



ACCELERATE

Canadian cleantech
companies on a faster path

**from startup
to scale up**

ANNUAL REPORT 2017–2018



Clean technologies are positioned for incredible growth with the transition to a global low-carbon economy. The worldwide market for cleantech is expected to almost triple in size by 2020 — to more than US\$2.5 trillion.¹

Canadian cleantech entrepreneurs have the talent, desire and innovation to claim a share of that global opportunity. But competition from other countries is stiff. R&D timelines are shrinking. Technological advances and the integration of data are rapidly and constantly affecting industrial policies and practices. The race to commercialize has never been faster.

That's why we dedicated 2017–2018 to speeding up the ways we support Canadian cleantech developers. We made it simpler and more streamlined for companies to access financing, execute projects and move into the markets where they can scale their technologies.

Whether we were processing funding applications, supporting full-scale technology demonstrations or helping companies find their next step along the path to commercialization, last year we at SDTC had one driving goal:

ACCELERATE

¹ Export Development Canada, Oct. 2017. [How can cleantech Canada compete for growing global market share?](#)

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SDTC AT A GLANCE

Sustainable Development Technology Canada (SDTC) helps Canadian companies develop and deploy globally competitive clean technology solutions that address issues related to climate change, clean air, clean water and clean soil.

WE DO THIS BY:

- Funding the development and demonstration of new environmental technologies
- Fostering and encouraging collaboration among organizations in the private sector, academia, the not-for-profit sector and others to develop and demonstrate new technologies
- Promoting the timely diffusion of new technologies across key economic sectors in Canada

OUR FUNDS²

SD Tech Fund

The SD Tech Fund supports pre-commercial projects with potential to demonstrate significant and quantifiable environmental and economic benefits. In Budget 2017, the Government of Canada committed \$400 million to re-capitalize the SD Tech Fund.

NextGen Biofuels Fund

The NextGen Biofuels Fund, which concluded its disbursement period in March 2017, was established to support first-of-kind demonstration-scale facilities for producing next-generation renewable fuels. The Fund will continue to administer the remaining two active projects until September 30, 2027.

2017–2018 YEAR IN REVIEW

363

projects³

24

new projects approved in 2017–2018

105

projects technologies deployed and generating environmental benefits⁴

96%

showing GHG emission reduction benefits

85%

showing multiple environmental benefits

\$164.7 million

estimated annual costs avoided due to air quality, clean water and clean soil benefits

13.8

megatonnes CO₂e

estimated annual GHG emissions reduction attributable to SDTC-supported cleantech

² For eligibility criteria, see <https://www.sdtc.ca/en/apply/eligibility/>

³ Total number of projects pending contract, under contract or completed as of March 31, 2018.

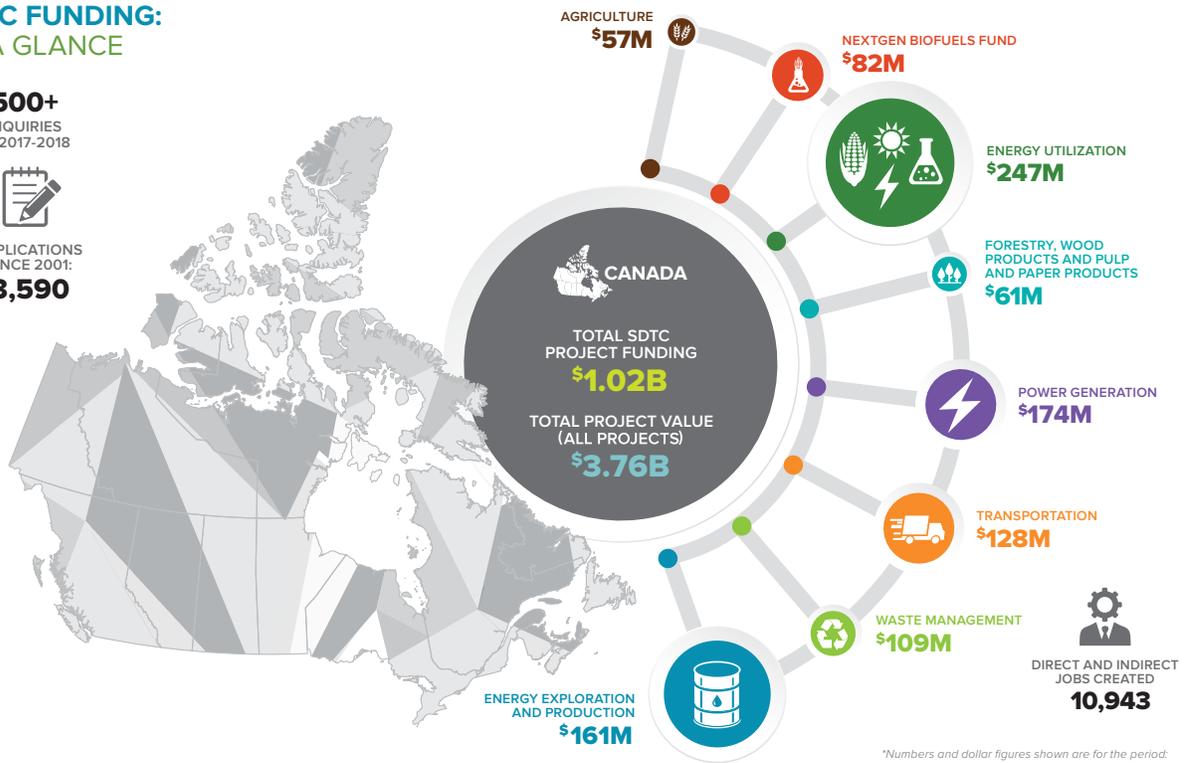
⁴ Total number of project technologies that are actively affecting GHG emissions, clean air, clean water or clean soil.

**SDTC FUNDING:
AT A GLANCE**

500+
INQUIRIES
IN 2017-2018



APPLICATIONS
SINCE 2001:
3,590



*Numbers and dollar figures shown are for the period: From 2001 to March 31 2018.

SDTC PORTFOLIO VALUE⁵

\$1.02 billion
of SDTC funding to cleantech projects

+

\$2.74 billion
through public and private
sector investment

=

\$3.76 billion
total portfolio value

“SDTC’s assistance proved invaluable in demonstrating [our] technology to both end users and the investment community.”

GreenMantra Technologies

\$2.53 billion

estimated total follow-on financing generated by
SDTC-funded companies since 2001

105
SDTC-funded projects
completed successfully⁶

27
new projects entering the market

\$2.7 billion
estimated annual revenues generated
by SDTC companies

10,943
estimated total jobs (direct
and indirect) attributable to
SDTC-funded projects

1,506
new jobs created in 2017–2018

5 Based on the total number of projects pending contract, under contract or completed as of March 31, 2018.

6 Total number of clean technologies that entered or were ready to enter the market.

MESSAGE FROM THE CHAIR AND THE PRESIDENT & CEO

Earlier this year, more than 150 Canadian entrepreneurs and senior leaders in business and government came together at SDTC's Cleantech Leadership Summit to discuss how the global competitive environment for cleantech has changed — and why a new approach is needed.

Over the last 10 years, China and the U.S. have both built sophisticated cleantech industries. Each has taken a deliberate and systematic approach to ensuring their companies own their intellectual property (IP), which is a precondition to commercialization. They then built a public–private framework designed to see their technologies scale and subsequently grow their freedom to operate globally. As the world's economy shifted to data, countries shifted their public–private frameworks accordingly to ensure their companies control the valuable data their cleantech products interact with.

Last year, the U.S. trade office reported that the volume of data flows had grown by 1,200 per cent over the past decade. This has had a significant impact on the cleantech industry. The supporting information, communications and technology (ICT) tools are converging with cleantech, enabling the titans of data and ICT to bring their industrial policy and business practices with them. The potential to dominate the new economy is enormous for those who know how to harness the power of data.

Successful innovation economies offer many lessons for Canada. Our entrepreneurs and public policy community need to better understand the competitive landscape faced by cleantech companies as they scale up in the knowledge-based, data-driven economy and develop pragmatic solutions that work for Canada.

Scale up. IP. Data. These were the themes of SDTC's first three Cleantech Leadership Summits and we are proud to have been at the forefront of these discussions. Our 2019 plans are to better catalyze and harness whole-of-government opportunities to support Canada's best cleantech scale-ups.

View from the front lines

SDTC invests across all sectors — anywhere the potential for environmental and economic gain is significant. To date, we have invested over \$1 billion in over 300 Canadian companies. These companies have brought in an additional \$2.7 billion in funding from other sources to their projects. 90 per cent of these companies are small and medium-sized enterprises. All are Canadian — creating jobs, growth and long-term prosperity for our country.

Because SDTC works very closely with these companies, we have a front-line view of the challenges they face. These include obstacles typical of all businesses like access to capital, customers and talent. Increasingly, they also include import tariffs, tied financing, and barriers related to IP and data.

For example, several SDTC companies are caught up in the solar panel trade dispute between China and the U.S. Others, in negotiating the terms of direct foreign investment, have been asked to agree to financing terms that would require them to procure capital equipment and materials in the home country of the financier. Some farmers have been unable to access their farm data to test innovative new farming approaches. Other SDTC companies are navigating challenges related to IP ownership and freedom-to-operate strategies as they begin to export abroad.

But if we work to build a strategic public–private framework of our own, we can do a lot to address these and other challenges.

Playing to win

At SDTC we have spent the last three years redesigning how we do business, restructuring and improving our operations so that the needs of our companies come first. Strategically supporting Canadian entrepreneurs on the front lines in the global cleantech market must always be our top priority.

Over the past year, we made it simpler and more streamlined for companies to access financing, execute projects and move into markets where they can scale their technologies. We reduced time to approve projects by 30 per cent. When an applicant already has their financing and customer partners on side, our approvals now take less than three months. Our partnerships with British Columbia, Alberta, Ontario and Quebec allow a company to apply to both SDTC and their home province at the same time, eliminating multiple applications and due diligence processes. We also worked closely with the Business Development Bank of Canada and Export Development Canada, providing them with referrals and sharing of due diligence on behalf of SDTC companies, resulting in \$86 million in follow-on financing. You will find these and many other examples in the pages of this annual report.

As a result of these successes, in its Horizontal Review of more than 90 federal government innovation programs, the Treasury Board Secretariat referenced SDTC as a leader in client service and environmental reporting. As a steward of taxpayer funds, we are proud that the report also indicated that our administration costs are now half of that of other similar programs.

SDTC is also succeeding in its mandate to support the broader development of Canada's cleantech ecosystem. Because our teams have daily contact with hundreds of cleantech entrepreneurs, we are unique in our ability to see their collective challenges, domestically and internationally. Over the past year, the SDTC team has taken steps to enhance this know-how, using it to grow our collective knowledge across the ecosystem.

We have become more focused in how we collaborate with other funders and how we support government efforts on procurement. Over the past year, SDTC staff participated actively with the federal government's Clean Growth Hub. We also worked directly with the Centre for Greening Government, supporting them as they work to procure Canadian cleantech and make their operations low-carbon, resilient and green.

SDTC staff provided criteria advice for Infrastructure Canada's Smart City Challenge, a \$300-million effort to bring forward local communities' ideas for improving the lives of their residents through innovation, data and connected technology.

Finally, leaders from SDTC-supported companies, including Questor, Morgan Solar Inc., Westport Innovations Inc., General Fusion Inc., CarbonCure Technologies Inc., NRSstor Inc., and Hydrogenics Corporation, participated on the federal government's Clean Technology Economic Strategy Table to build and lay out an actionable roadmap to achieve Canada's innovation goals for the cleantech sector.

Cleantech in the context of a broader Innovation Agenda

We were pleased to see the Honourable Navdeep Bains, Minister of Innovation, Science and Economic Development, launch the National IP Strategy earlier this year. More recently, Minister Bains and Parliamentary Secretary David Lametti announced a national consultation on digital and data transformation. These endeavours are essential if we are to better understand how Canada can drive innovation in the data-driven economy. The quest to grow Canada's cleantech innovation outputs continues.



Leah Lawrence
President & CEO



Jim Balsillie
Chairman of the Board

MEASURES OF OUR PERFORMANCE

Our Funding Agreement requires continuous auditing and review of our performance to ensure our processes are efficient and that we make progress toward our long-term goals. These are highlights from reviews we underwent in 2017–2018:

2017 EVALUATION OF THE SD TECH FUND

Innovation, Science and Economic Development Canada

Findings:

- There is continued need for the SD Tech Fund.
- SDTC's consortium model is critical in facilitating partnerships.
- The SD Tech Fund plays an important role in the government's mission to achieve GHG emission goals and enable Canadian firms to compete globally.
- The SD Tech Fund has helped create economic/environmental benefits for the economy, despite estimation challenges.
- SDTC is efficiently and effectively delivering the SD Tech Fund, although some timeliness concerns exist.
- About 75 per cent of SD Tech Fund projects have made progress toward demonstration or have successfully demonstrated.
- Although the mandate of the SD Tech Fund ends at demonstration, about one-third of recipients reach the market (i.e., commercialize).

2017 INTERIM EVALUATION OF THE NEXTGEN BIOFUELS FUND

Findings:

- The proposal review and selection process featured a high level of due diligence and yielded the desired results.
- SDTC managers and external advisors are highly competent and professional.
- The NGBF supported the construction of fewer next-generation biofuel plants than originally hoped for, largely due to factors beyond SDTC's control.
- Both of the approved projects are on track to successfully achieve their short-term objectives — and will lead to longer-term impacts.
- The NGBF was “several years ahead of its time” — and can provide a model for future government-funded programs supporting the commercialization of cleantech.

FALL 2017 REPORT ON FUNDING CLEAN TECHNOLOGIES

Commissioner of the Environment and Sustainable Development

Findings:

- SDTC had a rigorous and objective process to assess, approve and monitor projects.
- SDTC managed selected clean technology projects in compliance with the conditions of the funds.
- SDTC had articulated the environmental benefits of its funds, and had tracked and reported estimated greenhouse gas emission reductions.

2017 HORIZONTAL REVIEW OF 90+ FEDERAL BUSINESS INNOVATION AND CLEANTECH PROGRAMS

Treasury Board Secretariat

Findings:

- SDTC is one of only two federal cleantech programs that report on environmental outcomes.
- SDTC is recognized as having best practices for impactful and client-centric program design.
- SDTC's processes for sharing confidential due diligence have helped SDTC-funded companies receive additional support from other programs.
- SDTC provides applicants with clear explanations of the application and decision-making process.

ACCELERATE FUNDING APPROVALS

INTO THE PIPELINE FASTER

Speeding up our application and project approval process delivers acceleration right down the line — from developing, testing and deploying technologies to realizing the environmental and economic benefits of commercialized Canadian cleantech innovations.

Applications accepted all year round

Historically, companies could apply for SDTC funding only when we issued calls for submissions, twice a year. In 2017–2018, we completed our shift to a continuous intake model, marking the first full year where cleantech firms could apply for funding at any time — whenever they're ready. That means a simpler process with shorter contracting times and no time lost waiting for the next funding window to open.

Facilitating applicants' success

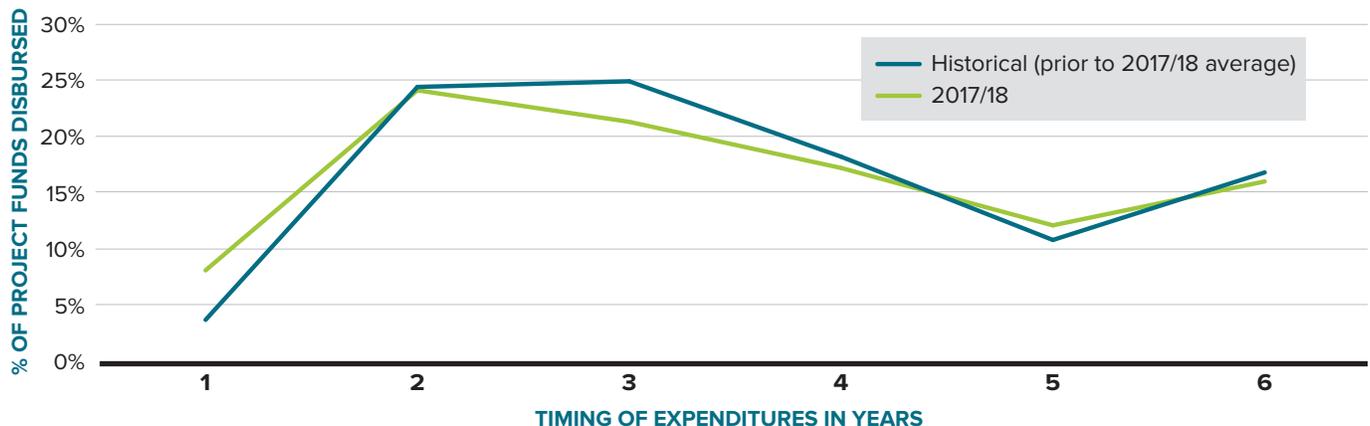
In addition to giving applicants more opportunities to apply, we reduced our time to approve projects for funding by an average of

30 per cent in 2017–2018. In some cases, the timeline from first contact to Board approval was less than three months. This acceleration benefits both successful and unsuccessful applicants alike, with lighter initial screening requirements allowing companies that don't qualify for funding to move on sooner to other potential sources.

We also continued to make our multi-step evaluation process more flexible last year, shaping it around applicant needs. If a company has to hit "pause" at any point — to refine some aspect of their proposal — they can do so and resume when they're ready instead of having to reapply. Through one-on-one coaching, we work with promising applicants to improve their proposals and chances of success.

PUTTING OUR FUNDS TO WORK SOONER

By streamlining the application and approval process, we're able to get more funds into the hands of Canadian cleantech companies faster. In 2017–2018, we accelerated first-year disbursements, almost doubling the percentage of funds disbursed to new companies compared to our historical average.



A stronger proposal pays off for Metamaterial Technologies

Being able to suspend their application and strengthen their proposal helped Nova Scotia's Metamaterial Technologies successfully secure SDTC funding in May 2017. The company first applied the year before, looking to demonstrate ultra-lightweight, flexible solar modules that can absorb light from any angle without having to track the sun. While the company's proposal was innovative, it needed more details on how they planned to demonstrate the tangible value of their technology. Our experts worked closely with them to quantify the technical and environmental benefits — such as how it is ideal for powering the onboard systems of drones and other vehicles — and provided practical guidance on how to proceed through our application process.

When Metamaterial Technologies returned with an updated proposal in 2017, we were able to fast-track them through the initial screening stages — and get them funded within three months.

"This investment allows us to accelerate and expand our research and development for the transportation industry. Transport accounts for about 19 per cent of global energy use and 23 per cent of energy-related carbon dioxide emissions. Transport-related energy use and CO₂ emissions are projected to increase by nearly 50 per cent by 2030 and by more than 80 per cent by 2050."

Dr. George Palikaras, Founder and CEO, Metamaterial Technologies

Getting the word out to the cleantech community

One way to get more companies to market is to make them aware of the funding available and how to apply for it — and to help them understand the importance of intangible assets such as intellectual property. In May 2017, just weeks after the federal government unveiled an innovation-focused budget, we held our second annual Cleantech Leadership Summit in Ottawa. Bringing together more than 150 people from the cleantech, government and investment communities — including 50 CEOs and senior leaders from SDTC-funded companies — the event highlighted government programs, services and opportunities for Canadian entrepreneurs to access capital, commercialize and scale up their technologies. This included an overview of the Innovation and Skills Plan by the Honourable Navdeep Bains, Minister of Innovation, Science and Economic Development.

ACCELERATE CONTRACTING

ONE WINDOW TO MANY OPPORTUNITIES

Submitting multiple funding applications and issuing separate reports on the same project to multiple stakeholders can take up valuable time and resources on the path to commercialization. Last year, we took a number of steps to streamline the process and help get innovations to market faster.

One window to federal cleantech programs

Building on a 2016 pilot, in 2017–2018 we embraced a whole-of-government approach to SDTC federal partnerships, giving applicants and funded companies in our portfolio “single window” access to other federal cleantech programs including the Clean Growth Hub, Strategic Innovation Fund, Smart Cities Challenge, Standards Council of Canada and Build in Canada Innovation Program. By doing so, we are able to share funding criteria, application reviews, due diligence and contracting with our federal partners — and steer applicants to other programs if they’re not the right fit for our own.

Many paths to funding

We also continued to expand our partnerships with like-mandated provincial organizations last year, leveraging the same single-window approach used at the federal level to create new opportunities for funding submissions and to streamline the review and reporting processes.

In 2017–2018, we entered into an agreement with the BC Innovative Clean Energy (ICE) Fund, with the kickoff workshop bringing us 31 new applications. We signed a memorandum of understanding with Transition Énergétique Québec’s Technoclimat program that allowed us to develop and launch a streamlined application process for companies. And we took steps to establish a presence in Atlantic Canada.

Even as we forged these new relationships, we built on our existing ones with Alberta Innovates and Emissions Reduction Alberta. Both of these partnerships now have joint contract-management processes in place to minimize reporting paperwork for funded companies. In Ontario, we expanded our partnership with the Ontario Centres of Excellence and also shared due diligence with Ontario’s Low Carbon Innovation Fund and Global Market Acceleration Fund.

Arrangements like these give entrepreneurs access to provincial and federal funding regardless where they apply first. If SDTC has already approved a project, our partners typically accept our due diligence to expedite their own approvals.











A wider funding window for NRStor's innovative electricity storage

In 2017, our single-window approach allowed Toronto's NRStor to submit a joint application to SDTC and the Ontario Centres for Excellence (OCE) — and for OCE to leverage our due diligence and expertise throughout the project evaluation process. The project? NRStor and its partner, Hydrostor, proposed building a facility that would store electricity in the form of compressed air and heat, helping Ontario's electricity grid make more efficient use of the electricity being generated.

Because Hydrostor had received SDTC funding in 2011, we leveraged our knowledge of the base technology to accelerate the approval of NRStor's project for the next commercial application of their clean technology solution.

Milestone reporting made easier for DarkVision Technologies

In 2017, we relied on the due diligence of Emissions Reduction Alberta (ERA) to approve a project expansion for British Columbia's DarkVision Technologies. The company is developing a unique ultrasound-based imaging technology to see inside and inspect oil and gas wells. When it proposed expanding the original project scope from just thermal wells to include other oil and gas wells, we were able to rapidly approve additional funding so DarkVision could conduct testing for these additional applications and markets.

Even with an expanded project, DarkVision benefits from a simplified reporting process. The joint contract-management processes we implemented with ERA, include shared milestone reporting, which allows DarkVision to prepare one progress report for both SDTC and ERA.

"We are excited to work with both SDTC and our consortium partners to bring this technology to market and help the oil and gas industry in Canada lower its costs, optimize production and reduce its environmental footprint."

Stephen Robinson, CEO, DarkVision Technologies Inc.

ACCELERATE MARKET OPPORTUNITY

EASIER ACCESS TO GROWTH



Even when innovations have strong market potential, it's not always clear where the best opportunities lie — or where they might lead. By making our processes more agile and strengthening our alliances with partners in Canada's business development and export portfolios, we're helping companies pursue the best leads and get to market faster.

Pivoting on market potential

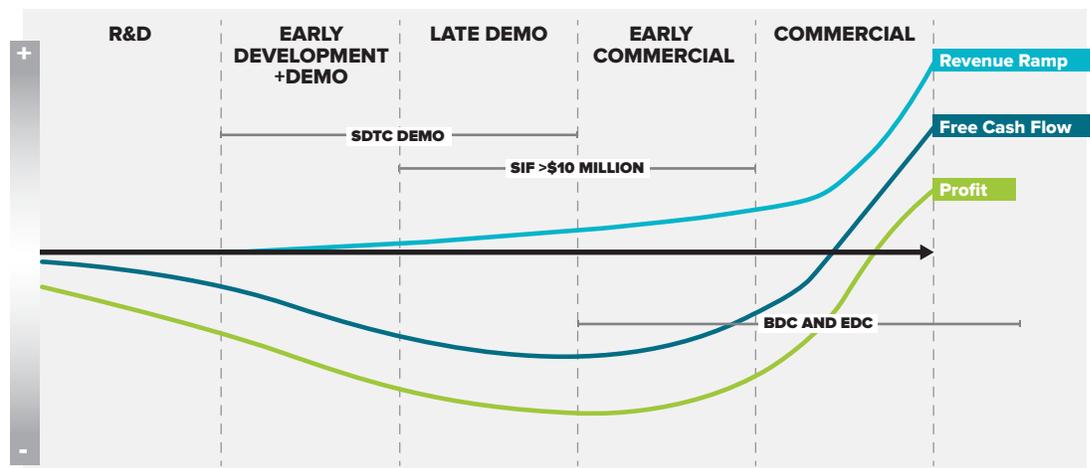
The projects we fund are clearly scoped and well defined. Yet sometimes there's a strong business case for changing that scope or definition to access unexpected opportunities. By remaining open to these kinds of adjustments, we remain able to support and accelerate companies' commercialization journeys even after their funded projects get underway — providing expanded funding to explore new product applications or market segments without having to reapply.

Taking Canadian cleantech to the world

In 2017–2018, we strengthened our relationships with the Business Development Bank of Canada (BDC) and Export Development Canada (EDC) to help companies secure private investment and access new domestic and foreign markets. With Budget 2017 giving both entities a significant mandate to help cleantech companies scale up, we formalized a seamless system for handing off SDTC graduates — including the sharing of technical due diligence. That contributed to BDC's April 2018 announcement of \$40 million in financing agreements with four high-potential cleantech companies that had completed projects with SDTC.

SEAMLESS TRANSITIONS OF HIGH-POTENTIAL FIRMS

Our working relationship with BDC and EDC lays the groundwork for commercialization, accelerating revenues, cash flow and profitability for Canadian cleantech companies.



Keeping DMF Medical's GHG reduction solution close to home

Halifax-based DMF Medical is developing a next-generation, chemical-free solution to removing CO₂ from general anesthesia circuits — ultimately reducing GHG emissions released by hospitals. When the company's manufacturing partner suddenly altered their production arrangements, funding was required to repatriate device manufacturing and assembly to Halifax. Because DMF Medical had already been funded by SDTC in 2014 to demonstrate its technology, we were able to quickly respond to this request and modify the project to support the advancement of their product.

Enabling a new application for Polystyvert's recycling technology

Last year, Montreal's Polystyvert Inc. discovered partway through its SDTC-funded project that beyond recycling polystyrene (aka Styrofoam) it could regenerate the material to its original state for market re-use. In addition to cutting down on landfill waste and minimizing water consumption for polystyrene manufacturing, this discovery created an additional market for the company's recycling technology. We quickly reviewed and approved the modification, delivering additional funding to Polystyvert within four months.

"With this financing, not only can we begin acquiring the equipment we need to grow, we will also be one step closer to our ultimate goal of implementing a circular economy for polystyrene that will be accessible across Quebec, Canada and eventually the world."

Solenne Brouard Gaillot, President, Polystyvert Inc.

A tale of two companies: Ensyn and GHGSat

SDTC alumni Ensyn Technologies Inc. of Ottawa and GHGSat Inc. of Montreal both received financing from BDC in 2017–2018.

In 2003, Ensyn received SDTC funding to help construct a demonstration refinery that could convert 12 million litres of woody biomass into biofuels and biochemicals each year. With BDC's help, Ensyn plans to expand its distribution and production capabilities with a new facility in Port Cartier, Quebec, that will be capable of converting forest residues into 40 million litres of renewable heating fuel — and removing up to 70,000 tonnes of CO₂e emissions — each year.

More recently funded, GHGSat completed its SDTC demonstration project in 2016 with the launch of the world's first high-resolution satellite for measuring and monitoring GHG emissions. It plans to use BDC's funding to grow, building out a constellation of satellites.



2017–2018

PERFORMANCE AGAINST STRATEGIC OBJECTIVES

Our strategic direction for 2017–2018 focused on increasing Canada's competitiveness in the global cleantech arena by assisting Canadian entrepreneurs with their scale-up efforts. In that context, we set four corporate goals to be achieved over the course of the year:

Corporate goal	Achieved
<p>1. Focus on our core business and position for the future</p> <p>SDTC is continuously working to make it easier for applicants to do business with us. Plans include:</p> <ul style="list-style-type: none"> • Further streamlining of our funding application processes. • Reducing the time from first contact to funding decision and first payment, such that the whole process is more in line with market expectations. <p>As an organization that provides federal funding to Canada's cleantech companies, we will ensure strong stewardship of taxpayer dollars including:</p> <ul style="list-style-type: none"> • Continued focus on efficient operations and service quality. • Ensuring that grant dollars are flowing to technologies and companies with the best potential to deliver desired environmental and economic outcomes. 	
<p>2. Support implementation of Pan-Canadian Framework on Clean Growth and Climate Change</p> <p>SDTC takes a lead role in federal-provincial cooperation in supporting cleantech entrepreneurs. As such, we:</p> <ul style="list-style-type: none"> • Have established a number of provincial partnerships and are actively pursuing others, including furthering already-existing cooperative engagements in Alberta and Ontario. • Are exploring new opportunities in British Columbia, Quebec and Atlantic Canada with plans to launch several key joint initiatives in the near future. • Have enhanced data sharing and "back office" capabilities for shared IT-platforms, thereby streamlining funding-application processes. <p>SDTC will also support the development of strategic standards and regulations. We will work with the Canadian Standards Council and provincial partners to support the crafting of effective, outcome-oriented codes, standards and regulations that support and encourage new technology trials and adoption.</p> <p>Finally, we will enable clean-technology exports by working with Global Affairs Canada, the Canadian Commercial Corporation and provincial partners to support the export strategies of our high-potential companies.</p>	

Corporate goal	Achieved
<p>3. Employ a whole-of-government approach to support cleantech innovation</p> <p>SDTC is proud to support our federal partners, leveraging our cleantech expertise to help further partners' respective goals and mandates. SDTC is well positioned to:</p> <ul style="list-style-type: none"> • Act as a consultant and trusted advisor, providing advice to federal partners with cleantech agendas as part of their own mandates and program delivery objectives. • Look for opportunities to leverage our cleantech expertise and share resources with key partners, as appropriate. <p>As part of our whole-of-government approach, we will also support strategic procurement efforts, supporting the cross-government effort to meet 30 per cent greenhouse gas reduction targets across all federal government operations.</p>	
<p>4. Focus on areas of Canadian advantage for scale-up companies</p> <p>SDTC is developing targeted strategies for portfolio companies with significant scale-up potential. One key aspect is giving firms the resources they need to scale up. We are working hard to bring more valuable and sophisticated support to our entrepreneurs, focusing increasingly on how we can support both the clean technology and the firm. In practical terms, this involves:</p> <ul style="list-style-type: none"> • Developing targeted strategies for portfolio companies, recognizing that the needs of start-ups and scale-ups are different. • Being an advocate and champion for our high-potential companies and supporting them in navigating the Accelerated Growth Service and other key ISED scale-up initiatives. <p>This corporate goal also involves drawing on SDTC's experience in capitalization strategy. We will:</p> <ul style="list-style-type: none"> • Expand upon the work of the SDTC Board task force on early-commercialization financing by developing case studies and working with key partners to understand existing gaps. • Continue to collaborate with Export Development Canada and Business Development Bank of Canada in our efforts. 	

CORPORATE GOALS FOR 2018–2019

In 2018–2019, we will continue to focus on making operational improvements, attracting high-quality applicants and supporting current portfolio companies so they can compete and win in the global market. With an emphasis on accelerating commercialization and entry into the marketplace, our goals for the 2018–2019 fiscal year are:

1

Focus on efficient operations to provide high-quality support to new applicants and current portfolio companies

2

Serve as a ‘Centre of Knowledge’ for the strategic distillation of cleantech firm experience in Canada

3

Take a ‘Team Canada’ approach to working with federal and provincial partners to support Canadian entrepreneurs

4

Help Canadian entrepreneurs accelerate and scale technologies in Canadian priority areas

Financial Statements

CANADA FOUNDATION FOR SUSTAINABLE DEVELOPMENT TECHNOLOGY

Year ended March 31, 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Canada Foundation for Sustainable Development Technology

We have audited the accompanying financial statements of Canada Foundation for Sustainable Development Technology, which comprise the statement of financial position as at March 31, 2018, the statements of operations and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canada Foundation for Sustainable Development Technology as at March 31, 2018 and its results of operations and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Ottawa, Canada
June 27, 2018

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style font.

Chartered Professional Accountants
Licensed Public Accountants

CANADA FOUNDATION FOR SUSTAINABLE DEVELOPMENT TECHNOLOGY

Statement of Financial Position

March 31, 2018, with comparative information for March 31, 2017
(in thousands of dollars)

	SD Tech Fund	NextGen Biofuels Fund	2018 Total	2017 Total
Assets				
Current assets:				
Cash	\$ 38,791	\$ 9,933	\$ 48,724	\$ 25,707
Amounts receivable	24	–	24	102
Harmonized sales tax receivable	228	–	228	75
Inter-fund receivable (note 3)	102	–	102	99
Prepaid expenses	265	–	265	132
	39,410	9,933	49,343	26,115
Investments (note 4)	10,091	–	10,091	36
Capital assets (note 5)	1,238	–	1,238	1,294
	\$ 50,739	\$ 9,933	\$ 60,672	\$ 27,445
Liabilities and Deferred Contributions				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 828	\$ 8	\$ 836	\$ 829
Inter-fund payable (note 3)	–	102	102	99
	828	110	938	928
Deferred contributions:				
Expenses of future periods (note 6)	49,911	9,823	59,734	26,517
Commitments (note 8)				
Net assets	\$ 0	\$ 0	\$ 0	\$ 0
	\$ 50,739	\$ 9,933	\$ 60,672	\$ 27,445

See accompanying notes to financial statements.

CANADA FOUNDATION FOR SUSTAINABLE DEVELOPMENT TECHNOLOGY

Statement of Operations

Year ended March 31, 2018, with comparative information for March 31, 2017
(in thousands of dollars)

	SD Tech Fund	NextGen Biofuels Fund	2018 Total	2017 Total
Revenue:				
Recognition of deferred contributions (note 6)	\$ 68,444	\$ 611	\$ 69,055	\$ 111,028
Expenses:				
Project appraisal and development	2,454	34	2,488	2,589
Project management	1,452	317	1,769	1,924
Partnership development and project support	1,161	10	1,171	1,775
Governance and executive	1,072	79	1,151	1,254
General administration	3,420	171	3,591	2,956
	9,559	611	10,170	10,498
Project disbursements	58,885	–	58,885	100,530
Total expenditures	68,444	611	69,055	111,028
Excess of revenue over expenses	\$ –	\$ –	\$ –	\$ –

See accompanying notes to financial statements.

CANADA FOUNDATION FOR SUSTAINABLE DEVELOPMENT TECHNOLOGY

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for March 31, 2017
(in thousands of dollars)

	SD Tech Fund	NextGen Biofuels Fund	2018 Total	2017 Total
Cash provided by (used in):				
Operating activities:				
Excess of revenue over expenses	\$ –	\$ –	\$ –	\$ –
Items not involving cash:				
Amortization of capital assets	414	–	414	355
Recognition of deferred contributions	(68,444)	(611)	(69,055)	(111,028)
Investment income	631	113	744	312
Changes in non-cash operating working capital items	(164)	(37)	(201)	122
	(67,563)	(535)	(68,098)	(110,239)
Capital activities:				
Purchase of capital assets	(358)	–	(358)	(457)
Financing activities:				
Sales (Purchase) of investments – net	(9,988)	25	(9,963)	–
Deferred contributions received	101,436	–	101,436	122,435
	91,448	25	91,381	122,435
Increase (decrease) in cash	23,527	(510)	23,017	11,739
Cash, beginning of year	15,264	10,443	25,707	13,968
Cash, end of year	\$ 38,791	\$ 9,933	\$ 48,724	\$ 25,707

See accompanying notes to financial statements.

1 – Description of business

Canada Foundation for Sustainable Development Technology – Fondation du Canada pour l'appui technologique au développement durable (the "Foundation") is a corporation continued under the *Canada Foundation for Sustainable Development Technology Act* (S.C.2001), effective on March 22, 2002.

The Foundation is not an agent of Her Majesty, but is accountable to Parliament through the Minister of Innovation, Science and Economic Development Canada. The Foundation is a non-taxable entity under paragraph 149 (1) l) of the Income Tax Act (Canada).

The Foundation's mandate, governance, operations, performance requirements, accountability and relationship to the Government of Canada are defined in its governing statute and in funding agreements that have been executed by the Foundation and the Minister of Innovation, Science and Economic Development Canada. In this way, the Foundation operates as a fully accountable instrument of the Government of Canada to help provide timely development and demonstration of innovative technology solutions to the nationally important issues of climate change, clean air and water, and soil quality.

The Foundation manages two funds: the SD Tech Fund and the NextGen Biofuels Fund, which are further described below.

SD Tech Fund

As of March 31, 2018, the Foundation has received \$550 million in grants, has received \$206 million in contributions and is eligible to receive an additional \$209 million in contributions from the Government of Canada to provide financial support to projects that develop and demonstrate new technologies that have the potential to advance sustainable development, including technologies to address climate change, clean air and water, and soil quality issues. This support is provided to eligible recipients that have established partnerships that comprise a private sector commercial corporation and one or more of the following: a private sector commercial corporation, a university or college, a private sector research institute, a not-for-profit corporation, or a federal or provincial Crown corporation (or subsidiary) whose role is the provision of resources and/or facilities to the consortium as a subcontractor.

Eligible contributions are to be received based on cash flow requirements up to March 31, 2023. The Foundation receives annual cash flows from the

Government of Canada based on projections of future cash outflows in order to provide the funding required to meet project requirements.

The Foundation will endeavour to ensure that there are funds available to allocate to new eligible projects at least up to June 30, 2017, any unallocated amounts are carried forward to future periods. With the exception of a reasonable amount reserved for related project monitoring and evaluation, and for wind-up costs, the Foundation will also endeavour to manage and disburse the funds in total by March 31, 2025.

NextGen Biofuels Fund

The NGBF provides financial support towards the establishment of first-of-kind facilities that demonstrate production pathways for next-generation renewable fuels at large demonstration scale. This support is provided to eligible recipients including for-profit corporations, partnerships, limited partnerships or business trusts with legal capacity in Canada and that have access to expertise in next-generation renewable fuels production pathways. Agreements for financial support to eligible recipients include provisions for repayability from free cash flow of the funded project.

The Foundation has disbursed as of March 31, 2018 (the "disbursement period") its share of eligible project costs incurred by eligible recipients. With the exception of a reasonable amount reserved for related project monitoring and evaluation, collection of repayments and for wind-up costs, the Foundation shall return any portion of the NGBF to the Government of Canada at the earlier of the end of the funding agreement on September 30, 2027, and such time or times subsequent to the end of the disbursement period as the Government of Canada may determine.

Effective December 3, 2014, NGBF is no longer accepting applications for financial support.

2 – Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards for government not-for-profit organizations and reflect the following significant accounting policies. A statement of remeasurement gains and losses and a statement of change in net assets have not been included as it would not provide additional meaningful information. The Public Sector Accounting Board (PSAB) issued five new standards effective for fiscal years beginning on or after April 1, 2017. The new accounting standards are Related Party Disclosures (PS2200), Contingent Assets (PS3320), Assets (PS3210), Contractual Rights (PS3380) and Inter-entity Transactions (PS3420). The adoption of these standards did not result in any financial impact or changes to the disclosures on the Foundation's financial statements.

(a) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions whereby contributions, including grants received and interest earned on the invested amounts, are deferred and recognized as revenue in the year in which related expenditures are incurred. A receivable is recognized if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions are restricted for disbursement to eligible sustainable development technology projects and operations of the Foundation, as defined in the Funding Agreements.

(b) Project disbursements:

Project disbursements are recognized as expenses when the disbursements of funds are authorized and all eligibility criteria are met.

(c) Capital assets:

Capital assets are recorded at cost less amortization which is calculated on a straight-line basis over the assets' estimated useful lives using the following annual rates:

Asset	Years
Computer hardware	3
Computer software	2–5
Office furniture and equipment	5
Leasehold improvements	Shorter of lease or estimated useful life

When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value.

(d) Financial instruments:

Financial instruments include cash, receivables, investments, payables and accrued liabilities.

Financial assets and liabilities are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, with exception of cash which is measured at fair value.

When the financial asset is sold, the unrealized gains and losses previously recognized in deferred contributions are reversed and Recognized in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of hierarchy for which a significant input has been considered in measuring fair value.

The financial instrument recorded on the statement of financial position at fair value is composed of cash and is listed as Level 1.

(e) Expenses:

The Foundation classifies expenses on the statement of operations by function. The Foundation does not subsequently allocate

expenses between functions, and all expenditures are recorded directly in the function to which they relate.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year ended March 31, 2018. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known. The most significant estimates used in preparing these financial statements include the estimated useful lives of capital assets and the amount of accrued liabilities.

3 – Inter-fund balance and transactions

The inter-fund balance receivable/payable bears no interest and is not governed by terms of repayment. As at March 31, 2018, \$102 (2017 – \$99) of operating expenses and allocated staff costs incurred by the SD Tech Fund on behalf of NextGen Biofuels Fund were outstanding.

4 – Investments

		2018		2017	
SD Tech Fund	Level	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Money market accounts	1	10,091	10,091	11	11
		\$ 10,091	\$ 10,091	\$ 11	\$ 11

		2018		2017	
NextGen Biofuels Fund	Level	Fair Value	Amortized Cost	Fair Value	Amortized Cost
Money market accounts	1	–	–	25	25
		\$ –	\$ –	\$ 25	\$ 25

There were no transfers between Level 1 and Level 2 for the year ended March 31, 2018 or March 31, 2017. Money market investments include investments such as high interest savings accounts and term deposits.

(a) Market risk:

Inherent rate risk:

Investment in financial instruments renders the Foundation subject to investment risk. This risk arises from changes in interest rates if investment instruments are withdrawn prior to maturity or should market interest rates increase significantly over those of the investments of the Foundation. The Foundation invests in money market accounts, which management considers low risk.

Price risk

The money market accounts are a simple term deposit account, established for the purpose of investment.

Concentration risk:

Concentration risk exists when a significant portion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions.

Management believes that the investments in money market accounts described above do not represent excessive risk.

(b) Credit risk:

The risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Amounts receivable mainly consist of funds receivable related to sales taxes, thus, the Foundation has assessed the related credit risk as low. The maximum credit exposure at the Foundation is represented by amounts receivable balance as presented in the statement of financial position.

5 – Capital assets

SD Tech Fund	Cost	Accumulated amortization	2018	2017
			Net book value	Net book value
Computer hardware	\$ 353	\$ 212	\$ 141	\$ 120
Computer software	1,952	1,184	768	1,038
Office furniture and equipment	100	52	48	6
Leasehold improvements	1,012	731	281	130
	\$ 3,417	\$ 2,179	\$ 1,238	\$ 1,294

During the year, capital assets were acquired at an aggregate cost of \$358 (2017 – \$457).

Cost and accumulated amortization at March 31, 2017 amounted to \$3,059 and \$1,765, respectively.

Net book value of capital assets in the NextGen Biofuels Fund at March 31, 2018 amounted to \$ nil (2017 – \$ nil).

6 – Deferred contributions – expenses of future periods

Deferred contributions related to expenses of future years represent the unspent balance in the Fund that

is restricted for disbursement to eligible sustainable development technology projects and operations of the Foundation, as defined in the Funding Agreements. The change in the deferred contributions balance is as follows:

	SD Tech Fund	NextGen Biofuels Fund	2018 Total	2017 Total
Balance, beginning of year	\$ 16,196	\$ 10,321	\$ 26,517	\$ 14,798
Federal contributions received	101,540	–	101,540	124,402
Other contributions received (net of drawdown)	(104)	–	(104)	(1,967)
Interest income	723	113	836	312
Less amount recognized as revenue	(68,444)	(611)	(69,055)	(111,028)
Balance, end of year	\$ 49,911	\$ 9,823	\$ 59,734	\$ 26,517

7 – Capital management

The Foundation defines capital as its deferred contributions related to expenses of future periods.

The Foundation's objectives in managing capital are to safeguard its ability to continue as a going concern and pursue its strategy of promoting sustainable development technology and next-generation renewable biofuels to eligible projects that meet the mandate and criteria of its funder, the Government of Canada, and benefits to other stakeholders.

Management continually monitors the impact of changes in economic conditions on its investment portfolio and its funding commitments.

The Foundation is not subject to any externally imposed capital requirements other than those defined in the current Funding Agreements, and its overall strategy with respect to capital remains unchanged from the year ended March 31, 2018.

8 – Commitments

SD Tech Fund:

To date, SDTech has awarded contributions of \$938 million and has related outstanding commitments of \$228 million to be paid over the period 2018–2025.

The Foundation also has commitments to lease office space as follows:

	2019	2020	2021	2022	2023 onwards
In millions of \$	0.6	0.5	0.5	0.2	–

NextGen Biofuels Fund:

There are no outstanding commitments for NGBF, all contributions have been paid as of March 31, 2018.

GOVERNANCE AND COMPENSATION

GOVERNANCE

Board of Directors

SDTC is governed by a Board of Directors reflecting the broad interests of the public, private and academic sectors in Canada. It is composed of 15 directors, seven of whom (including the Chair) are appointed by the Government of Canada and eight of whom are appointed by Members of the Foundation.

The Board has five committees: the Audit Committee, the Governance Committee, the Human Resources Committee and two Project Review Committees (one each for the SD Tech Fund and NextGen Biofuels Fund).

Directors are required to declare potential conflicts of interest and refrain from participating in any discussions regarding matters that could give rise to such a conflict.

Jim Balsillie

Chairman of the Board, SDTC
Founder & Chair, Centre for International
Governance Innovation

Sarah Kavanagh

Vice-Chair of the Board, SDTC
Chair, SDTC Audit Committee

Corporate Director, Valeant Pharmaceuticals,
Hudbay Minerals and WPT Industrial REIT

Former Corporate Director & Commissioner,
Ontario Securities Commission

Leanne Bellegarde

Director, Strategic Inclusion, Nutrien

John Bradlow

Chair, SDTC Human Resources Committee
Partner, Penfund

Geoff Cape

CEO, Evergreen

Ross Creelman

Managing Director, Northern Energy Solutions

Judy Fairburn

Corporate Director; Global Advisory Council –
Emerald Technology Ventures
Past Chair Alberta Innovates;
Former EVP Business Innovation for Cenovus Energy Inc.

Dan Gagnier

Chair, SDTC Project Review Committee
(NextGen Biofuels Fund)
*Consultant and Facilitator, Quebec–Aboriginal
Relationships*

Ron Koudys

President, Ron Koudys Landscape Architects

George Lafond

First Nations Business Development Advisor

Jason Lee

Chair, SDTC Project Review Committee (SD Tech Fund)
President, Spry Consulting

Gary Lunn

Chair, SDTC Governance Committee
Former Minister of Natural Resources

Ellen McGregor

President & CEO, Fielding Environmental

Andrée-Lise Méthot

Founder & Managing Partner, Cycle Capital Management

Juergen Puetter

President, Aeolis Wind Power Corporation
President, Blue Fuel Energy

*As of March 31, 2018. For a list of current Board, Council
and committee members, visit www.sdtc.ca.*

Member Council

The Members of the Foundation include 12 leaders who together provide an informed and representative perspective on, and contribution toward, the achievement of SDTC's mission and goals.

Bernd Christmas

CEO, Gitpo STORMS

Timothy Egan

President & CEO, Canadian Gas Association

Christine Hollstedt

Principle, Inspiring Leadership

Wally Hunter

Managing Director, EnerTech Capital

Brenda Kenny

Retired President & CEO,
Canadian Energy Pipeline Association

Pierre Lapointe

President & CEO, FPIInnovations

Sergio Marchi

President & CEO, Canadian Electricity Association

Susan McArthur

Managing Partner, GreenSoil Investments

John Ruffolo

CEO, OMERS Ventures

Kathleen Sendall

Corporate Director

Andrew Stuart

President & CEO, Isowater Corporation
Chair, Sustainability Shift

Dan Wicklum

Chief Executive, Canada's Oil Sands Innovation Alliance

Project Review Committee

The Project Review Committee identifies technologies with strong competitive and environmental potential. It then relays its recommendations to the Board of Directors for final approval.

Leah Lawrence

Co-Chair, SDTC Project Review Committee
President & CEO, SDTC

Jason Lee

Co-Chair, SDTC Project Review Committee
President, Spry Consulting

Leo de Bever

Chair, Nautical Energy

Jack Gin

Founder, Jack Gin Family Foundation

Gary Lunn

Former Minister of Natural Resources

Ian MacGregor

President, North West Capital Partners

Ellen McGregor

CEO, Fielding Chemical Technologies

Andrée-Lise Méthot

Founder & Managing Partner, Cycle Capital Management

Christian Zabbal

Managing Partner, Spring Lane Capital

Rosemary Zigrossi

Consultant, Promontory Financial Group

As of March 31, 2018. For a list of current Board, Council and committee members, visit www.sdtc.ca.

COMPENSATION

Board of Directors

Position	Annual stipend*
Chair	\$ 12,000
Vice Chair	\$ 9,000
Board Members	\$ 5,000

* All Directors of the Board received a meeting fee of \$550 per meeting day. The Directors who sit on Project Review Committees receive a meeting fee of \$1,500 per meeting day.

Senior Management

In accordance with the Funding Agreement, compensation for the fiscal year ending March 31, 2018, including salary, allowances and other benefits was within the annual compensation ranges listed below.

Position	Total annual compensation	Additional performance-based compensation
President & CEO	\$244,000 – \$381,000	\$0 – \$95,250
Vice Presidents	\$160,000 – \$240,000	\$0 – \$48,000
Director/Managers	\$72,800 – \$156,000	\$0 – \$10,920

2017–2018 PROJECTS

This list includes projects approved and publicly announced for the period April 1, 2017 through March 31, 2018. Project details, including reporting on market impacts and environmental and economic benefits, can be found at sdtc.ca.

3E Nano Inc.	Spark Microsystems
Dundee Sustainable Technologies	Metamaterial Technologies Inc.
Electrovaya Corp.	Morgan Solar Inc. (2)
Concentric Ag (formerly Inocucor Technologies Inc)	Springpower International Inc.
GreenMantra Technologies	D-Wave Systems Inc.
Raymor Industries Inc.	Hortau Inc.
Sustane Chester Inc.	NRStor Inc.
Vive Crop Protection Inc.	KmX Corporation
Peak Power Inc	ClinnUp Inc.
	NRT Canada Inc.
	ATTAbotics Inc.
	lonomr Innovations Inc..

