134	\$ 166
2017-18	32	109	141
2018-19	32	–	32
2019-20	23	–	23
	\$ 119	\$ 243	\$ 362

NOTE 8 **COMPARATIVE FIGURES**

Certain 2015 figures have been reclassified to conform to the 2016 presentation.

NOTE 9 **APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Board of Directors.

SCHEDULES TO THE FINANCIAL STATEMENTS

Year Ended March 31, 2016

Schedule 1 – Expenses – Detailed by Object

Year ended March 31, 2016

(in thousands)	2016		2015	
	Budget	Actual	Budget	Actual
Salaries, Wages, Benefits, & Payments to Consultants	\$ 544	\$ 526	\$ 435	
Supplies & Services	246	534	323	
Grants and sponsorships	60	119	52	
Financial Transactions and Other	–	10	7	
	\$ 850	\$ 1,189	\$ 817	

Schedule 2 – Salary and Benefits Disclosure

Year ended March 31, 2016

(in thousands)	2016				2015	
	Base Compensation	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total	Total
Chair of the Board	\$ –	\$ 45	\$ 1	\$ 46	\$ 43	\$ 43
Board Members (four)	–	100	5	105	51	51
Executives:						
Chief Executive Officer ⁽¹⁾	196	4	20	220	123	123
Interim Managing Director ⁽⁴⁾	–	–	–	–	33	33
Director, Investments and Interim Manager ⁽⁵⁾	–	–	–	–	69	69
Director, Investments	104	–	–	104	109	109
Director, Industry Development ⁽⁶⁾	48	7	4	59	–	–
	\$ 347	\$ 156	\$ 30	\$ 534	\$ 428	\$ 428

⁽¹⁾ Base compensation was established through employer and employee arrangements in February 2015.

⁽²⁾ Other Cash Benefits for Board members include honoraria payments and per diem allowances. Other cash benefits for Chief Executive Officer include Life and disability allowance. There were no discretionary amounts paid to executives in 2016. (2015- nil)

⁽³⁾ Other Non-Cash Benefits include Canada Pension Plan, Retirement Savings Plan and Employment Insurance payments.

⁽⁴⁾ This position was terminated effective September 2014.

⁽⁵⁾ This position was occupied on a part time basis until September 2014, and then terminated.

⁽⁶⁾ This position was created effective November 17, 2015.

Schedule 3 – Related Party Transactions

Year ended March 31, 2016

Related parties are those entities consolidated or accounted for on a modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel of the Corporation.

Entities in the Ministry refers to entities consolidated in the Ministry of Economic Development and Trade. Other entities outside of the Ministry relate to the remaining entities consolidated at the Provincial level.

The Corporation had the following transactions with related parties which are recorded in the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

(in thousands)	Entities in the Ministry		Other Entities Outside of the Ministry	
	2016	2015	2016	2015
Revenues				
Grants	\$ 25,909	\$ 850	\$ -	\$ -
Expenses – Directly Incurred				
Other Services	\$ 30	\$ 26	\$ 40	\$ 33
Payables to	\$ -	\$ -	\$ -	\$ 1
Deferred Revenue	\$ -	\$ -	\$ 441	\$ -
Contractual Obligations	\$ 25	\$ 25	\$ 337	\$ 260

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Paul G. Haggis, Chair

Former President and CEO of the Ontario Municipal Employees Retirement System (OMERS)

Barry M. Heck, Vice Chair and Audit Committee Chair

*President and CEO of WinSport (Calgary Olympic Development Association),
President and Principal Partner of EL Merchant Capital*

R. Geoffrey Browne

Founder and Managing Partner of MWI & Partners

Vicky Sharpe, Ph.D, ICD.D

*Corporate Director and Founding President & CEO
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