ANNUAL



2023 → 2024

REPORT

Growing Canada's Al-Powered Economy

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Scale Al at a Glance

Scale AI is Canada's AI Global Innovation Cluster dedicated to boosting industry performance by leveraging AI technologies to improve value chains, specifically focusing on building resilient and sustainable supply chains. Scale AI acts as an investment and innovation hub that accelerates the rapid diffusion and integration of artificial intelligence (AI) into value chains and contributes to developing a world-class Canadian AI ecosystem. This interconnected network of people working together pushes all boundaries for continued growth that benefits society.

Scale AI co-invests in programs that support implementing concrete AI applications within companies, the emergence of future Canadian flagships in the sector, and the development of a skilled Canadian workforce. Based in Montréal and funded by the federal and Québec governments, Scale Al collaborates with hundreds of industry partners in Canada, including tech companies, startups, research institutions, universities, venture capitalists, and experts in various fields.



Our mission

As a business-led consortium, Scale AI drives economic growth that will bolster Canada's leadership in the global innovation race, supports world-leading businesses, creates highly skilled jobs, and accelerates the commercialization of AI-powered technologies.

Scale AI contributes to developing an innovative, competitive, diverse, and inclusive Canadian economy focused on small and medium enterprises (SMEs).

Our funding

Scale AI was awarded government funding coupled with contributions from the private sector. These funds are transformed into co-investment programs that allow us to identify collaborative intersectoral projects and provide them with ongoing support and funding to ensure their success.

From 2018 to 2028

Our vision

Canada has invested in advanced AI research for decades and is excelling at producing talent in AI. Now is the time to commercialize breakthroughs, push boundaries and redefine what is possible with AI in the value chain to boost efficiency and strengthen the core of all businesses.

We support industry-led innovation, increase investment in Canada, help scale up smaller companies into global competitors, and create new commercial opportunities to boost exports. Scale AI is generating good, well-paying jobs nationwide, developing a highly skilled and diverse workforce, and helping companies generate and protect new intellectual property in AI.



Our mandate

Scale AI is one of five Global Innovation Clusters launched in 2018 by the federal government. Scale AI's mandate is to foster connections, incentivize collaboration, and leverage Canada's outstanding research, technological, and business strengths to build a strong Canadian global AI ecosystem focused on value chains to develop world-leading capabilities for the benefit of Canadians.



Message From the Minister of Innovation, Science and Industry of Canada

The Honourable François-Philippe Champagne

The Government of Canada is keeping Canada at the forefront of economic development by working to increase investment, enhance productivity and encourage the kind of game-changing innovation that will create good-paying and meaningful jobs for Canadians. We're working to empower more of our best entrepreneurs and innovators to put their ideas to work here in Canada.



The Global Innovation Clusters are built on a collaborative model designed to foster innovation and jointly address challenges to grow strong Canadian ecosystems. By bringing together companies of all sizes, academic institutions and not-for-profits to generate bold new ideas, the clusters are strengthening their ecosystems while positioning Canada for global markets. The clusters have helped build successful and growing innovation ecosystems across the Canadian economy in five areas where Canada has a competitive advantage: digital technologies, plant-based protein, advanced manufacturing, artificial intelligence for supply chain and logistics, and ocean-based industries.

The government has continued to invest in the clusters to fuel Canada's innovation ecosystems, promote commercialization, support intellectual property creation and retention, and scale Canadian businesses, and it's been working. As of March 2024, the clusters have announced more than 540 projects worth over \$2.53 billion and involving 2,750 partners.

Because of their unique model and strong results, the Global Innovation Clusters were selected to help administer the Pan-Canadian Artificial Intelligence Strategy (PCAIS) and received \$125 million under the PCAIS's Commercialization pillar. To date, the clusters have announced 38 PCAIS projects that are worth over \$146 million and involve more than 158 partners. The clusters are helping scale-up Canadian AI firms to help secure and strengthen Canada's AI advantage.

The Advanced Manufacturing Cluster and the Digital Technology Cluster were also selected to help administer the National Quantum Strategy and have received \$14 million as part of the commercialization pillar of the strategy. Budget 2024 announced \$50 million for a new Homebuilding Technology and Innovation Fund being led by Canada's Advanced Manufacturing Cluster (Next Generation Manufacturing Canada). This fund will support the scale-up, commercialization, and adoption of innovative housing technologies and materials, including those for modular and prefabricated homes.

In addition, the clusters are helping to build a skilled and diverse workforce by creating opportunities for women, racialized Canadians, Indigenous communities and other under-represented groups, and they are offering workshops and formalized training to develop diverse talent and meet sectoral labour force needs.

Scale AI is boosting industry performance and productivity by leveraging AI technologies, capturing new market opportunities and ensuring Canadian-made products and services are first to market. Over this past year, Scale AI has been positioning Canada as one of the top countries in AI adoption and integration, showcasing Canadian AI leadership and expertise on the global stage. Its projects and initiatives are optimizing hospital operations through AI-powered technologies, developing Canada's AI workforce, supporting Canadian AI startups and small and mediumsized businesses, creating highly skilled jobs and accelerating the adoption of AI-powered technologies. I would like to extend a heartfelt thank you to Scale AI and everyone involved for their tireless efforts to strengthen Canadian innovation ecosystems, build a diverse and futureready workforce, and expand our presence both at home and abroad.

FUI-

The Honourable François-Philippe Champagne, P.C., M.P.

Message From the Co-Chairs of the Board of Directors

Hélène Desmarais and Louis Roy

Reflecting on Scale Al's journey over the past year fills us with pride and a sense of accomplishment. As pioneers in artificial intelligence, we have played a significant role in shaping its growth and impact. Witnessing the Al sector establish itself as a key driver of Canada's economic expansion has been both inspiring and rewarding.



The recent investment of \$2.4 billion by the Government of Canada, announced on April 7, 2024, signifies a landmark moment for the Al landscape in our nation. This investment underscores the government's confidence in Al's potential to drive economic growth and enhance the competitiveness of Canadian businesses. It represents a significant leap forward for the Al ecosystem and the diverse industries poised to leverage Al for improved performance.

At Scale AI, our dedication to accelerating the integration of AI into business operations remains steadfast. We are reshaping business models, enhancing decision-making processes, and empowering workforces to unlock the full potential of organizations of all sizes. Our focus is on creating a future where AI is not merely an advantage but a fundamental component of business strategy.

Our ecosystem has been a hotbed of research innovation, and we are now transitioning these advancements into commercial opportunities that span all economic sectors. Scale AI takes immense pride in our achievements, particularly the successful launch of ALL IN 2023. This premier event, held in September 2023, has become the country's most significant gathering dedicated to Canadian artificial intelligence. The presence of esteemed leaders such as Prime Minister Justin Trudeau, Minister François-Philippe Champagne, Minister Pierre Fitzgibbon, Mayor Valérie Plante, and over 2,000 global Al experts, business leaders, and researchers underscored the event's importance, and the pivotal role Canada plays in the Al domain.

Scale AI has emerged as the unifying force within the AI ecosystem, bringing together over 500 AI providers from coast to coast. Our current focus is on bolstering the Canadian ecosystem's international presence and commercialization efforts. This is a strategic move that promises substantial economic growth, as these startups, rooted in Canadian soil, are poised to make their mark on the global stage.

As we look to the future, we are energized by the possibilities that lie ahead. Scale AI will continue to be a catalyst for innovation, fostering an environment where artificial intelligence can flourish and propel Canada to new heights of global leadership in technology.

We extend our heartfelt gratitude to all our partners, collaborators, and the entire AI community for their unwavering support and shared vision. Together, we are not just participants in the AI revolution; we are its architects, shaping a smarter, more efficient, and more prosperous world for generations to come.

A Word From the CEO

Julien Billot

Looking back on the accomplishments of the last twelve months and anticipating the opportunities ahead, I am proud to share with you the strides we have made at Scale AI in fostering an AI-powered economy in Canada. Our commitment to operational excellence and the impactful deployment of artificial intelligence has never been stronger.

In the fiscal year 2023-2024, Scale AI has been at the forefront of innovation, supporting over 34 AI projects across Canadian companies, with total investments amounting to \$50M. Our efforts have spanned a multitude of industries, including agriculture, retail, manufacturing, construction, transportation and logistics, mining, energy, healthcare, and beyond. This diversity not only showcases our adaptability but also our role as a catalyst in the AI ecosystem, uniting researchers, industry members, startups, and suppliers to create AI solutions with real-world impact.

Our investments have been instrumental in helping Canadian companies to forge more innovative and efficient value chains, thereby enhancing the commercialization of AI for small and medium enterprises. The potential of AI to address



our most pressing societal challenges is immense, and it serves as a powerful tool to boost efficiency across various sectors.

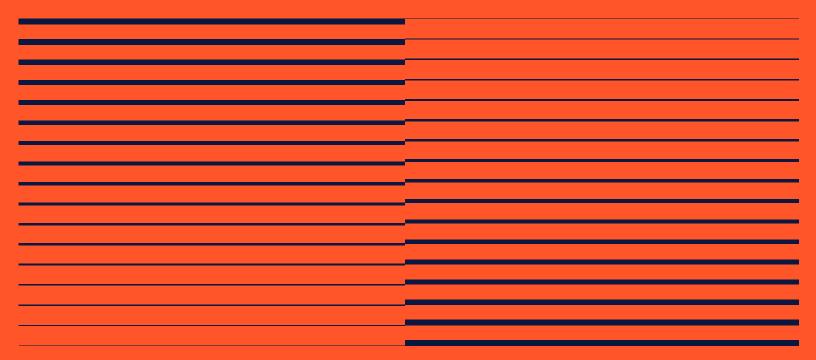
At Scale AI, our vision is clear: to nurture and expand a new segment of the Canadian economy that positions Canada as a global AI hub, synonymous with business productivity and competitiveness. AI is not just about technology; it's about the opportunities the technology and intellectual property create and the new frontiers they open. This paradigm shift compels us to rethink our approach to work and to proactively embrace the emerging opportunities.

To this end, investing in re-skilling and up-skilling programs is paramount. Scale AI is dedicated to supporting a workforce transition that is in step with the evolving AI-driven job landscape. In 2023, the Canadian government's renewed funding for our initiatives has allowed us to expand our national presence and deepen our impact both domestically and internationally. This is a testament to the success of our supercluster and the ongoing need for investment to match our growing ambitions.

Looking forward, our strategic vision for the end of Phase 2 is ambitious yet attainable. We aim to solidify Canada's position as an undisputed global hub for AI, focusing on business productivity. Our technology will set global standards and provide Canadian businesses with a competitive edge. We will continue to foster the virtuous cycle of ecosystem synergies, creating new opportunities for value creation, developing intellectual property, enhancing partnerships, accelerating SME scale-up, facilitating new company creation, attracting external investment in AI, and cultivating a world-class talent pool.

Together, we are not just imagining the future; we are actively building it.





Highlights

Since 2019, Scale AI has actively promoted the use of artificial intelligence in Canada by focusing on increasing domestic AI demand, spreading successful AI applications, and supporting industry projects, talent development, and startup acceleration. The organization believes that aiding academia, industry, SMEs, and startups in these areas will help foster an AI-driven economy in Canada. Scale AI is committed to working with other members of the Canadian AI ecosystem to achieve this goal.

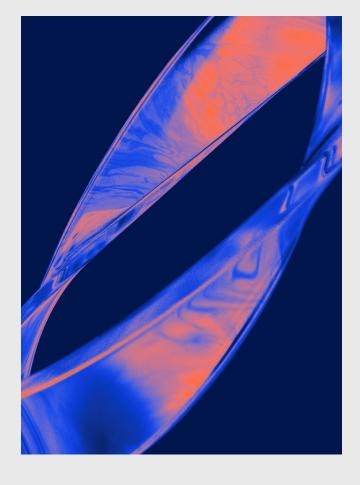
Generating significant benefits since 2019:

- → Since 2019, the total industry funding has reached \$322M, meeting the initial plan target with only about 80% of public funds invested
- → Industry co-investment projects have led to a funding ratio of \$1.5 for every \$1 of Scale AI funding, with industry contributions making up 62%.
- → Scale AI has invested a total of **\$216** million, in addition to **\$322M** investment amounts from partners. Project costs cumulate to a total of **\$538M**.

In 2023-2024, Scale AI has reinforced its investment and partnership initiatives, focusing on collaboration with Canada's academic and research institutions to optimize the use of AI expertise. The organization has adopted a comprehensive strategy that prioritizes industry-led projects, talent development, and startup acceleration, while also reallocating resources to meet critical needs, such as implementing AI in Canadian hospitals with the Pan-Canadian AI Strategy's support.

Scale Al's objective is to position Canada as a leading Al hub for business productivity. It aims to set global standards and give Canadian businesses a competitive edge. The organization plans to enhance ecosystem synergies, foster industry growth, and support SMEs, IP creation, investment, and talent development.

Annually, Scale AI updates its strategy to align with the dynamic AI landscape, building on past successes and incorporating lessons learned, with clear objectives and KPIs for each program area.



5 main priorities for the past year

Scale Al's action plan for 2023-2024 is centered around five main priorities: Supporting industry-led investments in Al solutions, Optimizing hospital operations, Accelerating Canadian Al startups, Developing Canada's Al workforce, and Showcasing Canadian Al on the Global Stage.

01

Support industry-led investments in AI solutions

The organization has catalyzed a surge in Al demand within Canada, selecting 26 projects with a \$117 million investment and engaging 107 entities, ensuring Canadian ownership of intellectual property and a focus on first-time Al adopters.

02

Optimize Hospitals operations

In healthcare, Scale Al's Call for Projects: Al for Healthcare has seen nationwide interest, with 39 submissions and 8 projects approved, distributing \$12.4 million in funding across major provinces, all while ensuring Canadian Al service providers retain IP ownership.

03

Accelerate Canadian Al startups To accelerate AI startups, Scale AI's Acceleration 2.0 program has continued to support incubators and accelerators, piloted the First-Client program, and hosted the ALL IN investor event, connecting AI leaders and creating investment opportunities.

04

Develop Canada's Al workforce

For workforce development, Scale AI has refined its training program to align with industry needs, expanded its offerings, and targeted a 50% contribution rate for eligible costs, focusing on critical ecosystem needs.

05

Showcase Canadian Al on the Global Stage

Internationally, Scale AI has been showcasing Canadian AI SMEs, hosting global delegations, and leading Canadian delegations to key markets, contributing to thought leadership through publications on AI in Canada and innovation in Quebec. The ALL IN event was a significant milestone, drawing attention from international participants and media, and emphasizing Canada's AI capabilities on the global stage.

Maintaining our commitments

In addition to its five main priorities, Scale AI is committed to maintaining operational excellence, fostering strong academic relationships, and amplifying Canadian intellectual property (IP).

In 2023-2024, Scale AI managed the departure of two long-serving employees by appointing their replacements in advance, ensuring a smooth transition. They also hired two investment directors and a workforce development director to meet investment targets and reshape their training program.

In addition, Scale AI continues to support innovation in academia by maintaining strong, long-term relationships with leading universities and research centres in AI and high technology.

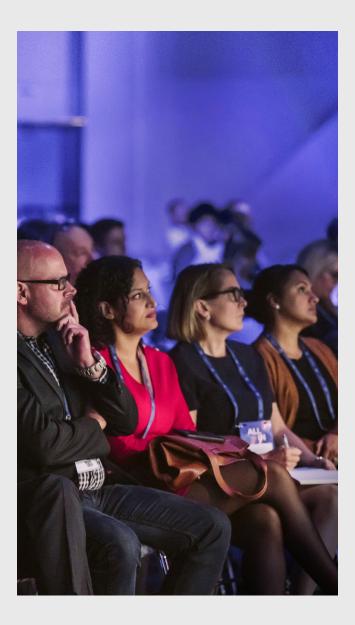
Perspective for 2024-2025

The year 2023-2024 marked significant growth for Scale AI as it entered Phase 2 of its initiatives to support the commercialization of AI industry in Canada. The ALL IN event further solidified relationships with stakeholders and offered numerous opportunities for interaction and investment.

On April 7, 2024, the Government of Canada announced a historic \$2.4 billion investment to boost economic growth and secure the country's Al advantage, particularly through increased Al adoption by Canadian businesses. The announcement, made by Prime Minister Justin Trudeau at Scale Al's offices in Montreal, was attended by key ministers. This significant financial contribution marks a crucial step in building an Al-powered economy for Canada. Scale Al and its government partners will work together to ensure that this investment benefits Canadian startups and businesses developing Al solutions and products with local expertise.

The organization remains committed to supporting the Al ecosystem in Canada by facilitating access to talent, markets, business opportunities, and capital.

Regarding data and IP strategies, Scale AI has implemented robust cybersecurity measures, including two-factor authentication, VPN and firewall protections, automatic system updates, remote-control software for lost or stolen devices, and employee training on data protection. These strategies support the objectives in the Corporate Plan and have full executive support. No updates were made to these strategies this year, and no member disputes regarding IP were referred to the dispute resolution mechanism. Eleven SME members requested independent IP expertise through the Contribution Agreement. All industry-led projects are listed on Scale Al's IP registry, available to members to encourage future synergies.





Impact and Achievements

Since 2019, Scale AI is leveraging a holistic approach, deepening its focus on driving domestic demand for AI and broader diffusion of proven use cases through our industryled projects, talent development and start-up acceleration program streams. At Scale AI, we believe that supporting academia, industry players, SMEs and startups across these dimensions will enable them to power an AI-fueled economy for Canada. We look forward to pursuing our mission alongside the other members of our Canadian AI ecosystem.

- Since 2019, the total industry funding has reached \$322M, meeting the initial plan target with only about 80% of public funds invested
- Strong industry co-investment drives a higher-than-anticipated overall funding ratio of \$1.5 dollars for every \$1 of Scale Al funding spent (Industry contribution = 62%).





Total amount invested by partners





16

For fiscal year 2023-2024, Scale AI continued and enhanced its established investments and partnerships. A key focus was on collaborating with a diverse range of academic and research organizations in the Canadian AI ecosystem to leverage existing expertise effectively.

In deploying the strategy, Scale AI took a comprehensive approach that emphasizes industry-led projects, talent development, and start-up acceleration. While continuing the most impactful investment activities from the past years, we are reallocating resources to address key ecosystem needs. With support from the Pan-Canadian AI Strategy, we are dedicating funds to deploy AI solutions in Canadian hospitals.

For the next few years, our aim is to establish Canada as an indisputable global hub for Al dedicated to business productivity with our technology setting the world standard and providing a source of competitive advantage for Canadian businesses. We will strive to reinforce the virtuous cycle of ecosystem synergies by creating new value-creation opportunities for industry players, increasing connections between partners, accelerating SME scale-up, facilitating the creation of new intellectual property and innovative companies, increasing external investment in AI and growing a world-class talent pool.

Each year, we adapt our approach to reflect the changing environment and stay the course to reach our goals, considering our achievements and the lessons learned since we launched our programs. We have focused our efforts on various objectives and KPIs for each of our programs which are detailed below.

Our Ecosystem Impact Framework

In Phase 2, as in Phase 1, Scale AI continues to prioritize building and further developing the Canadian AI ecosystem by being a national force, driving growth, creating networks, and facilitating skills development.



Over the past year, the Clusters have been collaborating with ISED to develop a measurement approach that fully captures the impact of the Global Innovation Clusters program.

Together, ISED and the Clusters have co-designed a unique, made-in-Canada approach: the Innovation Cluster Ecosystem Impact Framework (ICEIF). This first iteration of the framework will continue to be refined and evolve as we work together to co-design a leading measurement framework. The ICEIF is organized through a shared performance measurement architecture around the Global Innovation Cluster program's four objectives with supporting segments (see diagram below). It is underpinned by Cluster Impact Frameworks and indicators organized around the shared architecture to reflect each Cluster's unique ecosystem.

While all Clusters share certain commonalities, the ICEIF model is tailored so that each Cluster can tell a performance story that best reflects their contribution and impact to Canada within a shared performance architecture.

Our expected outcomes

- Scale Al is being a National Force by developing Canada's Al domestic market, driving widespread Al adoption in Canadian businesses, and contributing to securing Canada's international leadership within the global Al sector.
- Scale AI creates Networks by directly supporting Canadian industry in gaining and maintaining market leadership and creating new Canadian Champion anchor firms through cross-pollination and organization of interactions between key actors in the AI sector.
- 3. Scale AI is a **Driver of Growth** by enabling significant productivity gains across key economic sectors. Scale AI actively connects industry leaders with AI providers and targeted investments of public funds to create a large and diverse pool of AI services and solutions, primarily steered towards value chains. This results in the creation of a highly advanced and efficient network of infrastructures for goods and services that will benefit all Canadian businesses.
- 4. Scale AI is a Catalyst for Skills Development by supporting the development of the current and future workforce in data science, focused on fostering the conditions for attracting and retaining the high-potential talent necessary to grow the AI ecosystem in Canada
- 5. Last but not least, Scale Al leverages its unique position in the ecosystem to contribute to key public debates on Al regulation and help Governments in Canada and on the international scene to make informed decisions to drive trust in Al while ensuring the highest ethical standards.



19

A unique ecosystem

Since 2019, Scale AI has connected local players to create a new nationwide ecosystem with thousands of organizations collaborating and investing in an AI-powered economy.

Generating significant benefits

Since 2019, Scale Al's investments have led to the creation of a new Canadian economy, generating economic and environmental benefits.

342 SME organizations actively participating in projects	\$6B direct value creation by 2030
562 organizations involved in Scale Al's projects, programs, and activities	8342 planned jobs to be created
140 member organizations guiding Scale Al's future	50K professionals, students, and youths trained
Headquartered in Montréal, with an ecosystem	

Our Main Priorities

spanning the Québec City to Waterloo corridor, Scale Al has seen rapid growth nationwide.

Our action plan is structured around 5 core streams: supporting industry-led Al investments, optimizing hospital operations, accelerating Canadian Al startups, developing Canada's Al workforce and showcasing Canadian Al internationally.

Scale AI Ecosystem development initiatives are encompassed within each of our streams:

01	02	03	04	05
Support industry-led investments in Al solutions	Optimize hospitals operations	Accelerate Canadian Al startups	Develop Canada's Al workforce	Showcase Canadian Al on the global Stage

Supporting industry-led investments in Al solution

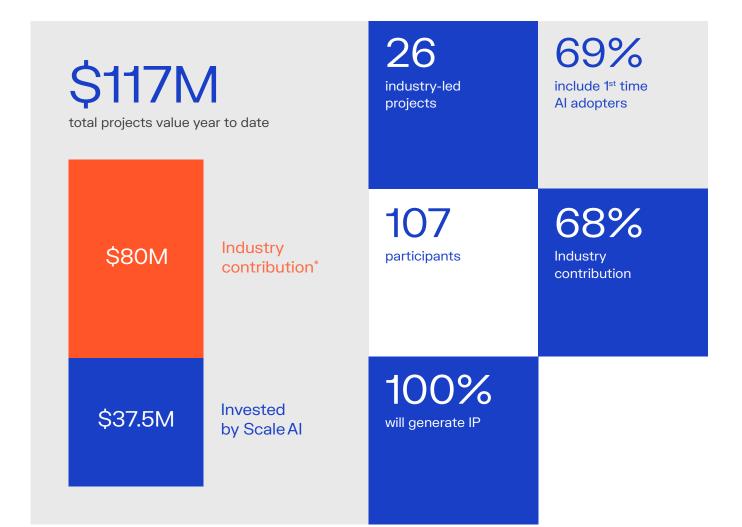
OBJECTIVES 2023 - 2024 + KPIs

Continue Phase 1 momentum by committing at least \$100M into ~25-30 industry-led projects (\$35M from Scale AI and \$65M from industry)

- → 100% of these projects generated intellectual property (IP) owned by Canadian companies and that will be used or licensed after the completion of the project to generate benefits for other Canadian businesses.
- ightarrow invested \$117M via 26 industry-led projects

Scale AI has worked on **creating and accelerating demand for AI in Canada** with tangible results over the past few years. There is clearly a growing interest for AI projects and the funding of AI projects in Canada. In this context, Scale Al's efforts are more important than ever to sustain and further accelerate the growth of demand for Al adoption.

2023-2024 Highlights



*Projects signed by May 31, 2024

FY23-24 Pan-Canadian investments



Al industry-led projects powered by Scale Al

Scale Al's investments are financed by the Government of Canada and, for projects in Québec, partially by the Government of Québec. Where applicable, the specification "including Québec" identifies the projects concerned and the distribution of funds. Investments are driven by industries with high productivity needs.

Click on the project's name to learn more.

Revenue Management for Retail & Supply Chain Through Artificial Intelligence Partners: ALDO Group, IVADO Labs, Retailogists, ITL Group Status: In Flight	Scale Al's investment \$3.6M Total investment \$9.3M
Al Enabled Control Tower for End-To-End Supply Chain Visibility and Support Partners: Cavendish Farms, Deloitte, Nuvoola Al Status: In Flight	Scale Al's investment \$3M Total investment \$7.8M
Al-augmented de-icing operations Partners: Aéro Mag 2000, Vooban, Air Canada Status: In Flight	Scale Al's investment \$3M Total investment \$7.6M
Pricing and room assignment optimization - cruise and hospitality industries Partners: Plusgrade, IVADO Labs, MSC Cruises, InnVest Hotels Status: In Flight	Scale Al's investment \$2.5M Total investment \$6.4M
Leveraging Al for Patient Segmentation and Medication Adherence Forecasting Partners: Bayshore HealthCare, Deloitte, Manifold Data Mining, Architech Solutions Consulting Services Status: In Flight	Scale Al's investment \$1.9M Total investment \$6.3M
Smart Replenishment and Smart Capacity Partners: LFL Group, InDro Robotics, Lemay.Al Status: In Flight	Scale Al's investment \$1.9M Total investment \$5M

Bottleneck recognition analytics for manufacturing Partners: Pacefactory, Woodbridge, Magna International, FunnelCloud, DSS + Dupont Sustainable Solutions	Scale Al's investment \$1.9M Total investment \$4.8M
Status: In Flight	Q-1.01VI
<mark>Al-driven subcontractor, labor and equipment management</mark> Partners: EllisDon Inc., Yeji Data Lab, Guild Electric Limited, Stephenson Rental Services, VR Mechanical Services Status: In Flight	Scale Al's investment \$1.8M Total investment \$4.6M
<mark>ADM AI Ramp Fluidity</mark> Partners: Aéroports de Montréal, IVADO Labs, Groupe Infynia Status: In Flight	Scale Al's investment \$1.7M Total investment \$17.6M
Advanced Planogram Optimization Functionalities Partners: Canadian Tire, IVADO Labs, Cantactix Solutions Status: In Flight	Scale Al's investment \$1.2M Total investment \$3.1M
Platform for the North American Supply Chain Business Health and Risk Management Partners: FreshBooks, Bullet Security, Digital Design, IXICA Communications, Sitter Select, MiSCAN Lab (McMaster University) Status: In Flight	Scale Al's investment \$1.2M Total investment \$2.9M
Routific II - Al-powered Route Optimization Partners: Routific Solutions, Fresh Prep, Lemay.ai, Leis de Buds, Greenhouse Juice Company Status: In Flight	Scale Al's investment \$1M Total investment \$3.4M
Predicting patient risk of hospitalization and re-optimizing Home Care delivery Partners: AlayaCare, CIUSSS NIM, Bien Chez Soi, Polytechnique Montréal Status: In Flight	Scale Al's investment \$1M Total investment \$2.8M

Autonomous Procurement Pricing System Partners: ATS, Demtool Inc., Waterloo Analytics, University of Waterloo (Vision Image Processing Lab), OERP Canada	Scale Al's investmen \$0.9M Total investment \$2.5M
Status: In Flight	92.0IVI
Resilient Supply Chains Through Well-Maintained Transportation Systems	Scale Al's investmen \$0.9M
Partners: Visual Defence Inc., The Regional Municipality of York, City of Windsor, Prof. Michel Gendreau (Polytechnique Montréal), Keenline Innovation Technology & Training Inc.	Total investment
Status: In Flight	\$2.3M
Project Janus	Scale Al's investmen \$0.9M
Partners: NOLK, MOOV AI, Spaceful	Total investment
Status: In Flight	\$2.3M
WorkSafe Al	Scale Al's investmen
Partners: OVA, ArcelorMittal Produits longs Canada, Centre for Development and Research in Digital	Total investment
Intelligence (CDRIN) Status: In Flight	\$2.2M
<mark>Al-Driven Supply Chain</mark> Partners: Logistik Unicorp, Inmind technologies, SimWell, Laboratoire en Intelligence des Données (LID-polymtl), Mondou, POLR	Scale Al's investmen \$0.7M Total investment
Status: In Flight	\$1.9M
SOLARIS	Scale Al's investmen
Partners: Enovum Data Centers, FirstBlock, Mind in a Box, Société en commandite Lebourgneuf, Énergir Status: In Flight	Total investment \$1.5M
AI-Automated Inspection and Predictive Maintenance of Wireline Cables	Scale Al's investmen \$0.5M
Partners: Tier 1 Energy, Zetane Systems, DeltaTee Enterprises Status: In Flight	Total investment \$1.6M
Predicting Usage Cycles for Electric Vehicles	Scale Al's investmen \$0.4M
Partners: Cléo, IVADO Labs, Autobus Séguin, Transco Status: In Flight	Total investment \$1.6M

Optimizing wine management systems for restaurants and hotels Partners: Alfred Technologies, Le Château Frontenac, ExplorAl, Korvaed, Auberge St-Antoine Status: In Flight	Scale Al's investment \$0.4M Total investment \$1.1M
Al-enabled Raw Material Characterization for the Drug Manufacturing Supply Chain Partners: Katalyze Al, Sanofi Canada Status: In Flight	Scale Al's investment \$0.3M Total investment \$0.6M
Accelerating Canadian Customs Brokerage with Intelligent Document Processing Partners: Mely.ai Solutions, W2C, Mantoria Status: In Flight	Scale Al's investment \$0.2M Total investment \$0.3M

Optimizing hospital operations

OBJECTIVES + KPIs

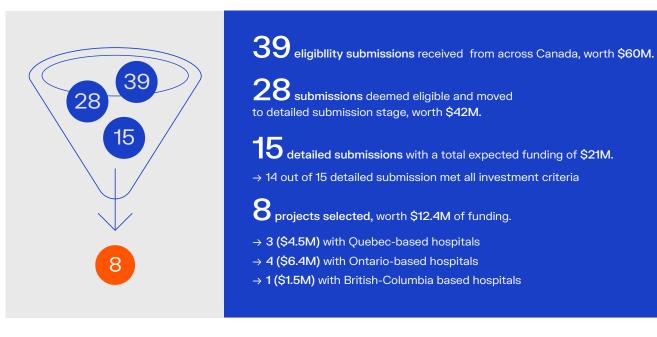
Fully commit \$10M in available funding for our PCAIS healthcare initiative

Scale AI launched Call for Projects: AI for Healthcare, specifically designed to support AI projects led by Canadian hospitals and transform the healthcare sector with AI. Scale AI's Pan-Canadian Hospital Initiative focuses on supporting hospital projects pioneering the deployment of AI solutions. The Pan-Canadian Hospital Initiative's mandate is to promote collaboration between hospitals and AI service providers to further innovate and support AI adoption at Canadian hospitals to improve their operations and care for Canadians. This Scale AI funding stream is limited to provincially funded non-profit hospitals with at least 500 patient-care beds in Canada.

2023-2024 Highlights

- → Received 39 eligibility submissions from across Canada, totalling \$60M in potential projects.
- → 15 detailed submissions emerged as potentials for down-selection, with a total anticipated investment of \$21M.
- → 8 projects approved, amounting to approximately \$12.4M in funding.
- → Reach is transnational : 3 projects (\$4.5M) involve Quebec-based hospitals, 4 projects (\$6.4M) involve Ontario-based hospitals, and 1 project (\$1.5 million) involves British Columbia-based hospitals.
- → All intellectual property (IP) generated through with Scale Al funding is owned by the Canadian Al service providers involved.
- \rightarrow Process was conducted in accordance with the M-30 law.

Project Selection



Expected Ecosystem Impact

 \rightarrow Ensuring service providers

of IP from the projects

retain ownership

SMES

Healthcare System

- ightarrow Encouraging hospitals to consider the introduction of AI: 39 submissions
- \rightarrow Delivering long-lasting impact: 4.9 institutions per project on average within the <code>next 5 years</code>
- ightarrow Improved Patient Care & Staff Wellbeing

Scale AI took the stage at Canada's ALL IN event to announce investments in artificial intelligence (AI) projects selected by Scale AI as part of its AI for Healthcare Initiative to support hospital projects pioneering the deployment of AI solutions.



Call for Projects: AI for Healthcare

Click on the project's name to learn more.

Al-Driven Demand Forecasting for CIUSSS West-Central Logistics Optimization Partners: CIUSSS West-Central Montreal (CIUSSS-CCOMTL), IVADO Labs Status: In Flight	Scale Al's investment \$1.5M Total investment \$2.3M
Developing the First Patient-Centric Care Management System for Oncology Partners: The Ottawa Hospital, The Princess Margaret Cancer Center, The Centre Hospitalier de l'Université de Montréal, Gray Oncology Solutions, The Jewish General Hospital, The Programme Québécois de Cancérologie, The Centre Intégré de Santé et de Services Sociaux de Laval, The McGill University Health Centre (MUHC), The CIUSSS de l'Estrie - Sherbrooke, The Southlake Regional Health Centre, The Canadian Cancer Society Status: In Flight	Scale Al's investment \$1.9M Total investment \$2.9M
Optimizing Emergency Department Resources with Al Decision Support Tool Partners: Unity Health Toronto (St. Joseph's Health Center, St. Michael's Hospital), Signal 1, Trillium Healthcare Partners, Grand River Hospital Status: In Flight	Scale Al's investment \$1.5M Total investment \$3M
Emergency Dept Al-Enabled Virtual Triaging and Queue Management Application Partners: Humber River Health, Deloitte, MEDITECH Collaborative, Mackenzie Health Status: In Flight	Scale Al's investment \$1.5M Total investment \$2.4M
Al-Based Decision Tool to Forecast, Optimize and Allocate Paramedic Resources Partners: Urgences-santé, Alberta Health Services – Emergency Medical Services, Emergency Medical Care Incorporated, Airudi, McGill Clinical and Health Informatics Status: In Flight	Scale Al's investment \$1.5M Total investment \$2.3M
Al-Driven Physician Scheduling Solution and Workflow Optimization Partners: Fraser Health Authority, Deloitte Status: In Flight	Scale Al's investment \$1.5M Total investment \$2.2M
Resource Optimization Chart for Pediatric Intensive Care Partners: Centre Hospitalier Universitaire Sainte-Justine, Montreal Children's Hospital, IVADO Labs Status: In Flight	Scale Al's investment \$1.5M Total investment \$1.8M

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Improvement of Radiation Therapy Through Staff Scheduling Optimization

Partners: UHN Princess Margaret Cancer Center, IVADO Labs, Southlake Regional Health Center, eSummit

Status: In Flight

Scale Al's investment \$1.5M

Total investment \$1.7M

Accelerating Canadian Al startups

OBJECTIVES + KPIs

01 Accelerating the incubation of up to 40 startups and scale-up of ~10 startups by committing \$2M in Scale AI funding to services focused on building AI capabilities

→ Number of startups incubated and scaled up, as well as the amount of Scale AI funding successfully committed to these services

02 Publicly launch our First-Client program to support AI startups to gain commercial traction by committing at least \$5M into 5-10 startup-led projects (\$2.5M from Scale AI and \$2.5M from industry) by the end of March 2028

ightarrow Number of Al startups that have enrolled or been accepted into the First-Client program

03 Host an investor event to offer curated introductions between startups and VCs.

ightarrow Number of curated introductions made between startups and VCs

2023-2024 Highlights

O1 — Over the first year of this mandate we have continued our support of accelerators and incubators. We have laid the foundation for accepting new cohorts of startups, though the design of the architecture of the new Phase 2 mandate was completed in December 2023.

02 — Publicly launch our First-Client program to support Al startups to gain commercial traction

We tested our First-Client program in 2023-2024 and successfully supported two First-Client projects that have been deployed and will shortly be launched.

We have revamped the process to become leaner and more efficient, recognizing that First-Client projects are smaller in scope and scale than our usual industry-led projects.

03 – Host an investor event to offer curated introductions between startups and VCs.

We have run a major investor event in the Canadian Ecosystem, focused on AI–ALL IN. This two-day event brought together Canadian and international AI thought leadership, various startups from our portfolio, and net new startups. It offered numerous opportunities for startups and investors to interact and open investment opportunities.

New for Phase 2 approach focusing on building startup AI capabilities

- → Focus only on direct benefits to startups increasing AI capabilities
 - Continue the pay-per-startup model approach
 - Tiered funding available for Al services
 - (Al Exploration, Scoping Advisory, Internships, ...)
 - Facilitate collaboration with Al institutes to deliver services (AMII, Vector, MILA, IVADO)
- \rightarrow Limit operating costs to a maximum of 15%
- → Optimize the startup validation process to reduce lead time
- → Target 50-75 startups per year

Acceleration 2.0 will focus on supporting AI startup commercialization by:

- → Increasing AI capabilities: Facilitating direct access to AI support and access to AI talent.
- → Increasing their growth: Providing access to markets and business opportunities, along with access to capital.
- → Leveraging our ecosystem's strengths and leading collaboration: Cooperating with Incubators/Accelerators for prospection and direct/dedicated AI support, experts for AI talent matching and structured internships, Investment directors providing adopter's needs to create matching business opportunities, and Investors (angels/ VC) for networking opportunities.

Scale AI Unveils Enhanced Acceleration Program to Propel Canada's AI Startup Ecosystem

Scale AI proudly announces the launch of the latest version of its Acceleration Program, aimed at bolstering Canada's AI startup ecosystem.

With a steadfast commitment to fostering innovation and driving growth, Scale Al's Acceleration Program has been meticulously revisited to provide better support for Al startups nationwide.

The Acceleration Program's first goal is to empower AI startups by enhancing their AI capabilities. Through a multifaceted approach, the program offers comprehensive support and resources to help startups thrive in today's competitive landscape. By granting access to AI talent, providing guidance on IP ownership, and facilitating collaborations with leading AI institutes, this program aims to equip startups with the tools they need to build solid and distinctive expertise in AI-powered solutions and services. This program will also foster the growth of AI startups by facilitating access to new markets and helping them secure funding. By identifying and nurturing new AI project opportunities in collaboration with the industry, the Acceleration Program opens doors for startups to scale their operations. Additionally, this program leverages the strength of the AI startup ecosystem to help startups secure the necessary funding to fuel their growth trajectory.

At its core, Scale Al's Acceleration Program is committed to building a robust Al startup ecosystem in Canada. By supporting a wide range of startups-from pre-seed to Series B+-in collaboration with more than 25 incubators and accelerators nationwide, the program ensures that a diverse range of Al startups receive the support they need to thrive. Building on its history of supporting over 330 startups in the first phase of its mandate, Scale Al is prepared to further contribute tangible value to Canada's Al startup ecosystem.

Our investments to increase AI capabilities must be inline and evolve with the startup maturity:

Creation	Bootstrapped	Pre-Seed	Seed	Serie A	Serie B+
Ideation	Discovery	Validation	Efficiency	Scale	Maturity
PHASE	AI Exploration	Scoping Advisory	ML Resident and Internships	Proof of	Concept
OUTCOME	Al Canvas	Data assessment & Al roadmap	Al models	TBD	
UNDING	Up to \$10,000	Up to \$25,000	Up to \$35,000	Up to \$50,000	

Developing Canada's Al workforce

OBJECTIVES + KPIs

Launch our revamped custom training and STEM programs

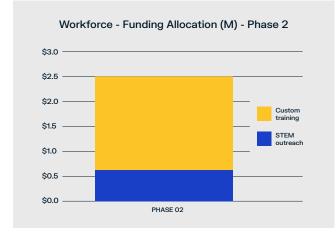
ightarrow Focused investments on critical ecosystem needs - Expanded offer on the Al Adoption Journey

2023-2024 highlights

- → Engaged our ecosystem partners in many one-on-one discussions to gather feedback on Phase 1. The consultation highlighted the strengths of our custom training program, recognized to be well-tailored to market needs
- → Reshaped Workforce program to maximize synergies with Industry-Led program:
 - Our custom training program is now focused on initiatives with potential follow-on investments. This way, we will not only secure the supply of qualified AI talent in Canadian industries but also leverage the momentum built by corporate training programs to encourage firms to move forward and make tangible investments in AI tools to drive productivity.
 - Offer expanded to address training needs at all steps of an investment project, therefore maximizing the chances of a successful adoption.
 - We applied the same methodology with our past and potential STEM partners, as we plan to continue our work on opening doors for underrepresented youth to pursue successful data science careers.
- → Target contribution rate of 50% of all eligible costs below thresholds

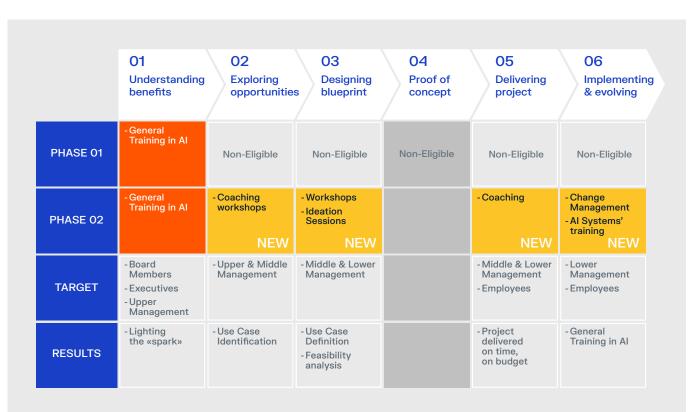


To maximize value creation, Scale AI will focus its training investments on critical ecosystem needs.



Areas of focus

- 1. Custom training funding will be focused on initiatives with potential follow-on investments
- 2. STEM program will keep a specific focus on underrepresented groups
- 3. Agreements with key partners aligned with our strategy and will secure participation
- 4. Funding for research chairs and public training will not be renewed



New strategy: Expand offer on the Al adoption journey

Showcasing Canadian AI on the global stage

OBJECTIVES + KPIs

Connect Canadian AI SMEs with industry demand at home and abroad

ightarrow Increasing the number of connections made as well as the number of international partners

In 2023-2024 and as part of its first year of Phase 2, Scale AI organized and participated in several industry events with the goal of further developing the AI ecosystem and reinforcing Canada's expertise on the global stage.

Scale AI recognizes the significance of fostering connections with the international AI ecosystem.

- Global Leadership in Al: By engaging with international partners, Scale Al showcases Canada's global leadership in artificial intelligence.
- Diverse Ecosystem: The delegation represents the diversity of Canada's Al ecosystem, bringing together companies from various regions and industries. This collaboration fosters innovation and knowledge exchange.
- 3. **Innovation Hub:** Scale AI serves as an innovation hub, connecting players and removing barriers to AI adoption in Canada.
- 4. **Commercial Opportunities:** A strong ecosystem encourages collaboration and investment, creating new commercial opportunities for both small and large Canadian companies.

External events

Scale AI spearheaded and engaged in a series of prominent industry gatherings, aiming to enrich the Al landscape and amplify Canada's prominence on a global scale. Participating in esteemed events across Canada, such as Amii's Upperbound, Collision Toronto, the World AI Summit Americas, and Advanced Design & Manufacturing, Scale Al championed Canada's AI ecosystem, cultivated innovative AI initiatives, and forged strategic alliances.

ALL IN

A standout achievement was the inaugural edition of ALL IN, a landmark event celebrating Canada's Al prowess. Drawing over 2,300 attendees from 20 countries to Montreal, alongside 5,000 virtual participants and 170 distinguished speakers, ALL IN featured top Canadian leaders, including Prime Minister Justin Trudeau. This groundbreaking event served as a vital platform to showcase cutting-edge Canadian Al applications, facilitate industry insights, foster collaborations, and underscore the transformative impact of Canadian Al on a global scale.

Furthermore, ALL IN strategically positioned key players within Canada's Al ecosystem in the spotlight, capturing the attention of 108 local and international press members. This strategic move resulted in extensive media coverage, with over 650 mentions in Canadian media outlets alone, amplifying the reach and recognition of Canada's Al achievements.

During the same period, Scale Al welcomed and engaged with over 25 delegations from every corner of the globe, including official representatives from international governments, diverse industry sectors, chambers of commerce, professional associations, and more. By hosting these delegations at our Montreal headquarters, Scale Al played a pivotal role in connecting them with local AI stakeholders, fostering collaboration and knowledge exchange.



partners

+2.3k participants on-site

+5k views

+400k impressions on LinkedIn

best Al startups in Canada

journalists present on site

speakers

International stage

Scale AI led 3 Canadian delegations in key markets, one in Paris for a series of meetings with the French Al ecosystem, one in Cannes for the World Al Cannes Festival with 10 leaders of our Canadian ecosystem, and one in London for the AI Summit and the London Tech Week with the British High

Commission, London & Partners, UK Business and Trade, and Global Affairs Canada. These contributed to supporting the growth of Canadian Al players and to creating stronger ties between our ecosystem and those of other countries.

Thought leadership

In terms of thought leadership, Scale AI collaborated with Canada-based <u>The Logic</u> to publish a book on AI in Canada, and with Quebec's Conseil de l'Innovation du Québec to publish a <u>500-page book on Innovation in Quebec</u>.

Scale AI funding announcements

- → Scale Al is announcing investments of more than \$20 million in 5 Al projects for intelligent supply chains (September 28, 2023)
- → Scale Al's Al for Healthcare Initiative: \$21 million in investments supporting 8 Al projects for better healthcare in Canada (September 27, 2023)
- → Scale AI propels Québec companies with support for AI projects totalling nearly \$40 million (April 21, 2023)

Other major events

- → Solutions to workforce challenges Forum by the Chamber of Commerce of Metropolitan Montreal (March 25, 2024)
 - First edition of the Forum on Solutions to workforce challenges, a showcase of solutions intended to identify priority courses of action and better equip the business community.
- → Al in Business by Moov Al (March 13, 2024)
 - Scale AI has partnered with Moov AI for the second edition of the "AI in Business" event, which was held in Montreal.
- → AI Meeting at C2 Montréal (May 25, 2023)
 - Third edition of AI Meeting at C2 Montréal that celebrated local champions who promoted AI.
 - Annual showcase of Quebec's artificial intelligence ecosystem, the 2023 edition of Al Meetings was an award ceremony for Quebec Excellence in Al.



Continuing the conversation to grow the ecosystem

Scale AI continued to solidify its position as a leader in the AI ecosystem by facilitating conversations and collaborations that encourage the ecosystem's growth. These initiatives include:

- → The Future of AI campaign by MediaPlanet
- → Contribution of Scale AI at the special broadcast on AI at Radio-Canada
- → Various publications on our <u>Youtube channel</u> and on <u>Scale Al's blog</u>

→ Sharing exciting news and updates on our social platforms

Superintelligence

→ Various webinars dedicated to specific industries PRÊT POUR L'IA

Last but not least...

In addition to the 5 priorities listed above, Scale Al will continue to excel in operation management, maintain good relationships with academia, and amplify Canadian Intellectual Property in the projects we support.

Maintaining excellence in operations management

OBJECTIVE

Update our internal operating and staffing model to reflect Phase 2 strategy and capital deployment targets

In 2023-2024, two employees left Scale AI after many years of solid service, to continue their career growth elsewhere. We effectively managed their departure, appointing their replacements in advance to allow for sufficient transition time. Additionally, we hired two investment directors and one workforce development director to ensure that we will meet our investment targets while reshaping our custom training program. All three resources have been fully onboarded over the past few months.

Channeling the power of innovation in academia

We see the maturity and autonomy of university AI offerings and we are proud to maintain a vibrant relationship with leading universities and research centres in AI and high technology with a long-term vision.



academic and research institutions are actively participating in projects, including 8 university-based start-up accelerators and incubators and 4 research chairs led by world-class researchers in Al for supply chains:

- → Alberta Machine Intelligence Institute (AMII)
- → CDRIN Centre for Development and Research in Digital Intelligence
- → Cégep de Drummondville
- → Cégep Sainte-Foy
- → Centre de Recherche Informatique de Montréal
- → CIMMI Centre en imagerie numérique et médias interactifs
- → Collège Maisonneuve
- → Collège O'Sullivan de Québec
- → Concordia University
- → Dalhousie University

- → DeGroote School of Business, McMaster University
- → École De Technologie Supérieure
- → École des sciences de la gestion de l'UQAM
- → École en Réseau
- → HEC Montréal
- → IVADO
- → McGill University
- → Mila
- → Montréal Heart Institute
- → Polytechnique Montréal
- → Queen's University
- → Ryerson University
- → Simon Fraser University
- → Université d'Ottawa

- → Université de Montréal
- → Université de Sherbrooke
- → Université Laval
- → University of British Columbia Sauder School of Business
- → University of Guelph
- → University of Toronto
- → University of Waterloo
- → York University

Amplifying Canadian intellectual property (IP) and data strategies

OBJECTIVE

Scale AI is focused on business value creation through commercializing IP, including:

- → Canadian companies own 100% of generated IP
- → Co-investing in AI IP that will be commercialized in business environments (90% IP commercialization success rate)
- \rightarrow 100% of projects plan to re-use generated IP outside the project scope, maximizing follow-on benefits for other Canadian businesses
- → One-on-one IP strategy coaching for AI SMEs to develop effective strategies customized to each SME's business posture and market niche.

Regarding data, Scale AI has implemented robust measures to protect the data and confidential information it possesses. Data security is achieved through cybersecurity measures that protect against intrusion into and hacking of our computers and information systems. These measures include:

- → Two-factor authentication to improve security and reduce the risk of unauthorized access;
- → VPN and firewall to manage systems access, email encryption, scanning, filtering, and anti-phishing;
- → An operating system and security patch update manager that automatically pushes updates to all Scale Al computers to ensure they are continuously up to date;
- → Remote-control software that can deactivate lost or stolen Scale AI computers; and
- → Employee training tailored to recognizing threats and using best practices for data protection.

Scale AI's IP and data strategies continue to operate as intended, supporting the objectives in the Corporate Plan and with full executive support. No updates have been made to these strategies this year. No member disputes regarding IP have been referred to the dispute resolution mechanism referenced in Subsection 15.2(e) of the Contribution Agreement. Eleven SME members have requested independent IP expertise or advice through the Contribution Agreement's mechanism referenced in Subsection 15.2(f). of the Contribution Agreement. All industry-led projects are described on Scale AI's IP registry, which is available to all our members to encourage possible future synergies between them.

05 Perspectives and Priorities 2024–2025

Perspectives and Priorities 2024–2025

On April 7, 2024, the Government of Canada announced a historic \$2.4 billion investment to support economic growth and to secure Canada's AI advantage through, among other things, greater adoption of AI by Canadian businesses. The announcement by Justin Trudeau, Prime Minister of Canada, took place at Scale AI's offices in Montréal, in the presence of François-Philippe Champagne, Minister of Innovation, Science and Industry, Mélanie Joly, Minister of Foreign Affairs and Soraya Martinez Ferrada, Minister of Tourism and Minister responsible for the Economic Development Agency of Canada for the Regions of Quebec.

This significant financial contribution marks a crucial step in building an Al-powered economy for Canada. Scale Al and its government partners will work together to ensure that this investment benefits Canadian startups and businesses developing Al solutions and products with local expertise.



In line with our strategic plan and in continuity with 2023-2024 objectives, Scale AI will focus on the following goals and actions in 2024-2025:

Support industry-led investments in AI solutions

Scale AI is catalyzing the Canadian AI sector's expansion, aiming for a mix of repeat and new business to broaden its impact across various industries, including construction, forestry, and finance. We're fostering innovation with a \$5M call for generative AI projects, responding to client interest and our efficiency-driven mission. Our initiatives also support the green transformation of industries, with AI optimizing operations and reducing environmental footprints. Committed to productizing AI solutions, we're enabling industries to meet business and sustainability targets. Collaborating with Transport Canada, we're enhancing value chain resilience, underscoring our role in positioning Canada as a leader in AI-driven innovation.

Accelerate Canadian Al startups

In 2024–2025, Scale AI will enhance its engagement with vetted accelerators and new partners, shifting focus from startups' AI capabilities to their position in the AI journey. We're revamping our application process to better support startups' AI development, leveraging ties with top AI institutes and universities for expert access and talent. Workshops on intellectual property strategies will also be offered. The 'First-Client' program will continue, aiming to allocate at least \$2.5M to 5-10 pilot projects, helping startups secure initial clients and scale effectively, while ensuring they retain IP ownership. This year, we'll standardize the application process for greater startup accessibility.

Develop Canada's current and future AI workforce

In 2024-2025, Scale AI will refine its workforce program to advance SMEs from AI understanding to project generation, offering exploration and blueprint design workshops, and ad-hoc coaching for AI project delivery. We'll ensure training aligns with our investment project pipeline, streamlining our internal processes for easier access to training. A lean application process will minimize delays and pain points. We'll proactively engage members post-investment for training needs. Focusing on underrepresented groups, we aim to inspire over 10,000 youths in data science, maintaining close ties with partners to align with participant needs and create valuable opportunities for young students in the AI industry.

Showcase Canadian AI on the global stage

In 2024-2025, Scale AI will continue to share AI insights to accelerate the demand for Canadian AI. We will publish articles, showcase projects, and contribute op-eds to promote AI adoption and highlight Canadian AI builders, providers and adopters. Scale AI has become a reference for the media, the governments and other stakeholders of the Canadian economy, and will continue to lead the way so that we can all work together to build an AI-powered economy nationwide. Our communication will focus on AI's role in addressing societal challenges and inspiring further AI investment.

Scale Al will continue championing the Canadian Al industry, focusing on initiatives like **ALL IN 2024** to foster collaboration and innovation. We're also preparing for a significant role in the **G7 2025** summit by advocating for an Al official council. Internationally, we'll lead the Canadian pavilion at **Vivatech** in France, aiming to be recognized as the ecosystem partner of the year. Domestically, we'll host over **20 international delegations** in our office in Montreal and conduct a **Canadian Al tour** across major cities to promote investment in Al. Additionally, we'll maintain a strong presence at global events, including at **Collision, Upperbound** and **Hannover Messe**, to showcase Canada's Al leadership.

05

Maintain best-in-class operations management

Scale Al is committed to continuous improvements on the four guiding principles (business friendliness, lean through automation, high-quality, experienced talent, and stringent funding allocations) we operate under. Those principles are in place to ensure that we serve our members effectively while maintaining the highest level of rigour in managing public funds.

Our next steps

Industry projects

- → Build on the strong momentum from the last year by committing at least \$110M into 30-35 industry-led projects (\$45M from Scale AI and \$65M from industry), while continuing to insist on 100% Canadian ownership of intellectual property and a high level of post-project IP commercialization.
- → Commit up to \$5M in available funding for a Call for Projects initiative (included in the above \$45M commitment target).
- → Support the cross-cutting national priorities of a Green Economy and Value chain resilience (included in the above \$45M commitment target).

Acceleration

- → Accelerating the scale-up of 50-70 early-stage startups by committing \$2M in Scale AI funding to services focused on building AI capabilities.
- → Publicly launch our First-Client program to support AI startups to gain commercial traction by committing at least \$5M into 5-10 start-up-led projects (\$2.5M from Scale AI and \$2.5M from industry) by the end of March 2028.
- → Host an investor event to offer 10 curated introductions between startups and VCs.

Workforce development

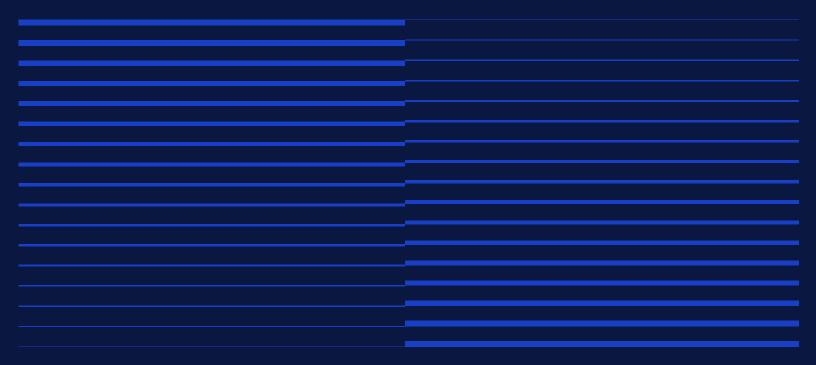
→ Implement new program at large:

- Reviewing internal ways of working to facilitate access to training by members on the investment side.
- Proactively soliciting members who have completed or will complete an investment project, to ensure their needs in training have been met.
- → Launch a STEM call for projects to promote data science studies and careers.

Ecosystem showcase

- → Continue to create demand for AI adoption with large and small companies across industries, at home and abroad.
- → Continue to be a thought leader, sharing insights and lessons learned from Scale Al Portfolio.
- → Continue to advance multi-cluster collaboration.





Governance

The Scale AI Board has representatives from all of the key ecosystem stakeholders - universities, research institutes, AI service providers, AI adopters and the AI investment community, as well as independent industry experts.

This composition ensures that Scale AI remains connected to the guidance and oversight needed to effectively grow the Canadian AI ecosystem.

Our Board reviews all strategic and significant operational decisions of Scale AI, including the selection and funding of all investment projects and programs. Scale AI is committed to gender parity and diversity on our Board, as we believe these also ensure more effective oversight and guidance for Scale AI.

The current structure of our Board provides 2-3 meetings per year of the full Board, with additional, more frequent meetings the project Selection and Ratification Committee, Executive Committee and other Board committees.

Board of Directors 2023–24

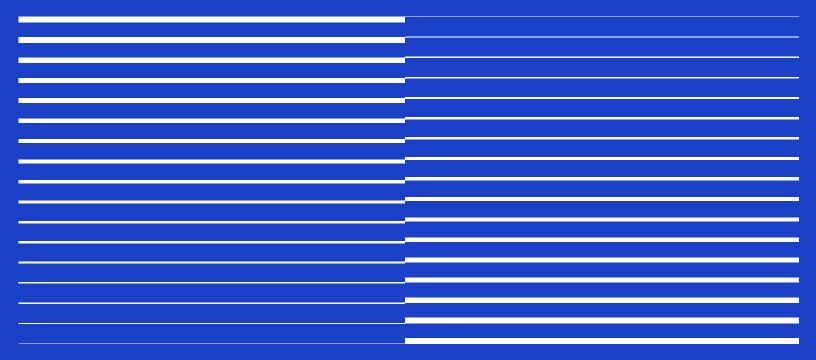


- → André Beaulieu Bell Canada
- → Yoshua Bengio Mila
- → Hubert Bolduc Investissement Québec International
- → Elza Brunelle-Yeung Bombardier Business Aircraft
- → Maud Cohen École Polytechnique de Montréal
- → Cari Covent Canadian Tire
- → Martha Crago McGill University
- → Hélène Desmarais Co-Chair of the Board, Scale Al
- → Anuradha (Anu) Dodda Thomson Reuters

- → Thierry Dorval Norton Rose Fulbright Canada LLP
- → Jody Fitzpatrick Sobeys
- → Marc Gilbert The Boston Consulting Group (BCG)
- → Michel Leblanc Chambre de commerce du Montréal métropolitain
- → Andrea Lodi Cornell Tech, IVADO Labs
- → Isabelle Marcoux Transcontinental Inc.
- → David Markwell Loblaw
- → Michel Patry Fondation HEC Montreal
- → Miriam Pozza PwC

- → Denise Robert Cinémaginaire
- → Louis Roy Optel Group, Co-Chair of the Board, Scale Al
- → Gilles Savard École Polytechnique de Montréal
- → Solmaz Shahalizadeh Backbone Angels
- → Geneviève Tanguay Anges Québec
- → Luc Vinet
- → Mary Wells University of Waterloo
- → Galen Weston, Jr. Loblaw







Independent Auditor's Report

Raymond Chabot Grant Thornton LLP Suite 2000 National Bank Tower 600 De La Gauchetière Street West Montréal, Quebec H3B 4L8

T 514-878-2691

To the Directors of SCALE AI – Canadian Artificial Intelligence Supercluster

Opinion

We have audited the financial statements of SCALE AI – Canadian Artificial Intelligence Supercluster (hereafter "the Organization"), which comprise the statement of financial position as at March 31, 2024, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for 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.

Table of Contents

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern;

 Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Raymond Chabot Brant Thornton LLP 1

Montréal June 17, 2024

¹ CPA auditor, public accountancy permit no. A136560

SCALE AI – Canadian Artificial Intelligence Supercluster

Operations Year ended March 31, 2024

	<u> </u>	2023
Revenues	Ψ	Ψ
Contributions		
Government grants (Note 4)	79,228,294	48,589,878
Membership revenues	1,492,635	2,486,777
Sponsorship	1,248,161	70,000
Conference registration fees	525,307	
Interest	1,442,194	1,089,706
Other	536	4,062
	83,937,127	52,240,423
Operating expenses		
Salaries and employee benefits	3,392,584	3,323,142
Professional fees	670,214	915,342
Marketing and promotion	466,741	455,182
IT expenses	209,364	596,062
Rental expense	118,985	130,801
Events	24,000	476,705
Insurance	25,245	22,149
Office supplies and expenses	26,967	9,005
Training	42,932	13,281
Interest and bank charges	4,765	4,985
Travel and entertainment	85,846	51,096
Exchange loss	4,390	8,825
	5,072,033	6,006,575
	78,865,094	46,233,848
Contributions to projects (Note 8)	(76,459,353)	(43,401,848)
Excess of revenues over expenses	2,405,741	2,832,000

The accompanying notes are an integral part of the financial statements.

SCALE AI – Canadian Artificial Intelligence Supercluster **Changes in Net Assets** Year ended March 31, 2024

2024 **Restricted for** contingency **Restricted for Restricted for** fund rental expense future projects Unrestricted Total \$ \$ \$ \$ \$ Balance, beginning of year Balance, as previously reported 2,000,000 4,000,000 2,934,999 666,654 9,601,653 6,198,224 Accounting change (Note 2) (2,857,142)(2,857,142)(2,285,713)Balance, as restated 2,000,000 666,654 4,000,000 77,857 6,744,511 3,912,511 Excess (deficiency) of revenues over expenses (118,985) 2,524,726 2,405,741 2,832,000 2,602,583 2,000,000 547,669 4,000,000 9,150,252 6,744,511 Balance, end of year

The accompanying notes are an integral part of the financial statements.

2023

Total

\$

47

SCALE AI – Canadian Artificial Intelligence Supercluster Cash Flows

Year ended March 31, 2024

	<u> </u>	2023
OPERATING ACTIVITIES	Ψ	Ψ
Excess of revenues over expenses Net change in working capital items and deferred government grants	2,405,741 (544,896)	2,832,000 (29,946,351)
Cash flows from operating activities	1,860,845	(27,114,351)
<i>INVESTING ACTIVITIES</i> Investments Disposal of investments	(73,000,000) 75,000,000	(128,000,000) <u>169,000,000</u>
Cash flows from investing activities	2,000,000	41,000,000
Net increase in cash Cash, beginning of year	3,860,845 17,458,526	13,885,649 3,572,877
Cash, end of year	21,319,371	17,458,526

The accompanying notes are an integral part of the financial statements.

SCALE AI – Canadian Artificial Intelligence Supercluster Financial Position

March 31, 2024

	2024	2023
ASSETS	¢	\$
Current		
Cash	21,319,371	17,458,526
Trade and other receivables (Note 5)	378,176	368,359
Government grants receivable (Note 8)	3,559,338	2,369,846
	25,256,885	20,196,731
Long-term		
Investments (Note 6)	5,000,000	7,000,000
	30,256,885	27,196,731
LIABILITIES Current Trade and other payables (Note 7) Deferred membership revenues Deferred sponsorship revenues	17,785,081 463,973 78,982	9,938,645 892,563
	18,328,036	10,831,208
Long-term		
Deferred government grants (Note 8)	2,778,597_	9,621,012
	21,106,633	20,452,220
NET ASSETS		
Restricted for contingency fund (Note 9)	2,000,000	2,000,000
Restricted for rental expense (Note 9)	547,669	666,654
Restricted for future projects (Note 9)	4,000,000	4,000,000
Unrestricted	2,602,583	77,857
	9,150,252	6,744,511
	30,256,885	27,196,731

The accompanying notes are an integral part of the financial statements.

On behalf of the Board,

Director

Director

March 31, 2024

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Organization, incorporated under the *Canada Not-for-profit Corporations Act*, aims to build the next generation of supply chains in Canada by optimizing the use of artificial intelligence technologies. It is a not-for-profit organization under the *Income Tax Act*.

2 - ACCOUNTING CHANGE

During the year, the Organization retrospectively changed the method of the government operating grant from the Ministère de l'Économie, de l'Innovation et de l'Énergie. In June 2023, an amendment to the government assistance agreement with the Ministère de l'Économie, de l'Innovation et de l'Énergie, dated March 22, 2018 and which expired on March 31, 2023, was signed to extend the agreement period for another two years. The amount to be recognized annually in the Organization's statement of operations has therefore decreased from \$2,000,000 to \$1,428,571. For the year ended March 31, 2023, this change led to a decrease in contributions – governments grants of \$571,429. Additionally, as at March 31, 2023, this change led to an increase in deferred government grants of \$2,857,142 and a decrease in net assets of \$2,285,713 at the beginning of the year and of \$2,857,142 at the end of the year.

3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Revenue recognition

Contributions

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Membership revenues

Membership revenues are collected in full and recognized as revenues over the term of the membership. The liability relating to the received but unearned portion of membership revenues is recognized in the statement of financial position as deferred membership revenues.

March 31, 2024

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sponsorship and conference registration fees

These revenues are recognized when the following conditions are met:

- There is persuasive evidence of an arrangement;
- Services have been provided;
- The selling price is fixed or determinable;
- Collection is reasonably assured.

Amounts received that do not yet satisfy revenue recognition criteria are recorded as deferred revenues.

Interest

Investment transactions are recorded on the transaction date and resulting interest revenues are recognized using the accrual method of accounting.

All interest revenues are not subject to externally imposed restrictions and are recognized in the statement of operations.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Organization's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities from transactions not concluded with related parties at amortized cost (including any impairment in the case of financial assets).

With respect to financial assets measured at amortized cost, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that, during the year, there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

March 31, 2024

4 - CONTRIBUTIONS	2024	2023
	\$	\$
Government grants		·
Operating Federal government		
Innovation Superclusters Initiative Provincial government (Note 2)	3,212,435	3,772,389
Ministère de l'Économie, de l'Innovation et de l'Énergie	1,428,571	1,428,571
	4,641,006	5,200,960
Projects		
Federal government		
Innovation Superclusters Initiative Provincial government	67,302,448	38,381,961
Ministère de l'Économie, de l'Innovation et de l'Énergie	7,131,146	4,742,357
Ministère de l'Emploi, de l'Emploi et de la Solidarité sociale	153,694	264,600
	74,587,288	43,388,918
	79,228,294	48,589,878
5 - TRADE AND OTHER RECEIVABLES		
3- TRADE AND OTHER RECEIVABLES	2024	2023
	\$	\$
Trade accounts receivable	278,178	193,410
Accrued interest receivable Sales taxes receivable	13,252	68,998 105 051
Sales laxes receivable	86,746	105,951
	378,176	368,359
6 - INVESTMENTS		
	2024	2023
At exectized eact	\$	\$
At amortized cost Guaranteed investment certificate, 5 %, maturing in May 2024	5,000,000	
Guaranteed investment certificate, 5.05 %	0,000,000	7,000,000
	5,000,000	7,000,000
7 - TRADE AND OTHER PAYABLES	2024	2023
	\$	\$
Trade accounts payable	17,043,733	8,991,851
Salaries and vacation payable	741,348	946,794
	17,785,081	9,938,645

March 31, 2024

8 - DEFERRED GOVERNMENT GRANTS (RECEIVABLE)		
	2024	2023
	\$	\$
Provincial government operating grant (a) Balance, beginning of year Amount recognized in operations	2,857,142 (1,428,571)	4,285,713 (1,428,571)
Balance, end of year	1,428,571	2,857,142
Federal government project grants for phase I (b) Balance (receivable), beginning of year Amount recognized in operations Amount received relating to the following year Balance receivable, end of year	(2,369,846) (61,764,909) <u>60,575,417</u> (3,559,338)	19,784,504 (42,154,350) 20,000,000 (2,369,846)
Federal government project grants for phase II and PCAIS (b) Amount recognized in operations Amount received relating to the following years Balance, end of year	(8,749,974) <u>10,100,000</u> 1,350,026	
Provincial government project grants (b) Balance, beginning of year Amount recognized in operations Amount received relating to the following years Balance, end of year	6,763,870 (7,284,840) <u>520,970</u> - (780,741)	11,636,911 (5,006,957) <u>133,916</u> <u>6,763,870</u> 7,251,166

- (a) The provincial government deferred operating grant represents unused resources which, as a result of external restrictions, are recognized as contribution revenues to a predetermined schedule.
- (b) The federal and provincial government deferred project grants represent unused resources which, as a result of external restrictions, are intended to cover future contributions to projects.

9 - NET ASSETS

Restricted for contingency fund

The amounts allocated to this reserve will be used to meet exceptional needs that the Organization may face. During the year, the Organization allocated no amount to this reserve (\$2,000,000 in 2023).

Restricted for rental expense

The amounts allocated to this reserve are used to meet the future costs of rental expense. During the year, the Organization allocated no amount to this reserve (nil in 2023).

Restricted for future projects

The amounts allocated to this reserve are used to pay contributions for future projects. During the year, the Organization allocated no amount to this reserve (nil in 2023).

March 31, 2024

10 - COMMITMENTS

The Organization has entered into a long-term lease agreement expiring in March 2028 which calls for lease payments of \$465,448 for the rental of office spaces.

Minimum annual lease payments for the next years are \$116,362 from 2025 to 2028.

The Organization has also committed, according to project agreements signed before March 31, 2024, to make contributions to artificial intelligence, acceleration and workforce projects for a total amount of \$24,948,458.

11 - FINANCIAL RISKS

Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Organization has determined that the financial assets with more credit risk exposure are trade accounts receivable since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

Market risk

The Organization's financial instruments expose it to market risk, in particular, to interest rate risk, resulting from its investing activities.

Interest rate risk

The Organization is exposed to interest rate risk with respect to financial assets bearing fixed interest rates.

The guaranteed investment certificates bear interest at fixed rates and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the statement of financial position.

12 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

The main reclassifications for the year ended on March 31, 2023 are a decrease in the contributions – governments grants and a decrease in the contributions to projects of \$234,919 in the statement of operations.

Summary of Results

For the five fiscal years ended March 31, 2024.

	2024 \$ in 000	2023 \$ in 000	2022 \$ in 000	2021 \$ in 000	2020 \$ in 000
REVENUE					
Contributions - Government	79.2	48.6	37	25.6	6.3
Other revenues	4.7	3.6	1.3	0.9	0.8
	83.9	52.2	38.3	26.5	7.1
XPENSES Contributions to related projects	76.4	43.4	31.8	20.7	0,5
Administrative & operating*	5.1	6.0	4.6	4.3	5.2
	81.5	49.4	36.4	25.0	5.7
XCESS OF REVENUE OVER EXPENSES	2.4	2.8	1.9	1.5	1.4

* Compensation for 4 employees exceeded \$300K for the year; amounts above this threshold are considered Unfunded eligible costs under the Innovation Supercluster Program and are effectively funded by membership and other sources of revenue.

For administration purposes, Scale Al's official name is: Scale Al - Canadian Artificial Intelligence Supercluster.

Supplementary financial information (\$ in millions)

The following table provides a summary of the total funding received from all sources by Scale Al. Table 1 - Funding Sources for the year ended March 31, 2024 (2023-24)

FUNDING SOURCES	GIC	PCAIS	TOTAL
ISED Contribution	\$68.7	\$1.8	\$70.5
Membership Fees	\$1.5	\$0.0	\$1.5
Quebec Government Contribution	\$8.7	\$0.0	\$8.7
Interest Income and Other	\$1.4	\$0.0	\$1.4
Sponsorship and Conference Fees	\$1.8	\$0.0	\$1.8
TOTAL	\$82.1	\$1.8	\$83.9

The following table provides a summary of funding received from all sources for operating and administrative (O&A) expenses (Included in Table 1 above)

Table 2 - O&A Funding Sources for the year ended March 31, 2024 (2023-24) and Funding to Date.

TYPE OF ORGANIZATION	Fiscal Year 2023-24	Funding to Date
Industry	\$3.3	\$7.8
ISED	\$3.2	\$17.1
Quebec Government Contribution	\$1.4	\$11.4
Interest Income and Other	\$1.4	\$3.9
TOTAL	\$9.3	\$40.2

The following table presents the total funded and unfunded eligible costs incurred by Scale Al. Table 3 - Funded and Unfunded Eligible Costs for the year ended March 31, 2024 (2023-24)

TOTAL COSTS	Operating and Admini. Costs (O&A)	Technology Leadership Project Cost	Ecosystem Development Project Costs	COVID-19 Projects	Total Cost
Funded Eligible Costs (ISED)	\$3.2	\$75.1	\$0.8	\$0.6	\$79.7
Unfunded Eligible Costs (Industry & Other)	\$1.9	\$117.1	\$1.9	\$0.0	\$120.9
TOTAL	\$5.1	\$192.2	\$2.7	\$0.6	\$200.6

The following table provides a summary of Industry Matching Funds generated by Scale AI from funds received and those spent by Industry on projects.

Table 4 - Industry Match for the year ended March 31, 2024 (2023-24)

INDUSTRY MATCHING FUNDS	GIC	PCAIS	TOTAL
Industry Contribution Towards Eligible Project Costs	\$117.1	\$0.0	\$117.1
Membership Fees	\$1.5	\$0.0	\$1.5
Sponsorship and Conference	\$1.8	\$0.0	\$1.8
TOTAL	\$120.4	\$0.0	\$120.4

Other disclosures

- 1. The financial controls of Scale Al operated during the fiscal year ended March 31, 2024, as intended.
- 2. No evaluation and / or audits were carried out by Scale AI during the fiscal year ended March 31, 2024. That said, Scale AI itself performs substantially an audit on all claim reimbursements prior to issuing payment.
- 3. No changes or updates were made to Scale Al's investment policies during the fiscal year ended March 31, 2024.

