2023 Annual Report

December 31, 2023

Canada Growth Fund | CGF

2023 Highlights

In the six months since CGF began its activities:

2

investments in innovative Canadian companies with proven decarbonization technologies

400+

meetings held with companies, project owners and investors

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Discussion of Fund Performance and Results

The Discussion of Fund Performance and Results provides an analysis of the operations and financial position of Canada Growth Fund Inc. ("CGF") for the 384-day period ended December 31, 2023 and should be read in conjunction with the CGF financial statements and accompanying notes for the 384-day period ended December 31, 2023 ("the Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). This report takes into account material elements, if any, between December 31, 2023 and March 26, 2024, the date of approval of this report by the Board of Directors.

Forward-looking Statements

From time to time, CGF makes forward-looking statements that reflect its assumptions, expectations, objectives, strategies and intentions as of the date of this report. These forward-looking statements are typically identified by future or conditional verbs or words such as "outlook", "believe", "estimate", "project", "expect", "plan", and similar terms and expressions.

By their nature, forward-looking statements require assumptions to be made and involve inherent risks and uncertainties. As a result, CGF cannot guarantee that any forward-looking statement will materialize, and its future investment activities may vary from those outlined herein. You should not place undue importance on forward-looking statements and should not rely upon this information as of any other date.

All amounts in this report are in Canadian dollars unless otherwise noted.

About the Canada Growth Fund

The Canada Growth Fund[1] ("CGF") is a $15 billion independent impact investment fund operating at arm's length from the Government of Canada that was established to support the growth of Canada's clean economy. CGF was given the mandate to make investments that catalyze substantial private sector investment in Canadian businesses and projects to help transform and grow Canada's economy at speed and scale on the path to net-zero and deploy innovative funding structures that help mitigate certain risks and uncertainties inherent to investing in the low-carbon economy.

CGF is a Crown Corporation and wholly-owned subsidiary of Canada Development Investment Corporation ("CDEV"). CDEV is, in turn, wholly-owned by His Majesty in Right of Canada (the "Government of Canada"). CDEV incorporated CGF under the ***Canada Business Corporations Act*** on December 13, 2022. CGF is subject to the ***Financial Administration Act*** ("FAA") and it is exempt from Part I tax under paragraph 149(1)(d.2) of the ***Income Tax Act*** (Canada).

Following the federal budget announcement in March 2023, the Public Sector Pension Investment Board ("PSP Investments") was selected to act as the independent and exclusive investment manager of CGF. The ***Public Sector Pension Investment Board Act*** was amended in June 2023 to allow a subsidiary of PSP Investments to manage the investments of CGF. To that end, PSP Investments incorporated Canada Growth Fund Investment Management Inc. ("CGFIM") as its wholly-owned subsidiary in August 2023.

In June 2023, PSP Investments, CGF and CDEV entered into an agreement pursuant to which PSP Investments agreed to provide, through a secondment arrangement, employees that would deliver a full suite of services to CGF (the "Framework Agreement") prior to entering into the Investment Management Agreement ("IMA").[2] As of December 31, 2023, the Framework Agreement was still in effect. The IMA was executed between PSP Investments, CGFIM, CGF and CDEV on March 11, 2024.

2023

December CFG announces a first-of-its-kind deal with carbon capture and storage company Entropy Inc. (read more on page 7)

October CFG announces its first investment, in geothermal company Eavor Technologies Inc. (read more on page 7)

August PSP Investments incorporates CGFIM as a wholly-owned subsidiary based in Montréal to provide investment management services to CGF

June PSPIB Act is amended to allow PSP Investments to act as the investment manager of CGF

March Government of Canada announces in Budget 2023 that PSP Investments will act as the independent and exclusive investment manager of CGF

2022

December CGF is incorporated as a subsidiary of CDEV, which advises the Canadian government on complex and diverse commercial interests

November Government of Canada issues detailed technical backgrounder on CGF, noting it is to be administered at arm's length from government

1 Legal entity is Canada Growth Fund Inc.

2 PSP Investments has adopted a policy to address any real, potential, and perceived conflicts of interest between PSP Investments and/or CGFIM, on the one hand, and CGF, on the other hand, which may be found at this link.

Mandate

CGF's mandate is to build a portfolio of investments that catalyze substantial private sector investment in Canadian businesses and projects to help transform and grow Canada's economy at speed and scale on the path to net-zero, and is intended to help Canada meet the following national economic and climate policy goals:

01

Reduce emissions and achieve national climate targets

02

Accelerate the deployment of key technologies, such as low-carbon hydrogen and carbon capture and sequestration, among others

03

Scale up companies that will create jobs and support productivity across new and traditional industrial sectors

04

Encourage the retention of intellectual property in Canada

05

Capitalize on Canada's abundance of natural resources and strengthen critical supply chains to secure Canada's future economic and environmental well-being

Individual investments will contribute to CGF's portfolio-level objectives in different ways. CGF's goal is to deliver against its strategic objectives while recovering its capital on a portfolio basis and recycling its capital base over the long term; it is equally required to minimize concessionality.

CGF is expected to deliver on its mandate by executing the activities described further under "Investment Framework" on the following page.

Investment Framework

In order to achieve its mandate, CGF's investment framework has been established as follows:

Investment Focus

CGF has the following areas of focus when making investments:

Projects

projects that use less mature technologies and processes (proven in pilots but not yet widely adopted) to reduce emissions across the Canadian economy (e.g., carbon capture and storage; hydrogen; and biofuels);

Clean Tech

technology companies, including small and medium enterprises ("SMEs"), which are scaling less mature technologies that are in the demonstration or commercialization stages of development; and

Low-Carbon Supply Chains

companies (including SMEs) and projects across low-carbon or climate tech value chains, including low-carbon natural resource development.

CGF will generally not focus on (i) research and development or demonstration projects; (ii) technology pilot projects; (iii) mature technologies or mature companies that can attract sufficient private sector investment; (iv) venture capital-style investments; (v) government owned projects; or (vi) other types of investments otherwise covered by other government policies and programs (including those funded through grants and contribution programs).

Investment Criteria

When evaluating investment opportunities, CGF considers a set of investment criteria that enable rigorous, fair, and consistent evaluations, while ensuring that the opportunities pursued align with relevant aspects of the CGF mandate. Any individual investment may not satisfy all investment criteria and strategic objectives of the CGF mandate.

01

Impact alignment (consistency with the CGF mandate): whether the potential impact of an investment is aligned with the mandate and one or more of CGF's objectives.

02

Additionality: whether the participation of CGF brings additional investment and impact that would not have happened otherwise.

03

Investment soundness: whether an investment has a reasonable expectation of a return of capital, while minimizing concessionality.

More specifically on the last point of investment soundness, the following three key elements are considered and balanced with respect to each potential investment:

Financial Returns: CGF will not generally invest where it does not have a reasonable expectation of a return of capital. Making individual investment decisions on this basis reflects CGF's aim to recover its invested capital on a portfolio basis over a period of 15 years.

Risk Mitigation: CGF may use investment instruments that absorb certain risks in order to encourage private investment in low-carbon projects, technologies, businesses, and supply chains. Each CGF investment is expected to address one or more of the following key risk factors that create uncertainty in respect of an investment's long-term financial profile:

(i) Demand risk associated with uncertainty around end-market demand and pricing;

(ii) Policy risk related to perceived uncertainty around climate regulations, such as a carbon price or clean fuel standards;

(iii) Regulatory risk with respect to project assessments and permitting approvals for construction projects;

(iv) Execution risk from building first-of-a-kind commercialized products and companies;

(v) Liquidity risk from investing in projects without abundant debt financing or visible secondary markets for equity; and

(vi) Other risks that limit investor interest.

Concessionality: It is expected that CGF's investments will generally have some level of concessionality. Such concessional investing may take different forms and is guided by the following principles:

(i) Minimize the level of investment concessionality (i.e., discount rate and/or loss exposure relative to market) to the level necessary to attract private capital or otherwise make the project viable; and

(ii) Participate, to the appropriate degree, alongside private sector investors in the downside risk and upside potential of an investment.

It is understood that the implementation of the CGF mandate is likely to result in a concentrated portfolio of investments, especially during the ramp up period when the portfolio is being assembled. Notwithstanding the above and to the extent it is reasonably possible, CGFIM will aim to build a diversified portfolio of investments, including across various areas of focus, regions, investment structures and investment instruments.

Impact Measurement and Management

CGFIM, as the exclusive and independent investment manager of CGF, is responsible for integrating environmental, social and governance (ESG) considerations into the CGF investment process and asset management activities. CGFIM has developed an impact measurement and management ("IM+M") framework to oversee an investment selection process aligned with the CGF mandate. An IM+M framework is required to guide efficient and effective investment decision making in alignment with the CGF mandate, and to establish a comparable, consistent, and repeatable impact measurement process. CGF's IM+M framework acts to ensure rigorous impact assessment is conducted at each stage of the CGF investment process, as illustrated below:

Investment Process	IM+M Requirements
Investment Strategy	Clear, intentional impact objectives and strategy
Due Diligence	Evaluation criteria and metrics to validate strategic objective alignment and assess impact potential
Portfolio Management	Frameworks and tools for monitoring and managing impact performance throughout hold period
Reporting	Strategy to communicate impact and IM+M practices

Performance Evaluation

On a go-forward basis, CGFIM will be evaluating the performance of the CGF portfolio of investments to measure the contributions of its investment activities toward achieving the CGF's mandate. This analysis will be performed using the following performance considerations, which will serve as a basis for the development of further performance criteria to be agreed to between CGFIM and the Government of Canada. It is expected that CGF will report on such performance criteria annually, beginning as of December 31, 2024.

Investment Selection Criteria, Strategic Objectives and Investment Principles	Performance Considerations
Consistency with CGF mandate – ***Quickly and significantly reduce emissions and contribute to achieving Canada's climate targets***	• Reduction of annual GHG emissions enabled by CGF investments in projects (e.g., scale-up of technology, contracts for difference) and CGF investments in companies
Consistency with CGF mandate – ***Scale up technologies and companies that will drive productivity, competitiveness and clean growth and jobs across new and traditional sectors of Canada's industrial base***	• Private capital (equity and debt) deployed in projects and companies alongside CGF's capital • Ratio of private capital (equity and debt) to CGF capital in projects and companies in CGF portfolio (e.g., crowding-in) • Reduction in cost per unit by technology (e.g., levelized cost of energy, cost to abate a ton of CO_2) • Direct permanent jobs created or supported
Consistency with CGF mandate – ***Capitalize on Canada's resource endowment and strengthen critical supply chains in order to secure Canada's future economic prosperity***	• Domestic production of clean energy or critical materials (e.g., minerals) or components (e.g., batteries) for a net-zero economy directly enabled by CGF investments • Exports of clean energy, critical materials, and low-carbon energy and industrial goods enabled by CGF investments
Consistency with CGF mandate – ***Long-term benefits for Canada***	• Contribution of CGF investments in project and companies to productive capital in Canada, including physical, human, and knowledge capital (e.g., intellectual property)
Additionality	• Evidence of effect of CGF in catalyzing private investment, including qualitative evidence
Financial soundness	• Average financial return of CGF investments
Consistency with Environmental, Social, and Governance (ESG) Principles	• Internationally accepted market-leading indicators across ESG attributes of responsible investment (e.g., the Task Force on Climate Related Financial Disclosures and Equator Principles)

Fund Activity and Results

The 384-day period ended December 31, 2023[1] represented CGF's inaugural period of operations and was characterized by set-up activities aimed at promptly ramping up CGF's investment capabilities and operating infrastructure. Such activities began in June 2023, when PSP Investments, CGF and CDEV entered into the Framework Agreement pursuant to which PSP Investments agreed to provide, through a secondment arrangement, employees who would deliver a full suite of investment management services to CGF prior to entering into the IMA (the "Interim Period"). CGF completed two investments in its fourth quarter.

Compliance with the Statement of Priorities and Accountabilities

Directive (P.C. 2022-1272) which was issued on December 2, 2022 pursuant to section 89 of the FAA directed CGF to take such steps as are necessary to implement its mandate in accordance with any Statement of Priorities and Accountabilities, as may be issued by the Minister of Finance.

An initial Statement of Priorities and Accountabilities was issued to CGF by the Minister of Finance on May 31, 2023 (the "Interim SPA"), outlining priorities for CGF during the Interim Period:

- launching new investments in low carbon projects and businesses that will help transform and grow Canada's economy on a path to net-zero;
- building the expertise needed to design and execute contracts for difference as well as building the capabilities to invest using a full range of CGF's investment instruments.

CGF met the objectives set out in the Interim SPA in that, as reported under the "Investments" section below, CGF closed on two transactions aligned with the CGF mandate, one of them involving a carbon offtake agreement. Moreover, the team of PSP employees (dedicated to CGF and supporting) has been growing and building its expertise and knowledge across the investment areas and tools covered by the CGF mandate.

1 From December 13, 2022 (date of incorporation).

Funding Received

In its inaugural 384-day period of operations, CGF issued 290 thousand Preference Shares (as defined below) to, and received $290 million in capital contributions from, the Government of Canada. Such contributions were received by CGF to invest according to its mandate.

Investments

As at December 31, 2023, investments held by CGF mainly consisted of a private equity investment and a fixed-price carbon credit purchase agreement ("CCO") investment, as follows:

On October 25, 2023, CGF entered into a share purchase agreement acquiring $90 million of Series B Preferred Shares of **Eavor Technologies Inc.**, a Canadian-based geothermal technology company. As at December 31, 2023, the fair value was estimated as equal to the transaction price.

Please see the CGF press release for more details.

On December 19, 2023, CGF entered into an investment agreement with **Entropy Inc.**, a Canadian-based developer of technologically-advanced carbon capture and sequestration projects. CGF has committed to a CCO of up to 600 thousand tonnes per annum ("tpa"). The initial project to benefit from the CCO is drawing up to 185 thousand tpa for a total of approximately 2.8 million tonnes over the 15-year term, recorded as a derivative instrument. As at December 31, 2023, the CCO's fair value was estimated as equal to the transaction price of nil, and the total commitment is described in Note 12 of the Financial Statements.

CGF also agreed to a $200 million delayed draw convertible debenture facility that could be converted into common equity of the company, and on which no amount was drawn as at December 31, 2023.

Please see the CGF press release for more details.

As CGF completed its first investments during its fourth quarter, no direct investment income has been generated in the form of distributions yet. Further, no investment fair value unrealized gains or losses have been recorded during the 384-period ended December 31, 2023 as no material change occurred in the factors driving the value of the assets between their trade date and the fiscal year-end.

In the context of CGF's cash management activities, short-term investments amounting to $175,061 thousand were held by CGF as at December 31, 2023. Cash management activities generated $649 thousand in interest income during the period on cash held and on short-term investments. They consisted of instruments having a maximum term to maturity of one year and are held for near term upcoming funding and cash management requirements.

Expenses

In its inaugural 384-day period of CGF's operations, the primary focus was on set-up activities to accelerate investment and operating readiness in view of its projected investment activities. More specifically, CGF incurred $18,192 thousand in set-up activities which were composed of the following:

- $11,827 thousand related to costs incurred to set-up CGFIM's investment management activities;
- $6,365 thousand was incurred by CDEV on behalf of CGF mainly in professional expenses relating to the establishment of CGF mostly prior to the date of the Framework Agreement.

The balance of CGF's total expenses amounted to $13,981 thousand and consisted of the following:

- $10,837 thousand for costs reimbursement in staffing and resources as well as professional and consulting fees incurred to operate CGF; and
- $3,144 thousand incurred in investment transaction costs.

Risk Management

CGF's business purpose is to make investments according to its mandate, delivering against its strategic objectives while recovering its capital on a portfolio basis and recycling its capital base over the long term. CGFIM is leveraging PSP Investments' expertise in identifying, evaluating, managing, mitigating, monitoring risks, and performing sensitivity analyses while adapting its processes to meet CGF's specific needs and to reflect the startup nature of the entity. Several investment risk practices of PSP Investments have already been leveraged and adapted to CGF's investment activities. Similarly, as CGF progresses, non-investment risk practices will be assessed based on CGF's business needs.

As at December 31, 2023, CGF's risk measurement focused mainly on investment risks and included market, credit and liquidity risks. They are described in Note 6 of the Financial Statements.

Capital Management

The capital structure of CGF consists of common and preference shares. Preference shares are its primary source of funding. CGF is not authorized to borrow money other than providing guarantees and entering into loan commitments in support of its investment transactions, for an annual aggregate amount not exceeding the annual commitment amount approved and effective under the most recent Corporate Plan. Amounts guaranteed, if any, are disclosed in Note 11 of the Financial Statements.

Common Shares

CGF was nominally capitalized with one common share issued at a par value of $1,000 per share, for a total share capital of $1,000. CGF is authorized to issue an unlimited number of common shares. Holders of these shares are entitled to dividends, as and when declared from time to time, and are entitled to one vote per share at general meetings of CGF.

Preference Shares

On May 31, 2023, a Funding Agreement (the "FA") was entered into between CGF and the Government of Canada regarding the funding of CGF, pursuant to subsection 118(1) of the ***Fall Economic Statement Implementation Act, 2022***, as amended by the ***Budget Implementation Act, 2023, No.1***. The funding is by way of subscription for Class A Preference Shares ("Preference Shares") of CGF on the terms set forth in the FA to provide funding to CGF, up to the amount of $15 billion, for the administration and implementation of the mandate.

Preferences Shares are further described in the Financial Statements.

Guarantees, Indemnities and Commitments

In certain cases, CGF may provide indemnification to directors, officers, certain CGF representatives or third parties as part of its normal course of business. As a result, CGF may be required to indemnify such parties under certain conditions or in connection with the performance of their contractual obligations.

CGF may also enter into commitments in connection with investment transactions as part of its normal course of business.

Indemnities, guarantees and commitments including any amounts outstanding are described in notes 11 and 12, respectively, of the Financial Statements.

Significant Accounting Judgments, Estimates and Assumptions

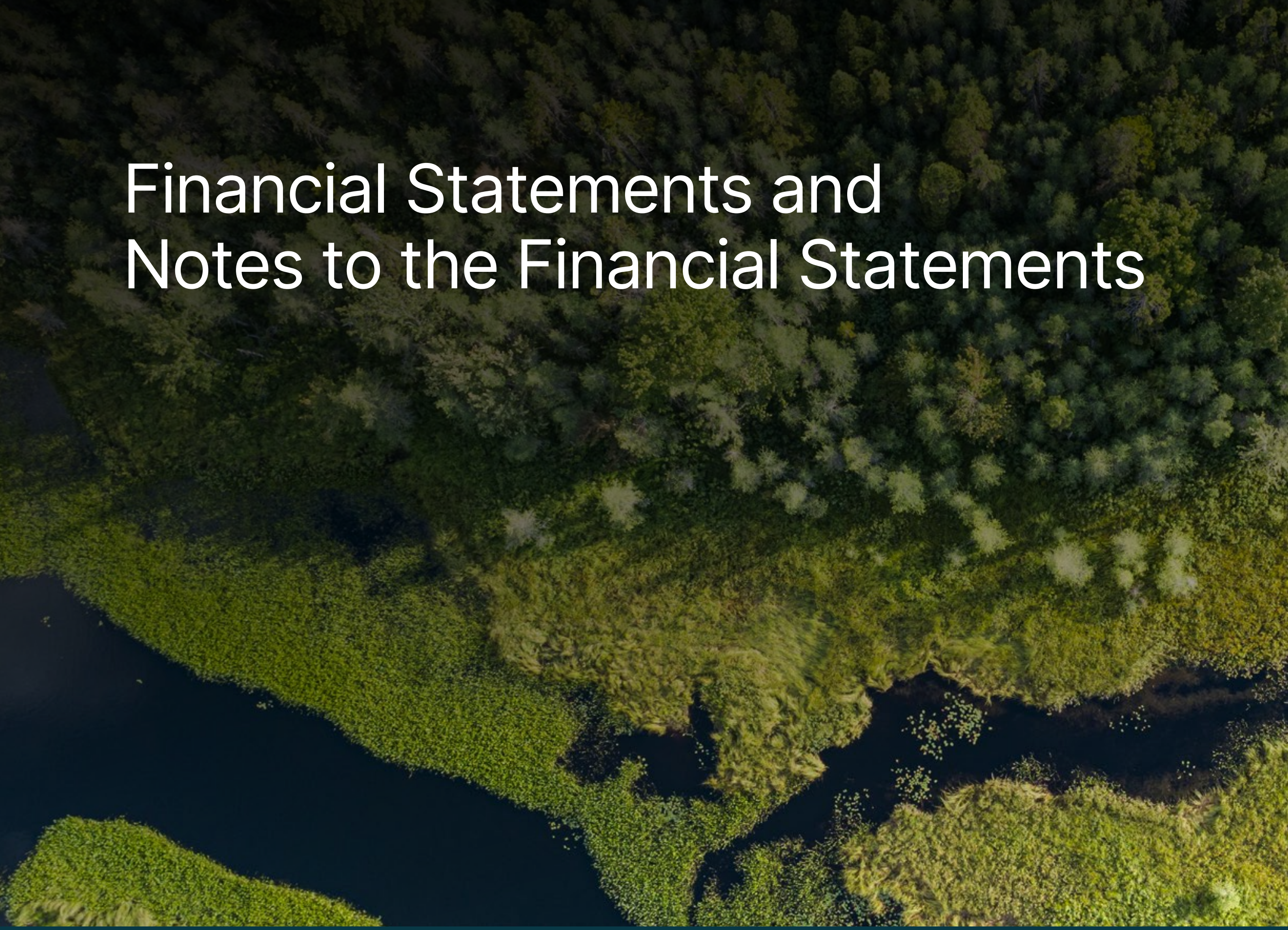
In preparing the Financial Statements, management makes certain judgments, estimates and assumptions that can affect the amounts reported therein. Significant judgments include those related to the determination of the investment entity status as described in Note 2.2 of the Financial Statements.

Management also makes estimates and assumptions in the measurement, risk assessment and related disclosures surrounding investments in private markets and derivative-related instruments. The main assumptions made by management regarding measurement of financial instruments are outlined in Note 4.2.3 and those regarding the assessment of risk are outlined in Note 6 of the Financial Statements.

Sources of estimate uncertainty related to macroeconomic unpredictability and volatility include the nature of the industry in which CGF is investing, the current geopolitical context, supply chain challenges, inflation and interest rates. This could continue to impact financial results, due to uncertainties including their extent and duration. The Financial Statements of CGF reflect the impacts resulting from the aforementioned macroeconomic factors to the extent known at the reporting date.

Although assumptions reflect management's best estimates, actual results may differ from such estimates due to the uncertainties involved in using them.

Financial Statements and Notes to the Financial Statements



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Management's Responsibility for Financial Reporting

The financial statements of Canada Growth Fund ("CGF") have been prepared by Canada Growth Fund Investment Management Inc. ("CGFIM")[1], acting in its capacity as investment manager of CGF pursuant to and in accordance with the provisions of the Investment Management Agreement dated as of March 11, 2024 among CGF, CGFIM, Canada Development Investment Corporation and Public Sector Pension Investment Board, (together with Officers of CGF referred to as "Management" herein and in the independent auditors' report), and approved by the Board of Directors. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and incorporated into the CPA Canada Handbook. Management is responsible for the contents of these financial statements and the financial information contained in the Discussion of Fund Performance. The financial statements include certain amounts based on Management's judgments and best estimates where deemed appropriate. The material accounting policy information used is disclosed in note 2 to the financial statements. The financial information presented throughout the Discussion of Fund Performance is consistent with the financial statements.

CGFIM has designed and maintained internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes in accordance with IFRS.

CGFIM maintains records and systems of internal control and supporting procedures designed to provide reasonable assurance that CGF's assets are adequately safeguarded.

The Board of Directors is responsible for approving the annual financial statements. The Board meets regularly with Management and the external auditors to discuss the scope and findings of the audit and other work that they may be requested to perform from time to time, to review financial information. The Board reviews and approves the annual financial statements.

CGF's external "joint" auditors, the Office of the Auditor General of Canada and Deloitte LLP (the "External Auditors"), have conducted an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to express an opinion in their Independent Auditors' Report. The External Auditors have full and unrestricted access to Management and the Board to discuss findings related to the integrity of CGF's financial reporting and the adequacy of internal control systems.

Elizabeth Wademan
President, Canada Growth Fund Inc.

March 26, 2024

Patrick Charbonneau
President and Chief Executive Officer,
Canada Growth Fund Investment Management Inc.

March 26, 2024

1 References in this letter to CGFIM mean seconded personnel to CGF from PSP Investments, for the period prior to the signing of the IMA.

Independent Auditors' Report

To the Minister of Finance

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Canada Growth Fund Inc. (CGF), which comprise the statement of financial position as at December 31, 2023, and the statement of net loss, statement of changes in equity and statement of cash flows for the 384-day period then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CGF as at December 31, 2023, and its financial performance and its cash flows for the 384-day period then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Discussion of fund performance, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing CGF'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 management either intends to liquidate CGF or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 auditors' report that includes our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 CGF'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 CGF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause CGF 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.

We 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 we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the financial statements, we have audited transactions of the Canada Growth Fund Inc. coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are the applicable provisions of Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the articles and by-law of the Canada Growth Fund Inc., and the directive issued pursuant to section 89 of the *Financial Administration Act* described in Note 1 to the financial statements.

In our opinion, the transactions of the Canada Growth Fund Inc. that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for the Canada Growth Fund Inc.'s compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable the Canada Growth Fund Inc. to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.

original signed by Mélanie Cabana

Mélanie Cabana, CPA auditor
Principal
for the Auditor General of Canada

Montréal, Canada
March 26, 2024

/s/ Deloitte LLP[1]

Montréal, Canada
March 26, 2024

[1]CPA auditor, public accountancy permit No. A125494

Statement of Financial Position

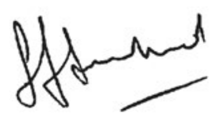
As at December 31

(Canadian $ thousands)	Notes	2023
Assets		
Cash and cash equivalents	4.1	**13,300**
Investments	4.1	**265,061**
Total assets		**278,361**
Liabilities		
Accounts payable and other liabilities	4.1	**103**
Accounts payable to related parties	9	**19,781**
Total liabilities		**19,884**
Equity		
Share Capital	7	**290,001**
Deficit		**(31,524)**
Total equity		**258,477**
Total liabilities and equity		**278,361**

The accompanying notes are an integral part of the Financial Statements.

On behalf of the Board of Directors

Elizabeth Wademan
Board Member



Steve Swaffield
Board Member

Statement of Net Loss

For the 384-day period ended December 31

(Canadian $ thousands)	Notes	2023
Income:		
Investment income		**649**
Expenses:		
Investment-related expenses	8	**(3,144)**
Operating expenses	8	**(29,029)**
Net loss		**(31,524)**

The accompanying notes are an integral part of the Financial Statements.

Statement of Changes in Equity

For the 384-day period ended December 31

(Canadian $ thousands)	Notes	2023
Share capital		
Balance at beginning of period		**–**
Issuance of common shares	7	**1**
Issuance of preference shares	7	**290,000**
Balance at end of period		**290,001**
Deficit		
Balance at beginning of period		**–**
Net loss		**(31,524)**
Balance at end of period		**(31,524)**
Total equity		**258,477**

The accompanying notes are an integral part of the Financial Statements.

Statement of Cash Flows

For the 384-day period ended December 31

(Canadian $ thousands)	Notes	2023
Cash flows from operating activities		
Net loss		**(31,524)**
Net changes in operating assets and liabilities		
Increase in accounts payable and other liabilities		**103**
Increase in accounts payable to related parties		**19,781**
Purchase of investments		**(265,061)**
Net cash flows used in operating activities		**(276,701)**
Cash flows from financing activities		
Capital contributions received – common shares	7	**1**
Capital contributions received – preference shares	7	**290,000**
Net cash flows provided by financing activities		**290,001**
Net change in cash and cash equivalents		**13,300**
Cash and cash equivalents at the beginning of the period		**–**
Cash and cash equivalents at the end of the period[1]		**13,300**
Supplemental disclosure of cash flow information		
Interest received		**475**

1 As at December 31, 2023, cash and cash equivalents were comprised of cash of $13,092 thousand and cash equivalents of $208 thousand.

The accompanying notes are an integral part of the Financial Statements.

Notes to the Financial Statements

1. Corporate Information

Canada Growth Fund Inc. ("CGF") is a Crown Corporation and wholly-owned subsidiary of Canada Development Investment Corporation ("CDEV"). CDEV is, in turn, wholly-owned by His Majesty in Right of Canada (the "Government of Canada"). CDEV incorporated CGF under the ***Canada Business Corporations Act*** ("CBCA") on December 13, 2022. CGF is subject to the ***Financial Administration Act*** ("FAA") and it is exempt from Part I tax under paragraph 149(1)(d.2) of the ***Income Tax Act*** (Canada).

The objective of CGF, as established by the directive (P.C. 2022-1272) pursuant to section 89 of the FAA, is to take such steps as are necessary to implement its mandate in accordance with any Statement of Priorities and Accountabilities, as may be issued by the Minister of Finance. The intention is for CGF to support the growth of Canada's clean economy, and help to meet its national economic and climate policy goals, including to reduce emissions and achieve Canada's climate targets. CGF's mandate is to catalyze substantial private sector investment in Canadian low-carbon projects, technologies, businesses, and supply chains by deploying innovative funding structures that help mitigate certain risks and uncertainties inherent to investing in the low-carbon economy.

CGF differs from traditional for-profit private sector investors seeking to maximize market returns and traditional public sector grant and contribution programs. Its objective is to deliver against its strategic objectives while recovering its capital on a portfolio basis and recycling its capital base over the long term.

Following the federal budget announcement on March 2023, the Public Sector Pension Investment Board ("PSP Investments") was selected to act as the independent and exclusive investment manager of CGF. The ***Public Sector Pension Investment Board Act*** was amended in June 2023 to allow a subsidiary of PSP Investments to manage the investments of CGF. To that effect, PSP Investments incorporated Canada Growth Fund Investment Management Inc. ("CGFIM") as its wholly-owned subsidiary in August 2023. PSP Investments is at arm's length from the Government of Canada, and CGFIM will be providing investment management services, pursuant to an investment management agreement, also at arm's length from the Government of Canada. In the interim, a framework agreement was put in place, whereby an investment committee with personnel seconded from PSP Investments has been making investment decisions on behalf of CGF.

CGF's registered office is located at 79 Wellington Street West, Suite 3000, Toronto, Ontario.

2. Material Accounting Policy Information

The material accounting policy information that has been applied in the preparation of these Financial Statements is summarized below and has been used throughout the presented period.

2.1. Basis of Presentation

The Financial Statements of CGF have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

CGF qualifies as an investment entity as defined under IFRS 10 ***Consolidated Financial Statements***. CGF measures its investments in associates, joint ventures and financial assets at fair value through profit and loss ("FVTPL") in accordance with IAS 28 ***Investments in Associates and Joint Ventures*** and IFRS 9 ***Financial Instruments***. Financial liabilities, which include accounts payable and other liabilities and accounts payable to related parties, are measured at amortized cost.

These Financial Statements present the financial position and results of operations of CGF. They reflect the economic activity of CGF as it pertains to the investment of the funds transferred to it by the Government of Canada.

CGF's Statement of Financial Position is as at December 31, 2023, and the Statement of Net Loss, Statement of Changes in Equity and Statement of Cash Flows are for the 384-day period from December 13, 2022 (date of incorporation) through December 31, 2023.

These Financial Statements were authorized for issue in accordance with a resolution of the Board of Directors on March 26, 2024.

2.2. Investment Entity Status

CGF has determined that it meets the mandatory items of the definition of an investment entity under IFRS 10 on the basis of the facts and circumstances as at the end of the period. They are as follows:

(i) Mandate and business purpose

As further described in Note 1, CGF's mandate is to manage and invest the funds that are transferred to it to catalyze substantial private sector investment in Canadian businesses and projects to help transform and grow Canada's economy at speed and scale on the path to net-zero. CGF's business purpose is to recover its capital on a portfolio basis and recycle its capital base over the long term. Consequently, CGF has to invest according to its mandate, with a view of earning a rate of return from capital appreciation and income from investments.

CGF's projected investment horizon is forecasted to be over a period of 15 years, due to the longer recovery period expected for private sector investments in support of CGF's mandate.

(ii) Performance evaluation

CGF measures and evaluates the performance of its investments on a fair value basis.

In addition to the mandatory items of the definition, IFRS 10 also outlines certain typical characteristics of an investment entity, the absence of any of which does not necessarily preclude an entity from qualifying as an investment entity. One of these characteristics is that an investment entity should have investors that are not related parties of the entity.

As described in Note 9, since CGF is a Crown corporation, it is considered to be related to the Government of Canada as well as other entities that are controlled or jointly controlled by the Government of Canada or entities over which the latter has significant influence. Consequently, since the funds managed by CGF originate from related parties, it may be considered not to meet the typical characteristic outlined above. However, as described in Note 1, CGF operates at arm's length from the Government of Canada. Accordingly, it meets all of the mandatory items of the definition described above and qualifies as an investment entity.

Should any changes occur in the facts and circumstances, CGF will evaluate the impact of any such changes on its investment entity status.

2.3. Summary of Material Accounting Policy Information

The principal accounting policies applied in the preparation of these Financial Statements are set out below.

2.3.1. Financial Instruments

(i) Classification

Financial assets, representing cash and cash equivalents and investments, are managed according to the entity's business model to make investments in accordance with its mandate while recovering its capital on a portfolio basis and recycling its capital base over the long term. The performance of such financial instruments is evaluated on a fair value basis and they are classified at FVTPL. They are described in detail in Note 4.1.

Financial liabilities, representing accounts payable and other liabilities and accounts payable to related parties, are measured at amortized cost.

(ii) Recognition

Financial assets and financial liabilities are recorded at the date upon which CGF becomes a party to the associated contractual provisions.

(iii) Initial and subsequent measurement

All financial assets and financial liabilities are initially recorded in the Statement of Financial Position at fair value. After initial measurement, financial assets and financial liabilities continue to be measured at fair value or amortized cost. Subsequent changes in the fair value of financial assets classified at FVTPL, if any, are recorded in net gains (losses) on changes in fair value of investments in the Statement of Net Loss.

(iv) Derecognition

A financial asset (or, where applicable, a part thereof) is derecognized when the following conditions are met:

- The rights to receive cash flows from the asset have expired, or
- CGF has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party,

and

- CGF has transferred substantially all the risks and rewards of the asset, or
- In cases where CGF has neither transferred nor retained substantially all the risks and rewards of the asset, it has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

2.3.2. Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

At initial recognition, CGF evaluates the facts and circumstances related to a transaction to confirm that the transaction price represents the fair value of an asset or a liability. At each subsequent reporting date, market prices are used to determine fair value where an active market exists (such as a recognized securities exchange), as they reflect actual and regularly occurring market transactions on an arm's length basis. If quoted market prices are not available, then fair value is estimated using valuation techniques based on inputs existing at the end of the reporting period that are derived from observable market data.

Valuation techniques are generally applied to investments in private markets and derivative-related instruments. The values derived from applying these techniques are impacted by the choice of valuation model and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility and credit risk. In certain cases, such assumptions are not supported by market observable data.

The determination of fair value of all financial assets and financial liabilities is described in Note 4.2.2.

2.3.3. Functional and Presentation Currency

The functional and presentation currency of CGF is the Canadian dollar, which is the currency of the primary economic environment in which it operates. CGF's performance is evaluated and its liquidity is managed in Canadian dollars.

2.3.4. Investment Income

Investment income is made up of interest as well as gains (losses) which reflect the change in unrealized appreciation (depreciation) of financial assets held and financial liabilities outstanding at the end of the reporting period. Interest is recognized, on a consistent basis, using the prescribed rates until maturity.

2.3.5. Expenses

Expenses are costs directly incurred by CGF as well as fees incurred by related parties that are charged back to CGF as disclosed in Note 9.2. These combined costs are recorded on an accrual basis and are made up of investment-related and operating expenses as disclosed in Note 8.

2.4. Significant Accounting Judgments, Estimates and Assumptions

In preparing the Financial Statements, management makes certain judgments, estimates and assumptions that can affect the amounts reported therein. Significant judgments include those related to the determination of the investment entity status as described in Note 2.2.

Management also makes estimates and assumptions in the measurement, risk assessment and related disclosures surrounding investments in private markets and derivative-related instruments. The main assumptions made by management regarding measurement of financial instruments are outlined in Note 4.2.3 and those regarding the assessment of risk are outlined in Note 6.

Sources of estimate uncertainty related to macroeconomic unpredictability and volatility include the nature of the industry in which CGF is investing, the current geopolitical context, supply chain challenges, inflation and interest rates. This could continue to impact financial results, due to uncertainties including their extent and duration. The Financial Statements of CGF reflect the impacts resulting from the aforementioned macroeconomic factors to the extent known at the reporting date.

Although assumptions reflect management's best estimates, actual results may differ from such estimates due to the uncertainties involved in using them.

3. Future Changes in Accounting Standards

CGF has determined that there is no anticipated material impact on its Financial Statements arising from new standards, amendments and interpretations that have been issued by the IASB but that are not yet effective.

4. Financial Assets and Financial Liabilities

4.1. Classes of Financial Assets and Financial Liabilities

Financial assets and financial liabilities held by CGF as at December 31, 2023, were as follows:

4.1.1. Cash and Cash Equivalents

Cash and cash equivalents include instruments having a maximum term to maturity of 90 days or less and are held to meet short-term financial commitments. Such instruments are readily convertible into known amounts of cash and have an insignificant risk of change in value. Fair value is determined using cost, which approximates fair value due to the highly liquid nature of these assets.

4.1.2. Investments

The investments consist of short-term investments, a private equity investment and a fixed-price carbon credit purchase agreement ("Carbon Credit Offtake" or "CCO") investment. This CCO is a contractual agreement to repurchase carbon-credits from the investee based on output of sequestered emissions over a contractual term and contractual carbon-credit pricing.

(i) Short-Term Investments

Short-term investments are treasury bills, which are instruments having a maximum term to maturity of one year and are held for near term upcoming funding and cash management requirements. Treasury bills are valued based on quoted prices obtained from third-party pricing sources. Such prices are determined using the most representative price within a spread of dealer quotations.

(ii) Private Equity Investment

On October 25, 2023, CGF entered into a share purchase agreement acquiring $90 million of Series B Preferred Shares of a Canadian-based geothermal technology company. As at December 31, 2023, the fair value was estimated as equal to the transaction price.

(iii) CCO Investment and Convertible Debenture

a) On December 19, 2023, CGF entered into an investment agreement with a Canadian-based developer of technologically-advanced carbon capture and sequestration ("CCS") projects. CGF has committed to a CCO of up to 600 thousand tonnes per annum ("tpa"). The initial project to benefit from the CCO is drawing up to 185 thousand tpa for a total of approximately 2.8 million tonnes over the 15-year term, recorded as a derivative instrument. As at December 31, 2023, the CCO's fair value was estimated as equal to the transaction price of nil, and the total commitment is described in Note 12.

b) Pursuant to the CCO investment, CGF also agreed to a $200 million delayed draw convertible debenture facility that could be converted into common equity of the company, and on which no amount was drawn as at December 31, 2023.

The process for fair value measurement of the private equity and CCO investments is described in Note 4.2.2 and the valuation techniques together with the significant inputs used are described in Note 4.2.3.

4.1.3. Accounts Payable and Other Liabilities and Accounts Payable to Related Parties

Accounts payable and other liabilities and accounts payable to related parties are recorded at amortized cost. Their fair values approximate their carrying amounts due to their short-term maturities.

4.2. Fair Value Hierarchy

4.2.1. Classification

Financial instruments measured at fair value, as described under Note 4.1, are classified within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that CGF can access at the end of the reporting period.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. Level 2 inputs include:
  - (i) Quoted prices for similar assets or liabilities in active markets.
  - (ii) Quoted prices for identical or similar assets or liabilities in markets that are not active.
  - (iii) Inputs other than quoted prices that are observable for the asset or liability.
  - (iv) Market-corroborated inputs.
- Level 3 inputs are unobservable inputs for the asset or liability that are used within model-based techniques. They reflect management's assessment of the assumptions that market participants would use in pricing the assets or liabilities.

The classification within the levels of the hierarchy is established at the time of the initial determination of fair value of the asset or liability and reviewed at the end of each reporting period. CGF determines whether a transfer between levels has occurred and recognizes such transfer at the beginning of the reporting period. There were no transfers between levels during the 384-day period ended December 31, 2023.

The following table shows the fair value of financial instruments measured at fair value as at December 31, 2023, classified within the fair value hierarchy:

(Canadian $ thousands)	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents	208	13,092	–	13,300
Short-term investments	175,061	–	–	175,061
Private equity investment	–	–	90,000	90,000
Investments representing financial instruments at FVTPL	**175,269**	**13,092**	**90,000**	**278,361**

CGF's CCO investment is a financial instrument measured at fair value and classified as a level 3 on the fair value hierarchy. As at December 31, 2023, the CCO's fair value was nil.

4.2.2. Process for Level 3 Fair Value Determination

The fair value of investments classified as Level 3, is determined quarterly and adjusted to reflect the impact of market or investment-specific events using valuation methodologies based on widely recognized practices that are consistent with professional valuation standards. In cases where external valuation experts are used to provide independent views on fair values, management ensures their independence and that valuation techniques used are consistent with our valuation governance procedure.

The price of a recent investment commonly represents its fair value as of the transaction date. Quarterly, the fair value is reassessed using the relevant valuation methodology which is consistently applied over time as appropriate in the prevailing circumstances. Valuation techniques include earnings multiples of comparable publicly traded companies, recent transactions, discounted cash flow analysis, pricing models and other industry-accepted methods. When there are no current, short-term future earnings or positive cash flows, and no comparable companies or transactions to infer value from, change in fair value is based on objective data from the company. Other valuation methods may be used for validation.

4.2.3. Level 3 Significant Inputs

The fair values of investments were calculated using valuation techniques where the significant inputs are unobservable. Since these investments are in their early stages of development, the most significant valuation input is the likelihood of successfully achieving key project milestones in the upcoming year, which will be monitored on a quarterly basis. Achieving these key project milestones impacts other valuation inputs, including discount rates based on current market yields of instruments with similar characteristics, future carbon credit pricing, volume in tonnes of CO_2 sequestered, energy sale price, forecasted capital expenditure and exit multiples.

As of December 31, 2023, no significant project milestones have been reached since the acquisition, significantly reducing the impact of other valuation inputs in the analysis.

4.2.4. Level 3 Reconciliation

The following table shows a reconciliation, for the 384-day period ended December 31, 2023, of all movements related to financial instruments held by CGF as at December 31, 2023, and categorized within Level 3:

(Canadian $ thousands)	Opening Balance	Purchases	Sales	Settlements	Realized Gains (Losses)	Unrealized Gains (Losses)	Closing Balance
Private equity investment	–	90,000	–	–	–	–	90,000
Total	**–**	**90,000**	**–**	**–**	**–**	**–**	**90,000**

5. Interests in Other Entities

As an investment entity, CGF measures its investments in its associates and joint ventures at FVTPL as described in Note 2.1.

(i) Control and significant influence

CGF determines that it controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its investment in the investee and has the ability to affect those returns through its power over the investee.

CGF determines that it has significant influence over the investee when CGF does not have control but has the power to participate in the financial and operating policy decisions of the investee.

In the context of control or significant influence, power over an investee is obtained through voting rights conveyed by CGF's ownership interest, other contractual arrangements, or a combination thereof.

As at December 31, 2023, there is no investment over which CGF has significant influence.

(ii) Joint control

CGF determines that it is party to a joint venture arrangement when it has joint control over an investee and has rights to the net assets of the investee. Joint control is established through a contractual arrangement which requires the unanimous consent of the parties sharing control for the activities that significantly affect the returns of the arrangement.

Generally, decision making regarding such activities is governed through voting rights conveyed by the ownership interest of each party. In certain cases, it is governed solely through contractual arrangements or in conjunction with the ownership interest of each party.

As at December 31, 2023, there is no investment over which CGF has joint control.

6. Investment Risk Management

CGF's business purpose is to make investments according to its mandate, delivering against its strategic objectives while recovering its capital on a portfolio basis and recycling its capital base over the long term. CGF is leveraging PSP Investments' expertise in identifying, evaluating, managing, mitigating, monitoring risks, and performing sensitivity analyses while adapting its processes to meet CGF's specific needs and to reflect the startup nature of the entity. Several investment risk practices of PSP Investments have already been leveraged and adapted to CGF's investment activities. Investment risks include market, credit and liquidity risks.

6.1. Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of an adverse financial outcome due to changes in the factors that drive that value.

As at December 31, 2023, CGF was concentrated and exposed to factors that could impact its cash and cash equivalents and investments, such as changes in market prices, changes caused by factors specific to the individual investment, valuation multiples and discount rates or other factors affecting similar securities traded in the market, along with interest rates and other price risk which are described below.

(i) Interest rate risk

Interest rate risk refers to the risk that fluctuations in interest rates will directly affect the fair value of an investment or investment liability. CGF is exposed to interest rate risk through its holdings in cash equivalents and short-term investments. When performing a sensitivity analysis, with all other variables held constant, a 25-basis point increase (decrease) in nominal risk-free rates would result in a (decrease) increase in the value of investments directly impacted by interest rate changes of $139 thousand.

(ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors that affect all similar financial instruments traded on the market. CGF is exposed to other price risk related to carbon credit pricing, through its CCO investment.

As of December 31, 2023, no significant project milestones were reached, which significantly reduces the impact of the other inputs in the analysis, as described in Note 4.2.3.

6.2. Credit Risk

Credit risk is the risk of non-performance of a debtor on whom CGF relies to fulfill contractual or financial obligations. That is, the risk that the issuer of a debt security is unable to meet its financial obligations. Credit risk encompasses the risk of a deterioration of creditworthiness and the relevant concentration risk.

Credit risk monitoring entails an evaluation of the credit quality of each issuer that transacts with CGF. To perform this evaluation, CGF relies on recognized credit rating agencies. As at December 31, 2023, CGF's maximum exposure to credit risk amounts to the carrying value of the cash and cash equivalents and short-term investments, which consisted primarily of Canadian treasury bills. The long-term credit rating for these treasury-bills were between AAA/Stable, Aaa/Stable and AA+/Stable and their short-term credit rating between A-1, Prime-1 and F1+.

For private issuers, CGF assigns internal credit ratings to issuers using methodologies comparable to those used by recognized rating agencies.

6.3. Liquidity Risk

Liquidity risk corresponds to the risk that CGF will not be able to meet its financial obligations on a timely basis, with sufficient and readily available cash resources.

CGF's liquidity risk is not significant as it will receive amounts from the Government of Canada as described in Note 7.2. Furthermore, management utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. CGF maintains sufficient cash and cash equivalents and short-term investments to cover all its financial obligations, including operating costs, working capital requirements and commitments.

The financial liabilities of CGF include accounts payable and other liabilities and accounts payable to related parties, which are presented at undiscounted contractual cash flows value and are all due within three months of the period end.

7. Equity

Equity is comprised of deficit and share capital. For this is the first year of operation, beginning balances are nil. The following are additional details about CGF's share capital.

7.1. Common Shares

CGF was nominally capitalized with one common share issued at a par value of $1,000 per share, for a total share capital of $1,000. CGF is authorized to issue an unlimited number of common shares. Holders of these shares are entitled to dividends, as and when declared from time to time, and are entitled to one vote per share at general meetings of CGF.

No dividends were declared during the 384-day period ended December 31, 2023.

7.2. Preference Shares

On May 31, 2023, a Funding Agreement (the "FA") was entered into between CGF and the Government of Canada regarding the funding of CGF, pursuant to subsection 118(1) of the ***Fall Economic Statement Implementation Act, 2022***, as amended by the ***Budget Implementation Act***, ***2023***, No.1. The funding is by way of subscription for Class A Preference Shares ("Preference Shares") of CGF on the terms set forth in the FA to provide funding to CGF, up to the amount of $15 billion, for the administration and implementation of the mandate.

As at December 31, 2023, the Government of Canada had subscribed for 290 thousand Preference Shares for an aggregate purchase price of $290 million.

The holders of the Preference Shares are not entitled to vote at any meeting of the shareholders of CGF, except where the holders of another class or series of shares of CGF are entitled to vote separately as a class or series.

The holders of the Preference Shares, in priority to the holders of the common shares and any other shares ranking junior to the Preference Shares, are entitled to receive preferential dividends as and when they are declared by the Board of Directors. If, in any fiscal year, the Board of Directors has not declared any dividends on the Preference Shares, then the holders of such shares shall have no right to any such dividend for that year.

Subject to the CBCA, CGF may, upon giving at least 30 days' notice, redeem all or any part of the outstanding Preference Shares at a price of $1,000 per Preference Share, together with all declared but unpaid dividends.

The aggregate proceeds from preference shares issued to the Government of Canada are included as an addition to the Share Capital line on the Statement of Financial Position. When these shares are redeemed by CGF, the aggregate redemption amount will be a deduction against this line item.

8. Expenses

Expenses include amounts incurred by related parties, on behalf of and in service to CGF, as described in Note 9. Expenses are comprised of the following for the 384-day period ended December 31, 2023:

(Canadian $ thousands)	2023
Transaction costs	3,144
Investment-related expenses	**3,144**
Compensation, travel, and overhead expenses	20,564
Professional and consulting fees	8,465
Operating expenses	**29,029**
Total expenses	**32,173**

9. Related Party Transactions

9.1. Certain Investees

As outlined in Note 2.1, investments in associates are measured at FVTPL. Transactions between CGF and such entities or subsidiaries of such entities are related party transactions. CGF enters into investment transactions with such related parties in the normal course of its business. Since balances in connection with all investment transactions are measured at FVTPL, those transactions undertaken with related parties have the same impact on net assets and net loss as those with unrelated parties.

9.2. The Government of Canada and Government-Related Entities

Since CGF is a Crown corporation as described in Note 1, it is considered to be related to the Government of Canada as well as other entities that are controlled, jointly controlled or significantly influenced by the Government of Canada (together "government-related entities"), such as CDEV and PSP Investments.

(i) The Government of Canada

The only transactions undertaken between CGF and the Government of Canada consist of the issuance of shares outlined in Note 7.

(ii) Government-Related Entities

As part of the secondment services rendered by PSP Investments to CGF, all costs incurred directly or indirectly on behalf of CGF are charged back with no added mark-up. As at December 31, 2023, CGF had an account payable to PSP Investments in the amount of $19,732 thousand. For the 384-day period ended December 31, 2023, CGF incurred $25,732 thousand of expenses through PSP Investments.

Also included in CGF's expenses for the 384-day period ended December 31, 2023, is an amount of $6,365 thousand incurred through CDEV.

(iii) Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling CGF's activities, directly or indirectly, and consist of members of the Board of Directors, its President and its Officers. For the 384-day period ended December 31, 2023, the members of CGF's Board of Directors were allocated per diems for a total amount of $1 thousand, while the President and the Officers were not compensated.

10. Capital Management

In 2022, the Government of Canada announced its intention to create CGF and to fund it up to the amount of $15 billion, as described in Note 7.2.

CGF defines capital that it manages as the aggregate of its equity, which is comprised of deficit and its share capital, outlined in Note 7. CGF's objectives in managing capital are as follows:

- To safeguard its ability to continue as a going concern; and
- To fulfil its mandate and objectives for the Government of Canada.

CGF has to invest according to its mandate, with a view of earning a rate of return from capital appreciation and income from investments, as described in Note 2.2.

CGF's only source of funding is from issuing Preference Shares to the Government of Canada, which is limited to $15 billion. As of December 31, 2023, the aggregate contributed capital was of $290 million.

Furthermore, CGF is not entitled to borrow money other than providing guarantees and entering into loan commitments in support of its investment transactions, for an annual aggregate amount not exceeding the annual commitment amount approved and effective under the most recent Corporate Plan. Amounts guaranteed, if any, are disclosed in Note 11.

11. Guarantees and Indemnities

CGF provides indemnification to its directors, its officers, and to certain CGF representatives asked to serve as directors or officers of entities in which CGF have made an investment or have a financial interest. As a result, CGF may be required to indemnify these representatives for costs incurred, such as claims, actions or litigation in connection with the exercise of their duties, unless the liability of such a representative relates to a failure to act honestly and in good faith. To date, CGF has not received any claims or made any payment for such indemnities.

In certain cases, CGF also provides indemnification or guarantees to third parties in the normal course of business. As a result, CGF may be required to indemnify or make payments on guarantees to such third parties in connection with the performance of their contractual obligations. To date, CGF has not received any claims nor made any payments for such indemnities or guarantees.

12. Commitments

As at December 31, 2023, CGF has committed $1 billion to the CCO investment and $200 million to the convertible debenture for a total of $1.2 billion. Those investments will be funded over the next several years in accordance with agreed terms and conditions. The majority of the funding in connection with the commitments must be presented to, and approved by, CGF by December 2026.

13. Subsequent Events

13.1. Issuance of Shares

On January 8, 9 and 10, 2024, CGF issued a total of 1,100 thousand Preference Shares to the Government of Canada, for an aggregate purchase price of $1.1 billion.