

Q1 2024

Interim Report

March 31, 2024

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Management's Responsibility for Financial Reporting

The interim condensed financial statements of Canada Growth Fund ("CGF") have been prepared by Canada Growth Fund Investment Management Inc.¹ ("CGFIM"), 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 approved by the Board of Directors. These interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and should be read in conjunction with the audited December 31, 2023, annual financial statements and the accompanying notes. Management is responsible for the contents of these interim condensed financial statements and the financial information contained in the discussion of fund performance. The interim condensed financial statements include certain amounts based on Management's judgments and best estimates where deemed appropriate. The financial information presented throughout the discussion of fund performance is consistent with the interim condensed 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 interim condensed financial statements for external purposes.

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 reviewing and approving the interim condensed financial statements and meets regularly with Management to discuss financial reporting matters.



Elizabeth Wademan

President, Canada Growth Fund Inc.

May 22, 2024



Patrick Charbonneau

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

May 22, 2024

¹ References in this letter to CGFIM mean seconded personnel to CGF from Public Sector Pension Investment Board, for the period prior to the signing of the Investment Management Agreement.

Discussion of Fund Performance and Results

The Discussion of Fund Performance and Results² provides an analysis of the operations and financial position of Canada Growth Fund Inc. (“CGF”) for the three-month periods ended March 31, 2024 and 2023, and should be read in conjunction with CGF’s Unaudited Interim Condensed Financial Statements for the three-month periods ended March 31, 2024 and 2023, and CGF’s Annual Report for the 384-day period ended December 31, 2023. This report takes into account material elements, if any, between March 31, 2024 and May 22, 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.

² All amounts in this report are in Canadian dollars unless otherwise noted.

About the Canada Growth Fund

The Canada Growth Fund³ (“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”)⁴. The IMA was executed between PSP Investments, CGFIM, CGF and CDEV on March 11, 2024 and the Framework Agreement was in effect until then.

³ Legal entity is Canada Growth Fund Inc.

⁴ 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:

1. Reduce emissions and achieve national climate targets
2. Accelerate the deployment of key technologies, such as low-carbon hydrogen and carbon capture and sequestration, among others
3. Scale up companies that will create jobs and support productivity across new and traditional industrial sectors
4. Encourage the retention of intellectual property in Canada
5. 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" in CGF's 2023 Annual Report.

Fund Activity and Results

During the last quarter, CGF made its third investment, a fund commitment to Idealist Climate Impact Fund LP. Moreover, a significant milestone was met with the execution of the IMA on March 11, 2024. The three-month period ended March 31, 2024 (the “current period”) was also characterized by continuing to ramp up CGF’s investment activities, as well as progressing on CGFIM’s governance framework and key business processes with the ultimate goal of building a \$15 billion fund.

As part of the investment activities undertaken in the current period, CGFIM held many prospecting interactions with market participants in order to explain the CGF mandate, explore investment opportunities and continue developing a deeper understanding of the sectors underlying the mandate.

As a startup fund, CGF’s overall results for the current period followed a common pattern for investment funds recognized as the “J Curve”. In the start-up phase, a fund would typically build its investment and operational capabilities faster than the pace of investment and in advance of generating a return from its investments. In the case of CGF, CGFIM is building the organizational capacity to invest and manage a portfolio of \$15 billion in accordance with the CGF mandate.

CGF’s results for the current period are presented below.

Funding Received

In the current period, CGF issued an additional 1,100 thousand Preference Shares (as defined below) to, and received \$1,100 million in capital contributions from, the Government of Canada. Such contributions were received by CGF to invest according to its mandate.

Investments

During the current period, CGF had the following investment activity:

- On January 11, 2024, Entropy drew \$5M under its existing debenture with CGF.
- On March 25, 2024, CGF announced a \$50M commitment to Idealist Climate Impact Fund LP, a fund managed by Montreal-based Idealist Capital, an investment manager pursuing commercialization stage growth equity investment opportunities in companies whose products, technologies and services are accelerating the energy transition. CGF deployed \$16.9M out of this fund commitment at closing to cover CGF’s share of the value of the fund’s existing portfolio.

No significant direct investment income has been generated in the form of distributions during the current period. Further, no investment fair value unrealized gains or losses have been recorded in the absence of material changes in the factors driving the value of the assets during the current period.

In the context of CGF’s cash management activities, CGF generated \$14,187 thousand in income on its cash and short-term investments, which mainly 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

Total CGF expenses of \$14,214 thousand for the current period were composed of the following key components:

Operating Expenses:

A key component of total expenses for the current period was \$11,723 thousand in compensation and indirect expenses in connection with activities and services supporting CGF's ongoing operations and its progression towards a \$15 billion fund.

- **Compensation:** The large majority of total expenses is made up of compensation including benefits. During the current period, compensation expense was primarily attributable to executing on the CGF mandate, accelerating CGFIM's investment capabilities and, to a lesser extent, other activities including further developing CGFIM's and CGF's operational and governance frameworks as well as key business processes and related internal controls.
- **Indirect expenses:** Indirect expenses are those associated with portions of PSP Investments' transversal functions benefiting CGF such as Technology, Compliance, Finance and Human Resources. A key aspect of the benefit of leveraging such PSP Investments' established transversal functions is that CGF does not require standing up its own functions with the necessary significant expenditures and lengthy startup phase.

Investment-Related Expenses:

CGF's total expenses included \$1,128 thousand incurred in investment transaction costs.

Total Expense Ratio:

As CGF ramps up, we continue to expect that total expenses will remain within 90 bps of the committed \$15 billion. Until then, we expect CGF's ratio to fluctuate leading up to this mature state. CGF's total expenses for the current period were below 40 bps on an annualized basis.

Expenses for the three-month period ended March 31, 2023 (the "comparative period"):

Total expenses for the comparative period amounted to \$8,113 thousand – significantly lower than the current period - as CGF was at the outset of its startup period at that time with less operational activities in place than in the current period. Further, total expenses of the comparative period included \$5,651 thousand of professional and consulting fees mainly incurred by CDEV in connection with establishing CGF.

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 March 31, 2024, CGF's risk measurement focused mainly on investment risks and included market, credit and liquidity risks. They are described in Note 6 of the Interim Condensed 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 Interim Condensed 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, the Funding Agreement (as amended by the Amended and Restated Funding Agreement dated March 11, 2024, 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. Preference Shares are further described in the Interim Condensed 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 Interim Condensed Financial Statements.

Significant Accounting Judgments, Estimates and Assumptions

In preparing the Interim Condensed Financial Statements, management makes certain judgments, estimates and assumptions that can affect the amounts reported therein which are described in CGF's Interim Condensed Financial Statements.

Interim Condensed Financial Statements Canada Growth Fund Inc.

**March 31, 2024
(unaudited)**

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Interim Condensed Statements of Financial Position

As at (unaudited)

(Canadian \$ thousands)	Notes	March 31, 2024	December 31, 2023
Assets			
Cash and cash equivalents	4.1	1,136,397	13,300
Investments	4.1	233,566	265,061
Total assets		1,369,963	278,361
Liabilities			
Accounts payable and other liabilities	4.1	171	103
Accounts payable to related parties	9	11,342	19,781
Total liabilities		11,513	19,884
Equity			
Share Capital	7	1,390,001	290,001
Deficit		(31,551)	(31,524)
Total equity		1,358,450	258,477
Total liabilities and equity		1,369,963	278,361

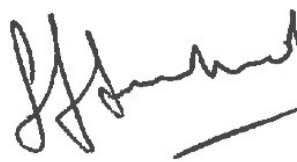
The accompanying notes are an integral part of the Interim Condensed Financial Statements.

On behalf of the Board of Directors



Elizabeth Wademan

Board Member
May 22, 2024



Steve Swaffield

Board Member
May 22, 2024

Interim Condensed Statements of Net Loss

For the three-month periods ended (unaudited)

(Canadian \$ thousands)	Notes	March 31, 2024	March 31, 2023 ^A
Income:			
Investment income		14,187	-
Expenses:			
Investment-related expenses	8	(1,128)	-
Operating expenses	8	(13,086)	(8,113)
Net loss		(27)	(8,113)

Interim Condensed Statements of Changes in Equity

For the three-month periods ended (unaudited)

(Canadian \$ thousands)	Notes	March 31, 2024	March 31, 2023 ^A
Share capital			
Balance at beginning of period		290,001	-
Issuance of common shares	7	-	1
Issuance of preference shares	7	1,100,000	-
Balance at end of period		1,390,001	1
Deficit			
Balance at beginning of period		(31,524)	-
Net loss		(27)	(8,113)
Balance at end of period		(31,551)	(8,113)
Total equity		1,358,450	(8,112)

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

^A Unless otherwise stated, the "three-month period ended March 31, 2023" includes 109 days, being the number of days between December 13, 2022 (date of incorporation) and March 31, 2023.

Interim Condensed Statements of Cash Flows

For the three-month periods ended (unaudited)

(Canadian \$ thousands)	Notes	March 31, 2024	March 31, 2023 ^B
Cash flows from operating activities			
Net loss		(27)	(8,113)
Net changes in operating assets and liabilities			
Increase in accounts payable and other liabilities		68	-
(Decrease) Increase in accounts payable to related parties		(8,439)	8,113
Purchase of short-term investments		(496,626)	-
Disposal of short-term investments		549,968	-
Purchase of other investments		(21,847)	-
Net cash flows provided by operating activities		23,097	-
Cash flows from financing activities			
Capital contributions received – common shares	7	-	1
Capital contributions received – preference shares	7	1,100,000	-
Net cash flows provided by financing activities		1,100,000	1
Net change in cash and cash equivalents		1,123,097	1
Cash and cash equivalents at the beginning of the period		13,300	-
Cash and cash equivalents at the end of the period^C		1,136,397	1
Supplemental disclosure of cash flow information			
Interest received		2,504	-

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

^B Unless otherwise stated, the "three-month period ended March 31, 2023" includes 109 days, being the number of days between December 13, 2022 (date of incorporation) and March 31, 2023.

^C As at March 31, 2024, cash and cash equivalents were comprised of cash of \$1,213 thousand and cash equivalents of \$1,135,184 thousand (March 31, 2023 - \$1 thousand and nil).

Canada Growth Fund Inc.

**Notes to the Interim Condensed Financial Statements
For the Three-Month Periods Ended March 31, 2024 and 2023**

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 is providing investment management services, pursuant to an investment management agreement, also at arm’s length from the Government of Canada (for the 384-day period ended December 31, 2023, a framework agreement was put in place, whereby an investment committee with personnel seconded from PSP Investments was 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 Interim Condensed Financial Statements is summarized below and has been used throughout the presented periods.

2.1. Basis of Presentation

The Interim Condensed Financial Statements of CGF have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). The Interim Condensed Financial Statements do not include all the information and disclosures required by International Financial Reporting Standards (“IFRS”) for annual financial statements and should be read in conjunction with the audited December 31, 2023, Annual Financial Statements and the accompanying notes.

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 Interim Condensed 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 Interim Condensed Statements of Financial Position are as at March 31, 2024 and December 31, 2023, and the Interim Condensed Statements of Net Loss, Interim Condensed Statements of Changes in Equity and Interim Condensed Statements of Cash Flows are for the three-month period ended March 31, 2024 and the 109-day period from December 13, 2022 (date of incorporation) through March 31, 2023.

These Interim Condensed Financial Statements were authorized for issue in accordance with a resolution of the Board of Directors on May 22, 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 material accounting policies applied in the preparation of these Interim Condensed Financial Statements are the same as those applied in the audited December 31, 2023, Annual Financial Statements.

2.4. Significant Accounting Judgments, Estimates and Assumptions

In preparing the Interim Condensed 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 equity, private funds, convertible debt 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 Interim Condensed 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 Interim Condensed 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 March 31, 2024, 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, private equity, private funds and convertible debt investments 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 Class B Preferred Shares of a Canadian-based geothermal technology company. As at March 31, 2024, the fair value was estimated as equal to the transaction price (December 31, 2023 – \$90 million).

(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 March 31, 2024, the CCO's fair value was estimated as equal to the transaction price of nil (December 31, 2023 – 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 of which \$5 million was drawn as at March 31, 2024 (December 31, 2023 – nil).

(iv) Private Fund Investment

On March 25, 2024, CGF committed \$50 million to a fund managed by a Canadian-based investment manager pursuing commercialization stage growth equity investment opportunities in companies whose products, technologies and services are accelerating the energy transition. As at March 31, 2024, capital of \$16,860 thousand was contributed to the fund.

The process for fair value measurement of the private equity, private fund, convertible debt 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.

The following table shows the fair value of financial instruments measured at fair value as at March 31, 2024, classified within the fair value hierarchy:

(Canadian \$ thousands)	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents	1,135,184	1,213	-	1,136,397
Short-term investments	121,719	-	-	121,719
Private equity investment	-	-	90,000	90,000
Private fund investment	-	-	16,860	16,860
Convertible debt	-	-	4,987	4,987
Investments representing financial instruments at FVTPL	1,256,903	1,213	111,847	1,369,963

CGF's CCO investment and the undrawn portion of the convertible debt are financial instruments measured at fair value and classified as level 3 on the fair value hierarchy. As at March 31, 2024, their fair value was nil.

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 and the undrawn portion of the convertible debt are financial instruments measured at fair value and classified as level 3 on the fair value hierarchy. As at December 31, 2023, their fair value was nil.

There were no transfers between levels 1 and 2 during the three-month period ended March 31, 2024 and the 384-day period ended December 31, 2023.

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.

With respect to fund investments classified as Level 3, the annual fair value is generally determined based on most recent audited financial statements received from the fund's general partner. For interim reporting periods, fair value is obtained from information provided by the fund's administrators and is reviewed by Management to ensure reasonableness and adherence to acceptable industry valuation methods. Where necessary, the impact of restrictions on the sale or redemption of such investments is taken into consideration in determining fair value.

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 CO₂ sequestered, energy sale price, forecasted capital expenditure and exit multiples.

As of March 31, 2024 and 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 three-month period ended March 31, 2024, of all movements related to financial instruments held by CGF as at March 31, 2024, and categorized within Level 3:

(Canadian \$ thousands)	Opening Balance	Purchases/ Drawdowns	Sales/ Repayments	Settlements	Realized Gains	Unrealized Gains (Losses)	Closing Balance
Private equity investment	90,000	-	-	-	-	-	90,000
Private fund investment	-	16,860	-	-	-	-	16,860
Convertible debt	-	4,987	-	-	-	-	4,987
Total	90,000	21,847	-	-	-	-	111,847

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	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 March 31, 2024 and December 31, 2023, there was 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 March 31, 2024 and December 31, 2023, there was 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 March 31, 2024 and 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 mainly 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 \$506 thousand (December 31, 2023 - \$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 March 31, 2024 and 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 March 31, 2024 and December 31, 2023, CGF's maximum exposure to credit risk amounts to the carrying value of the cash and cash equivalents, convertible debt 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. 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 three-month period ended March 31, 2024 (three-month period ended March 31, 2023 – nil).

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 section 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.

A total of 1,100 thousand Preference Shares were issued during the three-month period ended March 31, 2024 (three-month period ended March 31, 2023 – nil).

As at March 31, 2024, a total of 1,390 thousand Preference Shares were outstanding (December 31, 2023 – 290 thousand), subscribed to by the Government of Canada, for an aggregate purchase price of \$1,390 million (December 31, 2023 – \$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 Interim Condensed Statements 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 three-month periods ended:

(Canadian \$ thousands)	March 31, 2024	March 31, 2023
Transaction costs	1,128	-
Investment-related expenses	1,128	-
Compensation and indirect expenses	11,723	2,462
Professional and consulting fees	1,363	5,651
Operating expenses	13,086	8,113
Total expenses	14,214	8,113

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 investment management and 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 March 31, 2024, CGF had an account payable to PSP Investments in the amount of \$11,326 thousand (December 31, 2023 - \$19,732 thousand). For the three-month period ended March 31, 2024, CGF incurred \$11,326 thousand of expenses through PSP Investments (three-month period ended March 31, 2023 - \$2,757 thousand).

Also included in CGF’s expenses for the three-month period ended March 31, 2024, is an amount of \$16 thousand incurred through CDEV (three-month period ended March 31, 2023 - \$5,356 thousand).

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 March 31, 2024, the aggregate contributed capital was of \$1,390 million (December 31, 2023 - \$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 nor 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 March 31, 2024, CGF has committed \$1 billion to the CCO investment, \$200 million to the convertible debenture and \$50 million to the private fund, totaling \$1.25 billion. An amount of \$21,860 thousand was funded, leaving a remaining balance of \$1.23 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.

As at December 31, 2023, CGF had committed \$1 billion to the CCO investment and \$200 million to the convertible debenture for a total of \$1.2 billion.