

**When Alberta
puts its mind to something...**



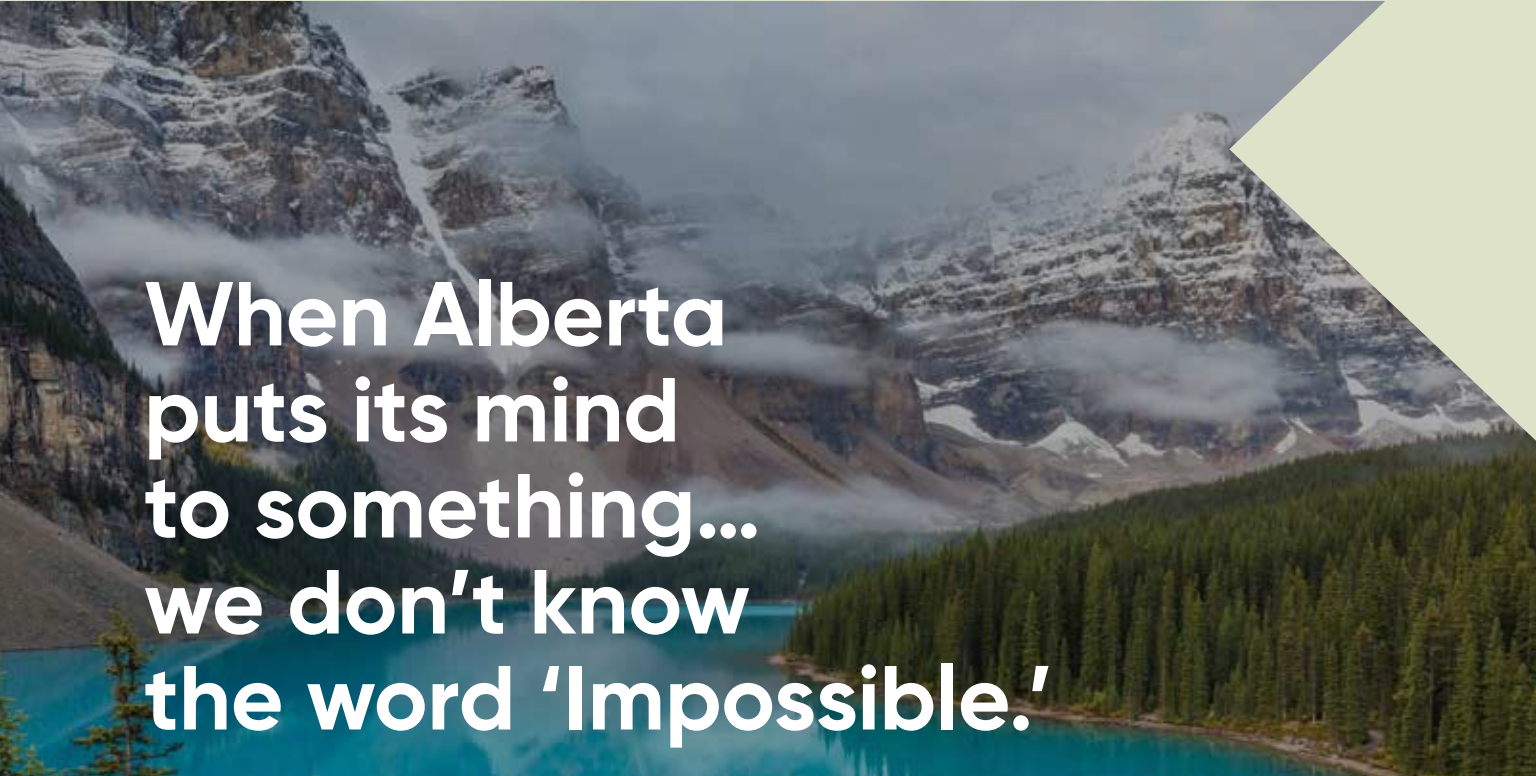
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Accountability Statement

Alberta Enterprise Corporation was established in December 2008 upon proclamation of the *Alberta Enterprise Corporation Act*. The Alberta Enterprise Corporation Board of Directors is accountable to the Minister of Technology and Innovation (TI).



When Alberta
puts its mind
to something...
we don't know
the word 'Impossible.'

Instead we ask, 'How?'



In a year where Venture Capital (VC) investment was down 30% across Canada, Alberta has weathered the storm and held steady – with investments fractionally below 2022/23 levels.

When Alberta Puts Its Mind to Something...

We get down to business
and never look back.

Alberta Enterprise Corporation (AEC) was created in 2008 to establish a Venture Capital industry in the province – a fundamental requirement for establishing a world-class tech sector. Since then, we've seen over \$1.2 billion of VC investment in Alberta companies.

Overview

A Mindset for Success

Knowing that you need to invest to achieve success is embedded in Alberta's entrepreneurial DNA.

It doesn't happen overnight. It takes hard work, a plan and perseverance to prosper. No matter what business or sector you're in.

Alberta Enterprise Corporation (AEC) began laying the groundwork to **build a thriving technology** sector in 2008. We've worked tirelessly to advance our goal ever since, with an eye on sustained growth – by attracting and investing in Venture Capital (VC) funds that help Alberta tech companies compete on the world stage. Today, our province is outpacing the country in investment growth.

"When Alberta puts its mind to something... we let nothing stand in our way."

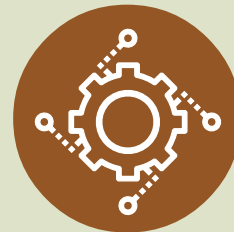
A Methodical, Proven Approach

AEC does 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.

This model supports entrepreneurs with funding in the crucial early development stages – and sets them up to thrive.

Unlike a direct investment model, the fund model leverages our capital, creating access to a bigger pool of investment dollars for companies, which multiplies and maximizes our investments. The funds add further value by providing access to markets, mentors and management expertise for Alberta companies.

We focus our investments to advance key growth areas that diversify our economy, while fostering continuing success in fields where Alberta has a history of excellence:



Industrial Technology

Energy, Clean Tech, Industrial Internet of Things, Materials, Mining



Information Technology

Software, Cloud Computing, Artificial Intelligence, Machine Learning, Blockchain



Life Sciences

Biotechnology, Nutraceuticals, Advanced Food Manufacturing, Ag Tech, Health/Wellness, Medical Devices

Our investment model is unique as it generates economic development in Alberta while also creating long-term financial returns for the Province on its original investment.

Our Mission

AEC'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.

Our Purpose

1. To attract Venture Capital (VC) and VC firms to Alberta
2. To invest in VC funds that invest in Alberta technology companies
3. To build and promote a viable and profitable VC industry in Alberta
4. To assist Alberta tech startups through this VC activity
5. To help create high value technology jobs in the province

Through AEC's arm's-length Venture Capital model, 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 a stronger, more diversified economy.



Summary of Key Results

From the beginning, we've put our minds to achieving several key goals.

For AEC, that work began when we made our first investment in 2010. Today, at a time when VC investments are down across North America, we are forging our own way and we are creating impressive and tangible results.

It is reflected in regional economic development, financial return on the investment, as well as the growth and development of an Alberta-based VC industry. Here are some examples of the successes we have achieved.

1. Establishing access to smart capital.

AEC has committed \$367.3 million for investment in 35 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 **\$367.3 million capital commitments** and created **access to more than \$5 billion** of investment capital (**13.9:1 leverage**).

2. Promoting investments into Alberta companies.

Our VCs and their partners have already invested \$1.229 billion in 87 Alberta technology companies. **Every \$1 invested by AEC has resulted in \$4.99 of investments back into Alberta companies.** The amount of investment in Alberta companies has increased by 1,450% in the last eleven years¹ and is expected to grow significantly over the 10-year life of these funds.

3. Creation of jobs.

The companies that have received Venture Capital from our funds have created more than **3,200 direct jobs** and an estimated **15,300 indirect jobs²** in Alberta.

4. Delivering financial return on investment for Alberta taxpayers.

Our mandate is economic development. However, we are also proud to deliver a financial return to the Province. Every \$1 invested by AEC is currently worth \$1.25, meaning the value of the investments plus distributions received to date exceeds the capital called for investments and fees.

To date our funds have returned more than \$121 million cash to us and we have already received half of our invested capital back.

The realized gains from our investments have outpaced AEC's operating costs since 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.

The results of our efforts are already evident. AEC has been instrumental in flowing dollars to Alberta startups and 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 in the coming years, 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.

For complete results view the Management Discussion and Analysis section.

¹ Change in dollars invested into Alberta companies from 2013 to 2024, divided by dollars invested into Alberta companies in 2013. Source: AEC

² For every job in the technology subsector an estimated 4.8 additional jobs are created or supported. *CompTIA Cyberstates 2021 Report and E Moretti, The New Geography of Jobs.*



Investments Into Alberta Companies

March 2013	\$79M	8 companies
March 2014	\$171M	21 companies
March 2015	\$280M	24 companies
March 2016	\$305M	28 companies
March 2017	\$375M	30 companies
March 2018	\$406M	35 companies
March 2019	\$494M	42 companies
March 2020	\$563M	50 companies
March 2021	\$703M	55 companies
March 2022	\$1.00B	65 companies
March 2023	\$1.13B	76 companies
March 2024	\$1.229B	87 companies

"Our Deal Flow Study, released in June 2024, shows that the number of technology companies in Alberta has grown from just over 900 in 2012, to almost 2,400 in 2023."

Kristina Williams
President and CEO, AEC

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

The theme for our Annual Report this year is, “When Alberta puts its mind to something...” This speaks to our determination, hard work, ability to take risks, and mindset to grow – as an organization and as a key sector in Alberta’s knowledge-based economy.



“AEC investments in the latter part of the J-curve are performing very well, as evident from the \$30M returned to us in the form of distributions this year. We are posting an annual operating surplus of \$1.9M.”

In the past year Alberta has defied the 30% North American decline in VC investment by holding steady. At the same time, Alberta has seen an impressive annual growth rate in VC dollars invested of **48.5%**, while the same number for Canada is 13% (both figures compounded over the past 5 years).

Our investment model has been very intentional. By investing in VC funds, we amplify the government investment with the private capital invested in those VC funds, which then is accessed by Alberta-based technology startups. 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. Our investment strategies support home-grown VCs and bring experienced funds to the province, providing Alberta entrepreneurs with access to money, markets, and the expertise of the fund managers.

The number of AEC portfolio funds that are active in Alberta has grown from 8 in 2014 to 33 by the end of 2023/24. This year we have added several new funds to our portfolio, including Alberta-based and female-led *The51 Food & AgTech Fund*. We have attracted VCs that are new to Alberta, and we have re-invested in one of our high-performing life science funds. Our focus is creating access to capital that matches the demand. As a result, our funds and their syndicate partners have now invested more than \$1.2B into Alberta companies, which translates to \$4.99 for every \$1 invested by AEC.

As a province, we have taken great strides in creating conditions that foster world-class technology companies right here at home. This is allowing Alberta entrepreneurs to compete globally, while maintaining strong ties to their home province.

Our latest **Deal Flow Study**, released in June 2024, shows that **the number of technology companies in Alberta** has grown from just over 900 in 2012, to almost **2,400 in 2023**. Additionally, the study reveals that as the global digital economy continues to rapidly grow, Alberta's deal flow is following suit with **69% of Alberta technology companies developing a software solution**. This exceeds any year prior. Even more promising is the rapid pace at which Alberta technology companies have adopted and deployed Artificial intelligence (AI) and machine learning (ML) into their product offerings, with **46% of surveyed companies developing AI and ML into their products**.³

Concerted efforts have been made to promote diversity, equity and inclusivity within Alberta's VC and technology ecosystems – and the results speak for themselves. Alberta continues to raise the bar in terms of female participation as founders or co-founders with **37% of**

surveyed companies reporting one or more female founder in our 2023 Deal Flow Study. This is up from 30% in 2021 and well ahead of the global average of 31% (as identified in Startup Genomes 2022 survey of nearly 5,500 companies across 67 global ecosystems⁴). It was also found that companies that achieved profitability within three years had a higher incident of female founders.³

As stewards of public funds, we are committed to delivering on our mandate in a cost-effective way. Distributions from our investments have far outpaced our operating costs since inception by a **ratio of nearly five to one**.⁵ We are proud of the efforts of our small, uniquely diverse team of professionals who are dedicated to creating an outsized impact on the economy in our province.

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. Every \$1 invested by AEC is currently worth \$1.25, a value that will increase even further as our funds mature. By adding several new funds over the past two years, the financial return has temporarily declined. This is part of the natural cycle of the VC industry called the "J-curve", where investments initially reduce in value for a period of time as capital is used to build the businesses. The value then recuperates as revenues is generated. AEC investments in the latter part of the J-curve are performing very well, as evident from the more than \$30M returned to us in the form of distributions this year. We are posting an annual operating surplus of \$19M.

Our performance signals the strength of Alberta's technology industry and the important role it will have in building the future economy of Alberta. The Alberta technology sector has proven itself to be powerful, while demonstrating what is possible when a strategic and highly focused VC model is in place.

As the theme for this year's report illustrates, our success in attracting venture capital is a result of the determination and hard work of Alberta's entrepreneurs building great companies, in combination with a supportive government as well as the funds we invest in. We are all putting our mind into growing Alberta's technology ecosystem.

When Alberta puts its mind to something... we let nothing stand in our way.

[Original Signed by
Ted Redmond]

[Original Signed by
Kristina Williams]

³ 2023 Alberta Technology Deal Flow Study, May 2024, <https://www.alberta-enterprise.ca/resources/publications/>

⁴ Startup Genome Female Founder Series, startupgenome.com/articles/only-15-percent-of-tech-startup-founders-are-female
⁵ AEC's distributions to date divided by AEC operating costs to date. Source: internal AEC.

When Alberta Puts Its Mind to Something...

The benefits are felt at home, as the opportunities are unleashed on the world stage.

Alberta is home to almost 2,400 technology companies. The quality of these companies is evident from the amount of investment they are attracting. Alberta has seen a 48.5% five-year compounded annual growth rate for venture capital dollars, compared to Canada's 13%.⁶

Alberta Tech Doers & Disruptors

Albertans have long been known for their entrepreneurial mindset, and willingness to confront risk in fearless pursuit of growth, glory, success and prosperity.

This year, we'd like to introduce you to 5 world-class Alberta companies within our investment portfolio. In addition to profiling 4 new tech companies of the future, we're pleased to revisit one we have previously featured in these pages – to show just how far they have come.



PayShepherd

In the tech world, change is constant and all eyes are focused on growth. After featuring **PayShepherd** in our 2020/21 Annual Report, we recently sat down with founders, Wesley Sessenwein, Jenn Hunter and Johan Lee, to get an update on their progress three years later.

PayShepherd is a contractor management platform for heavy industry.

AEC: How far has PayShepherd come since we last spoke in 2020/21?

PayShepherd: In 2020/21, PayShepherd was still a pre-seed company. Since 2020/21, we've grown our revenue multiple times, expanded from Canada into the US market, and our headcount has grown from 10 employees to just under 50.

AEC: Tell us how your efforts to raise capital have gone.

PS: We raised \$4.3M in 2022 for a Seed round, and now we've just raised \$7M in a Seed+ round with Inovia Capital and Accelerate Fund III managed by Yaletown Partner with support from A100, as well as other funds and strategic angel investor.

AEC: What value has Accelerate Fund and Inovia brought to you as investors?

PS: Accelerate Fund and Inovia have brought deep personal relationships, which are important when building a business. Having trusted relationships to soundboard, ideate, and celebrate with as the business grows has been very important to us at PayShepherd.

(Both) have been helpful regarding talent sourcing on the employee and client side. Being able to tap into the network of other founders and startups within the Accelerate Fund and Inovia network has been a huge bonus as well. Having connections with other founders has helped PayShepherd learn from a growth perspective.

AEC: What's your view of the tech industry in Alberta?

PS: There's an entrepreneurial spirit imbued within Western Canada that is very strong in Alberta. There are programs and networks of people who are excited to build tech companies and products that solve real issues. From when we started PayShepherd to now, Alberta feels like a different place. There's a burning passion here to build, and it's never been a better time.

As a founder, you feel inclined to give back to the province, participate within the communities, and help early-stage companies.

AEC: You said Alberta feels like a different place. How so?

PS: There is a lot of talent and talent infrastructure growing in Alberta, especially within the technology ecosystem. Specifically, within the resource sector there are many people looking to move into tech. This has benefited PayShepherd as we've been able to hire individuals who understand the industry and the clients we serve.

AEC: What are PayShepherd's plans for the future?

PS: PayShepherd (will) continue building our product development strategy of creating a comprehensive, frictionless system of record between the contractor and the client. Leveraging our access to millions of data points in heavy industries, PayShepherd plans to further deepen its technology, including the use of Artificial Intelligence, to add exponential value beyond cost management.



Mercator AI

Mercator.ai is a construction tech company that elevates building and construction excellence through transparent knowledge for all. Their beachhead product is an ai-powered business development software that empowers contractors with early project opportunities detection that reduces weeks of pursuit research into minutes with a few clicks.

Ultimately, Mercator.ai helps construction companies prioritize and focus their sales efforts – and saves them from spending time and resources chasing low-probability work. Instead, it ingeniously helps identify projects at the right stage and the best fit.

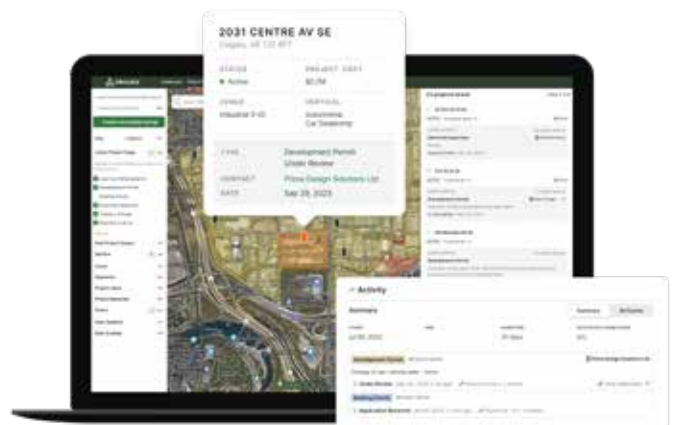
Founder Chloe Smith has combined her experience in marketing/advertising analytics with her background in software development to create Mercator.ai.

Smith feels that early-stage founders and startups don't need to move to Silicon Valley, Toronto or New York to be successful. She cites the incredible ecosystem and supports now available in Alberta. For Mercator.ai, a key support has been a partnership with Builders VC (Builders II Fund).

"As a first-time founder, being able to work with a general partner who has also been an operator is incredibly helpful," Smith says of her connection with Builders General Partner, Mark Blackwell. "It opens the door on topics that can be quite challenging to discuss with more traditional investor profiles."

In January 2023, Mercator AI raised a \$5.1M seed round and grew its team from 5 to 15. Smith is grateful for Blackwell's "relentless" efforts to bring in investors in the construction tech ecosystem. She's been impressed with Builders' executive advisory network, which has provided guidance on pricing strategies and helped workshop various pain points.

Smith believes that Alberta's ecosystem is made stronger by Alberta tech companies paying it forward to support the next generation of startups and founders. In fact, she has helped create a peer-to-peer support group for Alberta's women founders. Little wonder she was recognized as the Start Alberta's *Most Promising Founder*, 2023.



PurposeMed

PurposeMed delivers complex care for underserved communities in Canada through innovative telehealth platforms.



Their first service, *Freddie*, launched in 2020 and operates from British Columbia to Ontario. Freddie delivers PrEP – a medication that prevents HIV – directly to those at risk. PurposeMed is now the largest PrEP provider in Canada, with over 9,000 active patients.

Their second service, *Frida*, was launched in 2022 and operates throughout western Canada, Ontario and Nova Scotia. *Frida* offers convenient access to ADHD assessments and ongoing care – reducing the public system's long wait times and providing an affordable alternative to private clinics. Finally, *Foria* was launched in Alberta and Ontario in 2023. *Foria* provides rapid access to life-saving gender-affirming care for trans, non-binary and gender-diverse Canadians from the comfort of their own home.

Husein Moloo, Co-Founder & CEO says Alberta provides an environment that allows companies like PurposeMed to flourish.

"(It's) a climate that fosters innovation. A combination of lower operating costs (especially rent), attractive corporate tax rates, and government support for young companies all contribute to this."

Moloo adds that AEC, Alberta Jobs Now Program, Alberta Innovates and PrairiesCan have helped provide vital support that allows them to be ambitious as they grow.

"We wouldn't have achieved what we have anywhere else."

As Canada's leading national pre-seed VC fund, Panache Ventures has served as a sounding board. Moloo credits Panache partner, Patrick Lor as a guiding light who has helped them maintain monetary discipline as they've grown.

2024 is a year of expansion for PurposeMed. *Freddie* just launched in Virginia, Florida and New Jersey (with more states soon to follow). *Freddie* will soon offer virtual HIV treatment following a successful pilot program. Meanwhile, *Frida* is about to include services for anxiety and depression, and *Foria* is expanding into several new provinces.

"We wouldn't have achieved what we have anywhere else."



Ontopical

Ontopical is a tech firm that helps companies find and win more government business through its advanced AI platform. Their AI co-pilot, *Oliver*, provides curated recommendations on early-stage (pre-RFP) opportunities along with actionable data to give clients a competitive advantage in their bids.

The ability to gather vast amounts of data together via machine learning makes their platform unique in the government market intelligence space, helping to shape the future of government procurement. This includes agendas, minutes, budgets and more – from cities, municipalities, school board councils and committees across North America.

“There is tremendous machine learning and software engineering expertise in Alberta, which ensures we can continue to grow the product team in Calgary,” explains Clayton Feick, CEO.

Speaking of government, he credits the Government of Alberta’s commitment to promoting tech in all sectors, through programs such as Alberta Innovates, Platform Calgary and AEC. AEC is an LP in two of Ontopical’s VCs investors, Graphite Ventures and Yaletown Ventures through the Accelerate Fund III.

Ontopical’s newest VCs have all provided support beyond providing capital. Feick says new investors were firmly in their corner, and believed in Ontopical when it raised a \$3.3M round in 2023, during a tough venture capital market.

Feick believes these are early days for tech in Alberta.

“With major investments in AI, biotech and quantum computing, we suspect the province will be a leader in applying these technologies across industries to solve the most important business and social problems.”

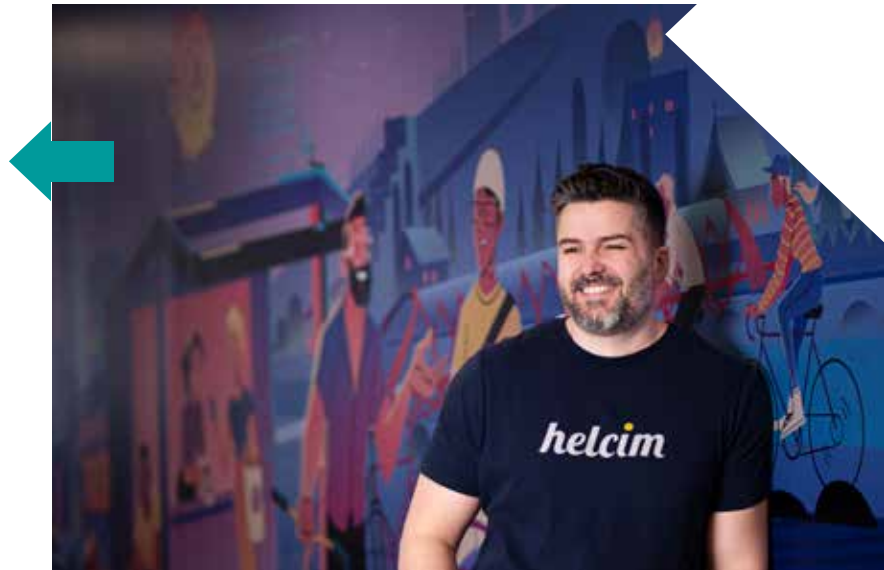
He adds that with an influx of US capital interest in Q1 2024, Alberta is standing out as a place to invest – and hopes this continues to be the case.

As for Ontopical, the company has plans to expand into new markets and add other types of content to provide clients with access to more valuable insights and opportunities.



Helcim

Helcim is a payments company that delivers an easier, smarter, and more affordable payment experience with a human touch. Through a suite of online and in-person payment processing tools, Helcim serves thousands of small businesses in Canada and the US – spanning 800 different industries. They help clients process billions in payments each year.



From the beginning, Helcim has been supported by Accelerate Fund. According to Helcim founder and CEO Nic Beique, “They believed in Helcim and what we’re building from the beginning.”

According to Beique, it has been beneficial to have a fund partner that is deeply connected to both the local and tech ecosystem and the broader Canadian network. It has helped Helcim source talent, gain insights from fellow entrepreneurs and provide introductions to potential investors.

“To know that the Accelerate Fund is just as invested in building up the tech industry in Alberta as we are has been invaluable.”

Beique believes the Alberta tech industry is just getting started. He describes Alberta as “an underdog” that is making waves. He sees a bright future ahead for the province.

“We’re going to see more and more companies from the Alberta tech community make headlines as they disrupt their respective industries in the future,” Beique predicts. “We still have a lot of room for growth and a very bright future ahead of us.”

Helcim has largely been able to grow leveraging home-grown Alberta talent. This includes new grads and experienced professionals alike. The company has big plans for the future. They continue to invest in creating new payment offerings, enhanced features, integrations with popular software solutions, and even faster payments for their merchants.

“One of our goals is to become one of the anchor tech companies in Calgary that is recognized globally for our services, products and our people.”





Management's Discussion and Analysis

AEC'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.

As outlined in the following sections, we utilize a number of strategies to achieve our intermediate and ultimate outcomes. There are multiple strategies tied to each outcome. AEC has developed Key Performance Indicators to measure our progress in achieving our mandate.

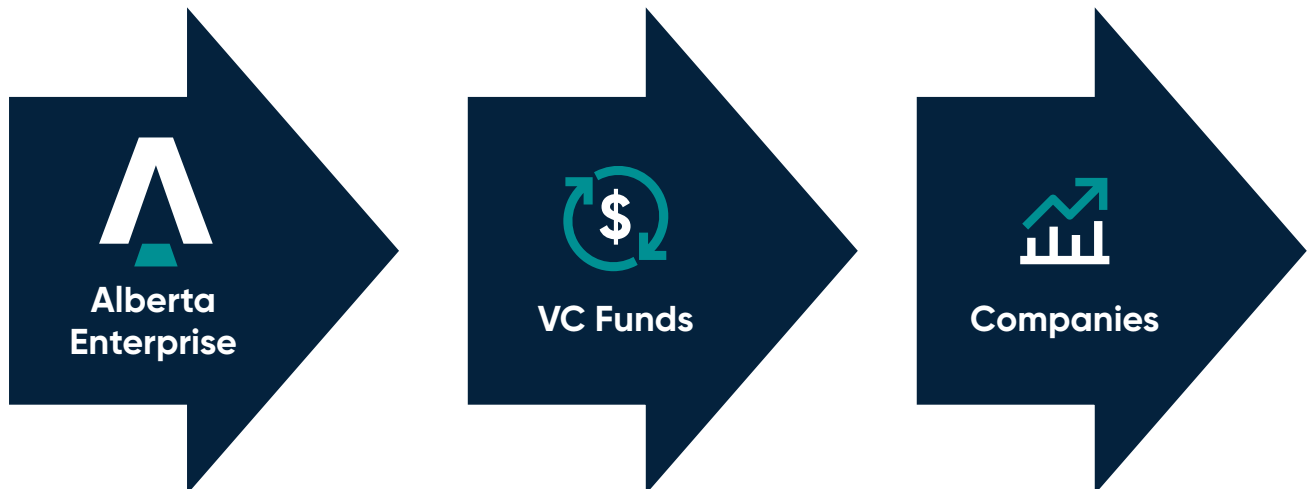
Operational Overview: Investments

AEC was established to build a local Venture Capital industry capable of providing the capital needed to support the growth and success of knowledge-based companies in Alberta. To achieve this, AEC 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 together with other Limited Partners in VC funds that finance early stage technology startups in Alberta, we create access to a much larger pool of capital while also creating access to external markets and the expert resources of these funds.

Creating a portfolio that matches capital to Alberta deal flow across various sectors and stages is a core element of our fund investment strategy. With this in mind, **we have targeted three types of funds for investment:**

1. North American funds currently headquartered outside Alberta.
2. Funds that are local to Alberta.
3. Fit-to-purpose funds that address critical gaps.



A key strategy behind AEC's fund approach is to pull VCs from outside Alberta so that we can leverage their industry knowledge and network of experts.

Funds that bring outside expertise:

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

Alberta-based funds that increase in-province capacity:

Equally important is the need to grow and develop Alberta-based funds. AEC has supported local funds, 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. With this goal in mind, we added a new investment category: **micro funds**. These funds are smaller than typical VC funds (generally under \$50M). They tend to invest in startups in the earlier stages and must be headquartered in Alberta.

Fit-to-purpose funds that address critical gaps:

It is imperative that AEC invests in funds that complement the available deal flow in the province. Our deal flow studies show that a large portion of the technology companies in Alberta are early stage. It is therefore vital to continue focusing on this earliest stage of investments. As a result, we have created the angel co-investment Accelerate Funds and have focused on seed stage funds.

The coming sections highlight our VC funds and provide more detail on our investment strategies, expected outcomes, and Key Performance Indicators.



Venturing Alongside Us: Our VC Partners

32 Degrees Diversified Energy Fund II (Services & Technology Co-Invest) – Alberta-based fund manager focused on energy technology, with initial investments targeting Series A stage companies.

Accelerate Funds I, II, and III – angel co-investment funds solely focused on Alberta technology companies, with initial investments focused on seed and early stage companies.

Alpaca III – focused on seed stage software and software-enabled companies.

Amplitude Ventures Funds I and II⁷ – focused on the life science sector in the Series A stage.

Avrio Ventures II – Alberta-based fund manager focused on innovative food and agriculture companies, with initial investments targeting Series A and beyond stage companies. This fund has reached the end of its term and is no longer active.

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.

Azure Opportunities Fund – focused on ICT companies operating in the seed and early stages leading up to Series A.

Builders VC Funds I and II – focused on Series A and later stage investments in industrial innovation.

Chrysalix Energy III – focused on the clean and energy technology sectors, with initial investments targeting Series A stage companies. AEC has exited the fund.

EnerTech Capital Partners IV – focused on the energy and clean technology sectors, with initial investments targeting Series A stage companies.

Evok II – focused on series A/B companies enabling industrial decarbonization and energy transition.

Flying Fish Fund II – focused on technology companies innovating within the Artificial Intelligence vertical, with initial investments targeting pre-seed and seed stage companies.

Graphite IAF IV⁷ – focused on seed investments in all verticals with a focus on scalable B2B and enterprise SAAS.

Inovia Investment Funds III and 2018, Inovia Venture Fund V – focused on the information technology sector, with initial investments targeting seed and Series A stage companies.

Inovia Growth Fund II – focused on growth stage software platforms that transform industries and push technology frontiers.

Luge II⁷ – focused on early stage investments in Fintech.

McRock iFund and Fund II – focused on the Industrial Internet of Things, with initial investments targeting Series A stage companies.

New Acres Capital – focused on innovative food and agriculture companies, with initial investments targeting Series A and beyond stage companies.

Panache Ventures Investment Funds 2018 and 2022 – focused on seed stage investments in ICT and other sectors.

PillarFour – focused on oilfield services innovation in the Series A+ stages.

Relay Ventures Fund III – focused on mobile technology, with initial investments targeting Series A stage companies.

Relay Ventures Fund V – focused on mobility, property technology, sport technology, and fintech in the Seed and Series A stages.

Sprout II – focused on B2B and SaaS investments in the seed stage.

The51 Food and Agtech Fund I⁷ – focused on seed/early stage food and agtech businesses.

Yaletown Ventures II – focused on the information and communications technology and clean technology sectors, with initial investments targeting Series A stage companies.

Yaletown Innovation Growth Funds I and II – focused on Series A and later stage investments in companies enhancing sustainability and productivity for industrial and enterprise customers.

⁷ New fund as of 2023/24.

Investment Strategies and Outcomes

AEC employs a number of investment strategies to achieve our mandate.

1. Create a portfolio that provides multi-sector and multi-stage matching capital to Alberta deal flow.

To maximize the value of AEC's investments, it is critical that our capital be invested in funds that complement the available deal flow in the province. Accordingly, AEC aims to create a portfolio of fund investments that meets the need for capital across all sectors. Our aim is to have VCs actively engaged in Alberta across the core knowledge sectors, including information technology, industrial technology and life sciences, and investment stages represented by Alberta startups.

2. Invest in VCs that establish (or maintain) an Alberta focus and presence and bring key investment skills to Alberta.

It is critical that the funds we invest in view Alberta as a strong opportunity for investment that warrants the fund's focus, attention and resources. AEC therefore seeks out funds that see strong alignment between their own investment thesis and the deal flow in Alberta. To achieve this, AEC requires that each of our funds maintain a significant local presence in the province.

3. Attract new VCs to Alberta.

A key strategy behind AEC's fund approach is to attract VCs from outside Alberta so that we can leverage their industry experience 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 need. With only a few tech VC funds headquartered in Alberta, it is also crucial to attract outside funds to fill the immediate need for capital, while we grow Alberta's local VC fund talent.

4. Reinvest in high performing existing fund managers.

Once a VC fund is operating in Alberta, the expectation is that significant value will be provided to Alberta companies and to the Alberta ecosystem through each fund's investment activity, mentoring of companies, and engagement in the ecosystem. Funds that can demonstrate their value-add to Alberta startups and the Alberta ecosystem are given priority for re-investment when they begin raising subsequent funds.

5. Find and champion fund solutions that address critical gaps.

In some cases, there may be gaps in meeting the demand for capital in certain sectors or stages. In this situation, AEC will seek out or design new and innovative programs to meet those needs. For example, to date AEC has designed and launched three innovative funds that expand the available capital for seed stage and angel-backed startups in Alberta (Accelerate funds I-III) and plans to continue efforts to create additional access to capital for pre-revenue/early revenue companies.



6. Help build local Alberta-based funds and managers.

AEC aims to help create more home-grown technology VC talent, with the end goal of helping to establish more locally headquartered funds in the future. AEC has supported locally-based funds, and we are developing home-grown VC talent through the requirement to have local Alberta representatives for our funds headquartered outside Alberta. We continually meet with and mentor new locally-based teams, knowing that it takes time to build a strong Alberta VC fund presence.

In addition, we have developed an Alberta micro fund strategy with a fractional allocation of capital that provides added flexibility in certain investment criteria. It allows us to support new *Alberta-based funds under \$50 million in size* and serve as a lead investor in first-time micro funds based in Alberta.

7. Steward capital responsibly by preserving the capital on our investments and being an engaged LP.

AEC recognizes our role as a steward of public capital, and we ensure that the funds under our management are selected and governed responsibly. In accordance with the goals of our mission, we invest in VC funds that present a sound risk/reward case for creating benefits to Albertans as well as preserving the investment capital.

Our strategies are driven to achieve the following outcomes:

Intermediate outcomes (for fiscal 2023/24):

- 1. Increased access to smart Venture Capital for Alberta companies.
- 2. A blend of capital from managers internal and external to Alberta.
- 3. Stimulated investment in Alberta knowledge-based industries.

Ultimate outcomes (beyond fiscal 2024/25):

- 4. A thriving and self-sustaining VC industry in Alberta.
- 5. Generate a positive return on the original investment capital for the Province.

The Ministry of Technology and Innovation has identified the following outcomes, performance measures and targets specifically for AEC:

Outcome: Investment and trade are driving Alberta's economic recovery and growth.

Performance metric: Cumulative value of AEC attracted Venture Capital funds (and their syndicate partners) invested in Alberta businesses (\$ millions).

Target: 2023/24	\$1,151 million
2024/25	\$1,277 million
2025/26	\$1,340 million

In addition, we measure our results by using our own Key Performance Indicators with set targets.



Intermediate Outcomes (fiscal 2022/23)

Outcomes	KPI linked to outcome	Strategy linked to outcome
1. Increased access to smart Venture Capital for Alberta companies	Total AEC fund commitments to date (number of funds approved and legally closed over the fiscal year) ⁸	1. Create a portfolio that provides multisector and multi stage matching capital to Alberta deal flow.
	Total Alberta-based investment professionals linked to AEC funds ⁹	3. Attract new VCs to Alberta. 5. Find and champion fund solutions that address critical gaps. 6. Help build local Alberta-based funds and managers.
2. A blend of capital from managers internal and external to Alberta	Number of funds with headquarters in Alberta in AEC's portfolio ¹⁰	2. Invest in VCs that establish (or maintain) an Alberta focus and presence and bring key investment skills to Alberta. 3. Attract new VCs to Alberta. 4. Re-invest in high performing existing funds managers. 6. Help build local Alberta-based funds and managers.
	Total Alberta portfolio companies in AEC portfolio that have received capital ¹¹ Total \$ invested by AEC funds and syndicate partners into Alberta companies ¹² Ratio of total invested by AEC funds and syndicate partners into Alberta companies ¹³	1. Create a portfolio that provides multisector and multi stage matching capital to Alberta deal flow. 2. Invest in VCs that establish (or maintain) an Alberta focus and presence and bring key investment skills to Alberta. 3. Attract new VCs to Alberta. 4. Re-invest in high performing existing fund managers. 5. Find and champion fund solutions that address critical gaps. 6. Help build local Alberta-based funds and managers.

⁸ The total number of VC funds in AEC's portfolio to date, and the number of funds approved by the Board and legally closed in the current fiscal year. Includes all current active and inactive funds, including funds that have been liquidated or terminated early. Source: Internal to AEC.

⁹ The total # of investment professionals (i.e. persons) operating within Alberta that work directly for the funds in AEC's portfolio. This includes Alberta-based investment professionals involved in deal making and other Alberta-based team members such as accountants or operations managers with a professional skillset that supports the function of a Venture Capital fund. Source: Fund activity reports.

¹⁰ A fund is considered to be headquartered in Alberta if the Management Company is incorporated in Alberta or if more than 50% of the GP staff are based in Alberta. Only the active funds in AEC's portfolio are counted in this metric. Source: Fund activity reports.

¹¹ The total number of Alberta-headquartered companies that have received investment capital from funds in AEC's portfolio. A company is considered to be Alberta-headquartered if it is incorporated in Alberta or more than 50% of its employees work in Alberta. Source: Fund activity reports and fund quarterly financials.

¹² Total dollars invested in Alberta companies by AEC's funds and their syndicate partners. USD investments are converted to CAD using the exchange rate on the actual date of the investment. Source: Fund activity reports and fund quarterly financials.

¹³ Total dollars invested in Alberta companies by AEC's funds and their syndicate partners divided by total paid into funds by AEC (including fees and expenses). USD investments are converted to CAD using the exchange rate on the actual date of the investment. Source: fund activity reports, fund quarterly financials and AEC financial statements.

Ultimate Outcomes

Outcomes

KPI linked to outcome

Strategy linked to outcome

4. A thriving and self-sustaining VC industry in Alberta

Total direct Alberta jobs created in AEC portfolio companies¹⁴

Total Alberta-based investment professionals linked to AEC funds

Number of startup and investor profiles created on StartAlberta.com¹⁵

2. Invest in VCs that establish (or maintain) an Alberta focus and presence.

3. Attract new VCs to Alberta.

6. Help build local Alberta-based funds and managers.

5. Return to the Province its investment capital

Total Value to Paid In capital to AEC (TVPI)¹⁶

7. Steward capital responsibly by preserving the capital on our investments and being an engaged LP.



¹⁴ Total number of Alberta employees (persons) in companies in AEC's portfolio. Includes Alberta-based staff of companies located in Alberta, and Alberta-based staff of companies located outside Alberta. The metric reflects the growth of Alberta staff while an AEC fund is an investor in that company. Once the AEC fund exits the company, the # of employees is held flat after that point in time, unless a revised number can be sourced from a trustworthy source. Source: fund activity reports and fund quarterly financials.

¹⁵ Total number of verified startup and investor profiles that have been created on StartAlberta.com. A startup or investor is verified manually by the dealroom.co data team. The data source is from both live snapshots taken from StartAlberta.com as well as monthly reports sent from dealroom.co to AEC's Industry Development team. Source: Dealroom.co and StartAlberta.com

¹⁶ Total Value to Paid (TVPI) is a standard private equity fund financial metric that represents the sum of unrealized equity values and realized distributed values, divided by the total paid-in amounts to a fund to date. Source: AEC financial statements.

Results: Investments

Intermediate Outcomes

Outcomes

1. Increased access to smart Venture Capital for Alberta companies

Results and Discussion

Key Performance Indicator: Total AEC fund commitments to date measured by new AEC fund commitments during the fiscal year (funds approved and legally closed)

Target: 3 fund investments approved and 4 fund investments legally closed over 2023/24

Key Performance Indicator: Total Alberta-based investment professionals linked to AEC funds

Target: Increase to 32 investment professionals by end of 2023/24

To measure this outcome AEC reviews a number of factors, including how many fund commitments have been made during the year and the total number of Alberta-based investment professionals linked to AEC funds. Total access to capital, and actual investment into Alberta companies, which is discussed in the next section, are also strong indicators.

As of March 31, 2024, AEC has committed \$367 million for investment into 35 VC funds, including the three angel co-investment funds: Accelerate I, II and III. This can be compared to March 31, 2023, when we had committed \$332 million into 31 funds. During the 2023/24 fiscal year, four new fund investments were approved by the Board and **four new funds were legally closed and added to the portfolio: The51, Graphite IV, Amplitude II and Luge II.**

Through the approval and legal closings of these funds, AEC has executed on the planned strategies noted above and satisfied the 2023/24 target as a result of the team effectively originating, screening, assessing and legally closing new funds.

As of March 31, 2024, AEC's fund investments have activated and now support 35 investment professionals operating in Alberta, meeting our KPI target for the year. This can be compared to March 31, 2023, when our portfolio supported 30 investment professionals. These "boots on the ground" are actively at work seeking and supporting investable companies in Alberta and are a critical component of our model to develop Alberta's Venture Capital ecosystem. The variance is related to the addition of the new funds, moderated by the regular ebb and flow of staff numbers of other existing funds. It should be noted that two of the new funds are seeking out Alberta staff as of the writing of this report.

Through the development of our curated fund portfolio, Alberta knowledge-based companies have had access to just over \$5 billion in Venture Capital, leveraging up our own capital invested by a factor of 13.9:1.¹⁷ This can be compared to 2022/23 when our portfolio had created access to \$4.6 billion with a leverage ratio of 13.8:1. The variance is related to the addition of new funds during this fiscal year.

¹⁷ Total access to capital is calculated using the total fund size of all AEC's funds (in CAD). AEC's leverage is calculated by dividing the aggregate fund size of AEC's portfolio, by AEC's fund commitments as of March 31, 2024.

Outcomes

2. A blend of capital from managers internal and external to Alberta

Results and Discussion

Key Performance Indicator: Number of funds with headquarters in Alberta in AEC's portfolio
Target: 4 funds headquartered in Alberta at end of 2023/24

Alberta Startups and Alberta's technology ecosystem benefit from a mix of VC funds that are headquartered and operate across different regions. To measure this outcome AEC reviews a number of factors, including the number of Venture Capital funds with their headquarters in Alberta. As of March 31, 2024, AEC's portfolio has 5 VC funds with their headquarters in Alberta, exceeding the 2023/24 target of 4, reflecting the addition of a new Alberta headquartered fund over the year (The51) and the prior closure of an Alberta headquartered fund. Alberta resident funds bring value by understanding and focusing on local investment sectors and maintaining a sustained presence with a local workforce. On the other hand, funds located in other jurisdictions provide benefits such as access to new markets, syndicate investors, limited partners, and other resources such as a technology talent.

In addition, it is beneficial to add a mix of new managers to the portfolio, who bring new perspectives and fill gaps in the portfolio while also continuing to support existing high-performing managers – who bring stability to the portfolio through their prior experience and networks in Alberta. Over 2023/24, of the four funds legally closed, three new managers were added and one existing manager was supported. In contrast, over 2022/23, four new managers were added, and two existing managers were supported.

3. Stimulated investment in Alberta knowledge-based industries

Key Performance Indicator: Total Alberta portfolio companies in AEC's portfolio that have received capital

Target: Increase to 84 companies (8 new over the year) by end of 2023/24

Key Performance Indicator: Total dollars invested by AEC funds and syndicate partners into Alberta companies

Target: Increase to \$1.151 billion by end of 2023/24

Key Performance Indicator: Ratio of total invested by AEC's funds and syndicate partners into Alberta companies

Target: Maintain at 1:4 by end of 2023/24

To measure this outcome AEC reviews a number of factors, including the total number of Alberta companies that have received investments from our funds, dollars invested into Alberta companies, and the ratio of investments into Alberta companies compared to capital invested by AEC into funds.

As of March 31, 2024, our funds and their syndicate partners have invested \$1.229 billion into 87 Alberta technology companies. This can be compared to \$1.131 billion into 76 companies as of March 31, 2023. That represents an increase of 11 companies and \$98 million over the year. Further, we satisfied the 2023/24 target of \$1.151 billion set by the Ministry of Technology and Innovation¹⁸, exceeding the target of 8 additional companies. Contributing factors to the increases include a larger number of actively investing funds in our portfolio, an increasing pool of startup Alberta investment opportunities, and the maturation of our portfolio companies with commensurate larger follow-on financing rounds.

As of March 31, 2024, every \$1 invested by AEC in funds (including fees) has generated \$4.99 of investments into Alberta companies. This significantly exceeds the 2023/24 target of \$4 for every \$1 invested but is down somewhat from 2022/23 when the corresponding ratio of investment into Alberta companies was \$5.28. This modest decline reflects the industry challenges noted above and the time required for AEC's new funds to gain traction in the province and begin to place capital locally (10 new funds have been added to our portfolio over the past two fiscal years). However, the leverage ratio is still well above the target of 4 and continues to reflect the strong flow of investment capital into Alberta startups by AEC funds and their syndicate partners.

¹⁸ Ministry Business Plan Budget 2023



Ultimate Outcomes

Outcomes

4. A thriving and self-sustaining VC industry in Alberta

Results and Discussion

Key Performance Indicator: Total direct Alberta jobs created in AEC's portfolio companies

Target: Increase number of direct Alberta jobs by 150 employees (to 3,037) at end of 2023/24

Key Performance Indicator: Total Alberta-based investment professionals linked to AEC funds

Target: Increase to 32 investment professionals by end of 2023/24

Key Performance Indicator: Number of startup and investor profiles created on StartAlberta.com

Target: Increase to 2,000 startups and 340 investors by end of 2023/24

In addition to measures discussed previously, to assess this outcome, AEC reviews a number of factors. These factors include total direct Alberta jobs created in AEC's portfolio companies, the total number of Alberta-based investment professionals, and the number of company and investor profiles created on StartAlberta.com.

As of March 31, 2024, AEC's portfolio companies have 3,205 direct employees, compared to 2,898 employees as of March 31, 2023. This is an increase of over 300 employees over the past year and meets our employee growth target. The increase is both a function of new companies in our portfolio and an increase in the number of employees in existing companies.

As noted earlier, the number of investment professionals in Alberta continues to increase, reflecting growth of the community of Venture Capital professionals based in Alberta and indicating progress towards the goal of a self-sustaining VC industry in Alberta. Further, the number of new startups and investors, reflected by data captured by StartAlberta.com, continues to show steady momentum as the users of that platform are verified (explained in the industry development section below).

To build a sustainable VC industry in Alberta will require patience and ongoing investments from AEC. AEC has been investing in VC funds since 2010. A typical VC fund has a life of 12 to 14 years. As such, it is still too early to predict the full impact of AEC's activities, but as detailed above, over the course our investment history we have achieved excellent results. That said, building a self-sustainable VC industry can take decades.

5. Return to the Province its initial investment capital

Key Performance Indicator: Total Value to Paid In capital (TVPI) of AEC's investment portfolio

Target: Equal to or greater than 1.07x at end of 2023/24

Even though our mandate is economic development oriented, our goal is to generate a positive return on the Province's investment capital in a timeframe consistent with the lifecycle of a private equity fund of funds program with over 35 fund investments – recognizing that each individual fund investment in the portfolio has a return timeline in the range of 12 to 14 years before its liquidation is complete.

To measure this outcome, AEC reviews a number of financial measures, which are best represented by the metric referred to as Total Value to Paid-In capital (TVPI). TVPI is an important measure for assessing our ability to deliver financial results compared to the cost of the investments. A TVPI of >1 means the value of the investments plus distributions exceeds the combined cost of the investments and associated fees.

As of March 31, 2024, every \$1 invested by AEC is worth \$1.25 (a TVPI of 1.25), which is a decrease from the March 31, 2023 TVPI of 1.35. The decrease reflects the overall downturn in market conditions over the past couple of years, the addition of 10 new funds over the past two fiscal years, and the liquidation of our position in one of our funds. However, the overall TVPI is still significantly above our target of being greater than or equal to 1.07x. Although offset by the factors just noted, our early investments are now maturing and several are providing a higher return of capital and realized gain. Our 2010 vintage funds have a TVPI of 1.44.

It should be noted that the TVPI for the portfolio will be affected by the addition of new funds. Due to the nature of venture investing and accounting practices for these investments, VC funds are likely to show a loss during the first half of their life. These losses normally reverse as a fund matures and as the unrealized and realized gains of the underlying portfolio companies increase over time. Therefore, as AEC continues to add new funds to our portfolio (we welcomed four this fiscal year and six last year, for a total of 10), we are likely to see the delaying effects of new funds expressed in the portfolio's total TVPI in the following few years. The financial return to the Province on our initial investment will not fully be known until all of our funds mature and our individual fund positions are fully liquidated.

As of March 31, 2024, our portfolio has distributed \$121.6 million back to AEC, meaning our funds have returned almost half of our invested capital, versus \$91.3 million as of March 31, 2023 (a material increase of \$30.3 million over the past year).

Finally, during the year we closely monitored, supported, and reported on our existing investments in our portfolio, encouraging best practices in governance and transparency to maximize the probability of delivering benefits and financial returns to the Province and all Albertans.





Operational Overview: Industry Development

AEC is developing a self-sustaining Alberta-based VC industry by 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 and significant growth in Alberta's technology ecosystem over the past year, and AEC has been at the forefront of this success.

AEC works to fill the gaps in the ecosystem and to create meaningful connections between existing organizations. We have been successful in supporting the creation of industry-driven, grassroots organizations that play a critical role in the technology and VC ecosystems. These groups connect Alberta entrepreneurs, startups, investors and mentors within Alberta and outside the province. Our strategies to support the tech companies and the industry ecosystem are included below.

Industry Development Strategies and Outcomes

AEC utilizes a number of strategies to achieve our mandate for industry development.

1. Lead and support initiatives that increase the connectivity between entrepreneurs and investors and investors to investors.

The collective ecosystem organizations are necessary to create a strong and sustainable deal flow pipeline of tech companies from Alberta. To date, we have been successful in starting or supporting the creation of industry-driven, grassroots organizations that play a meaningful role in the tech and VC ecosystem including the A100, the Venture Capital Association of Alberta (VCAA), and Start Alberta.

We have also been successful in starting or supporting the creation of several industry-driven events which connect tech investors and companies. These include AccelerateAB (now AccelerateAB Roundtables), Banff Venture Forum, VCAA Conference and Ski Day, and the Start Alberta Tech Awards. Furthermore, AEC has identified the need for grassroots initiatives and has supported activities such as Startup TNT, the Startup TNT Investment Summit, and InterGen Activate, among others.

For FY 2023/24 AEC supported the Start Alberta deal flow platform to increase data quality and grow its reach. We continued to nurture the VCAA, and supported events and initiatives that bring investors and entrepreneurs together in meaningful ways.

2. Lead and support initiatives that increase startup quality.

The higher the quality of founders and companies, the more likely they are to receive investment from Venture Capital funds. This strategy is focused on

leveraging the collected data from strategies #4 and #5 to identify ways to raise startup quality, and work with ecosystem partners to lead or support initiatives to fill those gaps. AEC supports grassroots initiatives in their early days to test new ideas or initiatives that support the founder and startup journey. Examples of past activities performed under this strategy include: sponsoring and supporting the creation of Chic Geek's DEI Motherboard; activating a province-wide product manager program through Alberta Product Leaders; supporting the creation of OnRamp to build out Alberta's performance marketing talent pool; and more.

For FY 2023/24 AEC continued supporting organizations that fill identified gaps to support Alberta entrepreneurs and startups – and contribute to their growth. This included entrepreneur mentorship through organizations like Venture Mentoring Service (VMS); peer groups through A100 and C100; talent development through Platform Calgary, VCAA and ABF4; and support programming like Alberta IoT, among others.

3. Lead and support initiatives that connect Alberta's entrepreneurs and ecosystem to other ecosystems and raise AB's tech ecosystem profile.

Strengthening the local and external profile of Alberta's tech ecosystem and establishing quality connections with other ecosystems are important. Typically, Venture Capital is invested into massively disruptive, globally impactful businesses. While Alberta is an incredible place to build a high-performing team, it lacks the customers to scale fast enough locally. This means Alberta startups must enter different markets to find customers. Having a high-profile ecosystem gives global customers and investors trust in the ecosystem and startups coming out of the province, making it easier for companies to land customers, and raise capital from outside investors.

For FY 2023/24 AEC continued to cooperate and deepen relationships with industry groups such as the C100, the Canadian Trade Commissioner Services, Export Development Canada (EDC) and their various initiatives. This helps ensure Alberta entrepreneurs get exposure to US VC funds. Beyond working with organizations to deepen connections with Alberta, AEC actively worked with groups like CVCA, NACO, and Startup Genome to ensure deals are being reported, thus highlighting Alberta's growing investment activity on a global scale.

4. Facilitate discussions between ecosystem stakeholders to identify and address gaps, leveraging the investor perspective.

AEC has taken on the role of facilitator in discussions between various stakeholders in the tech community – with the aim of improving the quality of deal flow, interconnectivity of stakeholders, and building/raising the ecosystems' profile. AEC is uniquely positioned to bring the investor perspective to conversations and act as a thought leader in the technology and innovation space. This strategy will continue into 2024 and beyond to meet the ever-changing nature of the startup ecosystem, the needs of entrepreneurs, and the requirements for effective stakeholder engagement (such as government and external stakeholders).

For FY 2023/24 AEC continued to hold conversations with the many ecosystem stakeholders, bringing the investor perspective to the table and working towards identifying and addressing gaps. AEC participated in coalitions and working groups such as: Platform Calgary Partners, Calgary Innovation Coalition, and NACO Angel Report Committee.

5. Collect and share data on the tech ecosystem to enable data-backed decision making and identify gaps in the technology ecosystem.

Data provides an objective outlook on where the tech ecosystem in Alberta is, relative to where it should be. The startups, service providers and investors collectively have the data the funders and decision makers in government need to inform relevant initiatives and policies to enable the growth of the ecosystem. The data will also be used to inform the investment team which funds to invest in, ensuring a match between capital and available deal flow. Tactically, this is accomplished through a variety of data gathering measures, including: the Alberta Tech Deal Flow Study, the Start Alberta Deal Flow Platform, and associated data partnerships with platforms such as Crunchbase and Pitchbook. It also involves collecting investment data from industry groups such as the A100, the Creative Destruction Lab (CDL) angels, Startup TNT, and local funds for national reporting to the Canadian Venture Capital Association (CVCA).

For FY 2023/24 AEC produced an Alberta Technology Deal Flow Study which provides a high-quality overview of the makeup of knowledge-based companies in Alberta. The survey portion offers unique insights

concerning growth areas, challenges, opportunities, and milestones of Alberta startups. Beyond the Deal Flow Study, AEC continued to build a more robust process for data collection and sharing to ensure expediency and accuracy.

6. Support initiatives for investor education – Educate new investors and attract new investors to the asset class – strategies to encourage the development of more Alberta-based VC funds.

Many high-net-worth individuals (HNI) and family offices in Alberta are seeking exposure to the VC asset class; however, they don't have the knowledge or teams in place to confidently do it. During conversations at ecosystem events, we heard firsthand from many individuals with deep expertise in real estate, energy, and agriculture that they lacked detailed knowledge of investing in the technology sector. HNI's and family offices are a largely untapped source of early stage capital for companies and LP capital for funds, who if engaged correctly, could play a pivotal role in the growth of Alberta's technology and venture ecosystem. AEC is taking an active role to attract, educate, and engage new HNI and family office investors to the asset class by organizing and supporting initiatives that share knowledge, offer mentorship, and facilitate deal flow sharing.

In FY 2023/24 a new sub-strategy of encouraging the development of more Alberta-based VC funds was added. We broadened the scope to include educating and engaging the next generation of fund managers and firms raising capital for their first VC fund. This involves providing guidance, advice, and mentorship on structuring, fundraising and due diligence requirements of institutional funds.

Our strategies drive toward achieving the following outcomes:

Intermediate outcomes (for fiscal 2023/24):

1. A highly connected ecosystem (connecting investors to entrepreneurs, and investors to investors)
2. Greater access to relevant resources for tech companies
3. A knowledgeable and engaged Alberta VC industry
4. A stronger Alberta VC and technology ecosystem profile in the province and beyond

Ultimate outcome (beyond fiscal 2023/24):

5. A thriving and self-sustaining VC industry in Alberta

In addition, we measure our results by using our own Key Performance Indicators with set targets.

Intermediate Outcomes (fiscal 2022/23)

Outcomes	KPI linked to outcome	Strategy linked to outcome
1. A highly connected ecosystem (connecting investors to entrepreneurs, and investors to investors)	Number of startup and investor profiles created on Start Alberta ¹⁹	<ol style="list-style-type: none"> 1. Lead and support initiatives that increase the connectivity between entrepreneurs and investors, and investors to investors. 4. Facilitate discussions between ecosystem stakeholders to identify and address gaps, leveraging the investor perspective. 5. Collect and share data on the tech ecosystem to enable data-backed decision making and identify gaps in the technology ecosystem.
2. Greater access to relevant resources for tech companies	<p>Total AEC fund commitments to date measured by new AEC fund commitments during the fiscal year (funds approved and legally closed)</p> <p>Total Alberta-based investment professionals linked to AEC funds</p>	<ol style="list-style-type: none"> 2. Lead and support initiatives that increase startup quality. 4. Facilitate discussions between ecosystem stakeholders to identify and address gaps, leveraging the investor perspective. 5. Collect and share data on the tech ecosystem to enable data-backed decision making and identify gaps in the technology ecosystem. 6. Support initiatives for investor education – Educate new investors and attract new investors to the asset class – Strategies to encourage development of more Alberta-based VC funds.
3. A knowledgeable/engaged Alberta VC industry	Number of startup and investor profiles created on Start Alberta	<ol style="list-style-type: none"> 1. Lead and support initiatives that increase the connectivity between entrepreneurs and investors, and investors to investors. 4. Facilitate discussions between ecosystem stakeholders to identify and address gaps, leveraging the investor perspective. 5. Collect and share data on the tech ecosystem to enable data-backed decision making and identify gaps in the technology ecosystem. 6. Support initiatives for investor education – Educate new investors and attract new investors to the asset class – Strategies to encourage development of more Alberta-based VC funds.

¹⁹ The total number of verified startups and investors with profiles on StartAlberta.com. A startup or investor is verified manually by dealroom.co's data team. The data source is from both live snapshots taken from StartAlberta.com as well as monthly reports sent from dealroom.co to AEC's Industry Development team.

Outcomes	KPI linked to outcome	Strategy linked to outcome
4. A stronger Alberta VC and technology ecosystem profile in the province and beyond	Total \$ invested by AEC funds and syndicate investors into Alberta companies	<ol style="list-style-type: none"> 2. Lead and support initiatives that increase start-up quality. 3. Lead and support initiatives that connect Alberta's entrepreneurs and ecosystem to other ecosystems and raise Alberta's tech ecosystem profile.



Ultimate Outcomes

Outcomes	KPI linked to outcome	Strategy linked to outcome
5. A thriving and self-sustaining VC industry in Alberta	<p>Total Alberta-based investment professionals linked to AEC funds</p> <p>Number of startup and investor profiles created on StartAlberta.com</p> <p>Direct Alberta jobs created in AEC portfolio companies</p>	<ol style="list-style-type: none"> 1. Lead and support initiatives that increase the connectivity between entrepreneurs and investors, and investors to investors. 2. Lead and support initiatives that increase startup quality. 3. Lead and support initiatives that connect Alberta's entrepreneurs and ecosystem to other ecosystems and raise Alberta's tech ecosystem profile. 4. Facilitate discussions between ecosystem stakeholders to identify and address gaps, leveraging the investor perspective. 5. Collect and share data on the tech ecosystem to enable data-backed decision making and identify gaps in the technology ecosystem. 6. Support initiatives for investor education – Educate new investors and attract new investors to the asset class – Strategies to encourage development of more Alberta-based VC funds.

Results: Industry Development

Intermediate Outcomes

Outcomes

1. A highly connected ecosystem (connecting investors to entrepreneurs and investors to investors)

Results and Discussion

Key Performance Indicator: Number of startup and investor profiles created on StartAlberta.com

Target: 2,000 startups and 340 investors

To measure this outcome AEC reviews a number of factors, including the number of startup and investor profiles created on StartAlberta.com.

As of March 31, 2023, there were 1,981 startups and 530 investors with profiles on StartAlberta.com. This can be compared to 1,991 startups and 361 investors as of March 31, 2023, which represents a decrease of 10 startups and an increase of 169 investors over the year. The number of investors far surpassed the target of 340 and the number of startups almost met the targeted 2,000. There were several factors that contributed to the variance, including but not limited to:

- Companies are removed from Start Alberta if they are no longer in business, and new ones are added as they start and scale. This creates variance on a quarter-by-quarter basis; however, over time as Alberta's technology and innovation ecosystem grows, we should see an upward trend.
- A concerted effort to promote Start Alberta to the investor community has had a positive impact on the number of investors.

During 2023/24, AEC supported several initiatives that focused on connecting Alberta entrepreneurs with investors, and investors to investors:

- **AB4F:** AEC sponsored the Alberta Female Founders Funders and Fortifiers 2023 events calendar, including the summit hosted in January 2024 and the Investor Speed Networking event held in September 2023. AB4F is an Alberta-based organization founded by McRock Capital, Azure Capital Partners, Accelerate Fund III, The A100 and BDC with the purpose of supporting females in tech through networking and curated content events. The September 2023 event was focused on bringing founders and investors together in a format that provided one-on-one connections. This created ample opportunity for investors to meet new founders, and for founders to find investors or mentors as they aim to raise capital for their businesses.
- **Startup TNT Investment Summits:** Startup TNT brings seed stage companies looking to raise capital through structured due diligence process, preparing them for the summit where selected companies receive capital from the TNT syndicate and side deals direct from angels. This year they hosted their 7th and 8th investment summits. AEC continues to sponsor and actively support Startup TNT summits by raising awareness, supporting with attendance, and moderating meet the investor panels.
- **Life Sciences Events:** AEC sponsored the first of its kind life sciences focused event hosted by VCAA, ABF4 and Accelerate Fund. It invited investors from across North America to connect with promising Alberta health and life sciences founders. The event brought together Canada's most well-known health and life science focused VC funds along with some of Alberta's most promising early and growth stage life sciences companies. Following the success of the first event, a quarterly series of Founder and Funder dinners was launched, all of which were supported by AEC.

Outcomes

2. Greater access to relevant resources for tech companies

Results and Discussion

- **Banff Venture Forum (BVF):** Hosted as a two-day virtual conference, Banff Venture Forum gives founders a unique opportunity to showcase their technology and business, meet dozens of investors, listen to high-profile speakers share their journeys, and learn from top industry experts on key topics related to growing and scaling companies. This year's BVF had the highest attendance on record and included participation from AEC and many of our funds.
- **The Venture Capital Association of Alberta (VCAA):** Throughout 2023/24, AEC spent considerable time supporting the VCAA, including a member expansion initiative and events. The VCAA Conference and Ski Day is the organization's keystone event, bringing investors from across North America together to network and learn from world class panelists. Beyond the conference and ski day, AEC supported VCAA in launching more networking events for founders and funders, as well as a deal flow initiative where members can share vetted deals with other members to increase collaboration and syndication.

Key Performance Indicator: Total AEC fund commitments to date measured by new AEC fund commitments during the fiscal year (funds approved and legally closed)

Target: 3 fund investments approved and 4 fund investments legally closed over 2023/24

Key Performance Indicator: Total Alberta-based investment professionals linked to AEC funds

Target: Increase to 32 investment professionals by end of 2023/24

To measure this outcome AEC reviews a number of factors, including how many fund commitments we have made during the year. This measure has been discussed in previous sections.

During 2023/24 we have led and supported initiatives that created access to relevant resources for tech companies:

- **VCAA General Public Education Pillar Group:** AEC's Director of Industry Development chairs the VCAA's education committee. It consists of three groups, each with their own focus area or pillar. One pillar group concentrates on educating non-members, with a primary focus on existing founders, employees of tech companies, and university students. This group, kicked off in Fiscal Q2, and hosted several virtual sessions throughout the year. They also supported partner organizations with their content strategies.
- **150 Startups Innovation Rodeo:** AEC sponsored this year's Innovation Rodeo. It featured Mike Michalowicz, author of "Fix This Next", as the keynote speaker. The event aimed to connect and upskill young entrepreneurs. It featured five afternoons of speeches, panels, innovation challenges, and a pitch competition that awarded over \$75,000 in cash and prizes.
- **A100 Roundtables:** AEC sponsored the annual A100 roundtables, which brings together a small selection of Alberta's most promising startups to be paired with A100 members for a half day of in-depth mentorship. Ten companies participated this year, including Mercator AI, a Builders II portfolio company.
- **Inventure\$ Master Mentors:** AEC's Director of Industry Development participated on the planning committee for Master Mentors, which connects promising Alberta startups with investor mentors. The companies are primarily early stage, many of which plan to start their fundraising journeys in the coming months. The aim of the program is to provide constructive feedback and guidance from some of the province's leading institutional investors. AEC's Director of Industry Development also supported in registering many VCs as mentors and assisted with the matching process to ensure entrepreneurs received the support they needed.

Outcomes

3. A knowledgeable/
engaged Alberta
VC industry



Results and Discussion

Key Performance Indicator: Number of startup and investor profiles created on StartAlberta.com

Target: 2,000 startups and 340 investors

To measure this outcome AEC reviews several factors, including the number of startups and investor profiles created on StartAlberta.com. This measure has been discussed in previous sections.

During 2023/24 we lead and supported events that build a knowledgeable and engaged Alberta VC industry:

- **The Venture Capital Association of Alberta (VCAA):** The VCAA is instrumental in connecting VC investors, providing education, and advocating on behalf of the VC industry. AEC's Director of Industry Development assumed the role of Board Chair in February 2024, and also sits on the Events Committee, the Executive Director selection committee, and chairs the Education Committee. The organization is flourishing under the stewardship of Omi Velasco, Executive Director, and is seeing record levels of engagement by the VC community. Membership is up 44% YoY, and VCAA's event committee planned and executed several networking and social events this fiscal year.
- **Investor Education:** AEC has dedicated considerable resources to understanding the current state of resources available to high-net-worth individuals or family offices who are interested in learning more about the opportunities to invest in the tech asset class. AEC is pursuing this strategy in several ways:
 - VCAA Education Committee - Mentioned in the above section, AEC's Director of Industry Development chairs VCAA's Education Committee. Two of the focus areas for the education committee relate to this strategy. The first, Education for Existing Investors, is targeted at VCs and angels that are already familiar with the asset class but want to further their skills and knowledge. Second, Education and Engagement of high-net-worth individuals and family offices aims to connect and engage new investors into the asset class. These working groups will both create content and engagement opportunity within the VCAA, and support partner organizations that have aligned objectives.
 - Sponsoring and supporting events and initiatives directly. Examples include Startup TNT, Halo Health, and U of A's VCPE club, among others.
- **VCAA Conference and Ski Day:** AEC's director of Industry Development was deeply involved on the planning committee for this event. The event sold out in record time (150+ attendees) and attracted over 30% of the attendees from outside Alberta, bringing incredible awareness to the burgeoning innovation and VC ecosystem in this province. AEC's investment and industry development team attended the conference, and AEC's CEO moderated a panel on investing in AI. The event was extremely well reviewed by attendees and provided ample opportunity for learning and networking.
- **Platform Calgary Family Office Initiative:** AEC continues to work closely with Platform Calgary as an active participant in the Platform Investor Advisory Group – helping guide their education offerings to high-net-worth individuals and emerging fund managers.

Outcomes

4. A stronger Alberta VC and technology ecosystem profile in the province and beyond

Results and Discussion

Key Performance Indicator: Total dollars invested by AEC funds and syndicate partners into Alberta companies

Target: Increase to \$1.151 billion by end of 2023/24

To measure this outcome AEC reviews a number of factors, including the total private syndicate capital attracted to Alberta companies by AEC funds. This measure has been discussed in previous sections.

During 2023/24 we led and supported initiatives that build a stronger Alberta VC and technology ecosystem profile in the province and beyond.

- **2023 CVCA Invest Canada Conference:** AEC's sponsorship of Canada's premier event for Venture Capital and private equity investors/ stakeholders provides a rare opportunity to attract global exposure to Alberta's VC landscape. Held May 30th to June 1st, AEC had a high-profile presence with many team members in attendance. AEC's CEO took to the main stage to interview Facebook whistleblower Frances Haugen in a session titled, "Beyond the Bottom Line." They discussed the duties of companies and investors and the interplay between people vs profits.
- **Startup Awards, Launch Parties and Innovation Weeks:** AEC sponsored and attended the YEG Startup Community Awards, Calgary and Edmonton Launch Parties, and Calgary and Edmonton Innovation weeks. These events bring together all stakeholders in the innovation ecosystem to share knowledge, celebrate the industry and amplify the message of Alberta's burgeoning tech ecosystem.
- **Alberta at Collision:** AEC sponsored and attended the 2023 Alberta at Collision event held in Toronto in late June. AEC's Director of Industry Development actively supported the organizers in expanding and amplifying the event to maximize its reach and impact. The enriched event brought together Alberta entrepreneurs with investors from across the country and provided ample opportunity to highlight Alberta's burgeoning tech ecosystem and quality deal flow. AEC's Director of Industry Development invited venture funds from across the country to attend, helping to increase Alberta's profile and facilitate investor to entrepreneur connections.
- **Supporting ecosystem partners with VC Fund engagement:** As Alberta's tech ecosystem becomes more widely recognized, many funds have expressed interest in learning more about opportunities in the province. AEC has taken an active role in supporting Calgary Economic Development (CED), Edmonton Global, Platform Calgary, and Edmonton Unlimited in their discussions with VC funds. We've shared information about relevant deal flow, facilitated connections to other ecosystem partners, and provided valuable data on the growth of the space. This has resulted in many of the funds frequently traveling to Alberta to meet founders, with several seeking to establish a full-time presence in the province.

During 2023/24 we facilitated discussions between ecosystem stakeholders to identify and address gaps and collect and share information on the tech ecosystem to enable data backed decision making:

- **Venture Capital Industry Insight:** AEC provided subject matter expertise to municipal, provincial and federal organizations including CED, Opportunities Calgary Investment Fund (OCIF), Edmonton Unlimited, Prairies Economic Development Canada, Invest Alberta and others. Discussion items included the makeup of Alberta's technology companies, and the equity funding gaps that exist in the province.

Outcomes

Ultimate Outcomes

Outcomes

A thriving and self-sustaining VC industry in Alberta

Results and Discussion

- **2023 Alberta Technology Deal Flow Study (The Study):** In 2023 AEC conducted The Study, which serves as the leading benchmark for measuring the health, growth and composition of the Alberta technology and innovation sector. The study focuses chiefly on companies whose primary income stream came from the sale of a novel product or service, and that required significant innovation through research and/ or development effort. The Study identified a total of 2,378 technology companies in Alberta, with 57% operating in the Information and Communications Technology space, followed by Health and Life Sciences (12.4%) and CleanTech (10%). Over 84% of companies surveyed are selling their products or services to other businesses (B2B), with nearly 70% developing a software solution and 46% integrating AI/ML into their offerings.

Results and Discussion

Key Performance Indicator: Number of startup and investor profiles created on Start Alberta
Target: 2,000 startups and 340 investors

Key Performance Indicator: Total Alberta-based investment professionals linked to AEC funds
Target: Increase to 32 investment professionals by end of 2023/24

Key Performance Indicator: Total direct Alberta jobs created in AEC's portfolio companies
Target: Increase number of direct Alberta jobs by 150 employees (to 3,037) at end of 2023/24

To measure this outcome AEC reviews several factors, including the number of startup and investor profiles created on Start Alberta and direct Alberta jobs created in AEC portfolio companies. These measures and the other strategies tied to this outcome have been discussed in previous sections.

AEC works to fill the gaps in the ecosystem and to create links between existing organizations. With a relatively small amount of capital, AEC can effectively and efficiently enhance the Alberta innovation investment ecosystem. Our approach is highly collaborative. Rather than building a large team within AEC, we take a lean 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 VCs, strategic investors, entrepreneurs and mentors by leveraging our investment capital.

While Alberta's tech sector is still considered in its early stages of development, the data shows it is maturing significantly. Over the past five years the VC industry in Alberta has demonstrated encouraging growth. This is exhibited by robust VC investment in Alberta startups bolstered by larger deal sizes. In 2024, Alberta saw \$707 million invested across 86 deals²⁰. As of the end of 2023, Alberta's 5-year compounded average growth rate (CAGR) for VC dollars invested is **48.5%** and **29.1%** for the number of deals. By comparison, Canada's CAGR for dollars invested is **13%** and **1.7%** for the number of deals. The efforts of various ecosystem stakeholders have built a strong, early stage ecosystem and we are beginning to see more tech companies going from startup to scaleup. As more companies stay and grow in Alberta, it is imperative that we take a proactive approach to ensure the necessary resources are available to support the founders of these maturing companies.



Operational Budget and Capital Deployment

Operational Budget and Statement of Operations

AEC's 2023/24 operating budget was \$3.84 million. In July 2020, the Government of Alberta announced \$175 million of additional investment capital for AEC, with the last \$50 million transferred in 2022/23. There was no additional capital allocated to AEC during the fiscal year 2023/24.

The Statement of Operations shows other revenue of \$2.9 million, which is the interest earned from our bank accounts.

Over the 2023/24 fiscal year, direct investment expenses were \$207,558 not including overhead in the form of salaries, office or the Board. This is significantly below budget, equating to savings of 45%. This is mainly due to lower legal costs incurred for new and existing funds and lower travel than planned, as many of the limited partnerships have switched to a virtual format for quarterly meetings.

The direct industry development expenses were \$458,969, not including overhead in the form of salaries, office or the Board. Included in this expense is the ongoing support for Start Alberta. This is on target with our budget.

Our operational cost was \$2,658,260, which is 6% below the budget. The variance is due to prudent management of our expenses.

The Board expenses were \$136,021, which is below the budget of \$159,400. This is due to lower than budgeted travel and training expenses.

The net investment income of \$2.6 million is due to a combination of realized investment gains and losses, and operational losses of the Limited Partnerships of which AEC is an investor. AEC records a proportionate share of any realized gains or losses of the Limited Partnerships. We received a total distribution of \$30.3 million, of which \$21.1 million is related to our investment in Chrysalix (discussed further below). The remaining \$9.2 million is attributed to larger distributions from 32 Degrees, Inovia Investment Fund III and McRock Fund II. Although we

received \$30.3 million in distributions, the realized gain is only \$8.6 million as some of the funds have realized losses from writing off investments, and some of the distributions were return of capital. There is a continued general decline in the Venture Capital market with very few exits amidst the backdrop of high interest rates and high inflation. We also made four additional investments in 2023/24, resulting in higher investment operational expenses for the new funds, which is to be expected.

During the year, AEC received its largest distribution to date: \$13.2 million from Chrysalix. Chrysalix was AEC's first-ever investment made in 2010 and we had been invested in the fund for close to fourteen years. After the distribution was received, AEC sold its remaining holdings of Chrysalix for \$7.83 million, net of transaction fees. Since the investment is valued at fair value, the overall impact of the sale to AEC is an accounting loss of \$431,000. However, from a cash perspective, the sale resulted in a final Distribution to Paid-In capital (DPI) of 1.29x. This means that from a cashflow perspective, AEC received all of its paid in capital and more. The distribution and sale proceeds provide additional capital for AEC to use for future investments.

The annual surplus for fiscal 2023/24 was \$1.9 million, compared to a surplus of \$43.8 million in 2022/23. Last year, we recognized \$50 million in grant revenue from the Government of Alberta. Without the grant revenue of \$50 million in 2022/23, the annual deficit would have been \$6.2 million. In 2022/23, we had a net investment loss due to the overall Venture Capital market condition. This year's surplus is attributed to the interest income and positive performance of our investments,

which resulted in a net investment income. Since our operating costs are self-funded, we normally expect an annual deficit, offset by realized gains from our investments, resulting in a surplus (operations and investments).

Capital Deployment and Investments

AEC's financial statements show \$344.4 million (2022/23 – \$326.3 million) in capital committed for active investments and \$22.9 million (2022/23 – \$6 million) for the two dissolved investments. Fifteen of our investments are in US dollars and the total capital committed is therefore impacted by the weaker Canadian dollar as compared to the US dollar. The main variance to last year is the sale of Chrysalix and the addition of new fund investments, as well as capital called by our funds for investments and fees.

In fiscal year 2023/24, AEC disbursed \$38.1 million (2022/23 – \$299 million) to the Limited Partnerships in which we have invested.

In order to meet our remaining commitments, the balance of committed capital is held as cash until such time as is it drawn down upon. Currently, the Corporation has \$83.8 million in cash on hand (2022/23 – \$64.5 million), and another \$125.5 million in accounts receivable (2022/23 – \$150.2 million) from the Government of Alberta. The change in cash is a net result of capital disbursed to the funds and distributions received from the funds.

For the fiscal year ended 2023/24, our Partnership investments were valued at \$197.6 million, which is a net decrease of \$5.8 million from fiscal year ended 2022/23. The value of the investments increases with capital calls, adjusted for fair value adjustments and decreases when we receive distributions and when we sell or exit a fund. The decrease this year is attributed to the sale of Chrysalix, as well as eleven of our funds showing a decrease in the fair value. The rest showed an increase of fair value of the underlying portfolio.

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. Any unrealized gains or losses are captured in the Statement of Remeasurement Gains and Losses. The change in accumulated remeasurement gains is a \$16.4 million decrease compared to last year's \$1.9 million decrease. The change in accumulated remeasurement gains include \$8.6 million of realized gains reclassified to the Statement of Operations.

The Statement of Operations only captures realized gains for the current fiscal year. To assess the total performance of our fund investments, rather than looking at the results for individual years, it is important to review the Total Value to Paid In capital (TVPI) over time. Our portfolio is currently showing a TVPI of 1.25. A TVPI of >1 means the value of the investment is above the total amount of capital invested, including management fees.

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

Finance Transition

The transition of the finance/accounting function in-house was completed, and all the functions were transferred over from the Ministry to AEC. AEC has successfully implemented a new accounting system, banking and payment capabilities and put in place updated policies and procedures, including internal controls framework.

Lessons Learned and Looking Ahead

After more than a decade of experience investing in VC funds, many lessons have been learned and improvements implemented. The Canadian VC industry has matured, leading to investment terms being standardized. We have created new investment vehicles to fill gaps. We have adapted investment terms to meet changes in the market, and we continuously update our due diligence process to meet best practices.

This year we have seen a major reduction in Venture Capital investments across North America. In contrast, Alberta has weathered the situation relatively well. Based on data from AEC and CVCA, the amount of capital and companies funded in Alberta in 2023 is holding steady at previous record levels and outperforming Canada. In addition, our financial metrics show that the total value of the portfolio currently exceeds the total cost of the portfolio – and we are successfully generating a positive rate of return on the Province’s investment capital. In reflecting on the past year’s performance, we’ve learned a number of lessons. Our approach is working. We have been successfully meeting our annual KPI targets, catalyzing a Venture Capital industry in Alberta and amplifying our capital by investing in funds that match the stage and sector capital needs of startups in the province. All while stimulating investment in Alberta companies. Based on this learning we are not suggesting any major changes to our strategies going forward; instead, some minor tweaks and sub-strategies will be introduced.

We have had success in the past investing in Alberta-headquartered fund managers, however it was difficult to find Alberta-based fund managers who met all of our investment criteria. Based on this learning, in 2022/23 we introduced a new sub-strategy: investment in Alberta-based micro funds. With three new Alberta-based funds in our portfolio, over the last two years, this new sub-strategy is put into practice. The micro funds are often emerging

managers and as a result require more time and attention and have higher fund-raising risks. As a result, we will tweak some of the criteria for these investments going forward.

The “J-curve” effect does have a real influence on AEC’s financial metrics, given the greater demand for capital of funds in the earlier years of a fund’s life before it achieves significant investment success. This should be factored in when reviewing AEC’s KPIs and needs to be clearly communicated to our stakeholders as this may not be broadly understood.

We aim to use data to drive our strategies. However, there is still a lack of data, both relating to the demand and supply of capital. As a result of this learning, we have implemented a number of initiatives, including StartAlberta.com and active engagement with the CVCA data committee. In 2023/24 we worked even more closely with StartAlberta.com, continuing to refine and improve the data collection and we conducted another deal flow study. The data is still not perfect, so we need to continue our efforts in this space.

Diversity, Equity and Inclusion continues to grow in importance in the VC and PE industry. We have become signatories, to the ILPA Diversity in Action initiative, have implemented changes to our due diligence questionnaire, and have created a DEI strategy for AEC. It is important that we live by our own values, having a diverse team. At year end, our team consisted of 55% females.

During several conversations at ecosystem events, we heard firsthand from many individuals and family offices with deep expertise in non-tech sectors that they are less familiar with early stage tech investing. However, they are keen to gain exposure into the tech/startup asset class. As a result, we implemented an ecosystem strategy focused on investor education. We have learned these initiatives take a long time, and therefore we will be even more focused on close collaboration with other ecosystem partners to deliver on this strategy.

Creating access to capital for some sectors, specifically life sciences, has proven challenging. Our requirement for a full-time senior level investment professional to be located in Alberta has created a gap in our portfolio. Learning from this experience, AEC's Board of Directors approved an exemption, allowing a part-time presence for a smaller investment amount for funds where there is a specific area of need. We will continuously evaluate if this is a model we want to pursue in the future.

We now have several older vintage funds in the portfolio that are beyond their original 10-year terms. These funds have either seen conventional extensions (allowed under their legal agreements), or longer negotiated extensions to allow them to realize company exits and achieve full fund liquidation. Based on our own portfolio's performance, discussions with our peers, and industry research, we are learning that VC funds typically do operate past their original planned lifespan of 12-14 years. Given this, we have developed an end-of-life realization sub-strategy that will be implemented in 2024/25.

To build a sustainable VC industry in Alberta will require patience and ongoing investments from AEC. We have been investing in VC funds since 2010. However, as noted above, a typical VC fund has a life that extends beyond 10 years. As such, it is still too early to predict the full impact of AEC's activities. Over our investment history we have achieved excellent results, yet we are fully aware that building a self-sustainable VC industry can take decades.

To achieve a self-sustainable VC industry, we need to continue to:

1. Create a VC fund portfolio that provides multi-sector and multi stage capital aligned with Alberta deal flow.
2. Invest in VCs that establish or maintain an Alberta focus and presence, and bring key investment skills to Alberta.
3. Attract new VCs to Alberta.
4. Reinvest in high-performing existing funds.
5. Find and champion fund solutions that address critical gaps.
6. Help build local Alberta-based funds and managers.
7. Steward capital responsibly and be an engaged Limited Partner.

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

Building a Venture Capital industry is a long-term project which requires patience and a continued commitment of capital. We are looking forward to expanding our efforts and creating further return on investment for Alberta.

Being Albertans, we will continue building on the successes we have achieved so far. It's what happens when we put our minds to something!

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 Technology and Innovation, in the manner set out in the *Alberta Enterprise Corporation Act*, *Alberta Enterprise Corporation Regulation*, the *Alberta Enterprise Corporation Transfer Agreement* and our *Mandates and Roles Document*.

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. AEC'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 AEC 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 in accordance with applicable laws and regulations. It is not always easy to determine whether a conflict of interest exists, so any potential conflicts of interest must be reported immediately to senior management.



Financials

Management's Responsibility for Reporting

AEC'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 AEC's financial statements in accordance with Canadian generally accepted auditing standards.

[Original Signed by
Kristina Williams]

Kristina Williams
President and CEO

June 3, 2024

[Original Signed by
Jennie Allen]

Jennie Allen
Chief Financial Officer

June 3, 2024

Independent Auditor's Report

To the Board of Directors of Alberta Enterprise Corporation

Report on the Financial Statements

Opinion

I have audited the financial statements of Alberta Enterprise Corporation (the Corporation), which comprise the statement of financial position as at March 31, 2024, 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, 2024, 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 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.

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

June 3, 2024
Edmonton, Alberta

Statement of Operations

Year Ended March 31, 2024

<i>(in thousands)</i>	2024		2023
	Budget (Note 4)	Actual	Actual
Revenues			
Government transfers (Schedule 3)			
Government of Alberta grants	\$ -	\$ -	\$ 50,000
Other revenue	-	2,900	1,353
	-	2,900	51,353
Expenses (Note 2(b) and Schedule 1)			
Operating costs	3,837	3,461	2,634
Annual operating (deficit) surplus	(3,837)	(561)	48,719
Net investment income (loss) (Note 7)			
Investment income	-	8,594	1,395
Investment operational expense	-	(5,850)	(6,201)
Interest expense	-	(136)	(73)
	-	2,608	(4,879)
Foreign exchange loss	-	(158)	(6)
Annual surplus (deficit)	(3,837)	1,890	43,834
Accumulated surplus, beginning of year		335,538	291,704
Accumulated surplus, end of year		\$ 337,428	\$ 335,538

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

Approved by the Board of Directors

[Original Signed by
Ted Redmond]

Ted Redmond
Chair of the Board of Directors
June 3, 2024

[Original Signed by
Sharilee Fossum]

Sharilee Fossum
Audit Committee Chair
June 3, 2024

Statement of Financial Position

Year Ended March 31, 2024

<i>(in thousands)</i>	2024	2023
Financial assets		
Cash and cash equivalents (Note 5)	\$ 83,760	\$ 64,489
Accounts receivable (Note 6)	125,505	150,180
Portfolio investments (Note 7)	197,643	203,405
	406,908	418,074
Liabilities		
Accounts payable and other accrued liabilities	4,405	1,377
Net financial assets	402,503	416,697
Non-financial assets		
Tangible capital asset (Note 10)	348	379
Prepaid expenses	167	435
	515	814
Net assets	\$ 403,018	\$ 417,511
Net assets		
Accumulated surplus	\$ 337,428	\$ 335,538
Accumulated remeasurement gains	65,590	81,973
	\$ 403,018	\$ 417,511

Contractual rights (Note 8)

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, 2024

<i>(in thousands)</i>	2024		2023
	Budget	Actual	Actual
Annual surplus (deficit)	\$ (3,837)	\$ 1,890	\$ 43,834
Acquisition of tangible capital assets (Note 10)		(7)	(394)
Amortization of tangible capital assets (Note 10)		38	15
Net remeasurement losses (Note 7)		(16,383)	(1,895)
Decrease (increase) in prepaid expenses		268	(318)
(Decrease) Increase in net financial assets		(14,194)	41,242
Net financial assets at beginning of year		416,697	375,455
Net financial assets at end of year		\$ 402,503	\$ 416,697

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

Statement of Remeasurement Gains and Losses

Year Ended March 31, 2024

<i>(in thousands)</i>	2024	2023
Unrealized (losses) gains attributed to:		
Portfolio investments	\$ (8,164)	\$ (10,436)
Foreign exchange	375	9,936
Amounts Reclassified to the Statement of Operations:		
Portfolio investments - realized gains on investments	(8,594)	(1,395)
Net remeasurement losses for the period (Note 7)	(16,383)	(1,895)
Accumulated remeasurement gains at beginning of year	81,973	83,868
Accumulated remeasurement gains as at end of year	\$ 65,590	\$ 81,973

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

Statement of Cash Flows

Year Ended March 31, 2024

<i>(in thousands)</i>	2024	2023
Operating transactions		
Annual surplus	\$ 1,890	\$ 43,834
Non-cash items included in annual surplus:		
(Gain) Loss on portfolio investments (Note 7)	(2,744)	4,806
Loss on sale of investment	431	-
Other non-cash investment transactions	(431)	-
Amortization of tangible capital assets (Note 10)	38	15
	(816)	48,655
Decrease (increase) in accounts receivable	24,675	(180)
Increase in accounts payable and other accrued liabilities	3,028	974
Decrease (increase) in prepaid expenses	268	(318)
Cash provided by operating transactions	27,155	49,131
Capital transactions		
Acquisition of tangible capital assets (Note 10)	(7)	(394)
Cash (applied) to capital transactions	(7)	(394)
Investing transactions		
Purchase of portfolio investments (Note 7)	(38,140)	(29,920)
Distributions received from limited partnerships (Note 7)	22,434	6,977
Proceeds from sale of investment (Note 7)	7,829	-
Cash (applied to) provided by investing transactions	(7,877)	(22,943)
Increase in cash and cash equivalents	19,271	25,794
Cash and cash equivalents, beginning of year	64,489	38,695
Cash and cash equivalents, end of year	\$ 83,760	\$ 64,489

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

Notes to the Financial Statements

March 31, 2024

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 Technology and Innovation (the Ministry) and for which the Minister of Technology and Innovation (the Minister) is accountable. Other entities accountable to the Minister are the Department of Technology and Innovation (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 goods and/or services not yet provided before year end is recognized as unearned revenue and recorded in accounts payable and other accrued liabilities.

Government transfers

Transfers from all governments are referred to as government transfers.

Government transfers and associated externally restricted investment income are recognized as deferred contributions 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 Remeasurement Gains and Losses until the related investments are sold. Once realized, these gains or losses are recognized in the Statement of Operations.

Expenses

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

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

Note 2 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Valuation of Financial Assets and Liabilities

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

Financial Statement Component	Measurement
Cash and cash equivalents	Cost
Accounts receivable	Lower of cost or net recoverable value
Portfolio investments	Fair value
Accounts payable and other 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 receivable, accounts payable and other 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, as well as cash at the end of the year.

Cash and cash equivalents

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 in the Statement of Operations.

Portfolio investments are reviewed on an annual basis for impairment. If an impairment deemed other-than-temporary is identified, the cost of the investment is written down to its realizable value. Any impairment losses are included on the Statement of Operations.

A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

Purchases and dispositions of portfolio investments are recognized on the trade date. Management fees paid are expensed in the year.

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.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

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 include tangible capital assets and prepaid expenses.

Tangible capital assets

(in thousands)

Tangible capital assets are recognized at cost less accumulated amortization, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements 10 Years

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations.

The threshold for capitalizing tangible capital assets is \$5.

Prepaid expenses

Prepaid expenses is recognized at cost and amortized based on the terms of the agreement.

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 \$197,643 (2023 - \$203,405) in the financial statements are subject to measurement uncertainty.

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

Note 3 Changes in Accounting Standards

(a) Change in Accounting Policy

Effective April 1, 2023, AEC adopted the PS 3400 Revenue standard. There were no changes to the measurement of revenues on adoption of the new standard.

(b) Future Changes in Accounting Standards

On April 1, 2026, AEC will adopt the following new conceptual framework and accounting standards approved by the Public Sector Accounting Board:

- **The Conceptual Framework for Financial Reporting in the Public Sector**

The Conceptual Framework is the foundation for public sector financial reporting standard setting. It replaces the conceptual aspects of Section PS 1000 Financial Statement Concepts and Section PS 1100 Financial Statement Objectives. The conceptual framework highlights considerations fundamental for the consistent application of accounting issues in the absence of specific standards.

- **PS 1202 Financial Statement Presentation**

Section PS 1202 sets out general and specific requirements for the presentation of information in general purpose financial statements. The financial statement presentation principles are based on the concepts within the Conceptual Framework.

Management is currently assessing the impact of the conceptual framework and the standards on the financial statements.

Note 4 Budget

(in thousands)

A business plan with budgeted deficit of \$3,837 was approved by the Board of AEC on March 15, 2023 and the full financial plan was submitted to the Minister of Technology and Innovation.

Note 5 Cash and Cash Equivalents

(in thousands)

	2024	2023
Cash and cash equivalents	\$ 83,760	\$ 64,489

\$115,016 (2023 - \$118,113) (Note 7) is committed for partnership capital contributions. In addition to cash, distributions from the Limited Partnerships and the \$125,505 (2023 - \$150,180) Accounts Receivable can be used toward future cash calls.

Cash amount of \$83,760 (2023 - \$64,489) includes \$16,596 (2023 - \$3,070) denominated in US Dollars (USD).

Note 6 Accounts Receivable*(in thousands)*

Accounts receivable are unsecured and non-interest bearing.

	2024	2023
Grant receivable - Government of Alberta	\$ 125,000	\$ 150,000
Other receivable	505	180
	\$ 125,505	\$ 150,180

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, \$50,000 was allocated in 2017, \$75,000 was allocated in 2021, \$50,000 was allocated in 2022, and \$50,000 was allocated in 2023 for additional investments in limited partnerships. No additional capital was allocated to AEC for the year ended March 31, 2024.

The Corporation is a limited partner in thirty-three (2023 – thirty) active limited partnerships and \$334,400 (2023 - \$326,381) 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:

Note 7 Portfolio Investments (Cont'd)
(in thousands)

1. Active Limited Partnerships	Funds Disbursed to Partnerships for Original Commitment	Remaining Commitments	Total Funds Disbursed and Committed, End of the Year
32 Degrees D.E.Fund II (S&T AIV)	\$ 9,964	\$ 36	\$ 10,000
Accelerate Fund I	10,000	–	10,000
Accelerate Fund II	9,550	450	10,000
Accelerate Fund III	9,225	5,774	15,000
Alpaca VC Fund III LP ^(a)	5,015	5,038	10,053
Amplitude Ventures Fund I	3,390	1,610	5,000
Amplitude Ventures Fund II ^(a)	1,711	8,458	10,169
Azure Capital Partners III ^(a)	11,320	–	11,320
Azure Opportunities Feeder Fund ^(a)	2,647	–	2,647
Builders VC Fund I ^(a)	9,552	305	9,858
Builders II Fund ^(a)	8,696	4,514	13,210
EnerTech Capital Partners IV ^(a)	18,202	274	18,476
Evok Fund II ^(a)	5,396	8,140	13,537
Flying Fish Fund II QP LP ^(a)	4,640	5,339	9,979
Graphite IAF IV LP	3,292	6,708	10,000
iNovia Fund 2018 ^(a)	10,813	2,273	13,086
iNovia Fund III	10,000	–	10,000
iNovia Fund V ^(a)	4,392	11,891	16,283
iNovia Growth II ^(a)	12,214	7,635	19,849
Luge Fund II	–	10,000	10,000
McRock iNfund	10,000	–	10,000
McRock Fund II	8,057	1,943	10,000
New Acres Capital Ag & Food	4,928	72	5,000
Panache Ventures Investment Fund	4,654	346	5,000
Panache Ventures Investment Fund II	2,980	7,020	10,000
PillarFour Capital Fund II ^(a)	2,416	1,542	3,958
Relay Ventures Fund III ^(a)	12,662	561	13,223
Relay Ventures Fund V ^(a)	4,150	9,403	13,553
Sprout II	525	1,975	2,500
The51 Food and Agtech Fund I LP	663	4,338	5,000
Yaletown Innovation Growth	8,300	1,700	10,000
Yaletown Innovation Growth Fund II	6,028	7,672	13,700
Yaletown Ventures II	14,000	–	14,000
Total - March 31, 2024	\$ 229,383	\$ 115,016	\$ 344,400
Total - March 31, 2023	\$ 208,268	\$ 118,113	\$ 326,381
2. Dissolved/ Exited Limited Partnerships	Original Commitment to Fund	Total Funds Disbursed	Remaining Commitments
Avrio Ventures II ^(b)	\$ 6,000	\$ 5,980	\$ –
Chrysalix Energy III Fund ^{(a) (b)}	16,923	16,545	–
Total - Dissolved Funds	\$ 22,923	\$ 22,525	\$ –

(a) Commitments payable in USD. Remaining commitments based on the exchange rate at March 31, 2024.

(b) Avrio Ventures II was dissolved on December 31, 2021 and Chrysalix Energy was sold on March 28, 2024. There are no further commitments to these funds.

Note 7 Portfolio Investments (Cont'd)

(in thousands)

The changes in the fair values of the Corporation's investments in limited partnerships since April 1, 2023 are as follows:

1. Active Limited partnerships	Investment in partnerships, beginning of year	Funds disbursed to partnerships for investments ^(b)	Distributions received from limited partnerships	Remeasurement gain (loss)	Net investment income (loss)	Investment in partnership, end of year	Percentage share of partnership 2024	Percentage share of partnership 2023
32 Degrees D.E.Fund II (S&T AIV)	\$ 1,877	\$ 28	\$ (1,022)	\$ 32	\$ (88)	\$ 827	99.99%	99.99%
Accelerate Fund I	8,736	–	–	(1,817)	(25)	6,894	99.99%	99.99%
Accelerate Fund II	8,508	200	–	319	(328)	8,699	95.46%	95.46%
Accelerate Fund III	6,032	2,447	–	(284)	(495)	7,698	64.79%	64.79%
Alpaca VC Fund III LP ^(a)	3,574	1,733	–	(376)	(262)	4,668	9.61%	11.07%
Amplitude Ventures I	2,090	1,011	(103)	(131)	79	2,946	2.45%	2.45%
Amplitude Ventures II ^(a)	–	1,711	–	(52)	(380)	1,279	3.91%	–
Azure Capital Partners III ^(a)	9,416	134	–	(375)	(177)	8,997	12.42%	12.42%
Azure Opportunities Feeder Fund ^(a)	3,885	107	–	(1,054)	55	2,992	19.70%	19.70%
Builders VC Fund ^(a)	15,637	1,181	–	197	(514)	16,501	4.37%	4.37%
Builders II Fund ^(a)	5,156	4,239	–	221	(403)	9,213	4.00%	4.00%
Chrysalix Energy III Fund ^{(a)(c)}	27,983	173	(21,058)	(15,559)	8,461	–	–	10.32%
EnerTech Capital Partners IV ^(a)	4,239	120	(733)	908	(513)	4,021	12.66%	12.66%
Evok Fund II ^(a)	1,599	3,410	–	679	188	5,876	3.52%	4.20%
Flying Fish Fund ^(a)	2,486	1,558	–	(28)	(175)	3,841	10.68%	10.68%
Graphite IAF IV LP	–	3,293	(240)	228	(738)	2,543	9.11%	–
iNovia Fund 2018 ^(a)	9,716	750	(594)	259	(670)	9,460	5.01%	5.01%
iNovia Fund III	3,478	–	(3,760)	150	953	820	9.04%	9.04%
iNovia Fund V ^(a)	(447)	4,392	–	(156)	(116)	3,673	3.69%	3.69%
iNovia Growth II ^(a)	8,319	2,037	–	(217)	(195)	9,943	3.33%	3.33%
Luge Fund II	–	–	–	–	–	–	10.58%	–
McRock iNfund	10,811	240	(32)	1,194	(804)	11,409	14.22%	14.22%
McRock Fund II	6,567	796	(1,608)	(2)	470	6,228	8.92%	8.92%
New Acres Capital Ag & Food	868	29	–	(384)	(15)	496	4.98%	4.98%
Panache Ventures Investment Fund	8,246	31	(287)	(733)	320	7,575	8.61%	8.61%
Panache Ventures Investment Fund II	1,612	979	–	104	(325)	2,370	10.19%	10.19%
PillarFour Capital Fund III ^(a)	1,727	952	–	251	(67)	2,863	9.96%	9.96%
Relay Ventures Fund III ^(a)	24,079	275	(516)	(506)	(130)	23,201	6.80%	6.80%
Relay Ventures Fund V ^(a)	2,016	1,638	(18)	318	(469)	3,484	12.88%	12.88%
Sprout II	236	193	–	40	(44)	424	19.36%	18.05%
The51 Food and Agtech Fund I LP	–	674	–	1	(245)	429	11.32%	–
Yaletown Innovation Growth	5,938	800	(38)	393	(236)	6,856	7.82%	7.82%
Yaletown Innovation Growth II	3,110	3,014	–	(334)	(330)	5,460	6.88%	6.88%
Yaletown Ventures II	15,912	–	(255)	333	(34)	15,956	15.58%	15.58%
Total Portfolio Investments 2024	\$ 203,405	\$ 38,140	\$ (30,263)	\$ (16,383)	\$ 2,744	\$ 197,643		
Total Portfolio Investments 2023	\$ 187,164	\$ 29,920	\$ (6,977)	\$ (1,895)	\$ (4,806)	\$ 203,405		

(a) Investments in US limited partnerships are denominated in USD but reported in CAD.

(b) Total funds disbursed at the end of the year was \$38,140 (2023 - \$29,920), which include management fees of \$7,238 (2023 - \$6,388). Management fees may be recovered from limited partnerships in accordance with the limited partnership agreements.

(c) AEC's holdings with Chrysalix Energy III Fund was sold on March 28, 2024 for \$7,829 net of transaction fees. The proceeds from the sale was included in the \$21,058 distributions received from the limited partnerships column.

Note 7 Portfolio Investments (Cont'd)

(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.

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.

Note 7 Portfolio Investments (Cont'd)

(in thousands)

Financial Risk Management (Cont'd)

(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.

To manage price risk, the Corporation takes a mindful approach to diversify its investments in limited partnerships focusing on different sectors of innovation creating sectoral diversification. In addition, each limited partnership has established a target mix of investment types and the Corporation will aggregate investment types to ensure appropriate sectoral diversification within a reasonable risk tolerance and in accordance with the limited partnership's investment mandate.

Based on the financial position of the Corporation on March 31, 2024, if the value of investments decreased by five percent, with all other variables held constant, net assets decrease approximately by \$9,882 (2023 - \$10,170). In practice, actual investments results may differ from this analysis and the difference could be material.

(b) Foreign Currency Risk

The Corporation is exposed to foreign currency risk associated with portfolio investments and cash denominated in USD. Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Investments and cash denominated in USD currencies are translated into Canadian dollars using the reporting date exchange rate.

The value of the Corporation's investments in limited partnerships denominated in USD may change due the changes in exchange rates. \$110,009, or 56% of the Corporation's investments, are denominated in US dollars (2023 - \$119,390 or 59%). The carrying amount of cash denominated in USD is \$16,596 (2023 - \$3,070).

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 carrying value to the Corporation would be approximately 6.4% of total investments and cash (2023 - 6.0%). The Corporation does not participate in any foreign currency hedging activities.

(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. 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 Contractual Rights

(in thousands)

Contractual rights are rights of the Corporation to economic resources arising from a grant agreement from the Government of Alberta that will result in both assets and revenues in the future when the terms of those contracts or agreements are met. The Corporation did not receive any grants during the year (2023: nil).

Note 9 Contractual Obligations

(in thousands)

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts are met. The Corporation has committed funds to be paid into limited partnerships. The details of the commitments are listed in Note 7. Other contractual obligations are:

	2024	2023
Obligations under operating leases	\$ 1,012	\$ 1,080
Obligations under service contracts	102	71
	\$ 1,114	\$ 1,151

Estimated payments in each of the next five years and thereafter are as follows:

	Operating Leases	Service Contracts	Total
2024-25	\$ 108	\$ 63	\$ 171
2025-26	108	36	144
2026-27	108	2	110
2027-28	110	1	111
2028-29	110	-	110
Thereafter	468	-	468
	\$ 1,012	\$ 102	\$ 1,114

Note 10 Tangible Capital Assets

(in thousands)

	Leasehold Improvement	2024	2023
Estimated Useful Life	10 Years		
Historical Cost			
Beginning of Year	\$ 394	\$ 394	\$ -
Additions	7	7	394
	\$ 401	\$ 401	\$ 394
Accumulated Amortization			
Beginning of Year	\$ 15	\$ 15	\$ -
Amortization Expense	38	38	15
	\$ 53	\$ 53	\$ 15
Net Book Value, March 31, 2024	\$ 348	\$ 348	\$ -
Net Book Value, March 31, 2023	\$ -	\$ -	\$ 379

Note 11 Comparative Figures

Certain 2023 figures have been reclassified to conform to the 2024 presentation.

Note 12 Approval of Financial Statements

The Board approved the financial statements of Alberta Enterprise Corporation on June 3, 2024.

Schedules to the Financial Statements

Schedule 1 EXPENSES – DETAILED BY OBJECT

Year Ended March 31, 2024

(in thousands)	2024		2023
	Budget	Actual	Actual
Salaries, wages and employee benefits	\$ 2,157	\$ 2,153	\$ 1,547
Supplies, services and payments to consultants	1,161	814	895
Grants and sponsorships	460	456	177
Amortization of tangible capital assets (Note 10)	59	38	15
Total expenses	\$ 3,837	\$ 3,461	\$ 2,634

Schedule 2 SALARY AND BENEFITS DISCLOSURE

Year Ended March 31, 2024

(in thousands)	2024				2023
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-cash Benefits ⁽³⁾	Total	Total
Chair of the Board	\$ -	\$ 24	\$ 1	\$ 25	\$ 24
Vice Chair of the Board	-	16	1	17	16
Board Members (five) ⁽⁴⁾	-	65	4	69	68
Executives:					
Chief Executive Officer	288	10	34	332	324
Chief Financial Officer ⁽⁵⁾	225	-	10	235	90
Vice President, Investments	241	-	6	247	231
Vice President, Investments ⁽⁶⁾	195	-	6	201	188
	\$ 949	\$ 115	\$ 62	\$ 1,126	\$ 941

(1) Base salary includes regular salary, holiday pay, in Lieu RSP, and vehicle allowance.

(2) Other cash benefits for board members include honoraria payments and per diem allowances. Other cash benefits for executives include life and disability insurance. There were no discretionary amounts paid to executives in 2024 (2023 - \$nil).

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

(4) At any given time, the Board of Directors consisted of no more than five members in 2024 (2023 - five) plus the chair and vice chair, whose remuneration is disclosed separately.

(5) Chief Financial Officer effective start date of November 14, 2022.

(6) This position consisted of an 0.8 full-time equivalent in the fiscal year (2023 - 0.8).

Schedule 3 RELATED PARTY TRANSACTIONS

Year Ended March 31, 2024

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.

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

<i>(in thousands)</i>	2024	2023
Revenues		
Grants from Technology and Innovation	\$ -	\$ 50,000
Interest revenue from Treasury Board and Finance	2,418	1,346
	\$ 2,418	\$ 51,346
Receivable from Technology and Innovation	\$ 125,000	\$ 150,000



From Left to Right:

Top row: Tracey Scarlett, Neil Sadaranganey, Sharilee Fossum, Derrick Hunter
Bottom row: Elizabeth Cannon, Ted Redmond, Justin Ferrara

Board of Directors

Ted Redmond, Chair

EVP & COO – Modular Space Solutions, Black Diamond Group LP

Elizabeth Cannon, Vice Chair

Corporate Director

Sharilee Fossum, Audit Committee Chair

Corporate Director

Tracey Scarlett

Corporate Director

Neil Sadaranganey

Managing Director – NTT Docomo Ventures

Derrick Hunter

President and CEO – Bluesky Equities Ltd.

Justin Ferrara

Senior Partner – Norton Rose Fulbright Canada LLP



AEC Team

Kristina Williams

President and CEO

Jennie Allen

Chief Financial Officer

Rebecca Giffen

Vice President Investments

Paul Godman

Vice President Investments

Christiana Manzocco

Director of Investments

Matthew McGrath

Director of Investments

Alan Campbell

Director of Industry Development

Carolina Rahikka

Manager of Operations and Marketing Lead

Leon Thai

Investment Analyst

Jeremiah Alabi

Senior Accountant

Deepashree Bagul

Senior Accountant

Glossary of Terms

Deal flow: Deal flow refers to the number of quality startup companies and opportunities – deals – available for Venture Capital firms to invest in. Included in this would be only those companies that have intellectual property, and/or are “product-based” companies; services firms, projects, consulting companies and the like would not be considered part of the deal flow in Alberta.

Ecosystem: Ecosystem refers to the connectivity within Alberta’s VC community that allows technology entrepreneurs to access the capital, operational expertise and industry networks needed to grow.

J-curve: A J-curve depicts a trend that starts with a sharp drop and is followed by a dramatic rise. Due to the nature of venture investing and accounting practices for these investments, Venture Capital funds are likely to show a loss during the first half of their life as new funds draw capital. These losses normally reverse as a fund matures and as unrealized and realized gains increase over time. This is called a J-curve.

Limited Partner: Limited Partners are investors in a fund who provide capital to Venture Capitalists (General Partners); their liability is limited to the money they have invested. AEC invests as a Limited Partner in VC funds.

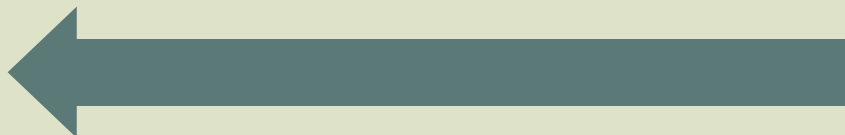
Pre-Seed and Seed funding: Pre-Seed or Seed funding is the first official equity funding stage. It typically represents the first official money that a business venture or enterprise raises. There are many potential investors in a seed funding situation: founders, friends, family, incubators, Venture Capital companies and more. One of the most common types of investors participating in seed funding is a so-called “angel investor”.

Series A funding: The first round after the seed stage is normally called Series A funding. In this round, it’s important to have a plan for developing a business model that will generate long-term profit. The investors involved in the Series A rounds typically come from more traditional Venture Capital firms.

Total Value to Paid In capital (TVPI): The investment multiple is also known as the Total Value to Paid-In (TVPI) multiple. It is calculated by dividing the fund’s cumulative distributions and residual value by the paid-in capital. It provides insight into the fund’s performance by showing the fund’s aggregate returns as a multiple of its cost basis.

Venture Capital: Risk capital provided by investors to startup firms with perceived growth potential. Venture Capital funds raise capital from external investors (Limited Partners) and are professionally managed by a General Partner.

Sources: Investopedia and AEC



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