

Venturing Forward

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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”).



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 the Ministry of Economic Development and Trade ("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 Alberta 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 who support the creation of a diversified economy.***

The Government of Alberta has extended our mandate, allocating another \$75 million (\$25 million last year and \$50 million this year) and has permitted us to re-invest the capital returned to Alberta Enterprise from our funds. This has positioned Alberta Enterprise to build upon the success that we have already achieved – to the continuing benefit of Alberta entrepreneurs, Alberta workers and Alberta taxpayers.

To venture forward is to confidently step out.

To boldly progress. To fearlessly explore.

From the day Alberta Enterprise Corporation opened its doors, we have been about connecting Alberta inventors, innovators, dreamers and doers to money, markets and mentors. By facilitating the capital necessary to bring bold ideas and visionary thinking to life, we are not only supporting made-in-Alberta innovation. We are creating a new-breed of knowledge-based jobs in Alberta's cities and towns. Working diligently behind the scenes, we are extremely proud of the role we play in contributing to a stronger, more diversified economy. One where Albertans are prospering on the world stage!

Highlights

→ Venturing Forward

Alberta Enterprise's ongoing efforts to establish a strong VC industry in our province is having a wide range of positive results. Here are six ways we are contributing to the success of this province and its people.

1. Establishing a strong VC presence in Alberta. Alberta Enterprise has committed \$125 million¹ for investment in 32 Degrees, the Accelerate Fund I and II, Avrio II and III, Azure, Chrysalix, EnerTech, iNovia, McRock, Relay and Yaletown. In turn, these funds contribute to our economy – and most importantly – provide the essential capital Alberta companies require to successfully bring their products and ideas to market. Our investments have resulted in six new and five expanded VC offices in the Province, greatly increasing the number of VC professionals actively at work in Alberta.

2. Promoting Economic Diversification. Alberta has long been reliant on the fortunes of our resource-based economy. Economic diversification helps shield the province from the familiar boom and bust cycles, opening the door to new industries and employment opportunities. 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).

3. Extending beyond Alberta. By investing strategically, we have as of March 31, 2017 leveraged our \$125 million¹ capital commitments into →\$1.1 billion (9:1 leverage). These investments have also extended our ecosystem by forging connections to →200 other Limited Partners, →480 portfolio companies, and →400 VC firms. We have co-invested with companies such as Dell, Citrix, Cisco, Shell, Total, Fortum, SABIC, and Newalta to mention a few.

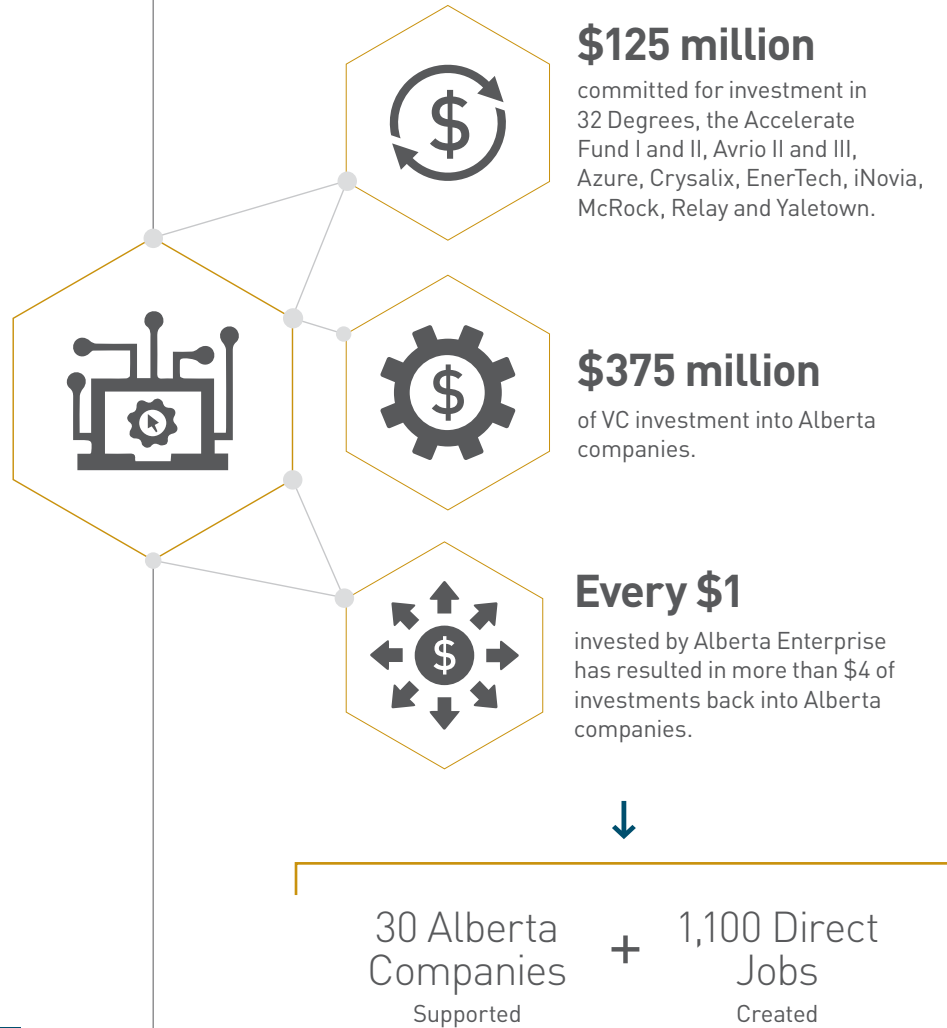
¹ Including \$50 million of commitments payable in US dollars and \$75 million payable in Canadian dollars.

4. *Supporting Alberta companies and creating jobs.* Our VCs and their partners have already invested over \$375 million in 30 Alberta technology companies, creating more than 1,100 direct jobs in Alberta. Every \$1 invested by Alberta Enterprise has resulted in more than \$4 of investments back into Alberta companies. The amount of investment in Alberta companies has more than quadrupled over the last four years, and is expected to grow significantly over the 10-year life of these funds.

5. *Delivering return on investment for Alberta taxpayers.* Our VCs have already had 11 profitable exits, resulting in distributions to LPs. Alberta Enterprise's operating costs have been well managed, allowing Alberta Enterprise to maximize our returns and consistently increase in value of our investments. To date, the return of capital and gains more than covers our operating cost since inception.

6. *Continued, positive, long-term results:* Already, the results of our efforts are being realized. In the years since Alberta Enterprise Corporation was created in 2008 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.

The value of our investments is expected to grow significantly over the years to come, while also generating more investments in Alberta companies as well as creating more knowledge based jobs in the Province.





Message from the Board of Directors Chair and the Chief Executive Officer

→ Last year, we were thrilled to share some very good news. The Government of Alberta reaffirmed its commitment to our program by extending our mandate, and allocating an additional \$75 million to us. This year, we are venturing forward to put this new source of capital to work – to foster an increasingly innovative and diversified provincial economy that truly benefits all Albertans.

Venture Capital is a critical part of taking research from the laboratory to commercial products. 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, as it provides a vital bridge between grants and commercialization funding to bank loans and larger institutional funding.

Alberta Enterprise makes investments in Venture Capital funds, which invest in Alberta tech ventures. Our investment model is unique, as we are generating economic development in Alberta, while also creating long-term investment returns for the Province on its original investment. We invest in Venture Capital Funds that will be successful in generating a rate of return for the Province, while also creating access to “smart” capital for Alberta technology companies. Every \$1 invested by Alberta Enterprise has resulted in more than \$4 of investments back into Alberta companies. At the same time, the \$1 invested by Alberta Enterprise is currently worth \$1.18, a value that will increase even further as our funds mature. The distributions from our investments has outpaced our operating costs since our inception. By adhering to stringent budgeting and operational practices that are respectful of our role as a taxpayer-funded entity, Alberta Enterprise has to date been a cost-neutral initiative for the Province.

This year we have attracted another top-quality Venture Capital fund from Silicon Valley/Toronto. This fund is actively looking for investments in the province. We have also re-funded our angel-co-investment fund, Accelerate Fund, which is focused on early-stage technology companies based in Alberta. In January, the Province introduced a new Alberta Investor Tax Credit, which will serve to complement the Accelerate Fund.

Building a Venture Capital industry is a long-term project which requires patience and a continued commitment of capital, as well as ongoing encouragement to foster the Venture Capital community. Alberta Enterprise has produced strong short-term results that are transforming the technology and Venture Capital sector in Alberta. We continue to pursue our goal of creating a self-sustaining Venture Capital industry, resulting in a diversified, resilient economy – where Albertans will benefit from quality jobs, a high standard of living and a broad base of economic opportunities. There are now more Venture Capital Funds active in the province than ever before and the investment ecosystem is flourishing.

We are indeed venturing forward, continuing to attract and grow investments in Alberta, shaping Alberta into a formidable knowledge-based economy. With an active and sustainable Venture Capital industry in place, Alberta will be globally-recognized as an increasingly competitive and attractive environment that embraces the business opportunities of the future.

Originally signed by
Paul Haggis
Chair

Originally signed by
Kristina Williams
President and CEO



Success Stories

Alberta Businesses that are Changing the World

Making forward progress together.

Venturing alongside Alberta's growing VC industry are the Alberta businesses and entrepreneurs who are at the heart of all of our efforts.

Here are the inspiring stories of three Alberta companies that have received the backing of our Venture Capital funds.



Leven Electronics is an Alberta engineering and manufacturing company that is helping to build the “responsive home” of the future.

We are revolutionizing home construction through two product lines: GoConex wire-free switching and GoRave wireless installed audio.

GoConex brings wireless technology to the household light switch – providing real value, reduced costs, easier installation and greater flexibility for home builders, electricians and homebuyers alike. Currently, Leven is building partnerships and creating new business opportunities for GoConex across North America.

GoRave is the only multi-room entertainment experience that provides instant, delay-free multi-room wireless sound – on multiple TVs or devices. Our vision is to provide consumers with an easy-to-use, wireless audio system that is not limited to one brand; does not require passwords or additional hardware; and provides an amazing audio experience. Leven has begun working with North American production home builders to include GoRave in their new homes.

We are inspired to create products and devices that:

- Are easy to install, use and maintain,
- Provide superb value and affordability,
- Empower the homeowner to coordinate centralized decisions, and
- Can be seamlessly integrated and adapted into a responsive system that functions even during power or communication interruptions.

Leven is based in Edmonton, but we have an eye to the world. We appreciate the opportunity and support granted to us by Alberta Enterprise Corporation’s Accelerate Fund. It has allowed us to build our expertise and skill using local talent; engineer our products for commercialization; build a strong marketing strategy; establish key partnerships; and connect with our target audience. This has left us well positioned to enter international markets.

James Keirstead
President and CEO, Leven

Leven

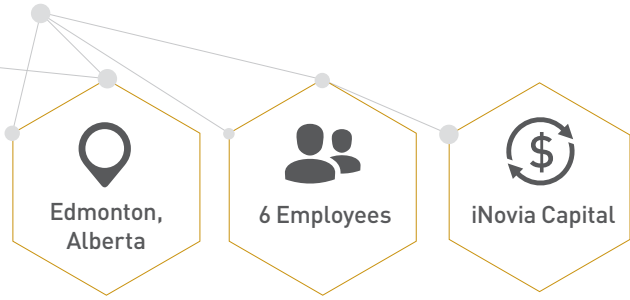
At home with wireless innovation.





Mitre media

Financial freedom through trustworthy research, tools and content.



Edmonton is likely not the first city that jumps to mind when one thinks about financial media.

Yet the city's roots in e-finance date back to the days of 'Web 1.0' (1999) and the rise of Investopedia.com, which was strategically acquired by Forbes. This local success story fostered the growth of a number of veteran industry players. Mitre Media was born from this group.

Mitre Media operates numerous verticalized financial media web properties, with a focus on ETFs, dividends, mutual funds, bonds, equities and hard assets. These web properties attract over 1.5 million sophisticated investors and financial advisors every month. Targeting this valuable audience, Mitre provides industry-leading research, data, tools and analytics to over 10,000 premium users. This significant web traffic also allows Mitre to partner with companies like Vanguard, Blackrock, Fidelity and many other top-tier financial service firms via their premium ad product suite.

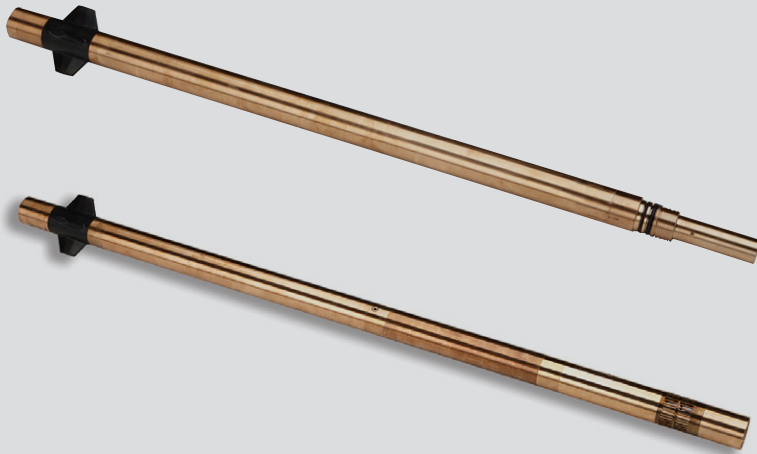
The Mitre Platform powers all of Mitre's web properties. It is comprised of a proprietary piece of software, the MitreOS, coupled with engineered business processes. Custom tools for content creation, analytics, research and data visualization bring best-in-class features to financial analysts, data scientists and user experience experts. The Mitre Platform also enables custom advertising solutions, allowing Mitre's partners to reach the right audience at the right time on the right website using the right assets.

The company has grown through a combination of acquisitions and organically-built web properties. Building on Mitre's scalable technology platform, this dual strategy will continue to be pursued as additional financial verticals are targeted.

Mitre Media has deep roots in Alberta. The majority of the capital the company has raised is from Alberta investors, including Alberta Enterprise-backed iNovia Capital. Community organizations, such as Startup Edmonton and local technology meetup groups, were extremely supportive in the early days and continue to be a source of talent and resources. This support has enabled Mitre to attract the most sophisticated investors in the world to a suite of web properties targeted at Wall Street, but built by a team with roots just off Jasper Avenue.

Tom Hendrickson
CEO & Founder Mitre Media





HPC Energy Services is an internationally-focused, integrated oil & gas product and service company developing technology to meet the demands of the constantly changing drilling environment. Our mission is to be a leader in innovation and development, delivering products and services that increase efficiencies for our clients. By integrating tools from the drilling rig to the drill bit, we provide a one-stop solution – to meet the requirements of industry both today and tomorrow.

We supply end-to-end products and solutions via two technological divisions: Engineered Power and Vertex Downhole.

Engineered Power provides the oilfield industry with advanced power solutions designed for extreme environments. This division produces primary lithium thionyl chloride batteries, developed specifically for oil and gas applications. Engineered Power’s rigorous cell testing and intensive product inspections ensure maximum performance, reliability and shelf life. A 28,000-sq. ft. facility has been designed for efficient, top-quality production, while allowing us to deliver dedicated processes that ensure exceptional quality and durability in all our products.

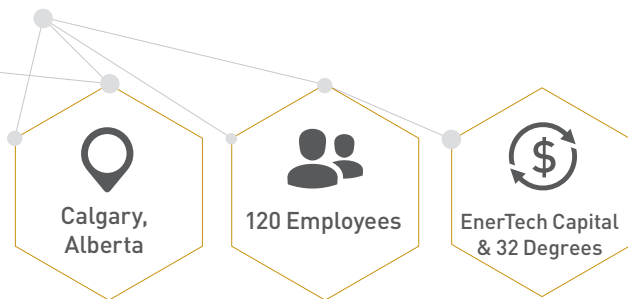
Vertex Downhole is driven to develop the next generation of MWD tools and proprietary software to deliver real-time monitoring and feedback in challenging downhole environments. Vertex is focused on providing the right technology and the right tools required to safely complete the job, while exceeding performance expectations. Today, the company services tools and technologies in Canada, the United States, the Middle East and Europe. In 2017 Vertex launched the next iteration of its MWD tools, featuring a high speed MWD kit. The company is expanding its Calgary facility – ramping up production to meet the growing demand for its advanced downhole solutions.

With the support of EnerTech Capital’s investment, HPC has diversified our product lines and gained market share internationally.

Tyler Armstrong
CEO HPC Energy Services

HPC Energy Services

Integration: rig to bit.





→ Excellent progress.

Over past annual reports, Alberta Enterprise has profiled several visionary Alberta companies that have been indirectly supported by Alberta Enterprise through our funds. We decided to check back to see what strides they have taken.

Decisive Farming Corp.

Impressive growth.



Decisive Farming helps growers simplify decisions by combining data management and analytics with best practices and hands-on expertise through its My Farm Manager platform. The platform allows farms to integrate insights from agronomists, equipment dealers and grain elevators; who help enrich their data sets, while delivering value-added services. Our precision agriculture and crop marketing services help growers to increase crop production, and allow farms to operate more sustainably. A typical farm will see a 10% increase in yield and net profitability.

In 2016, Decisive Farming closed its Series A financing led by McRock Capital. With the investment capital and strategic support received from McRock Capital, Accelerate Fund, Export Development Canada, and the company's other investors, Decisive Farming has been growing consistently and achieving significant industry scale. 2016 saw the My Farm Manager platform user base grow to 1,400 farms representing over 4.3 million acres. The company also built strategic alliances with some of the largest agriculture companies in the world, including Federated Co-op, Rocky Mountain Equipment, INTL FCStone, and, most recently, expanded into the USA through a strategic partnership with the world's largest Case IH dealer; Titan Machinery. Decisive Farming's unique product offerings and array of strategic partnerships have positioned the company for continued success.

Remi Schmaltz
CEO Decisive Farming



SAM

A good news story.



In a world where Presidents tweet policy, and citizens share smartphone videos of newsworthy events – massive amounts of information are available in real-time. The news industry is eager to tap into the richness of user generated content (UGC). The challenge is to find, sort, process, and verify this content, integrate it into their work flows, and share it in a timely manner

SAM provides the tools that search and curate social media content, and verify and authenticate the source. One year ago, SAM's marquee organizations included Associated Press, Reuters, the Wall Street Journal, The Financial Times, The Press Association, and The Guardian. Since then, we have welcomed BBC and the New York Times. Many new users are piloting SAM – including an innovative social newswire service targeted at smaller publishers.

Capital from Accelerate Fund and a supportive group of angels has enabled SAM to make real progress on both the product and commercial sides of our business. This, in turn, has attracted an industry veteran to join the Board. We look forward to the coming year, and sharing more positive results in the future.

James A. Neufeld
Founder SAM



Circle Cardiovascular Imaging

Healthy progress.



Circle Cardiovascular Imaging's mission is to redefine the cardiovascular healthcare industry by harnessing the power of imaging, analytics, and automation. Circle is further solidifying our position as the global leader in clinical applications, as well as research.

Over the past year, we added approximately 100 sites and reached an impressive milestone: *over 1 million cardiac exams have been conducted using our software!* Today we are providing better patient outcomes and reduced healthcare costs in over 700 locations across 40 countries. We also saw our team expand to over 70: the majority of whom are in Calgary.

Accelerate Fund, along with BDC Capital and many other existing investors, bought into Circle's vision, and continue to be very supportive of our efforts to deliver on the opportunity from improved health outcomes, worldwide.

Greg Ogrodnick
CEO Circle Cardiovascular Imaging



Drivewyze

Driving new opportunities.



In the trucking business, time is money.

There are close to five million commercial trucks criss-crossing the US every day, and virtually all of them are required to pull into open weigh stations and inspection sites – sometimes several times a day. Drivewyze streamlines the truck inspection process by using GPS technology and internet-connected mobile devices to automatically pre-clear participating trucks at over 600 locations in 40 states. This allows safe and compliant carriers to save time and money by legally bypassing scale lineups.

The market for the bypass service alone is \$500M/year. Since its launch in 2012, Alberta-based Drivewyze has grown to become not just the largest weigh station bypass service in North America, but also a world leader in Connected Truck Services. This year Drivewyze added Alberta as its first Canadian jurisdiction, and looks forward to expanding its presence throughout the rest of the country. Drivewyze is capitalizing on industry and regulatory trends to introduce a broad range of additional services.

iNovia Capital has been instrumental in this Alberta success story. They've helped Drivewyze develop and realize a capital plan, identify and recruit key executives, and have supported the company through board governance.

Doug Johnson
Director of Marketing Drivewyze



Showbie

Another strong report card.



Showbie is operating in over 130 countries, serving nearly three million users. The company's classroom workflow app makes it easy for students and teachers to go paperless on mobile devices. Teachers can easily create classes and assignments, and students can complete assignments using a variety of compatible apps, or by using Showbie's built-in annotation tools. Teachers can then review, provide feedback, grade and place work in portfolios.

Proudly based in Edmonton, Showbie's growing team is comprised of Albertans who are passionate about empowering educators as they use technology to redefine and improve their classrooms. With a supportive syndicate of investors, including Yaletown, Azure, and Point Nine Capital, Showbie has been able to invest in growth, scaling product adoption by nearly 10-times over the past three years. This has helped the company compete in a global market. Along with its exponential growth, Showbie has been able to attract senior management talent and position itself to scale for the significant opportunities ahead.

Colin Bramm
CEO Showbie



Chaordix

Leading the crowd.



The Chaordix Crowd Intelligence software platform leverages crowdsourcing and data analytics – enabling an enterprise customer to understand, engage, and co-create with customers, employees and other stakeholders. The platform is currently used by numerous Fortune 1000 customers, allowing them to understand their market needs and requirements, manage their brands, and drive innovation around their companies, services and products.

Today, many of the world's most recognizable brands across multiple industries and sectors use the Chaordix platform to power their online communities and genuinely connect with the people invested in their success. These include The LEGO Group, HTC, HSBC, Rust-Oleum, and American Airlines to name a few.

Based in Calgary, and incorporated in 2009, Chaordix is one of the pioneers in the crowd intelligence space – and is an industry thought leader. With Yaletown's local presence and support, the company has successfully transitioned into a product-led business model, and has developed channel partnerships with major innovation and brand management organizations while attracting key executives to the team.

Terry Sydoryk
CEO Chaordix



Management Discussion and Analysis



→ **Alberta Enterprise's operations focus on two key areas:**

1. Investment as a Limited Partner in technology Venture Capital funds that finance early-stage, knowledge-based companies.
2. 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 \$175 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:

3. North American funds currently operating outside Alberta.
4. Funds that are local to Alberta.
5. Funds focused on early stage angel co-investment.

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 VCs from out-of-province to co-operate with local investors to 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

Improved access to capital for Alberta companies and stimulated investment in knowledge-based industries to diversify and broaden Alberta's economic base.

Results achieved by Alberta Enterprise to date

Immediate and intermediate outcomes

- Alberta Enterprise has committed \$125 million for investment into 10 VC funds and two angel co-investment funds: Accelerate I and Accelerate II.
- Through these funds, Alberta knowledge-based companies have had access to →\$1.1 billion in Venture Capital. Alberta Enterprise has successfully leverage our capital investment 9:1.
- Our investments have resulted in ten VC's creating new offices or expanding existing offices in Alberta (6 new and 5 expanded offices), greatly increasing the number of VC professionals and "feet on the street" actively at work in Alberta.
- Relay Ventures, hired a full-time Alberta investment professional in January 2017. Yaletown, which opened its doors in Alberta five years ago, recently hired an investment professional located in Edmonton to support the Accelerate II fund.
- Alberta Enterprise's investments in funds have generated four times the capital back into Alberta companies. As of March 31, 2017, our VCs and their syndicate partners have already invested over \$375 million in 30 Alberta technology companies. This amount is expected to continue to grow 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 two angel co-investment Accelerate funds.

¹Including \$50 million of commitments payable in US dollars and \$75 million payable in Canadian dollars.

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

- 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.
- The relatively weaker Canadian dollar, as compared to its USD counterpart, is currently giving Canadian technology companies an advantage in attracting capital from the US. For example, Edmonton-based Showbie attracted capital from Azure Capital.
- Nine of our ten VC funds have international investors, and four of the funds have offices outside of Canada. We have co-invested with multi-national companies such as Caterpillar, 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 400 other Canadian and international VC funds.
- Our VCs and the Accelerate Fund have attracted over \$280 million of investments into Alberta technology companies. This shows that Alberta companies not only have access to the capital of our VC funds, but that our funds are also helping Alberta companies to access a significant amount of outside capital.

Goals and Outcomes: Investments

Outcomes

Results achieved by Alberta Enterprise to date

Building a self-sustaining VC industry in Alberta.

Ultimate outcomes

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 been investing in VC funds for seven years. A typical VC fund has a life of 10 to 12 years. It is therefore still early to predict the full impact of Alberta Enterprise's activities, but as detailed above, in only seven 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 VC and VC funding to Alberta.
2. Provide multi-sectoral coverage that matches the available deal flow in the province.
3. Address the critical gap in early-stage funding.
4. Assist local Alberta Fund Managers and develop new fund managers.
5. 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 ongoing 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 initial \$100M and \$75M follow-on investment capital, plus an appropriate return on this investment in a timeframe consistent with the life of a VC fund (approximately 10-12 years).

Due to the nature of venture investing and accounting practices for these investments, our funds are likely to show a loss during the first half of their life. These losses normally reverse as the funds mature and as unrealized and realized gains increase over time.

Our funds have already had 11 profitable exits, which is on-track with expectations for this 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 6-12 years.





Venturing alongside us – our VC partners.

Over the past year, Alberta Enterprise committed \$10 million for investment in Accelerate II, an extension of the prior angel co-investment fund focused on Alberta technology companies. We also allocated **US \$10 million Relay Ventures Fund III**, focused on mobile software, services, technology and content.



Throughout the year, Alberta Enterprise’s investment team continued to monitor and report on the Corporation’s investments made previously. This includes:

- **Accelerate Fund** – an 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 and energy technology sectors.
- **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 iFund Limited Partnership** – focused on the “Industrial Internet of Things.”
- **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.



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.

Outcomes

Stimulated investment in knowledge-based industries to diversify and broaden Alberta's economic base.

Results achieved by Alberta Enterprise to date

Immediate and intermediate outcomes

To stimulate investment we have:

- 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 entrepreneurs to each other through the continued support of the **AccelerateAB Conference**, which Alberta Enterprise founded, now managed by the A100. In 2017 the event, held in Calgary, was sold out with 400 attendees.
- Connected entrepreneurs and investors through our **inaugural Founders & Funders events** held in both Edmonton and Calgary, in partnership with Startup Edmonton, Startup Calgary and the A100.
- 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 currently has 27 member firms, and has experience 37% year-over-year growth since 2012.
 - Our inaugural GP (General Partner) 101 event engaging with local investors who are creating locally-based Venture Capital funds.
- Continued our support of existing organizations such as **Startup Edmonton, Startup Calgary**, and new organizations such as **Chic Geek**, which has created the first women in tech focused annual conference in Alberta.
- Supported 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.

Operational Overview: Industry Development

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 2016, we enabled two Alberta based startups to participate in this 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 VCs, strategic investors, and mentors to attend local events including AccelerateAB, the Banff Venture Forum, the VCAA Conference, the **GP 101 Sessions** and the Founders & Funders events.
- We completed the **2016 Alberta Technology Deal Flow Study**, which helps investors understand the opportunities within Alberta's tech sector. The Study is also used by policy makers to better understand Alberta's technology ecosystem.
- We completed the **Alberta Ecosystem Story**, a project to better communicate Alberta's value proposition to external investors and networks, to better leverage their support to grow the technology ecosystem, and to add value for the technology companies.

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 achieve long-term sustainability will require more hands-on support and some additional capital. New initiatives we supported include **the Geeky Summit**, a women *in tech* event hosted by Calgary based Chic Geek and the 3-2-1 Sales Academy: a pilot initiative looking to address the gap in sales & marketing expertise in the tech sector. Alberta Enterprise also played a supporting role in the **formation of the grassroots led initiative, Rainforest Alberta**, which is a led by entrepreneurs and investors from Alberta's tech sector.

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 \$1,105,000 above budget for fiscal 2016-2017. The operating budget was increased during the year due to the new capital allocation, and it includes an additional operating grant from the Government of Alberta. The budget line in the financial statements does not reflect these amounts. The fiscal 2016-2017 operating cost of \$1,955,000 is below the updated and Board approved operating budget.

The net surplus for fiscal 2016-2017 is primarily due to the new \$50 million capital allocation from the Alberta government, of which \$35 million has been recognized this fiscal year and \$15 million is deferred revenue. The investment gain of \$1 million is primarily due to realized gains of the Limited Partnerships, of which Alberta Enterprise is an investor. 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 \$1.4 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. Due to the nature of venture investing and accounting practices for these investments, our funds are likely to show a loss during the first half of their life. These losses normally reverse as the funds mature and as unrealized and realized gains increase over time.

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 2016-2017, Alberta Enterprise's financial statements show total capital committed for investment of \$135 million. Four of our twelve 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 2016-2017, Alberta Enterprise disbursed \$14 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 it is drawn down upon.

For the fiscal year ended 2016-17 our Partnership investments were valued at \$90 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, allocating another \$75 million - \$25 million last year and \$50 million this year - and enabled us to re-invest the capital returned to us from our funds. We are now continuing 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, 2017, 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, 2017, 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

June 2, 2017

Edmonton, Alberta

Statement of Operations

Year Ended March 31

<i>(in thousands)</i>	2017		2016
	Budget	Actual	Actual
Revenues			
Government Transfers			
Government of Alberta Grants	\$ 50,850	\$ 36,060	\$ 25,909
Other Revenue	—	12	9
	50,850	36,072	25,918
Expenses (Note 2(b), Schedule 1)			
Operating Costs	850	1,955	1,189
	850	1,955	1,189
Annual Operating Surplus	50,000	34,117	24,729
Investment Gain (Loss) (Note 7)	—	1,043	(350)
Annual surplus	50,000	35,160	24,379
Accumulated Surplus, Beginning of Year		115,856	91,477
Accumulated Surplus, End of Year		\$ 151,016	\$ 115,856

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

Statement of Financial Position

As at March 31

(in thousands)

	2017		2016
	Actual		Actual
Financial Assets			
Cash (Note 5)	\$ 48,228	\$	53,694
Accounts Receivable (Note 6)	50,200		–
Portfolio Investments (Note 7)	90,172		83,557
	188,600		137,251
Liabilities			
Accounts Payable and Accrued Liabilities (Note 8)	370		381
Deferred Revenue (Note 9)	15,231		441
	15,601		822
Net Financial Assets	172,999		136,429
Net Assets	172,999		136,429
Net Assets			
Accumulated Surplus	151,016		115,856
Accumulated Remeasurement Gains	21,983		20,573
	\$ 172,999	\$	136,429

Contractual Obligations (Note 10)

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

Approved by the Board of Directors

Originally signed by
Paul Haggis
Chair of the Board of Directors

June 2, 2017

Originally signed by
Barry Heck
Vice Chair of the Board of Directors

June 2, 2017

Statement of Change in Net Financial Assets

Year Ended March 31

<i>(in thousands)</i>	2017		2016
	Budget	Actual	Actual
Annual Surplus	\$ 50,000	\$ 35,160	\$ 24,379
Net Remeasurement Gains (Note 7)		1,410	6,697
Increase in Net Financial Assets in the Year		36,570	31,076
Net Financial Assets, Beginning of Year		136,429	105,353
Net Financial Assets, End of Year		\$ 172,999	\$ 136,429

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

Statement of Remeasurement Gains and Losses

Year Ended March 31

<i>(in thousands)</i>	2017	2016
	Actual	Actual
Unrealized Gains Attributable to:		
Portfolio Investments	\$ 534	\$ 6,129
Foreign Exchange	876	568
Net Remeasurement Gains for the Year (Note 7)	1,410	6,697
Accumulated Remeasurement Gains at the Beginning of Year	20,573	13,876
Accumulated Remeasurement Gains at the End of Year	\$ 21,983	\$ 20,573

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

Statement of Cash Flows

Year Ended March 31

<i>(in thousands)</i>	2017	2016
	Actual	Actual
Operating Transactions		
Annual Surplus	\$ 35,160	\$ 24,379
Non-cash Items:		
Contributions Restricted for Investing	25,000	–
Deferred Contributions recognized as Revenue (Note 9)	(10,210)	(59)
(Gain)/Loss on Sale of Portfolio Investments (Note 7)	(1,043)	350
	48,907	24,670
Contributions Restricted for Operating	–	500
Increase in Accounts Receivable	(50,200)	–
Decrease in Accounts Payable and Accrued Liabilities	(11)	(307)
Cash (Applied to)/Provided By Operating Transactions	(1,304)	24,863
Investing Transactions		
Purchase of Portfolio Investments (Note 7)	(13,960)	(11,051)
Distributions received from Limited Partnerships (Note 7)	9,798	5,017
Cash Applied to Investing Transactions	(4,162)	(6,034)
(Decrease) Increase in Cash	(5,466)	18,829
Cash at Beginning of Year	53,694	34,865
Cash at End of Year	\$ 48,228	\$ 53,694

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

Notes to the Financial Statements

March 31, 2017

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 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 (the Ministry) and for which the Minister of Economic Development and Trade (the Minister) is accountable. Other entities accountable to the Minister are the Department of Economic Development and Trade (the Department) and Alberta Innovates. 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 recognized as unearned revenue.

Government transfers

Transfers from all governments are referred to as government transfers.

Government transfers are recognized 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.

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

Note 2 Summary Of Significant Accounting Policies And Reporting Practices (Continued)

(b) Basis of Financial Reporting (Continued)

Investment Income

Investment income includes dividend and interest income and realized gains or losses on the sale of portfolio investments. Unrealized gains and losses on portfolio 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.

Grants and transfers are recognized as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

Valuation of Financial Assets and Liabilities

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

Financial Statement Component	Measurement
Cash	Cost
Accounts receivable	Lower of cost or net recoverable value
Portfolio 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 at the end of the year.

Cash

Cash comprises of cash on hand and demand deposits.

Accounts Receivable

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (Continued)

(b) Basis of Financial Reporting (Continued)

Portfolio Investments

Portfolio investments in Limited Partnerships are recognized at fair value. 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 gains and losses from changes in the fair value of portfolio 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 recognized in net investment **income**.

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 recognized 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; **and**
- accrued employee vacation entitlements.

Foreign Currency Translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the Statement of Financial Position date. Unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and **Losses**.

In the period of settlement, foreign exchange gains and losses are reclassified to the Statement of Operations, and the cumulative amount of remeasurement gains and losses are reversed in the Statement of Remeasurement Gains and **Losses**.

Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Portfolio investments recognized at \$90,172 (March 31, 2016 – \$83,557) 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**.

Note 3 Future Accounting Changes

The Public Sector Accounting Board has 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.
- **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.
- **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)

The budget column reported on the Statement of Operations reflects the original budgeted surplus of \$50,000 as published in the 2016 – 17 Government Estimates.

Note 5 Cash

(in thousands)

	2017	2016
Cash	\$ 48,228	\$ 53,694

As at March 31, 2017 the Corporation has \$48,228 (2016 – \$53,694) in cash. \$44,884 (2016 – \$33,263) 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 Accounts Receivable

(in thousands)

	2017	2016
Grant Receivable	\$ 50,000	\$ –
Other Receivable	200	–
	\$ 50,200	\$ –

Note 7 Portfolio 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. An additional \$25,000 was allocated in 2016 and \$50,000 was allocated in 2017 for additional investments in Limited Partnerships.

The Corporation is a Limited Partner in twelve (2016 – ten) Limited Partnerships and \$135,043 (2016 – \$111,379) has been contributed 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 Partnerships' funding requirements. Distributions from the Limited Partnerships can be used toward future cash calls from the fund which distributed the capital. The Corporation's contributions to date and commitments are as follows:

Limited Partnerships	Funds Disbursed to Partnerships for Investments ^(a)	Remaining Commitments	Total Funds Disbursed and Committed, End of the Year
32 Degrees D.E.Fund II (S&T AIV)	\$ 9,521	\$ 479	\$ 10,000
Accelerate Fund I	10,000	–	10,000
Accelerate Fund II	800	9,200	10,000
Avrio Ventures II	5,286	714	6,000
Avrio Ventures III	1,254	3,746	5,000
Azure Capital Partners III ^(b)	10,606	701	11,307
Chrysalix Energy III Fund ^(b)	12,681	4,286	16,967
EnerTech Capital Partners IV ^(b)	12,647	5,835	18,481
iNovia Fund III	7,941	2,059	10,000
McRock iNfund	3,732	6,268	10,000
Relay Ventures Fund III ^(b)	2,713	10,574	13,287
Yaletown Ventures II	12,977	1,023	14,000
Total	\$ 90,159	\$ 44,884	\$ 135,043

(a) Funds disbursed during the year include management fees of \$2,756 (\$3,049 – 2016). Management fees may be recovered from Limited Partnerships in accordance with the Limited Partnership agreements. Total funds disbursed at the end of the year include management fees of \$17,371 (\$14,615 – 2016).

(b) Commitments payable in USD. Remaining commitments based on the exchange rate at March 31, 2017.

Note 7 Portfolio Investments (Continued)

(in thousands)

The changes in the fair values of the Corporation's investments in Limited Partnerships since April 1, 2016 are as follows:

Limited Partnerships	Investment in Partnerships, beginning of year	Funds Disbursed to Partnerships for Investments	Distributions received from Limited Partnerships	Remeasurement Gain (Loss)	Investment Gain (Loss)	Investment in Partnership, end of year	Percentage share of Partnership 2017	Percentage share of Partnership 2016
32 Degrees D.E.Fund II (S&T AIV)	5,588	75	(158)	186	(100)	5,591	99.99%	99.99%
Accelerate Fund I	7,956	–	–	285	(520)	7,721	99.99%	99.99%
Accelerate Fund II	–	800	–	–	(47)	753	100.00%	0.00%
Avrio Ventures II	6,279	129	(1,787)	247	960	5,828	6.56%	6.56%
Avrio Ventures III	–	1,254	–	(159)	(200)	895	4.92%	0.00%
Azure Capital Partners III	12,486	1,119	–	1,739	(508)	14,836	12.42%	12.42%
Chrysalix Energy III Fund	16,487	905	–	498	(845)	17,045	10.32%	10.32%
EnerTech Capital Partners IV	7,867	3,293	–	(345)	(439)	10,376	12.66%	12.66%
iNovia Fund III	13,243	900	(3,548)	608	2,452	13,655	9.04%	9.04%
McRock iNfund	1,299	2,072	–	7	(291)	3,087	14.22%	15.33%
Relay Ventures Fund III	–	2,713	–	(505)	(398)	1,810	7.30%	0.00%
Yaletown Ventures II	12,352	700	(4,305)	(1,151)	979	8,575	15.58%	15.58%
Total Portfolio Investments 2017	83,557	13,960	(9,798)	1,410	1,043	90,172		
Total Portfolio Investments 2016	71,176	11,051	(5,017)	6,697	(350)	83,557		

Note 7 Portfolio Investments (Continued)

(in thousands)

Fair Value Hierarchy

Management is responsible for estimating the relative reliability of data or inputs used by the Corporation to measure the fair value of the Corporation's investments. The measure of reliability is determined based on the following three levels:

- Level One:** 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 Two:** 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. For these investments, fair values are either derived from a number of prices that are provided by independent pricing sources or from pricing models that use observable market data such as swap curves and credit spreads.
- Level Three:** 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 Corporation's perceived risk of that investment.

The Corporation's investments have all been classified within level three 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 three, 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.

Note 7 Portfolio Investments (Continued)

(in thousands)

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 foreign 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.

(b) Foreign Currency Risk

The Corporation is exposed to foreign currency risk associated with the underlying securities held in investment funds that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair value of investments denominated in foreign currencies is translated into Canadian dollars using the reporting date exchange rate.

The value of the Corporation's investments in Limited Partnerships denominated in foreign currencies may change due the changes in exchange rates. \$44,066, or 49% of the Corporation's investment, are denominated in US dollars (2016 – \$36,839, or 44%).

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 4.9% of total investments (2016 – 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 8 Accounts Payable and Accrued Liabilities

(in thousands)

	2017	2016
Accounts Payable and Accrued Liabilities	\$ 370	\$ 381

Note 9 Deferred Revenue

(in thousands)

	2017	2016
	Government of Alberta	Government of Alberta
Balance, beginning of year	\$ 441	\$ –
Contributions receivable during the year	25,000	500
Less: amounts recognized as revenue	(10,210)	(59)
Net deferred revenue	14,790	441
Balance, end of year	\$ 15,231	\$ 441

Note 10 Contractual Obligations

(in thousands)

Contractual Obligations

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 7. Other contractual obligations are:

	2017	2016
Obligations under Operating Leases	\$ 177	\$ 119
Obligations under Service Contracts	131	243
	\$ 308	\$ 362

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

	Operating Leases	Service Contracts	Total
2017-18	\$ 34	\$ 114	\$ 148
2018-19	35	10	45
2019-20	36	7	43
2020-21	36	–	36
2021-22	36	–	36
Thereafter	–	–	–
	\$ 177	\$ 131	\$ 308

Note 11 Comparative Figures

Certain 2016 figures have been reclassified to conform to the 2017 presentation.

Note 12 Approval of Financial Statements

The Board approved the financial statements of Alberta Enterprise Corporation.

Schedules to the Financial Statements

Year Ended March 31, 2017

Schedule 1 – Expenses – Detailed by Object

Year Ended March 31, 2017

(in thousands)

	2017		2016
	Budget	Actual	Actual
Salaries, Wages, Benefits and Payments to Consultants	\$ 859	\$ 859	\$ 526
Supplies and Services		859	534
Grants and Sponsorships		237	119
Financial Transactions and Other		–	10
	\$ 850	\$ 1,955	\$ 1,189

Schedule 2 – Salary and Benefits Disclosure

Year Ended March 31, 2017

(in thousands)

	2017				2016
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-cash Benefits ⁽⁵⁾	Total	Total
Chair of the Board	\$ –	\$ 45	\$ 2	\$ 47	\$ 46
Board Members (four) ⁽³⁾	–	78	4	82	105
Executives:					
Chief Executive Officer ⁽¹⁾	277	4	18	299	220
Directors, Investments ⁽⁴⁾	284	–	9	293	104
Director, Industry Development ⁽⁶⁾	131	–	4	135	59
	\$ 692	\$ 127	\$ 37	\$ 856	\$ 534

(1) Base salary was established through employer and employee arrangements in January 2016.

(2) Other cash benefits for Board Members include honoraria payments and per diem allowances. Other cash benefits for the Chief Executive Officer include life and disability allowances. There were no discretionary amounts paid to executives in 2017 (2016 – nil).

(3) The Board of Directors consisted of four members in 2017 (2016 – four).

(4) A secondary Director, Investments started work April 18, 2016.

(5) Other non-cash benefits include Canada Pension Plan, Retirement Savings Plans and Employment Insurance payments.

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

Schedule 3 – Related Party Transactions

Year Ended March 31, 2017

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the Corporation. The Corporation and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect changes applicable to all users, and have been excluded from this schedule.

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 reported in the Statement of Operations and the Statements 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	
	2017	2016	2017	2016
Revenues				
Grants	\$ 36,060	\$ 25,909	\$ –	\$ –
	\$ 36,060	\$ 25,909	\$ –	\$ –
Expenses				
Other Services	\$ 17	\$ 30	\$ 132	\$ 40
	\$ 17	\$ 30	\$ 132	\$ 40
Receivables	\$ 50,000	\$ –	\$ –	\$ –
Deferred Revenue	\$ 15,230	\$ –	\$ –	\$ 441
Contractual Obligations	\$ –	\$ 25	\$ 104	\$ 337





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 Sustainable Development
Technology Canada

Brad Zumwalt

Founder and Partner of Zinc Ventures

Management Team

Kristina Williams, President and CEO

Rebecca Giffen, Director of Investments

Paul Godman, Director of Investments

Kenya Kondo, Director of Industry Development

Connie Nye, Operations Manager

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