

5TRENGTH + NUMBER5

TEN YEARS OF INVESTMENT IN ALBERTA

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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, Trade and Tourism [EDTT].

5STRENGTH IN NUMBER5

Alberta Enterprise Corporation was created 10 years ago. In that time, we have seen the emergence of some significant numbers. *Dollar values related to our technology fund investments on behalf of Albertans. Figures around jobs created. Stats on the return we see from every dollar invested in Alberta technology companies.*

Yet, to us, *Strength In Numbers* goes beyond the bottom line. It also represents the benefits of collaborating with others in our industry to create an environment that fosters a prosperous and self-sustaining Alberta technology sector. In our case, it is promoting a vibrant, engaged, locally-based Venture Capital industry.

Alberta Enterprise and Alberta's technology sector have seen a great deal of progress in this short time. We are confident about the opportunities before us in the years ahead.

Our strength lies in:

- Attracting Venture Capital (VC) to Alberta.
- Assisting Alberta tech startups through this VC activity.
- Creating high value, technology jobs in the province.
- Generating profitable returns through the funds in which we invest.
- Helping build and promote a viable and profitable tech sector.

Alberta Enterprise is steadily helping to build a dynamic and sustainable environment necessary to support a modern technology industry. All indicators point to the fact this proven model is working here in Alberta and is generating results both to the bottom line and beyond.

OUR MISSION

Alberta Enterprise's mission is to foster a thriving Venture Capital industry in Alberta, one that provides access to venture capital and other resources needed to create successful Alberta technology companies.

We are invested in supporting entrepreneurial and globally competitive businesses that will create high skilled jobs for Albertans and contribute to a healthy provincial economy for the future Alberta.

Technology is key to a diverse and strong economy of the future.

It brings high value jobs to Alberta and it helps retain our best and brightest. We focus our investments toward key growth sectors, including industrial technologies which strengthen our resource-based economy, as well as technology sectors which diversify the Alberta economy, including information technology and life sciences.

In compliance with our governing legislation and agreement with the Ministry of Economic Development, Trade and Tourism (EDTT), 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.

The province's over 1,200 startup technology companies need smart capital, which includes access to money, mentors and management expertise. 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. The fund model leverages our capital to create a bigger pool of investments for companies. It adds further value by providing access to markets, mentors and management expertise for Alberta companies, accelerating growth. If companies aren't connected with the support they need, they will leave to find it elsewhere in other markets.

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. It's an arms-length approach where we contribute to the success of Alberta's emerging technology leaders, while receiving a fair return on investment on behalf of Alberta taxpayers. **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 and stronger economy.**

Our efforts promote economic development, a more resilient and diversified provincial economy, made-in-Alberta technologies and job creation for Albertans.

HIGHLIGHTS

\$183
MILLION

COMMITTED FOR INVESTMENT

in 17 funds: 32 Degrees II, the Accelerate Fund I and II, Avrio II and III, Azure III, Builders VC, Chrysalix III, EnerTech IV, iNovia 2011 and 2018, McRock iFund, Panache 2018, Relay III, RIO I, Yaletown II and Yaletown Growth Fund.

>\$494
MILLION

OF VC INVESTMENT INTO ALBERTA COMPANIES

EVERY **\$1**

INVESTED BY ALBERTA ENTERPRISE

has resulted in more than \$4 of investments back into Alberta companies.

OVER
1,400

DIRECT JOBS CREATED

SUCCESS IN NUMBERS.

Over the last ten years we have achieved a return on investment in the form of economic development in the region, financial return on the investment, as well as a developing and maturing VC industry. Here are some examples of the successes we have achieved.

1. Establishing access to smart capital.

Alberta Enterprise has committed \$183 million for investment in 17 funds. 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. By investing strategically, we have leveraged our \$183 million capital commitments and created access to >\$1.7 billion (9:1 leverage).

2. Impact beyond Alberta.

Our investments have extended our ecosystem by forging connections to >250 other Limited Partners, almost 550 portfolio companies, and over 400 VC firms. We have co-invested with companies such as Dell, Citrix, Cisco, Shell, Total, Fortum, SABIC, and Newalta to mention a few.

3. Investments into Alberta companies.

Our VCs and their partners have already invested over \$494 million in 42 Alberta technology companies. 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 increased by more than six times in the last six years and is expected to grow significantly over the 10-year life of these funds.

2013 → \$79M	→ 8 COMPANIES
2014 → \$171M	→ 21 COMPANIES
2015 → \$280M	→ 24 COMPANIES
2016 → \$305M	→ 28 COMPANIES
2017 → \$375M	→ 30 COMPANIES
2018 → \$406M	→ 35 COMPANIES
2019 → \$494M	→ 42 COMPANIES

4. Creation of jobs.

The 42 companies that have received venture capital from our funds have created more than 1,400 direct jobs and an estimated 1,800 indirect jobs in Alberta.

5. Delivering return on investment for Alberta taxpayers.

Every \$1 invested by Alberta Enterprise is currently worth \$1.17, meaning the value of the investments plus distributions received to date exceeds the capital called for investments and management fees. A value that will increase even further as our funds mature.

Our VCs have already had 21 profitable exits, resulting in distributions of more than \$25 million to Alberta Enterprise.

The distributions from our investments have 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, we are delivering on our mandate in a cost-effective way.

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. In turn, this growth will serve to create more high value jobs and tax revenue in the province.



MESSAGE FROM THE BOARD OF DIRECTORS CHAIR

Ten years ago, the Government of Alberta realized that providing technology entrepreneurs access to Venture Capital was crucial if Alberta was to thrive in the knowledge-based economy of the future. So, they committed \$100 million to be invested in VC funds that invested in Alberta start-ups, and created Alberta Enterprise Corporation to manage this investment.

For the Province, this was entirely new ground. What was needed was a knowledgeable team to guide the initiative. A board of proven business leaders who intimately understood the unique world of technology start-ups.

The founding Board of Directors included four visionary individuals with impeccable credentials. **Barry Heck, Geoffrey Browne, Vicky Sharpe and Brad Zumwalt** were all unwavering in their commitment to building a viable, self-sustaining technology industry in this province.

Thanks to their contributions over the past decade, Alberta Enterprise can proudly point to some impressive numbers as a measure of its success. Over this period, Alberta Enterprise has invested in 17 VC funds, attracting over \$494M of investment into 42 Alberta technology startups. More than 3,200 direct and indirect jobs have been created in the province as a result.

In 2018, Barry, Geoffrey, Vicky and Brad reached their maximum mandated term limits. A new board was required to carry on with their exceptional work. Fortunately, six incredibly well-qualified candidates stepped forward to carry the torch.

Alice Reimer (Vice Chair), **Jim Gibson, Neil Sadaranganey, Tracey Scarlett, Sharilee Fossum** and **Patricia Johnston** are the newest members of the Alberta Enterprise Board of Directors. They bring a diverse set of skills and backgrounds to the organization, along with a wealth of experience in corporate governance. Under their guidance, I am confident Alberta technology will surge to a new and exciting level of prominence on the world stage: to the pride and benefit of all Albertans.

[Originally signed by]

Paul Haggis
Chair

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

As a province, we have taken great strides in creating the conditions that foster the development of world-class technology companies right here at home – which is allowing Alberta entrepreneurs to compete globally. A key factor has been, and will continue to be, our ability to attract smart capital in the form of Venture Capital. Having a strong Venture Capital community in Alberta is imperative to growing a stronger economy and long-term, high value jobs.

This year our Deal Flow Study identified more than 1,200 technology startups active in the province. These are young companies focused on strengthening our foundational industries of energy and agriculture, as well as new technologies in the areas of life sciences, artificial intelligence and machine learning. Venture Capital is a central part of the funding continuum required to grow these technology startups, as it provides a vital bridge between grants and commercialization funding to bank loans and larger institutional funding. Through our investment in funds that support Alberta tech ventures, and our industry development activities, we provide Alberta technology companies with more than just money, we provide them with critical access to markets, mentorship and management expertise.

Our model of investing in VC funds rather than subsidizing business (and picking winners and losers) is a best practices approach: one that is that is arms-length and market driven. It allows us to leverage private capital, which can then be accessed by private Alberta-based technology companies. All of this is achieved with relatively limited government involvement.

Our investment model is unique, as we are generating economic development in Alberta, while also creating long-term financial returns for the Province on its original investment. We made our first investments in Venture Capital funds in 2010. Nine years later, we are not only seeing continuing financial returns on our investments: we are also benefiting from tangible economic development in the region, and are witnessing the growth and maturation of a local Venture Capital industry. Every \$1 invested by Alberta Enterprise is currently worth \$1.17, a value that will increase even further as our funds mature. By adhering to stringent budgeting and operational practices that are respectful of our role as a taxpayer-funded entity, we are delivering on our mandate in a cost-effective way. Alberta



Enterprise has been a cost-neutral initiative of the Province, as income from distributions have outpaced our operating costs since our inception.

To date, we have attracted more than \$494 million of investments into 42 Alberta technology companies. Every \$1 invested by Alberta Enterprise has resulted in more than \$4 of investments back into Alberta companies. Many of the organizations and events that we helped kick start, including the A100 and AccelerateAB, are now self-sustaining and provide key meeting points between seasoned tech mentors, investors and entrepreneurs. This year we put extra focus into attracting investment into our new technologies by setting up StartAlberta.com to serve as a connection point between investors and entrepreneurs.

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 and strong 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 starting to flourish. Although Alberta's VC sector has achieved some scale, we are expecting the demand for capital will outpace the supply in the province, in particular for companies at the earlier stages. We are still lagging other technology hubs. 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.

We will continue providing strong returns for the province, shaping Alberta into a formidable knowledge-based economy – and further cementing Alberta's reputation as Canada's premiere destination for business and investment. 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]

Kristina Williams
President and CEO

SUCCESS BEYOND THE NUMBER5

THE 2018 ALBERTA DEAL FLOW STUDY

Dealflow is a term used by those in the Venture Capital and investment community to describe the rate of investment proposals they receive. It can serve as a measure of the activity and health of the sector... and can be used to broadly describe the offers and opportunities that exist in a given market.

The stage and composition of dealflow provides a critical indicator of a thriving ecosystem. For this reason, Alberta Enterprise created the Alberta Tech Deal Flow Study, to bridge this knowledge gap and to provide deeper insight into the technology dealflow landscape in Alberta.

EARLY-STAGE INVESTMENT OPPORTUNITIES. FEMALE LEADERSHIP RATES DOUBLE THE NATIONAL AVERAGE.

The 2018 Alberta Tech Deal Flow Study revealed the strength of dealflow in our province and confirmed that Alberta continues to offer substantial opportunity for early-stage investors to source dealflow in the pre-seed to Series A range (with 60% of companies falling into this category).

The Study also verified that our tech ecosystem is benefiting from strong female representation. Thirty percent of Alberta tech founders and co-founders are

female (a 50% increase over 2016). This rate is more than double the national average, with females representing only 6% of solo tech founders, and 13% of executive tech positions¹

In addition, the Study established that 40% of tech companies operate in the software sector, while 21% of tech dealflow is in the energy tech and clean tech sector, and 13% in the Life Sciences sector.

Another interesting finding indicated a significant number of Alberta startups (34%) are integrating artificial intelligence (AI) and machine learning (ML) into their offering, providing the catalyst for innovation to many of Alberta's heritage industries.

40%

OF TECH COMPANIES OPERATE
IN THE SOFTWARE SECTOR

21%

OF TECH DEALFLOW IS IN THE
ENERGY TECH AND CLEAN TECH
SECTOR

34%

OF ALBERTA STARTUPS ARE
INTEGRATING ARTIFICIAL INTELLIGENCE
(AI) AND MACHINE LEARNING (ML)
INTO THEIR OFFERING

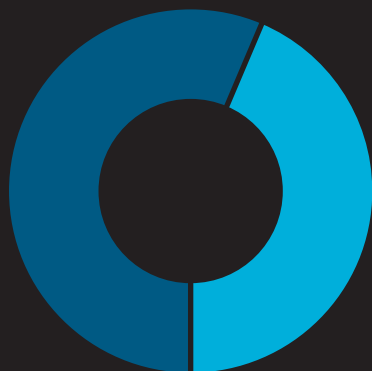
¹ 2017 Move the Dial Benchmark Report

SUCCESS STORIES

Entrepreneurship is a key part of Alberta's rich history as a province and this is an exciting time of growth for investors and technology companies. Alberta Enterprise portfolio companies are achieving new heights of success through the mentorship and access to Venture Capital that Alberta Enterprise fund investments provide. The data tells us that equity financing has a critical impact upon the health of our tech ecosystem, as showcased through the successes of the following companies.

ALBERTA TECH 1NS1GHT5

According to the 2018 Alberta Tech Deal Flow Study, software continues to be the leading sector across active startups in the Alberta tech ecosystem, with software companies comprising 40% of the dealflow. Increasingly, software is being marketed through online, cloud-based platform – and a variety of apps – both of which are helping to erase borders and open up markets around the world. Alberta companies are successfully offering software solutions that cover a diverse array of applications and sectors: from science to the entertainment business. **StellarAlgo** is one of many software-as-a-service (SaaS) companies that is challenging national and international perceptions of Alberta dealflow – making a big league impact on the world of sports marketing.



SOFTWARE
COMPANIES COMPRISE
40%
OF THE DEALFLOW.

STELLARALGO



Sean Flynn



Vincent Ircandia

StellarAlgo's customer data platform enables North America's top sports properties to understand their audiences and recommend the touchpoints that will grow their affinity, engagement and lifetime value. Our SaaS platform uses machine learning technology to enable live audience organizations to gain valuable insights and thorough understanding of their fan universe.

The platform's predictive capabilities allow organizations to understand customer propensities for products and events while also unlocking "the why" behind conversion.

Today, StellarAlgo is successfully utilized by the world's top major tennis tournaments, major and minor league sports franchises, museums and more. We are using cutting edge technology and data expertise to push the boundaries of what is possible. While 95% of our customers are in the United States, 100% of our staff reside in Alberta.

Accelerate Fund II has played a major role in positioning StellarAlgo for growth. The knowledge and experience the Accelerate team possesses is a significant advantage for us as a business and we look forward to their ongoing support as we dream big.

Vincent Ircandia
Co-Founder, StellarAlgo

Sean Fynn
Co-Founder, StellarAlgo



ENERGY & CLEANTECH
STARTUPS COMPRISED

21%

OF THE DEALFLOW IN THE ALBERTA
TECHNOLOGY SECTOR.

ALBERTA TECH INSIGHT5

*In a province that is considered a leader and innovator in oil & gas technology, it is not surprising that energy and cleantech startups comprised 21% of the dealflow in the Alberta technology sector. Alberta's deep experience in energy exploration and production, and wealth of technical talent, is helping Alberta energy tech startups lead on a global scale. The province has long been known for introducing new hardware and software to improve efficiency and productivity – increasing sustainability in the process. What is interesting is a finding in the 2018 Alberta Tech Deal Flow Study showing that 34% of these tech companies are now incorporating artificial intelligence and machine learning into their product. It is proof that Alberta is at the forefront of change. **Ambyint** is just one company that is transforming Canada's energy industry through its groundbreaking technology.*



AMBYINT

Ambyint is an artificial lift optimization solutions provider that uses artificial intelligence and Industrial Internet of Things (IIoT) for enhanced real-time visualization and control of the wellsite. It seamlessly integrates workflows with operations for greater ease and peace of mind. Ambyint has been delivering remote well visibility, increased control of the wellsite, production improvements, and reduced opex for operators. Leveraging new technologies such as artificial intelligence, machine learning, and industrial internet of things, our innovative solutions are a significant step-change from legacy technology – and are being deployed around the world.

Ambyint has offices and staff in Calgary, Houston, and Ann Arbor. The company is led by a team of experienced oilfield entrepreneurs, production engineers, operations practitioners, and leading-edge technologists. Today, the company employs 62 people.

In 2017, Ambyint raised US\$11.5 million Series A funding round led by Mercury Fund – with participation by GE Ventures, Statoil Technology Invest, Cottonwood Venture Partners, and Builders VC. Working with Builders VC and our other partners will help us to pursue our ultimate vision of expanding into other vertical remote assets.

Alex Robart
CEO, Ambyint

ALBERTA TECH INSIGHT5

The 2018 Alberta Tech Deal Flow Study revealed that Alberta's technology sector is becoming more mature and established. In 2018, 63% of companies were moving into the later stages of product development (i.e. launched and achieving traction), compared to 51% in 2016. At this point, early stage investors begin seeing a return on their investment. As more and more Alberta companies begin making a name for themselves and leaving their mark on the global stage, the entire Alberta tech sector will benefit from the positive exposure. It is a healthy sign that the sector is evolving and moving forward. **MobSquad** is an example of an Alberta company that is breaking through after years of refining a novel business model. Today, they are actively changing the way American tech firms do business in Canada – creating immense opportunity on both sides of the border.



IN 2018

63%

OF COMPANIES WERE
MOVING INTO THE LATER
STAGES OF PRODUCT
DEVELOPMENT

MOBSQUAD

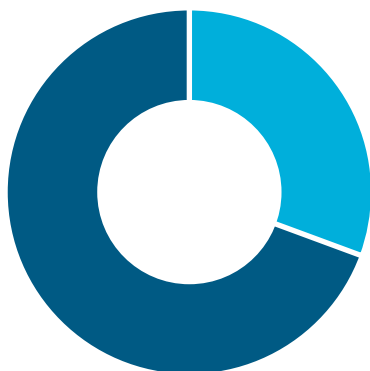


MobSquad solves the significant and growing technology talent shortage faced by US-based start-ups and scale-ups by enabling its clients to quickly have a turnkey “virtual” Canadian subsidiary. We ensure software engineers with US work visa challenges remain working with their current company, but remotely from Canada. This is accomplished via MobSquad’s unique partnership with the Canadian Government, enabling accelerated work visas and permanent residency. Additionally, MobSquad has unfettered access to top-tier global talent which it relocates to Canada and pairs with clients on an exclusive, long-term basis. We also manage the ongoing administrative processes of having talent in Canada including legal, tax, human resources, real estate, benefits administration, and accounting.

MobSquad has raised a total of \$11 million in funding, comprised of US\$4.6MM in seed funding from private investors, including Relay Ventures and Panache Ventures, as well as \$5.5MM in non-dilutive funding. This funding has enabled MobSquad to grow by investing in three key areas: sales and marketing activities to US-based clients; identification of talent both internationally and domestically; and a Calgary office build-out designed with remote work in mind, enabling seamless interaction with clients across the US.

We have become a core hub of innovation in Calgary. MobSquad has programmed and hosted a variety of events for the tech and business community. This includes a fireside chat with Dr. Norman Winarsky, the co-founder of Siri, and sponsorship of events such as Chic Geek, Women in Tech, International Women’s Forum and Creative Calgary.

Irfhan Rawji
Founder & CEO, MobSquad



IN 2018,

30%

OF ALBERTA TECHNOLOGY
COMPANIES REPORTED HAVING
A FEMALE CO-FOUNDER

ALBERTA TECH INSIGHTS

*In 2018, 30% of Alberta technology companies reported having a female co-founder, a 50% increase since 2016. This impressive gain in female participation has been encouraged by organizations that make supporting women in tech a priority in Alberta. Initiatives such as the **Women in Tech conference** held in conjunction with AccelerateAB are establishing broad and deep networks for technically-enabled women to tap into.*



WOMEN IN TECH CONFERENCE

Championing women in technology is one of the most important causes in our industry today. As of 2017, only 6% of Canadian technology companies had a solo female founder, and only 13% of tech companies executives were female. Learning that Alberta had over twice as many female co-founders as the national average was incredibly encouraging – yet it is a number that must continue to increase.

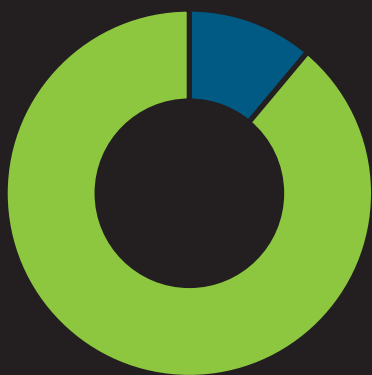
So, why are Alberta women more engaged in tech? It is a result of living in a young, entrepreneurial community that is open to diversity. Also, tech is a meritocracy where success comes from having the right person for the job, regardless of gender.

AccelerateAB's Women in Tech track will focus on accelerating, supporting, and learning from Alberta's outstanding female entrepreneurs to help continue this positive trajectory. For the same reason the A100 was created to grow tech in Alberta 10 years ago, it's now about encouraging the fortifiers to take action and support the next generation of female leaders in tech.

Cynthia van Sundert
Executive Director, A100

ALBERTA TECH INSIGHTS

*The 2018 Alberta Tech Deal Flow Study revealed female participation in leadership roles in the tech sector in Alberta is at 30%. The Study also revealed that 84% of Alberta tech startups are led by founders who have a technical background in a relevant industry. Emily Hicks of **FREDsense** checks both boxes.*



84%

**OF ALBERTA TECH STARTUPS ARE
LED BY FOUNDERS WHO HAVE A
TECHNICAL BACKGROUND IN A
RELEVANT INDUSTRY**

FREDSense



FREDsense Inc. is a Calgary-based water instrumentation company. Coupling genetic engineering and electrochemistry, FREDsense creates portable devices to allow field measurement of trace contaminants such as arsenic and lead. Founded in 2014, FREDsense has 13 full time employees and has just launched its first product, FRED-Arsenic, in both Canada and the US.

As co-founder and President of FREDsense, it is so wonderful to be surrounded by such an impressive number of strong female founders in Alberta. I think this is largely due to the entrepreneurial spirit here, as well as the growing innovation ecosystem that supports and encourages diversity. There are several great role models in the province, and I think that helps young potential female founders see themselves in those kind of roles.

The Accelerate Fund II has been critical in helping FREDsense bring our first product to market. As an early stage company, the investment has enabled FREDsense to assemble the right team, and to do a lot of the validation necessary for such a technical product. Their business expertise has been a huge asset to us as we bring our first product to market and navigate new sales and contracts.

Emily Hicks

President & Co-Founder, FREDsense

MANAGEMENT'S DISCUSSION & 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 startups in Alberta 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:

1. North American funds currently operating outside Alberta.
2. Funds that are local to Alberta.
3. Funds focused on early stage investments.

Outside expertise: A key strategy behind Alberta Enterprise's fund approach is to pull VCs from outside Alberta so that we can leverage their industry and network of experts. It is important to attract established fund managers with startup experience, industry connections and networks, because beyond money, this is what Alberta startups lack.

Alberta-based funds – internal knowledge: Equally important is the need to grow and develop Alberta-based funds. Alberta Enterprise has supported locally based funds, such as Avrio, and we are developing home-grown VC talent through the local representatives of the funds headquartered outside Alberta. We continually meet with new locally based teams, knowing that it takes time to build a strong Alberta VC fund presence.

Fit-to-purpose funds: It is imperative to ensure that Alberta Enterprise invests in funds that complement the available deal flow in the province. In 2018, Alberta Enterprise conducted a deal flow study which showed a large portion of the technology companies in Alberta are early stage. It is therefore vital to continue focusing on this stage of investments.

Our strategy is to ensure that funds representing each investment objective are integrated, so that each type can syndicate deals and leverage the networks of the other types. For example, we are encouraging VCs from out-of-province to co-operate with local investors to take advantage of the local deal flow networks, allowing local investors to take advantage of the global networks that external VCs 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 strengthen Alberta's economic base.

Improved profile for Alberta Venture Capital and technology ecosystem internationally, and enhanced ability to attract external investment capital.

RESULTS ACHIEVED BY ALBERTA ENTERPRISE TO DATE

Immediate and intermediate outcomes

- Alberta Enterprise has committed \$183.4 million for investment into 15 VC funds and two angel co-investment funds: Accelerate I and Accelerate II.
- Through these funds, Alberta knowledge-based companies have had access to >\$1.7 billion in Venture Capital. **We have successfully leveraged our capital investment over 9:1.**
- We now have **12 GPs with an active presence in the province of Alberta**, which is a significant increase in the number of VC professionals actively at work in Alberta. Our investments have resulted in eight VC's creating new offices in Alberta, and an additional six expansions of new or existing Alberta VC offices over time. Looking back over the past year of investments, one new office was created [Builders], and two offices were expanded [iNovia 2018 and Rio I].
- Our investments have activated and support **25 venture investment professionals operating in the Province of Alberta**, including the Alberta representatives named in our agreements, and other associated investment professionals.
- Alberta Enterprise's investments in funds have generated more than **four times the capital back into Alberta companies**. As of March 31, 2019, **our VCs and their syndicate partners have already invested over \$494 million in 42 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, working toward a **diversified economy** in Alberta.
- We have developed a **solution to address funding gaps for earlier-stage companies** by launching two angel co-investment Accelerate funds, and investing in several funds that include seed-stage opportunities in their investment focus.

- 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.
- 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 more than \$375 million of syndicate 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.
- Thirteen of our 17 funds have international investors, and seven 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.

OUTCOMES

A thriving and self-sustaining VC industry in Alberta.

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

RESULTS ACHIEVED BY ALBERTA ENTERPRISE TO DATE

Ultimate outcomes

Alberta knowledge-based companies need access to Venture Capital. Venture Capital is 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 technology industries. The VC industry is a critical part of the ecosystem that helps move companies from concepts and research to commercial product development. A self-sustaining VC industry will contribute to a more diversified, resilient economy, where Albertans will benefit from high quality jobs, a high standard of living and a broad base of economic opportunities. Additionally, a sustainable VC industry with available capital for investment will make Alberta globally recognized as a competitive business choice.

Alberta Enterprise has been investing in VC funds since 2010. A typical VC fund has a life of 10 to 12 years. As such, it is still too early to predict the full impact of Alberta Enterprise's activities, but as detailed above, over our investment period 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 continue to:

1. Attract more VCs and VC funding to Alberta.
2. Provide multi-sectoral coverage that matches the capital to the deal flow in the province.
3. Address the critical gaps 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.***

The investment capital from the Government of Alberta is a ***financial investment, not a cost.*** We expect to return the province's \$175M 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 21 profitable exits, which is on-track with expectations for this stage in the life of the funds. The value of the investments plus distributions received to date exceeds the combined cost of the investments and management fees. Every \$1 invested by Alberta Enterprise is currently worth \$1.17, a value that will increase even further as the funds mature.

The financial return to the Province on our initial investment will not fully be known for another 5-10 years.

VENTURING ALONGSIDE US – OUR VC PARTNERS.

Over the past year, Alberta Enterprise committed an additional CAD \$33.4 million for investment in three funds, including: USD \$7.5 million in the Builders VC Fund, which focuses on Series A and later stage investments in industrial innovation, USD \$10 million in the iNovia 2018 Fund, which focuses on early stage Seed and Series A investments in ICT, and CAD \$10 million in the RIO I Fund, which focuses on Series A and later stage investments in the Agri-Food space.

Throughout the year, Alberta Enterprise's investment team continued to monitor and report on the Corporation's limited partnership investments made previously. These include:

- **32 Degrees Diversified Energy Fund II** – [Services & Technology Co-Invest] – focused on energy technology, with initial investments targeting Series A stage companies.
- **Accelerate Funds I and II** – angel co-investment funds targeting Alberta technology companies, with initial investments focused on seed and early stage companies.
- **Avrio Ventures II and III** – focused on innovative food and agriculture companies, with initial investments targeting Series A, and beyond, stage companies.
- **Azure Capital Partners III** – focused on the information technology sector, with initial investments targeting post-seed stage companies as well as Series A and beyond.
- **Chrysalix Energy III** – focused on the clean and energy technology sectors, with initial investments targeting Series A stage companies.
- **EnerTech Capital Partners IV** – focused on the energy and clean technology sectors, with initial investments targeting Series A stage companies.
- **iNovia 2011 Fund** – focused on the information technology sector, with initial investments targeting seed and Series A stage companies.
- **McRock iNFund** – focused on the “Industrial Internet of Things”, with initial investments targeting Series A stage companies.
- **Panache Ventures Investment Fund 2018** – focused on seed stage investments in ICT and other sectors.
- **Relay Ventures Fund III** – focused on mobile technology, with initial investments targeting Series A stage companies.
- **Yaletown Ventures II** – focused on the information and communications technology and clean technology sectors, with initial investments targeting Series A stage companies.
- **Yaletown III Growth Fund** – focused on Series A and later stage investments in companies enhancing sustainability and productivity for industrial and enterprise customers.



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. We have 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. Some of our initiatives to support the tech companies and the industry ecosystem include:

1. Sponsorships: Supporting the growth of the tech ecosystem through supporting ecosystem organizations

Alberta Enterprise relies on building strong relationships and partnerships to ensure that the technology sector grows both in terms of the quality and number of tech companies. This strong deal flow ensures continued investor interest and activity in Alberta, stimulating further growth.

In 2018-2019, Alberta Enterprise supported over 20 organizations and high impact programs, which in turn provided valuable support for Alberta tech companies. These organizations and programs included:

- The Venture Capital Association of Alberta
- Chic Geek and their annual women in tech event, Geeky Summit
- The Banff Venture Forum
- The PROPEL Energy Forum
- Startup Edmonton
- Startup Calgary
- Rainforest Alberta
- The AI00 and their Women in Tech and AccelerateAB events
- 321 Growth Academy
- 150 Startups and Innovation Rodeo

2. Collecting Data & Gaining Insights: Understanding the Ecosystem in Alberta

One of Alberta Enterprise's core objectives is ensuring the collection and dissemination of accurate data on the tech

ecosystem in Alberta. This is obtained through our various data resources and our strong, relationship-based network of investors, entrepreneurs and supporting organizations. Our network includes the AI00, San Francisco based C100, the Canadian Venture Capital Association (CVCA), the Venture Capital Association of Alberta (VCAA), PwC Canada's MoneyTree Report, the Trade Commission Service offices in San Francisco and Palo Alto, the various Government of Alberta divisions, Alberta tech ecosystem service providers, the hundreds of tech founders we interact with each year both within and outside of Alberta, and our investor network. These trusted relationships allow us access to a vast amount of information and data which we use to support Alberta's tech ecosystem.

Through these data relationships as well as, real-time data gathered from StartAlberta.com and our bi-annual undertaking of the Alberta Enterprise Tech Deal Flow Study, we are able to provide a report which serves as a leading yardstick for measuring the health, growth and composition of the Alberta technology and innovation sector.

3. Building Alberta's Network and Addressing Gaps in the VC Ecosystem

The impetus to create a central data and information resource about and for the Alberta tech ecosystem, one which would also better connect Alberta's tech companies and investors, goes back to an ecosystem need identified in 2016. In 2017, we partnered with the VCAA to build a prototype version for this resource and launched it in December of 2017 at www.StartAlberta.com.

As of 2018 StartAlberta serves as a comprehensive central deal flow directory which anyone can use freely to find Alberta tech companies. It allows Alberta tech entrepreneurs to connect with investors both within Alberta and beyond. The platform is leveraged as a key access point for investors hoping to invest in Alberta. Keeping with our philosophy of turning initiatives back to the ecosystem, the VCAA is now the steward of the portal. In early 2019, Alberta Enterprise and the VCAA further established the usefulness of the platform as an open resource in the ecosystem by forging a data partnership with global data platform Crunchbase. This partnership marks the first of many and ensures every Alberta startup with a profile on our platform enjoys exposure to Crunchbase's global network of 50 million users.

GOALS AND OUTCOMES: INDUSTRY DEVELOPMENT

OUTCOMES

Facilitated investment in Alberta knowledge-based companies.

RESULTS ACHIEVED BY ALBERTA ENTERPRISE TO DATE

Immediate and intermediate outcomes

To stimulate investment we have:

- Connected entrepreneurs to each other through the continued support of the **AccelerateAB Conference**, which Alberta Enterprise founded, now managed by the A100. In 2018 the event, held in Edmonton, was a sold-out success with over 450 Alberta technologists and innovators learning about the leading edge of Artificial Intelligence (AI) and interfacing with each other.
- Connected entrepreneurs to experienced management talent 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 and investors through:
 - **The Founders & Funders events** held in both Edmonton and Calgary, in partnership with Startup Edmonton, Startup Calgary and the A100. Alberta Enterprise co-hosted a Founders vs. Funders event, attended by over 100 people, alongside TEC Edmonton, BDC and Alberta Women Entrepreneurs (AWE), to create dialogue between female investors and female funders around capital concerns, featuring Alberta Enterprise startup SAM and investor Azure Capital, among other key ecosystem players.
 - **The StartAlberta Deal Flow Platform**, created in partnership with the A100 and managed by the **Venture Capital Association of Alberta (VCAA)**, enables better connections between investors and startups in the ecosystem. StartAlberta a comprehensive deal flow directory by local and international investors, with 351 companies, 35 investors, 79 organizations and 210 members active on the platform. Alberta startups receive greater exposure to international investors through a data partnership with **Crunchbase**, which provides exposure to their 50 million users.
- Connected investors to each other through:
 - The continued support of the **VCAA**, their annual Conference and the Stampede event, creates the ability for VCs to share best practices and investment opportunities. The **VCAA** currently has 30 member firms across institutional, VC, PE, and strategic investors and advisors, and has experienced 21% year-over-year growth since 2012. The 2019 Investor Ski Day Conference garnered record attendance of 85 attendees.
 - Alberta Enterprise supported the **Alberta Innovates Inventure\$ Conference in its inaugural year** through inviting portfolio funds in our investor network to attend; Alberta Enterprise connects investors to each other to build broad investor relationships to spur investment syndication, sharing of expertise and deal flow
 - Accepting the invitation to co-chair the prestigious **CVCA 2018 Invest Canada Conference**, Canada's largest Private Equity and VC conference, which took place in Calgary. The location marked an important milestone for the Alberta tech ecosystem, as the Province last hosted the conference in Banff in 2013 and Calgary in 2009. Kristina Williams' role as co-chair speaking on behalf of the Canadian VC industry, alongside TriWest Capital, ensured the 563 leading venture capital and private equity investor attendees hailing from Canada and the US received significant exposure to Alberta opportunities.

OUTCOMES

Addressing gaps in the Alberta VC investment ecosystem.

Build Alberta's network by growing Alberta's connection to the external VC ecosystem.

RESULTS ACHIEVED BY ALBERTA ENTERPRISE TO DATE

Immediate and intermediate outcomes

To address gaps in the ecosystem we:

- Created the inaugural 2019 **Start Alberta Tech Awards** to recognize both individuals and organizations for their contributions to Alberta's innovation ecosystem and those making a significant impact on the province's tech sector. Alberta Enterprise hosted the awards in collaboration with seven organizations supporting Alberta's innovation ecosystem, including The A100, BDC, PwC Canada, Startup Calgary, Startup Edmonton, and the VCAA. Over 200 people attended the awards ceremony to recognize award winners across eight categories.
- We sponsored new tech ecosystem events that developed niche areas of Alberta's burgeoning tech sector, such as the **Blockchain and Technology Symposium**, which grew the broader ecosystem's understanding of blockchain, robotics, machine learning, and Internet of Things and provided an opportunity for experts across domain areas to make connections.
- 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 2018 we enabled **Symend** and **ZayZoon**, two Alberta based startups, to participate in this program which provides access to high caliber Silicon Valley based mentors and investors. Alberta Enterprise champions Alberta startups through targeted nominations to this formative development and growth opportunity and was involved in **nominating an additional eight companies** for the upcoming cohort. Alberta Enterprise builds its global network through Kristina Williams' participation in **The C100 Growth Summit**, providing our Province exposure to tech investment-focused CEOs and experts from the Valley and across Canada.
- Through our portfolio VC Azure Capital, we were able to nominate Alberta tech companies for Azure's highly respected 12th annual CEO Summit in Mountain View. Azure Capital, through their vice president based in Calgary, opened up the event to six early stage tech companies which were not part of their portfolio as a way to support the Canadian tech ecosystem and help Alberta startups develop the depth and breadth of their networks in the Valley. **Three of the six companies were Alberta based: Aimsio, Leankor and SAM**, selected from over 100 nominated startups as part of Azure's Canada-Bridge initiative. The startups had the distinct opportunity to liaise with over 70 corporate entities, venture funds and financial institutions, including Amazon, Google, Apple, as well as Azure's investor network and portfolio companies they have invested in including **Edmonton based Showbie**.
- Through our instrumental role as co-host in the 2018 **Canadian Venture Capital and Private Equity Association's (CVCA) annual conference**, we receive heightened visibility and access to potential VC partners. The 2018 event co-chaired by Alberta Enterprise on behalf of the Canadian VC industry and hosted in Calgary brought the investor spotlight to Alberta and further established Alberta Enterprise as the leading entity focused upon growing Alberta's VC industry. Through our continued sponsorship of the conference, Alberta Enterprise enabled seven ecosystem partners and investors to attend the conference, gain access to a network of 563 investor attendees, and develop a deeper understanding of VC to bring back to Alberta.

continued on next page

OUTCOMES

RESULTS ACHIEVED BY ALBERTA ENTERPRISE TO DATE

Immediate and intermediate outcomes

- 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, including liaising with Calgary Economic Development (CED) and Edmonton Economic Development (EEDC)** to share resources relating to the unique investment benefits which Alberta offers both to international investors and startups.
- We have leveraged our investment capital to engage VCs, strategic investors, and mentors to attend local events including Women in Tech, AccelerateAB, the Banff Venture Forum, the VCAA Conference and the Founders & Funders events.
- We created StartAlberta.com and gained buy-in for the deal flow directory from investors and startups in the tech ecosystem, which helps investors understand the opportunities within Alberta's tech sector. We transitioned the platform to the VCAA for continued management and showcasing of Alberta investment deals and tech success stories whilst expanding our startups' network globally via data partnerships such as Crunchbase.

Support the growth of the tech ecosystem.

To develop investible companies, we have:

- Supported programs like **321 Growth Academy** as title sponsor, which provides founders or senior members of a startup team or scaleup team access to outcome-based sales, marketing, product management and people education programs.
- Continued our support of existing organizations such as **Startup Edmonton, Startup Calgary** through their annual Startup and Innovation Week events and Launch Parties which cumulatively reach over one thousand people across Alberta.
- Continued our sponsorship of the **Bow Valley College 150 Startups Program and Innovation Rodeo**, an event which support first-time Entrepreneurs in colleges and universities across Alberta and helps them catalyze and execute upon startup ideas.

To develop technical talent and startup founders we have:

- Sponsored organizations such as **Chic Geek**, which has created **Geeky Summit, a women in tech focused annual** conference in Alberta. In its second year the Summit welcomed 337 tech-focused female attendees and saw a 5% attendance increase over 2017. The event encouraged technical women and forward-thinking corporate partners to work toward the advancement of women in technology-dominant fields and industries. Chic Geek's ongoing workshops teach women technical skills to help them pivot careers, and their anticipated 2019 Talent Mixers will seek to connect women in tech to corporations.

OUTCOMES

Collect data from the tech ecosystem to support policy and economic development efforts.

Building a self-sustaining VC industry in Alberta.

RESULTS ACHIEVED BY ALBERTA ENTERPRISE TO DATE

Immediate and intermediate outcomes

To collect data from the tech ecosystem, we have:

- Undertaken the 2018 Alberta Enterprise Alberta Tech Deal Flow Study, to gather data on the stage, composition and focus, of Alberta tech startups and establish the leading yardstick for dealflow data relied upon by investors, ecosystem partners and government. Building off the Deal Flow Studies completed in 2009, 2012 and 2016, in 2018 Alberta Enterprise expanded the scope of the survey portion of the study, to uncover more insight into the changes to the Alberta tech ecosystem and the 1,238 tech startups active across varying industries and sectors. From this undertaking compelling insights were uncovered which provided clarity around the unique spectrum of innovative tech startups in our Province; the challenges they experience, the funding they raise and the stage they occupy – from ideation to exit.

Ultimate outcomes

- 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 Women in Tech, Founders and Funders and 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.
- Alberta Enterprise also played a supporting role in **the formation of the grassroots led initiative, Rainforest Alberta**, which is led by entrepreneurs and investors from Alberta's tech sector. In 2018 we supported the Edmonton Chapter's Summit in partnership with Edmonton Economic Development Corporation, as well as the weekly Lunch Without Lunch events. Through membership on the Rainforest Steering Committee we continue to provide guidance and oversight to the Rainforest initiative as it continues to grow. Rainforest sets the foundational framework needed for Alberta's tech ecosystem by creating a shared vision, mission and collaborative approach for the tech community and connecting entrepreneurs to each other. What makes this different from many of the current initiatives across Alberta is the grassroots, entrepreneur driven approach.
- **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 a revenue of \$5.75 million, which includes a \$750,000 operating grant from EDTT for operations and \$5 million for investment and operations. For fiscal 2018-19 the operating cost is \$153,000 below budget. This is mainly due to prudent management of our expenses, as well as one-time savings relating to our fund investments.

The net operating surplus for fiscal 2018-2019 is \$3.9 million, and the total annual surplus is \$1.99 million. The investment loss of \$1.9 million is due to a combination of realized investment gains and operational losses 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 \$12.5 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. Rather than looking at the results for individual years, it is therefore important to review the total value of paid in capital (TVPI) over time. Our portfolio is currently showing a TVPI of 1.17. A TVPI of >1 means the value of the investment is above the total amount of capital paid, including management fees.*

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 2018-2019, Alberta Enterprise's financial statements show total capital committed for investment of \$183.4 million. Six of our seventeen 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 2018-2019, Alberta Enterprise disbursed \$17.4 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.

Currently the Corporation has \$27 million in cash on hand, and another \$50 million in accounts receivable from the Alberta government. This is more than sufficient to cover the remaining commitments of \$62 million.

For the fiscal year ended 2018-19 our Partnership investments were valued at \$115.8 million.

LOOKING AHEAD

There are now more Venture Capital funds active in the province than ever before and the investment ecosystem is starting to flourish. However, Alberta is still lagging other technology hubs, and although Alberta's VC sector has achieved some scale we are expecting the demand for capital will outpace the supply in the province.

Building a Venture Capital industry is a long-term project which requires patience and a continued commitment of capital. We are now continuing to build upon the success that we have already achieved and look forward to creating further return on investment for Alberta.

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). 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, Trade and Tourism, 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 seven 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 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.

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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

Opinion

I have audited the financial statements of the Alberta Enterprise Corporation (the Corporation) which comprise the statement of financial position as at March 31, 2019, and the statements of operations, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2019, 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.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Originally signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 4, 2019
Edmonton, Alberta

STATEMENT OF OPERATIONS

Year Ended March 31, 2019

<i>(in thousands)</i>	2019		2018
	Budget	Actual	Actual
Revenues			
Government Transfers			
Government of Alberta Grants	\$ 750	\$ 5,750	\$ 11,066
Other Revenue	—	3	1
	750	5,753	11,067
Expenses (Note 2(b), Schedule 1)			
Operating Costs	2,000	1,847	1,896
Annual Operating Surplus	(1,250)	3,906	9,171
Net Investment Income (Loss) (Note 7)			
Investment Income (Loss)		3,105	(2,005)
Investment Expenses		(5,025)	(2,084)
		(1,920)	(4,089)
Annual Surplus	(1,250)	1,986	5,082
Accumulated Surplus at Beginning of Year		156,098	151,016
Accumulated Surplus at End of Year	\$	158,084	\$ 156,098

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 4, 2019

[Originally signed by]
 Sharilee Fossum
 Audit Committee Chair
 June 4, 2019

STATEMENT OF FINANCIAL POSITION

As At March 31, 2019

<i>(in thousands)</i>	2019	2018
	Actual	Actual
Financial Assets		
Cash (Note 5)	\$ 27,094	\$ 36,551
Accounts Receivable (Note 6)	50,000	50,004
Portfolio Investments (Note 7)	115,756	96,987
	192,850	183,542
Liabilities		
Accounts Payable and Accrued Liabilities	434	478
Deferred Revenue (Note 8)	—	5,000
	434	5,478
Net Financial Assets	192,416	178,064
Non-Financial Assets		
Prepaid Expenses	191	4
Net Assets	192,607	178,068
Net Assets		
Accumulated Surplus	158,084	156,098
Accumulated Remeasurement Gains	34,523	21,970
	\$ 192,607	\$ 178,068
Contractual Obligations (Note 9)		

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

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

Year Ended March 31, 2019

<i>(in thousands)</i>	2019		2018
	Budget	Actual	Actual
Annual (Deficit)/Surplus	\$ (1,250)	\$ 1,986	\$ 5,082
Net Remeasurement Gains/(Losses) (Note 7)		12,553	(13)
Increase in Prepaid Expenses		(187)	(4)
Increase in Net Financial Assets in the Year		14,352	5,065
Net Financial Assets at Beginning of Year		178,064	172,999
Net Financial Assets at End of Year		\$ 192,416	\$ 178,064

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

STATEMENT OF REMEASUREMENT GAINS AND LOSSES

Year Ended March 31, 2019

<i>(in thousands)</i>	2019	2018
	Actual	Actual
Unrealized Gains/[(Losses) Attributable to:		
Portfolio Investments	\$ 15,178	\$ 2,959
Foreign Exchange	1,689	(1,534)
Amounts Reclassified to the Statement of Operations:		
Portfolio Investments - Realized Gains on Investments	(4,314)	(1,438)
Net Remeasurement Gains/[(Losses) for the Year (Note 7)	12,553	(13)
Accumulated Remeasurement Gains at Beginning of Year	21,970	21,983
Accumulated Remeasurement Gains at End of Year	\$ 34,523	\$ 21,970

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

STATEMENT OF CASH FLOWS

Year Ended March 31, 2019

<i>(in thousands)</i>	2019 Actual	2018 Actual
Operating Transactions		
Annual Surplus	\$ 1,986	\$ 5,082
Non-cash Items included in annual surplus:		
Deferred Contributions recognized as Revenue (Note 8)	(5,000)	(10,231)
Loss on Sale of Portfolio Investments (Note 7)	1,920	4,089
	(1,094)	(1,060)
Decrease in Accounts Receivable	4	196
(Decrease)/Increase in Accounts Payable and Accrued Liabilities	(44)	108
Increase in Prepaid Expense	(187)	(4)
Cash Applied to Operating Transactions	(1,321)	(760)
Investing Transactions		
Purchase of Portfolio Investments (Note 7)	(17,410)	(12,186)
Distributions received from Limited Partnerships (Note 7)	9,274	1,269
Cash Applied to Investing Transactions	(8,136)	(10,917)
Decrease in Cash	(9,457)	(11,677)
Cash at Beginning of Year	36,551	48,228
Cash at End of Year	\$ 27,094	\$ 36,551

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

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2019

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 these transfers.

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).

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.

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

(b) Basis of Financial Reporting (Continued)

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 assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

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.

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.

Portfolio investments are reviewed on an annual basis for impairment. When there is a loss in the Corporation's share of investment other than a temporary decline then the loss is adjusted and recognized in the Statement of Operations.

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

(b) Basis of Financial Reporting (Continued)

Liabilities

Liabilities are present obligations of the Corporation to external organizations and individuals arising from past transactions or events occurring before the year end, the settlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts.

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.

Non-Financial Assets

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

- (a) are normally employed to deliver government services.
- (b) may be consumed in the normal course of operations; and
- (c) are not for sale in the normal course of operations.

Non-financial assets are limited to prepaid expenses.

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 \$115,756 [2018 -\$96,987] 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) Change in Accounting Policy

The Corporation has prospectively adopted the following standard from April 1, 2018: PS 3430 Restructuring Transactions. The adoption of this standard did not affect the financial statements.

Note 3 Future Accounting Changes

The Public Sector Accounting Board has issued the following accounting standard:

- **PS 3280 Asset Retirement Obligations (effective April 1, 2021)**
Effective April 1, 2021, this standard provides guidance on how to account for and report liabilities for retirement of a tangible capital assets.
- **PS 3400 Revenue (effective April 1, 2022)**
This standard provides guidance on how to account for and report on revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

Management is currently assessing the impact of these standards on the financial statements.

Note 4 Budget

(in thousands)

The budgeted column reported on the Statement of Operations reflects the Government of Alberta approved operating budget for the Corporation.

Note 5 Cash

(in thousands)

	2019	2018
Cash	\$ 27,094	\$ 36,551

\$62,033 [2018 –\$45,565] (Note 7) is 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)

Accounts receivable are unsecured and non-interest bearing.

	2019	2018
Grant Receivable	\$ 50,000	\$ 50,000
Other Receivable	–	4
	\$ 50,000	\$ 50,004

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 seventeen (2018 – fourteen) Limited Partnerships and \$183,411 (2018 - \$149,533) 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)	\$ 9,799	\$ 201	\$ 10,000
Accelerate Fund I	10,000	–	10,000
Accelerate Fund II	3,800	6,200	10,000
Avrio Ventures II	5,965	35	6,000
Avrio Ventures III	3,570	1,430	5,000
Azure Capital Partners III (b)	10,685	624	11,309
Builders VC Fund (b)	3,802	6,203	10,005
Chrysalix Energy III Fund (b)	15,219	1,708	16,927
EnerTech Capital Partners IV (b)	16,151	2,355	18,506
Inovia Fund 2018 (b)	–	13,363	13,363
iNovia Fund III	10,000	–	10,000
McRock iNfund	6,598	3,402	10,000
Panache Ventures Investment Fund	2,250	2,750	5,000
Relay Ventures Fund III (b)	7,439	5,862	13,301
RIO I Limited Partnership	200	9,800	10,000
Yaletown Innovation Growth	1,900	8,100	10,000
Yaletown Ventures II	14,000	–	14,000
Total	\$ 121,378	\$ 62,033	\$ 183,411

(a) Funds disbursed during the year include management fees of \$2,889 (2018 - \$2,712). 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 \$22,804 (2018 Restated - \$19,915).

(b) Commitments payable in USD. Remaining commitments based on the exchange rate at March 31, 2019.

Note 7 Portfolio Investments (Continued)

(in thousands)

The changes in the fair values of the Corporation's investments in Limited Partnerships since April 1, 2018 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)	Net Investment Income (Loss)	Investment in Partnership, end of year	Percentage share of Partnership 2019	Percentage share of Partnership 2018
32 Degrees D.E.Fund II (S&T AIV)	7,379	107	(4,345)	(1,982)	2,026	3,185	99.99%	99.99%
Accelerate Fund I	7,713	—	—	2,153	(182)	9,684	99.99%	99.99%
Accelerate Fund II	1,513	1,700	—	710	(657)	3,266	99.99%	99.99%
Avrio Ventures II	4,967	22	(2,061)	2,476	133	5,537	6.56%	6.56%
Avrio Ventures III	1,612	1,230	(156)	(371)	(57)	2,258	4.90%	4.90%
Azure Capital Partners III (a)	13,641	79	—	667	(265)	14,122	12.42%	12.42%
Builders VC Fund ^(a)	—	3,802	—	384	(543)	3,643	32.67%	0.00%
Chrysalix Energy III Fund ^(a)	17,705	688	—	57	(285)	18,165	10.32%	10.32%
EnerTech Capital Partners IV ^(a)	9,177	868	(927)	4,531	(1,422)	12,227	12.66%	12.66%
iNovia Fund 2018 ^(a)	—	—	—	—	—	—	6.67%	0.00%
iNovia Fund III	14,731	400	(867)	2,478	623	17,365	9.04%	9.04%
McRock iNfund	4,921	1,259	(590)	(9)	(133)	5,448	14.22%	14.22%
Panache Ventures Investment Fund	—	2,250	—	12	(266)	1,996	12.12%	18.99%
Relay Ventures Fund II ^(a)	4,077	2,943	—	(101)	(452)	6,467	7.30%	7.30%
RIO I Limited Partnership	—	200	—	—	—	200	6.06%	0.00%
Yaletown Innovation Growth	362	1,400	—	673	(274)	2,161	8.47%	10.00%
Yaletown Ventures II	9,189	462	(328)	875	(166)	10,032	15.58%	15.58%
Total Portfolio Investments 2019	96,987	17,410	(9,274)	12,553	(1,920)	115,756		
Total Portfolio Investments 2018	90,172	12,186	(1,269)	(13)	(4,089)	96,987		

^(a) Investments in the US Limited Partnerships

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.

(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. \$54,625, or 47% of the Corporation's investment, are denominated in US dollars (2018 – \$44,600, or 46%).

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 4.7% of total investments (2018 – 4.6%).

(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 Deferred Revenue

(in thousands)

	2019 Government of Alberta	2018 Government of Alberta
Balance, beginning of year	\$ 5,000	\$ 15,231
Contributions receivable during the year	–	(15)
Less: amounts recognized as revenue	(5,000)	(10,216)
Balance, end of year	\$ –	\$ 5,000

Note 9 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 8. Other contractual obligations are:

	2019	2018
Obligations under Operating Leases	\$ 210	\$ 152
Obligations under Service Contracts	33	115
	\$ 243	\$ 267

	Leases	Contracts	Total
2019–20	70	23	93
2020–21	70	10	80
2021–22	70	–	70
Thereafter	–	–	–
	\$ 210	\$ 33	\$ 243

Note 10 COMPARATIVE FIGURES

Certain 2018 figures have been reclassified to conform to the 2019 presentation.

Note 11 APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements of Alberta Enterprise Corporation.

SCHEDULES TO THE FINANCIAL STATEMENTS

Schedule 1

EXPENSES – DETAILED BY OBJECT

YEAR ENDED MARCH 31, 2019

(in thousands)

	2019		2018
	Budget	Actual	Actual
Salaries, Wages, Benefits and Payments to Consultants		\$ 919	\$ 881
Supplies and Services		770	690
Grants and Sponsorships		58	325
	\$ 2,000	\$ 1,847	\$ 1,896

Schedule 2

SALARY AND BENEFITS DISCLOSURE

YEAR ENDED MARCH 31, 2019

(in thousands)

	2019				2018
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-cash Benefits ⁽⁴⁾	Total	Total
Chair of the Board	\$ –	\$ 41	\$ 2	\$ 43	\$ 44
Board Members (six) ⁽³⁾	–	88	2	90	81
Executives:					
Chief Executive Officer ⁽¹⁾	283	–	26	309	305
Directors, Investments ⁽⁵⁾	315	–	6	321	294
Director, Industry Development ⁽⁶⁾	160	–	9	169	138
	\$ 758	\$ 129	\$ 45	\$ 932	\$ 862

(1) Base salary includes regular salary, holiday pay, and life and disability allowances.

(2) Other cash benefits for Board Members include honoraria payments and per diem allowances. There were no discretionary amounts paid to executives in 2019 (2018 – nil).

(3) At any given time, the Board of Directors consisted of no more than six members in 2019 (2018 – four) plus the chair, whose remuneration is disclosed separately.

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

(5) This position consisted of two members (2018 – two).

(6) The position was occupied by two individuals during the year with a transition period from December 3, 2018 to February 28, 2019.

Schedule 3 RELATED PARTY TRANSACTIONS

YEAR ENDED MARCH 31, 2019

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's Consolidated Financial Statements. Related parties also include key management personnel and close family members of those individuals 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 charges 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 a shared service arrangement with the department of Economic Development and Trade, and received financial services at no charge.

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.

	Entities in the Ministry		Other Entities Outside of the Ministry	
<i>[in thousands]</i>	2019	2018	2019	2018
Revenues				
Grants	\$ 5,750	\$ 11,066	\$ –	\$ –
Expenses				
Other Services	\$ –	\$ 9	\$ 7	\$ 1
Receivable from/(Payable to)	\$ 50,000	\$ 50,000	\$ [5]	\$ –
Deferred Revenue	\$ –	\$ 5,000	\$ –	\$ –

CORPORATE D1RECTORY



Board of Directors

From Left to Right: Paul G. Haggis, Patricia (Patty) Johnston, Jim Gibson, Sharilee Fossum, Tracy Scarlett, Alice Reimer, Neil Sadaranganey

BOARD OF DIRECTORS

(until December 11, 2018)

Paul G. Haggis, Chair

Bank of Canada's Board of Directors, Chair of the Audit Committee of Advantage Energy of Calgary, and Director & Audit Chair of Home Capital Group

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

Corporate Director and Founding President & CEO Sustainable Development Technology Canada

Brad Zumwalt

Founder and Partner of Zinc Ventures

BOARD OF DIRECTORS

(as of December 11, 2018)

Paul G. Haggis, Chair

Bank of Canada's Board of Directors, Chair of the Audit Committee of Advantage Energy of Calgary, and Director & Audit Chair of Home Capital Group

Alice Reimer, Vice Chair

Site Lead CDL-Rockies and CEO of Fillip

Sharilee Fossum, Audit Committee Chair

Chief Financial & Corporate Officer of The Professional Association of Engineers and Geoscientists of Alberta [APEGA]

Jim Gibson

Partner with Thin Air Labs, a co-founder of Rainforest Alberta and a member of the A100

Patricia (Patty) Johnston

Corporate director and former General Counsel for the Alberta Energy Regulator

Tracey Scarlett

Corporate director and SME Advisor, President of BioQuest Ventures Inc.

Neil Sadaranganey

Managing Director of NTT Docomo Ventures

MANAGEMENT TEAM

Kristina Williams, President and CEO

Rebecca Giffen, Senior Director of Investments

Paul Godman, Director of Investments

Kenya Kondo, Director of Industry Development (until March 2019)

Christiana Manzocco, Director of Industry Development (as of March 2019)

Connie Nye, Manager of Operations

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