

THE ALBERTA CAPITAL MARKET



APRIL 2015 REPORT

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Executive Summary

An Expanded Report for 2015

The Alberta Capital Market Report is an annual publication by the Alberta Securities Commission (ASC) that provides a descriptive analysis of the Alberta capital market in relation to other major Canadian capital markets. The report offers market context for the ASC, market participants, and the general public. To better meet these goals, the 2015 report has been expanded in several ways:

- broadening coverage of listed issuers to all listed reporting issuers¹ (RIs), not just those listed on the TSX or TSX Venture (TSXV) exchanges;
- including additional analysis of prospectus and prospectus-exempt financings;
- comparing data over the most recent five calendar years; and
- including summary statistics of the Alberta registrant community.

Readers of prior reports may notice that analysis of reporting issuers in the 2015 report has also been prepared on the basis of principal regulator² (PR), rather than the location of the issuer's head office. ASC staff view PR as more relevant than the location of the issuer's head office as it relates to the provincial jurisdiction with primary regulatory responsibility. It should be noted that for Canadian-based issuers, the jurisdiction in which the issuer has its head office typically determines the issuer's PR.

To enable the broader scope of this report, data has been gathered from ASC records, the TMX Group Limited (TMX), the System of Electronic Document Analysis and Retrieval (SEDAR), and Bloomberg Finance L.P. (a financial information service). The report Appendix outlines the methodology used to assemble the combined data of reporting issuers.

Alberta Issuers

Chart 1 shows the number of active Alberta PR reporting issuers listed on an exchange, which would be considered by many investors to be the “public market.” At December 31, 2014, the ASC had primary regulatory responsibility for 606 such issuers.³ These issuers made up 25 per cent of the total market capitalization of all reporting issuers in Canada, or \$826 billion of \$3,278 billion. Alberta PR reporting issuers represented 15 per cent of the total 4,022 reporting issuers listed on an exchange and had an average market capitalization of \$1,363 million per issuer.

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- 1 References in this report to reporting issuers means reporting issuers that report in Alberta. There are several ways that an issuer may be a “reporting issuer” as defined in the *Securities Act* (Alberta), under section 1 (ccc). Reporting issuers are not required to have listed securities, although reporting issuers typically do have one or more securities listed on at least one exchange. In addition, issuers are not required to report in all jurisdictions.
 - 2 An issuer’s “principal regulator” is the securities regulatory authority or regulator as determined in Multilateral Instrument 11-102 *Passport System*. Most often an issuer’s PR is the securities regulatory authority or regulator of the province or territory in which the issuer has its head office (or for investment funds in which the investment fund manager has its head office), or to which it has the most significant connection.
 - 3 Unlisted reporting issuers have not been included because they are not part of the public market and their market capitalization cannot be determined. However, unlisted issuers raising funds under a reportable prospectus exemption have been included in the analysis of the prospectus-exempt market.

CHART 1: NUMBER OF ALBERTA ISSUERS

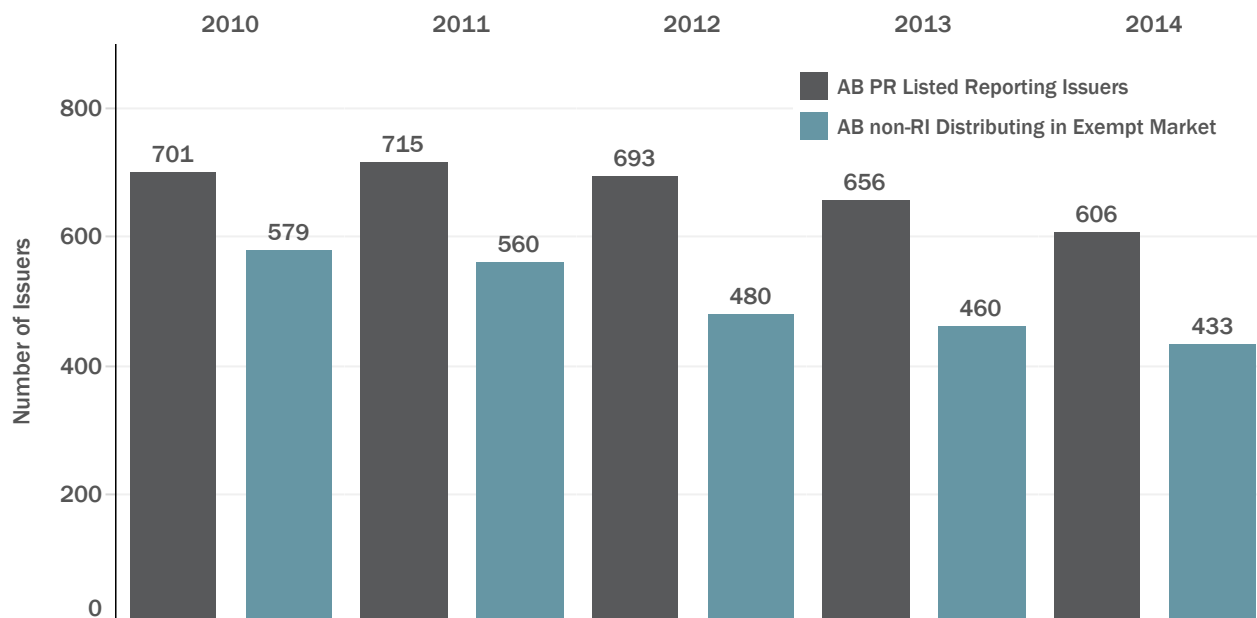


Chart 1 shows the number of non-reporting (and unlisted) issuers headquartered in Alberta that actively raised capital under an available prospectus exemption during the year. Many investors would refer to this as the “exempt market” or “private market.” In 2014, there were 433 Alberta-based, non-reporting issuers active in the exempt market.⁴ Also note that listed reporting issuers regularly access capital through the exempt market. Of the 606 Alberta PR reporting issuers, 141 were active in the exempt market.

Chart 1 also shows a general decline over the last five years in the number of active Alberta issuers. While more sophisticated analysis would be required to determine probable reasons for the decline, one possibility would be consolidation. This is reflected in the increase in the average market capitalization of Alberta PR reporting issuers, which was \$1,363 million in 2015 compared to \$919 million in 2010. Other possibilities for the decrease are take-overs by foreign entities or private issuers, or going-private transactions.

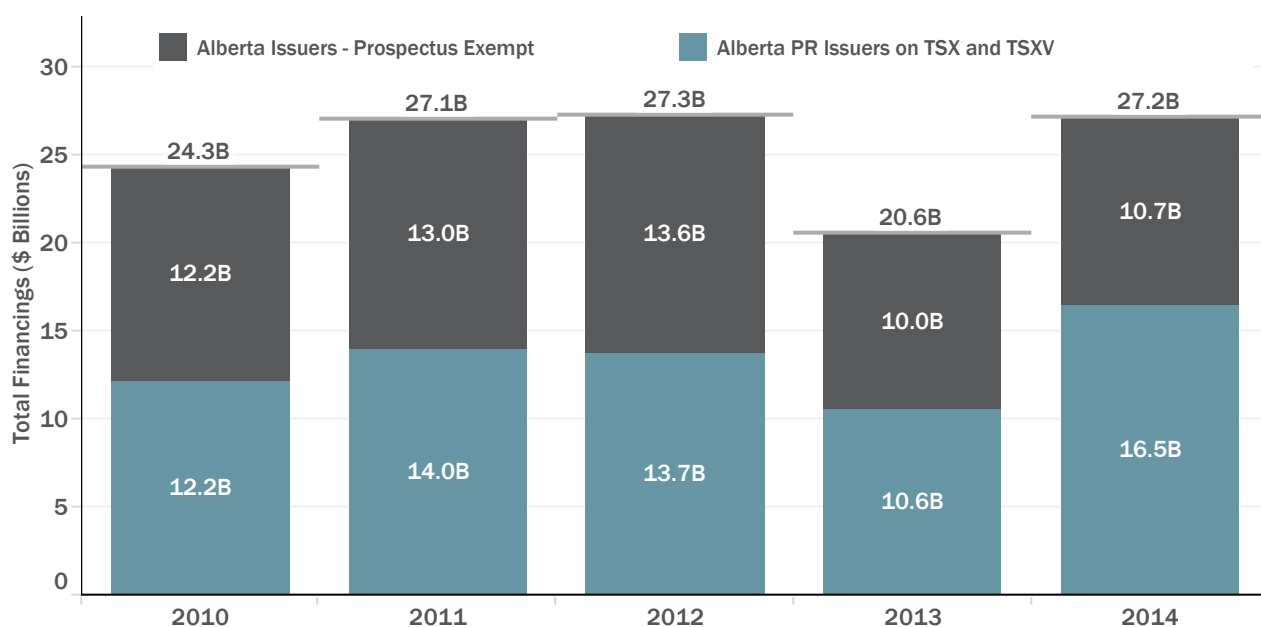
There are a number of types of financings (ways that issuers may raise capital from investors), including through a prospectus or an available prospectus exemption. For example, prospectuses may be used for initial public offerings (IPOs) or subsequent financings for issuers already listed on an exchange. Issuers may also raise capital by using one of the many prospectus exemptions.⁵ As shown in Chart 2, Alberta issuers raised more than \$27 billion in 2014. The chart shows that Alberta PR reporting issuers listed on the TSX or TSXV raised \$16.5 billion in 2014. It also shows the total capital raised by Alberta-based issuers in the exempt market (whether listed or unlisted) was \$10.7 billion in 2014. The most significant reason for the decrease in 2013 versus 2012 (\$20.6 billion from \$27.3 billion) and subsequent increase in 2014 was the change in financings by Oil and Gas issuers. Capital raised by Oil and Gas issuers listed on the TSX and TSXV decreased by \$3.6 billion in 2013, but rebounded by \$5.6 billion in 2014. Similarly, Oil and Gas

⁴ Non-reporting issuers do not have a “principal regulator.” Thus, this report used the location of the issuer’s head office, as identified on regulatory filings.

⁵ See National Instrument 45-106 *Registration and Prospectus Exemptions* for the most commonly available exemptions.

issuers active in the exempt market raised \$2.8 billion less in 2013 than 2012, but experienced an increase of \$2.4 billion in 2014. Total financings in 2014 by Alberta issuers in the exempt market increased to at least \$10.7 billion. It is important to note this total is not complete as investment fund issuers that raised capital via exempt distributions in 2014 may report any time up to 30 days following its fiscal year-end.

CHART 2: TOTAL FINANCINGS BY ALBERTA ISSUERS, REPORTING AND PROSPECTUS EXEMPT



Alberta Registrants

In general, market participants that are in the business of trading or advising in securities or managing investment funds are subject to the registration requirement. Firms are usually principally regulated by the securities regulatory authority in the jurisdiction where the firm's head office is located, similar to the principal regulator concept for reporting issuers. As of the date of this report, there were 124 firms principally regulated by the ASC. Of these firms, 54 were registered in one category, 20 registered in two categories and 50 in three categories. The most common category of registration was Exempt Market Dealer with 71 firms, followed by Investment Fund Manager with 70 firms. In addition, the Portfolio Manager category had 46 firms registered, Restricted Portfolio Manager had 15 firms and six firms were registered in the Mutual Fund Dealer category.

Energy Markets

The Oil and Gas industry (59 per cent) and related Utilities and Pipelines industry (20 per cent) accounted for 79 per cent of the market capitalization of Alberta PR issuers. The number of issuers in the Oil and Gas industry represented 50 per cent and related Utilities and Pipelines 2.5 per cent of the total number of Alberta PR issuers.

In Alberta, there is an active energy trading market. As an indication of this activity, the total energy contracts cleared on NGX (Natural Gas Exchange Inc., part of the TMX Group Limited) in 2014 was 12,705 PJ (petajoules), up four per cent from 12,221 PJ in 2013. The bulk of cleared trades continued to be Physical Canadian Natural Gas (contracts with physical settlement), which accounted for 88 per cent of total trading on NGX in 2014. The second largest volume was in Physical U.S. Natural Gas at 6.6 per cent of the total. If Financial Canadian Natural Gas (contracts with financial settlement) is included, 97 per cent of the energy cleared on NGX in 2014 was natural gas.

Listed Issuer Markets

This section provides a comparative analysis of the number and size of the listed reporting issuers in Canada and financings in the public market. The analysis includes all issuers listed on the TSX and TSXV, as well as issuers listed on other exchanges that are reporting issuers⁶ in Alberta. The information was based on data from the TMX, supplemented with data from the ASC, SEDAR, and Bloomberg. Creating more comprehensive data required some assumptions, such as industry classifications, which are discussed where relevant. The report's Appendix contains technical details on methodology and some analysis of the assumptions made. All data is based on calendar year-end and monetary amounts originally in a foreign currency were converted to Canadian dollars based on the prevailing spot foreign exchange rate at year-end.

Listed Reporting Issuers

CHART 3: NUMBER OF LISTED REPORTING ISSUERS, BY PR

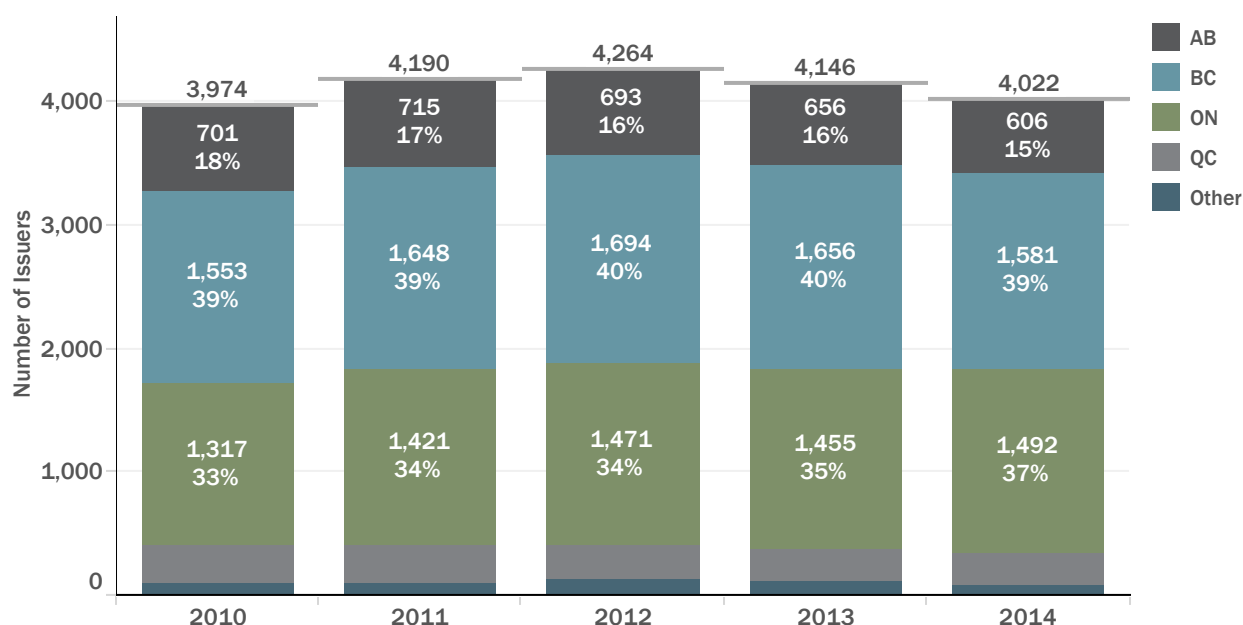
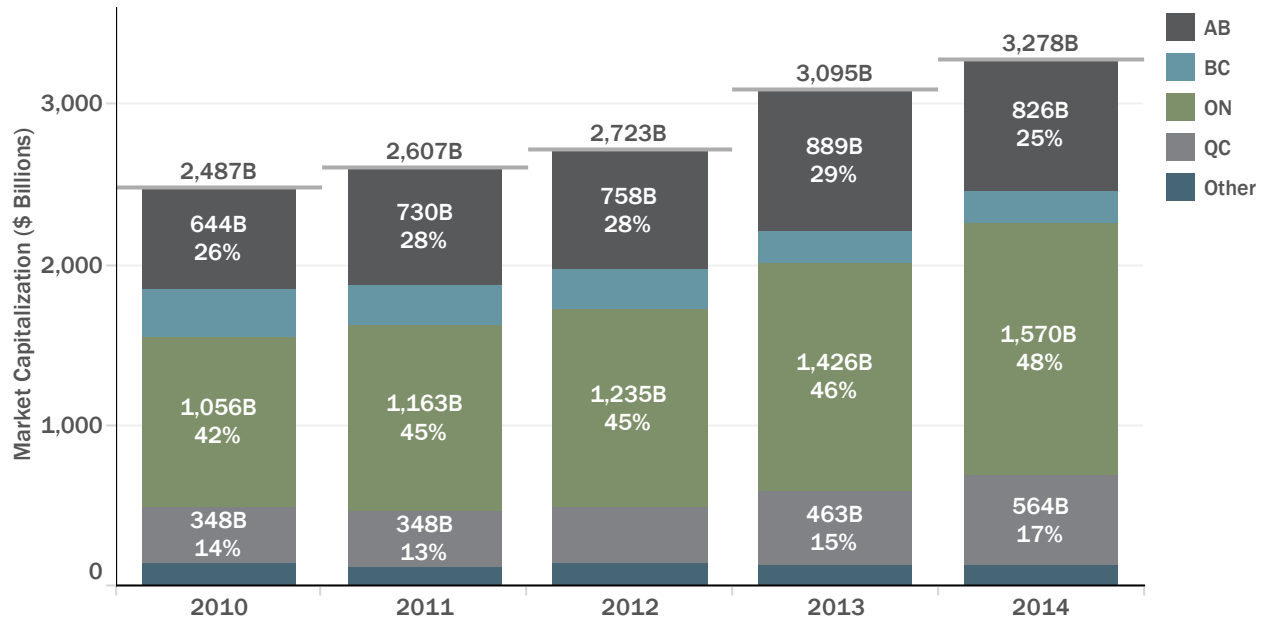


Chart 3 shows the number of listed reporting issuers over the last five calendar years, with a breakdown by the largest four PRs – Alberta, British Columbia, Ontario, and Québec – and the remaining Canadian jurisdictions grouped into Other. In 2014, 606 reporting issuers had an Alberta PR, which represented 15 per cent of the total 4,022 listed reporting issuers. This proportion exhibited a decline from 18 per cent in 2010. British Columbia had the greatest number of listed reporting issuers in each of the last five years. British Columbia's 1,581 issuers at the end of 2014 represented 39 per cent of the public market, followed by Ontario with 1,492 issuers (37 per cent) and Québec with 258 issuers (6.4 per cent).

⁶ See footnote 1.

CHART 4: MARKET CAPITALIZATION AT DECEMBER 31 OF LISTED REPORTING ISSUERS, BY PR



However, Chart 4 shows that on the basis of market capitalization the PR breakdown of reporting issuers looked somewhat different. At the end of 2014, reporting issuers with Ontario PR represented \$1,570 billion (48 per cent) of the total market. This percentage was in fact comparable to the market capitalization of the next three largest jurisdictions combined at \$1,586 billion. Although British Columbia PR issuers were greatest in number in 2014, the total market capitalization of these issuers was only \$196 billion (6.0 per cent) and Québec PR issuers represented \$564 billion (17 per cent) of the total.

At the end of 2014, the market capitalization of Alberta PR reporting issuers totalled \$826 billion (25 per cent) of the market. While this total is down 7.1 per cent from \$889 billion in 2013 (influenced by the decline in commodity prices in late 2014), the total market capitalization for Alberta PR reporting issuers was up 28 per cent from \$644 billion at the end of 2010. This growth was driven by a few large foreign entities such as CNOOC Limited and Ecopetrol S.A. that became reporting issuers in Alberta over the last several years. Foreign-based reporting issuers are discussed in more detail in the section beginning on page 18. However, even without these foreign issuers the market capitalization of Canadian-based issuers reporting in Alberta still increased 9.4 per cent to \$616 billion in 2014 from \$563 billion in 2010.

CHART 5: AVERAGE MARKET CAPITALIZATION OF REPORTING ISSUERS, BY PR

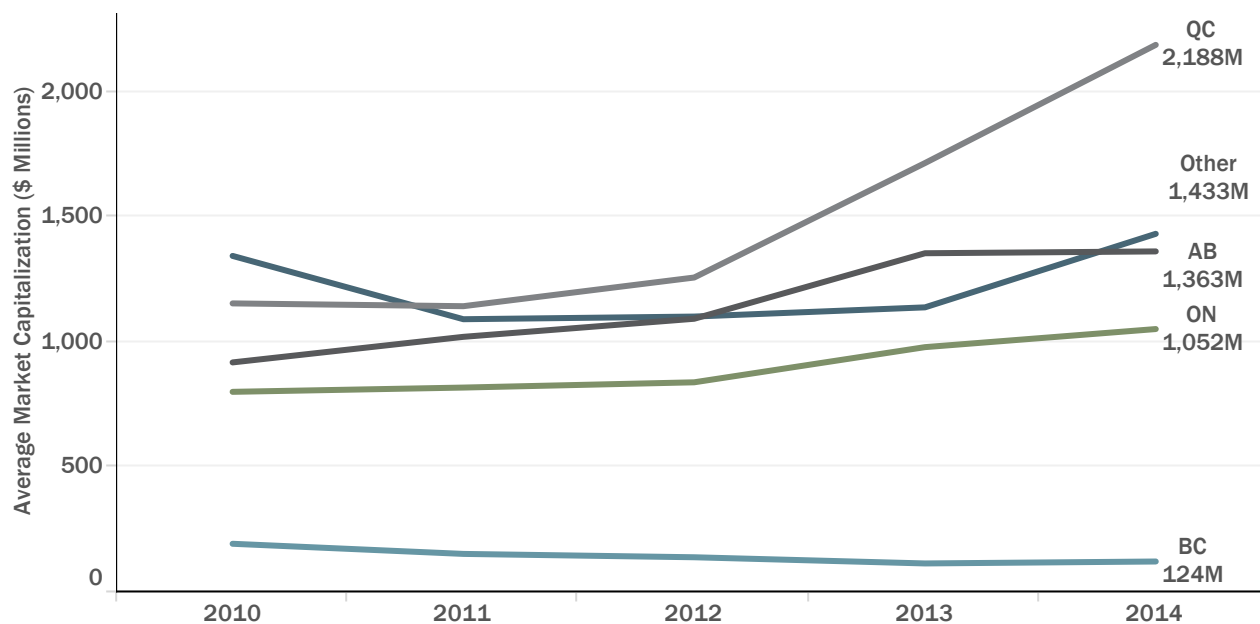
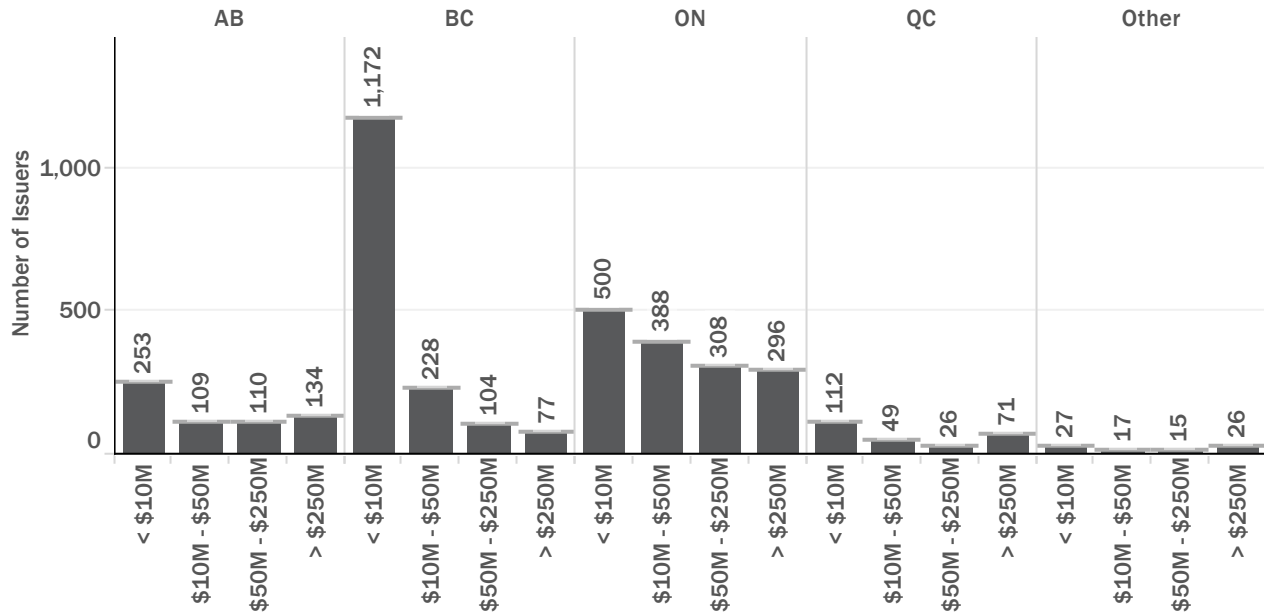


Chart 5 shows an unweighted average of market capitalization for reporting issuers by PR. As implied by the previous two charts, British Columbia PR issuers tend to have a much smaller market capitalization than issuers in other jurisdictions, as there are many start-up mining companies in the province. British Columbia PR issuers had an average market capitalization of \$124 million at the end of 2014, far less than the next smallest average in Ontario with an average market capitalization of \$1,052 million. The province with the largest issuer market capitalization was Québec, with an average of \$2,188 million, followed by the Other jurisdictions at \$1,433 million and Alberta at \$1,363 million. The average for Québec issuers, which were fewest in number, was influenced considerably by the Royal Bank of Canada, which has Québec as PR and had a market capitalization of about \$108 billion at the end of 2014. However, excluding Royal Bank of Canada, the average market capitalization for Québec issuers was \$1,731 million at the end of 2014 – still significantly larger than other jurisdictions.

CHART 6: DISTRIBUTION OF REPORTING ISSUERS BY MARKET CAPITALIZATION, FOR 2014



As suggested by previous charts, the distribution of reporting issuers by market capitalization was quite different across the major jurisdictions. Chart 6 shows the distribution of reporting issuers by PR at the end of 2014 by market capitalization. All jurisdictions exhibited more issuers in the less-than-\$10 million market capitalization category than the greater-than-\$250 million category. There were 253 Alberta PR reporting issuers in the less-than-\$10 million category, which was 89 per cent more than the 134 issuers in the greater-than-\$250 million category. However, there were 1422 per cent more British Columbia PR issuers in the less-than-\$10 million category than the greater-than-\$250 million category. This reflects the tendency for British Columbia PR issuers to have a smaller market capitalization than reporting issuers in other provinces. In contrast, Québec PR issuers exhibited the least differences between categories of the four largest jurisdictions, as there were only 58 per cent more issuers in the less-than-\$10 million category than greater-than-\$250 million. In Ontario, there were 69 per cent more issuers in the less-than-\$10 million category than the greater-than-\$250 million category.

CHART 7: PERCENTAGE OF TSX LISTED ISSUERS THAT GRADUATED FROM TSXV, BY PR

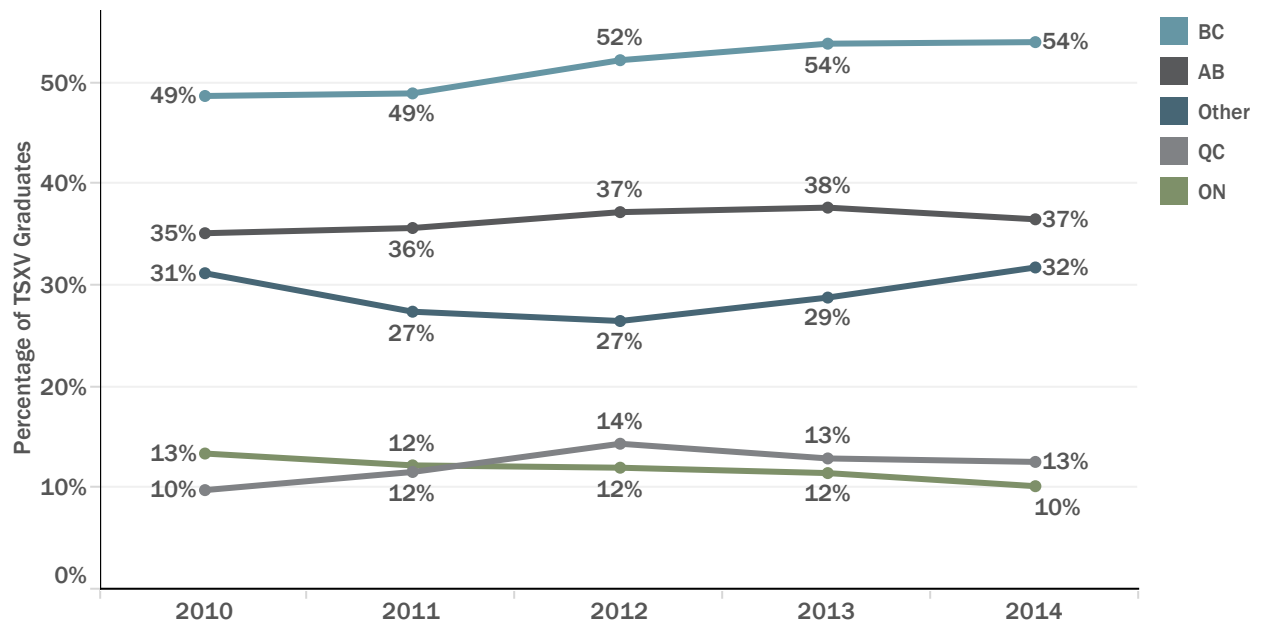


Chart 7 is based only on TMX data, which has a field indicating whether each issuer listed on the TSX was a TSXV “graduate.” This means that the issuer was at one time listed on the TSXV exchange and subsequently moved its listing to the TSX, Canada’s leading exchange for larger issuers. Alberta and British Columbia have significant resource-based economies, which are reflected by the industry classifications of issuers in these provinces (see Chart 10 and Chart 11 for further industry details). Many issuers in Oil and Gas and Mining begin as small, private issuers and may, in time, progress to be listed on the TSXV, and later the TSX. Chart 7 shows that at the end of 2014, 37 per cent of Alberta PR issuers listed on the TSX were once listed on the TSXV. This was exceeded only by British Columbia PR issuers with 54 per cent TSXV graduates. In contrast, only 10 per cent of Ontario PR issuers and 13 per cent of Québec PR issuers were TSXV graduates at the end of 2014.

CHART 8: NUMBER OF LISTINGS OF REPORTING ISSUERS BY EXCHANGE OR REGION

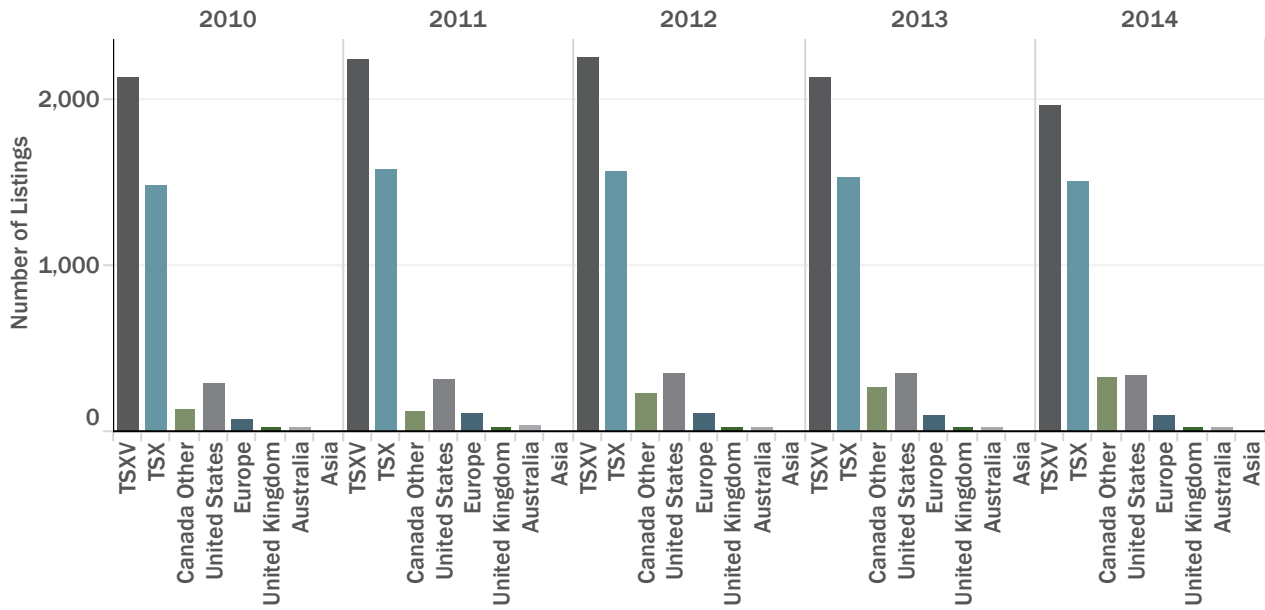


Chart 8 compares the number of listings on exchanges in major regions with listings on the TSX, TSXV and other Canadian exchanges. Issuers may be interlisted, which means having listings on multiple exchanges; each listing is included in Chart 8. Listings on the TSX and TSXV were based on data from the TMX while all other listings for reporting issuers were based on data from SEDAR. Noticeable trends in Chart 8 are that listings on the TSX and TSXV have declined over the last few years while listings on other Canadian exchanges and in the U.S. have increased.

CHART 9: TOTAL MARKET CAPITALIZATION OF ALL REPORTING ISSUERS, BY INDUSTRY

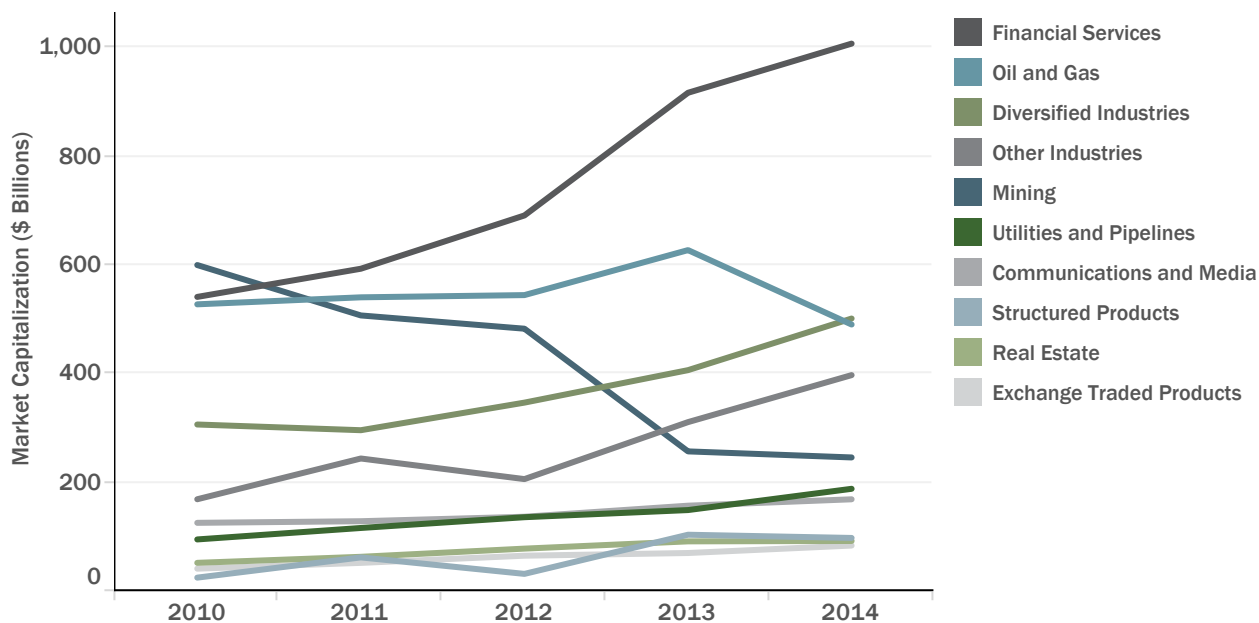
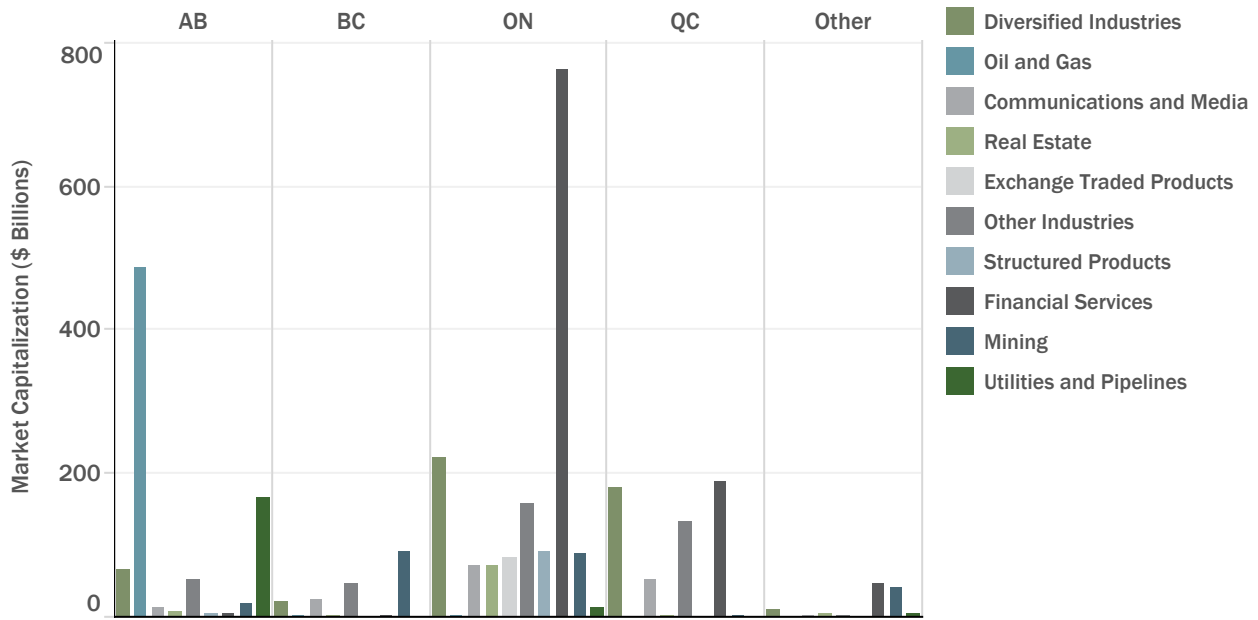


Chart 9 shows how the market capitalization of major industries of all reporting issuers has changed over the last five years. For this analysis, the industry classification by the TMX was preferred, with the SEDAR industry classification used if the issuer was not listed on either the TSX or TSXV. The SEDAR industry classification was changed to a TMX industry classification when reasonable; otherwise the issuers were classified to Other Industries. A detailed discussion about this methodology is available in the Appendix.

Nationally, with the exception of 2010, Financial Services was the largest industry in terms of market capitalization among reporting issuers in each of the last five years. It reached a market capitalization of \$1,008 billion at the end of 2014, up 9.8 per cent from 2013 and represented 31 per cent of the total market. In sharp contrast, Oil and Gas issuers declined by 22 per cent in market capitalization to \$491 billion at the end of 2014 and represented 15 per cent of the market. The decline among Oil and Gas issuers meant this industry ranked third behind Financial Services and slightly behind Diversified Industries, which increased 23 per cent in 2014 to \$502 billion or 15 per cent of the market.

CHART 10: TOTAL MARKET CAPITALIZATION OF REPORTING ISSUERS BY INDUSTRY AND PR, 2014



As shown in Chart 10, when broken down by PR jurisdiction, regional industry differences become more apparent. Chart 10 shows total market capitalization by industry and PR for year-end 2014. In this chart, the dominance of Oil and Gas, and related Utilities and Pipelines, among Alberta PR issuers is quite clear. These industries represented a combined market capitalization of \$655 billion (79 per cent) of Alberta issuers. (More specific analysis of Alberta PR issuers begins on page 20.) British Columbia PR issuers in the Mining industry represented \$93 billion (47 per cent) of the total in British Columbia. Among Ontario PR issuers, Financial Services totalled \$764 billion (49 per cent) of all industries and Diversified Industries totalled \$223 billion (14 per cent). In Québec, \$189 billion (34 per cent) of market capitalization was in Financial Services, followed closely by \$180 billion (32 per cent) in Diversified Industries.

CHART 11: TOTAL NUMBER OF REPORTING ISSUERS BY INDUSTRY AND PR, 2014

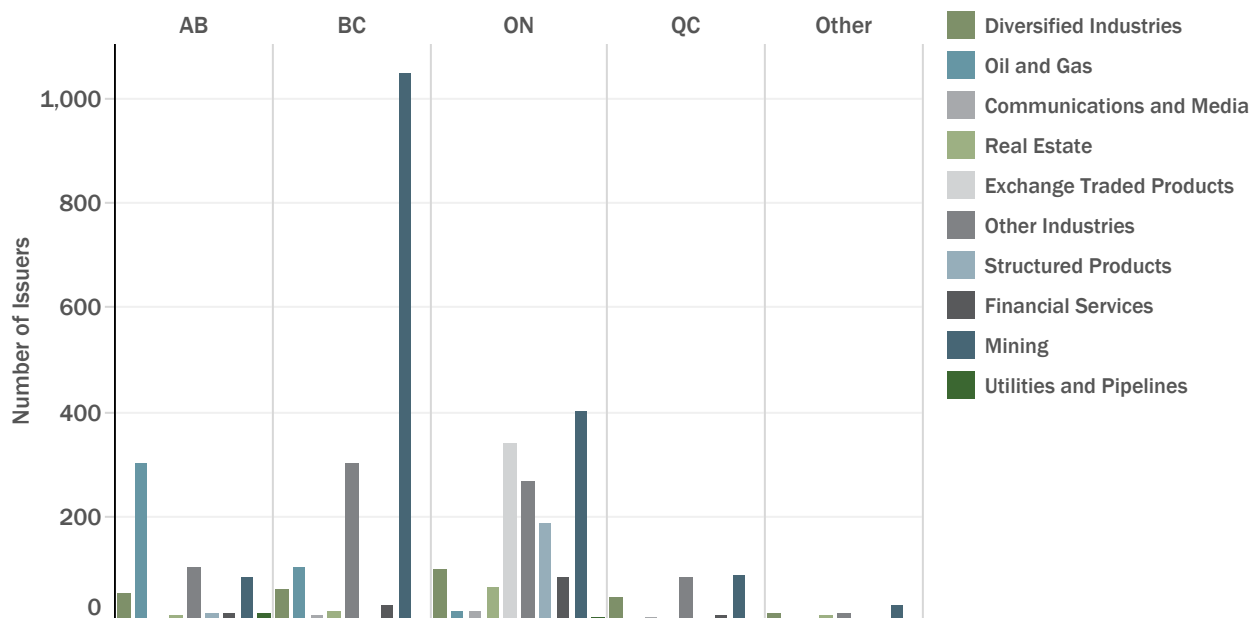
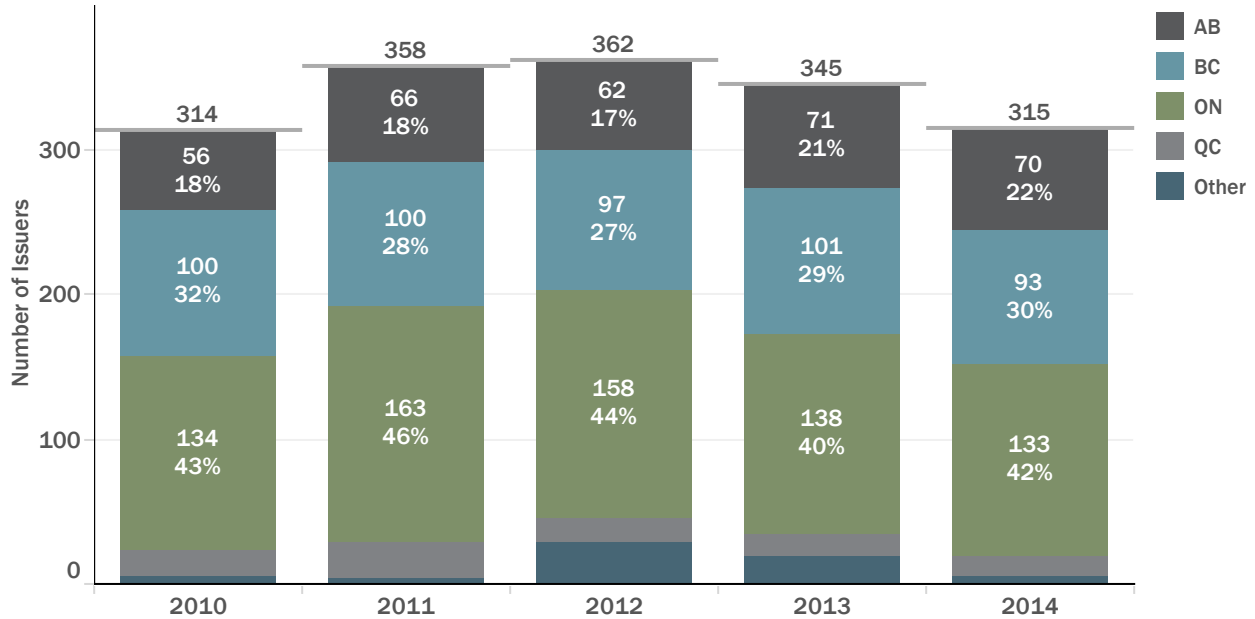


Chart 11 shows a breakdown similar to Chart 10, but on the basis of number of issuers. Among Alberta PR reporting issuers, Oil and Gas was still the leading industry, represented by 303 issuers (50 per cent) out of 606. This means that while the Oil and Gas industry in Alberta dominated all others on a market capitalization basis, there were still a significant number of issuers engaged in other industries: 105 in Other Industries, and 53 in Diversified Industries. Interestingly, the number of Utilities and Pipelines issuers ranked sixth at 15 issuers, or just 2.5 per cent compared with 20 per cent on a market capitalization basis. A total of 1,050 (66 per cent) of British Columbia PR issuers were engaged in the Mining industry followed by 301 (19 per cent) in Other Industries. Ontario PR issuers were perhaps the most evenly distributed across industries with 403 (27 per cent) issuers in Mining, 341 (23 per cent) ETPs, 268 (18 per cent) issuers in Other Industries, 186 (12 per cent) issuers in Structured Products, and 85 (5.7 per cent) in Financial Services. In Québec 90 (35 per cent) issuers were in Mining, 86 (33 per cent) issuers were in Other Industries, and 47 (18 per cent) were in Diversified Industries.

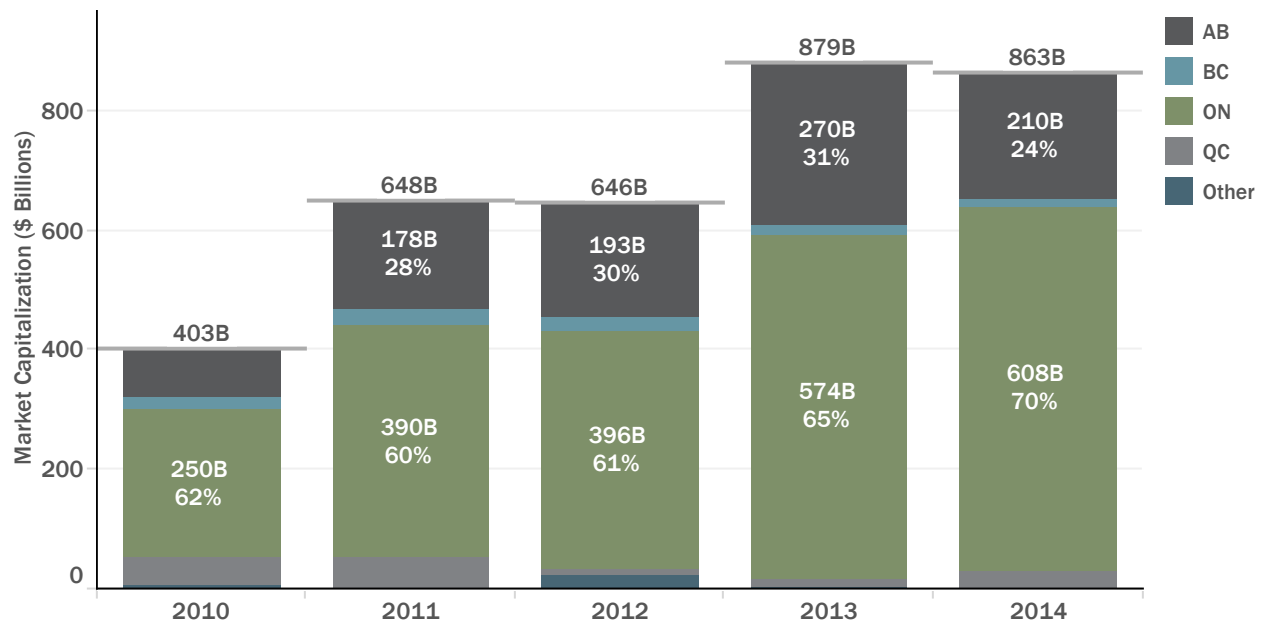
Foreign Reporting Issuers

CHART 12: NUMBER OF FOREIGN REPORTING ISSUERS, BY PR



The percentage of reporting issuers that are headquartered outside of Canada has ranged from about 7.8 per cent to 8.5 per cent over the last five years. Chart 12 shows the total number of foreign issuers, determined by the head office reported on SEDAR. The 315 foreign issuers at the end of 2014 was down 8.7 per cent from 345 issuers in 2013. Also shown in Chart 12 is the breakdown of foreign issuers by PR. The number of PR issuers was greatest in Ontario at 133 (42 per cent), followed by British Columbia at 93 (30 per cent of the total), Alberta at 70 (22 per cent), and Québec at 13 (four per cent). Foreign reporting issuers with Alberta as the PR represented 12 per cent of all Alberta PR issuers at the end of 2014, which was greater than the national average of 7.8 per cent.

CHART 13: TOTAL MARKET CAPITALIZATION OF FOREIGN REPORTING ISSUERS, BY PR



As shown in the prior chart, the number of reporting issuers with foreign headquarters in 2014 was comparable to the number in 2010. In contrast, Chart 13 shows that the market capitalization of foreign issuers has more than doubled over the last five years to \$863 billion in 2014 from \$403 billion in 2010. Some of this increase was attributable to large foreign issuers becoming reporting issuers in Canada. For example, CNOOC Limited and Ecopetrol S.A. became reporting issuers with Alberta as PR during the period and made up 61 per cent of the Alberta PR total of \$210 billion at the end of 2014. Similarly, the total market capitalization of \$608 billion from Ontario PR foreign-headquartered reporting issuers has also been influenced by large issuers like Visa Inc., Barclays Bank PLC, General Motors Company, Deutsche Bank Aktiengesellschaft, and Credit Suisse AG, which made up a combined \$413 billion of market capitalization in 2014 or 68 per cent of the foreign issuers reporting in Alberta with an Ontario PR. Of these five issuers only Visa Inc. was a reporting issuer in 2010. It should be noted that not all of these issuers necessarily had securities listed on a Canadian exchange and the market capitalization of the issuer's listed equity in Canadian dollars has been used in calculating the totals.

Focus on Listed Reporting Issuers Principally Regulated in Alberta

CHART 14: TOTAL MARKET CAPITALIZATION OF INDUSTRIES FOR ALBERTA PR ISSUERS

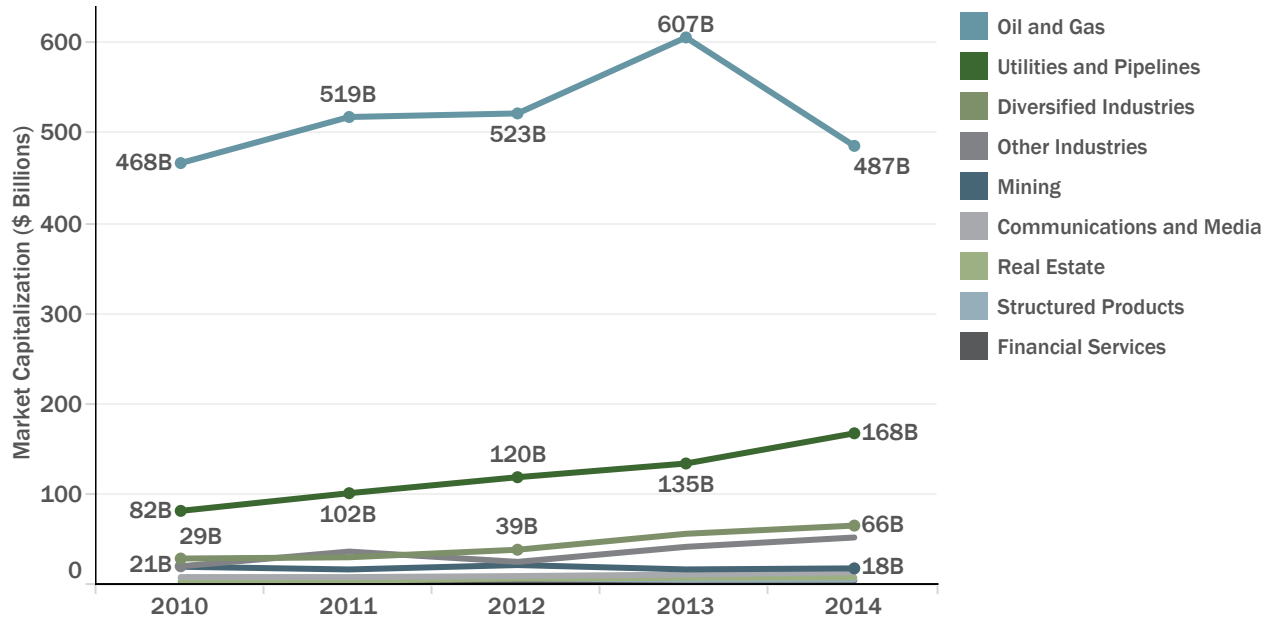


Chart 14 is similar to Chart 9, except that it includes only Alberta's 606 listed PR issuers, which had a total market capitalization of \$826 billion at the end of 2014. As expected, Oil and Gas issuers represented the largest industry on the basis of market capitalization at \$487 billion (60 per cent), which was nearly three times larger than the next largest industry, Utilities and Pipelines issuers. In Chart 14, Oil and Gas Services are included in Oil and Gas, which totalled \$18 billion at the end of 2014. Given the sharp decline in commodity prices at the end of 2014, Oil and Gas issuers experienced a steep 20 per cent decline in market capitalization during the year. However, in aggregate, all other Alberta PR issuers combined experienced a 20 per cent increase in market capitalization in 2014 to \$339 billion from \$282 billion in 2013.

CHART 15: DISTRIBUTION OF ISSUERS BY MARKET CAPITALIZATION, BY INDUSTRY AND DOMICILE, FOR 2014

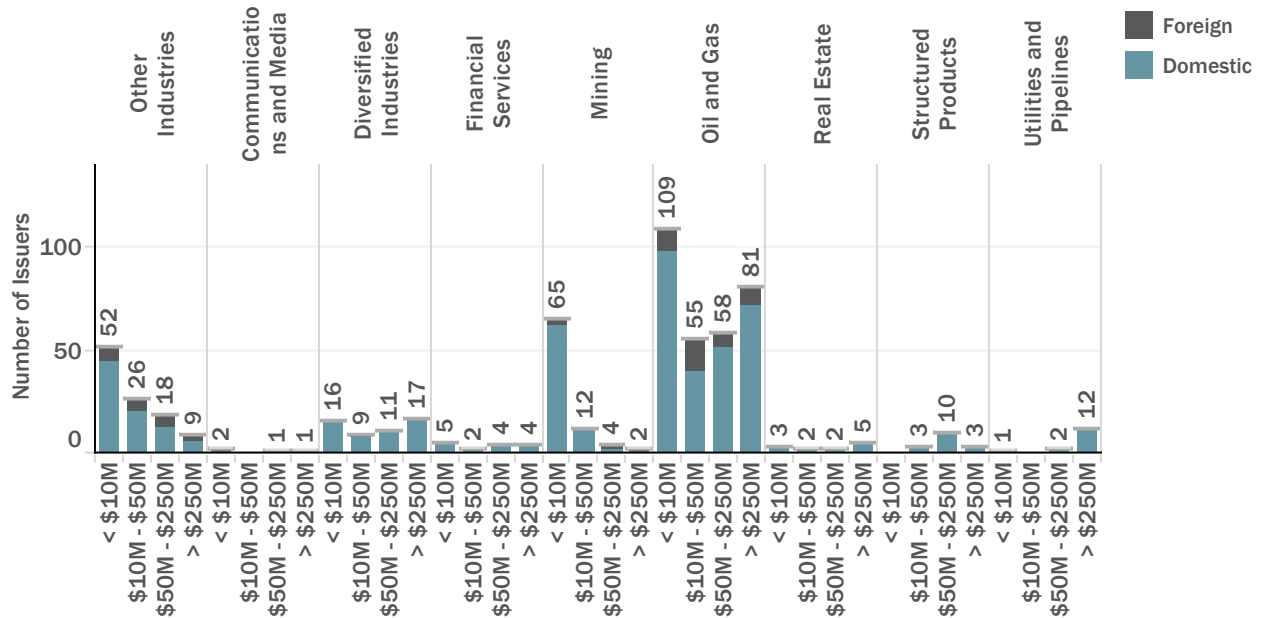


Chart 15 shows a distribution by industry of the market capitalization of Alberta PR issuers at the end of 2014. The chart also shows a split by foreign or domestic headquarters. In the case of Oil and Gas (including Oil and Gas Services), there were more than 50 Alberta PR issuers in each of the four market capitalization ranges shown, and more than 100 issuers in the less-than-\$10 million category. Forty-one Oil and Gas issuers (14 per cent) were foreign reporting issuers in Alberta. This was slightly higher than the average of 12 per cent for all Alberta PR issuers. Only Alberta PR issuers in Other Industries had a higher proportion of issuers with foreign headquarters (19 per cent) than Oil and Gas. This means that most industries in Alberta were predominantly represented by domestic (and Alberta-based) issuers.

CHART 16: TOTAL MARKET CAPITALIZATION OF OIL AND GAS SECTORS FOR ALBERTA PR ISSUERS

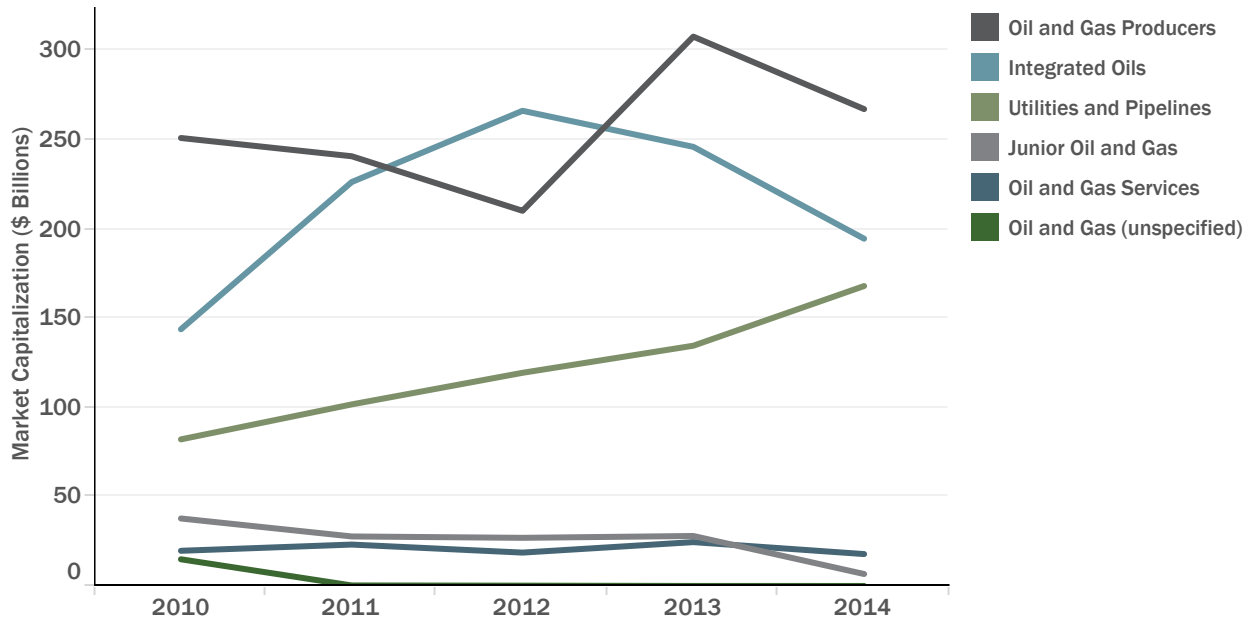


Chart 16 and Chart 17 focus more specifically on the Oil and Gas, and related Utilities and Pipelines industries. For this analysis (explained in more detail in the Appendix), the sub-categorization available in issuer's profiles on SEDAR has been used to facilitate greater classification of issuers listed on the TSX or TSXV reported in Oil and Gas and Diversified Industries categories by the TMX.⁷ If the industry of a reporting issuer was not listed on the TSX or TSXV, the classification was based on the issuer's SEDAR profile.

By market capitalization, Producers were the largest Oil and Gas sector among Alberta PR reporting issuers in each of the last two years. This was despite a 13 per cent decline in market capitalization in 2014 to \$267 billion. Next largest was the Integrated Oils, with a market capitalization of \$195 billion, a decline of 21 per cent from the end of 2013. By comparison, Juniors and Oil and Gas Services were each only a small fraction of either the Producers or Integrated Oils categories at \$7 billion and \$18 billion, respectively. It should be noted that issuers select their industry classification on SEDAR. Also, there were a handful of reporting issuers that did not specify greater detail in their SEDAR profile than Oil and Gas.

⁷ The TMX includes Oil and Gas Services in Diversified Industries. Oil and Gas Services have been separated from Diversified Industries in this report and instead included in Oil and Gas.

CHART 17: DISTRIBUTION OF OIL AND GAS ISSUERS BY MARKET CAPITALIZATION AND DOMICILE, FOR 2014

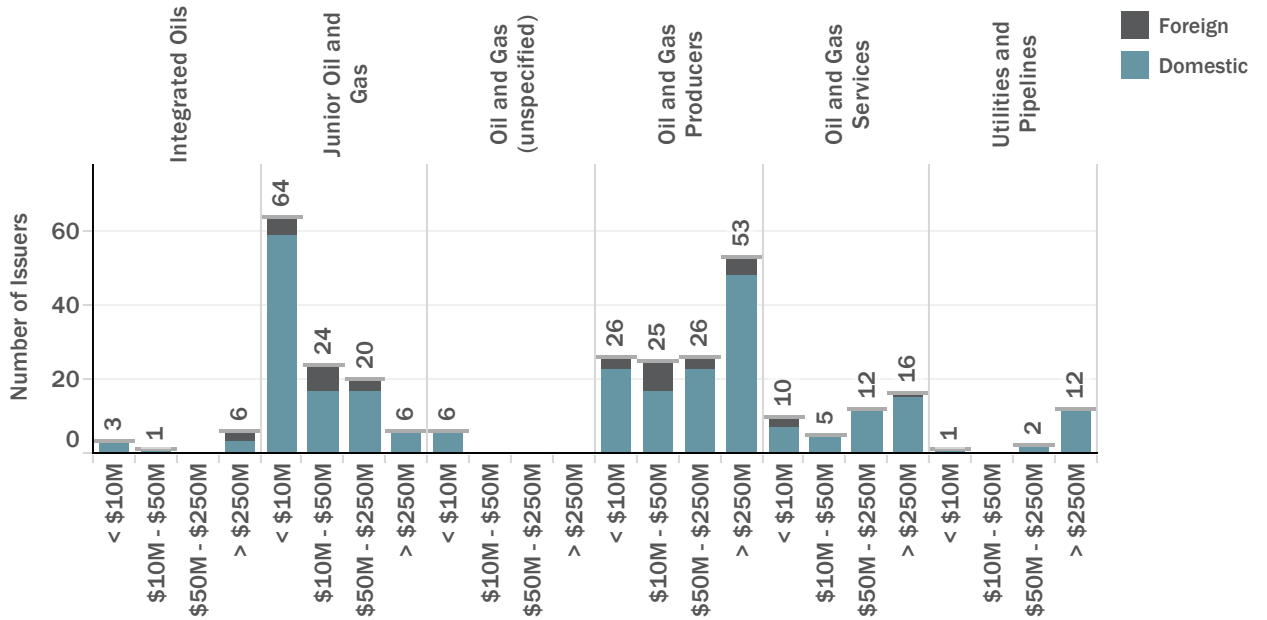


Chart 17 shows the distribution of Alberta PR issuers in Oil and Gas, and related Utilities and Pipelines by market capitalization for 2014. This chart is similar to Chart 15 except that it shows greater detail for the Oil and Gas issuers. As expected, there was a greater concentration of Junior Oil and Gas issuers in the less-than-\$10 million range and, conversely, a greater concentration of Oil and Gas Producers in the greater-than-\$250 million range.

Analysis of Financings

The analysis in this section is limited to the financings of reporting issuers that are listed on the TSX or TSXV. Similar to the prior section, issuers have been analyzed according to PR.

CHART 18: TOTAL FINANCINGS BY TSX AND TSXV LISTED ISSUERS, BY FINANCING TYPE

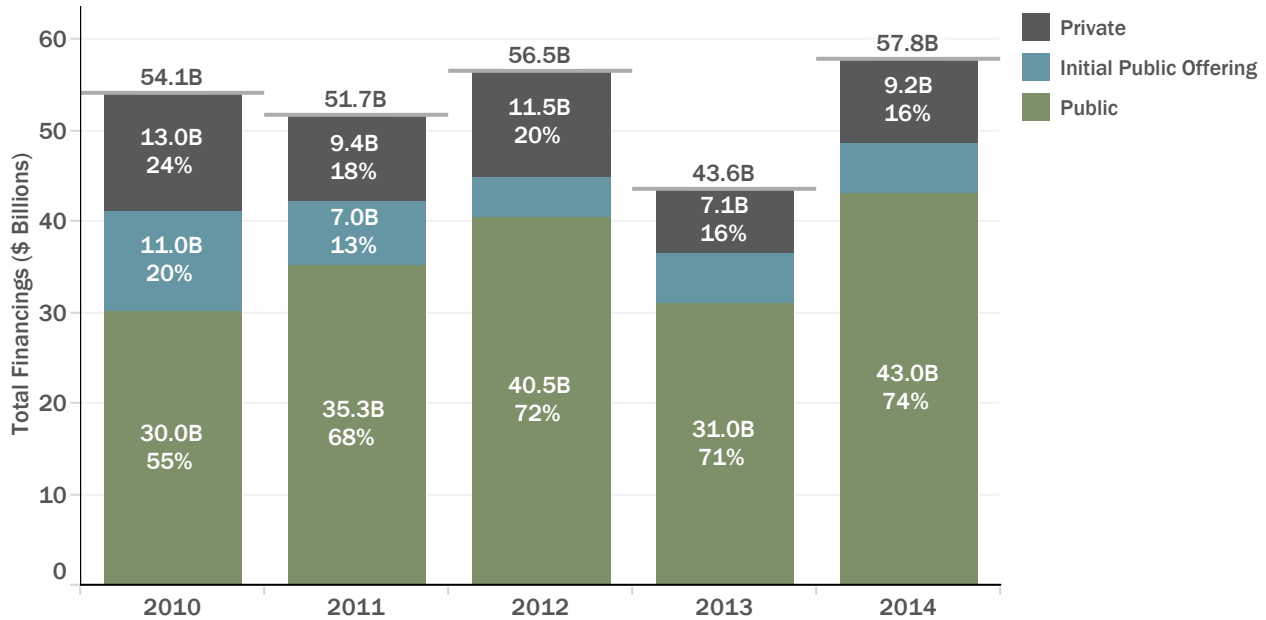
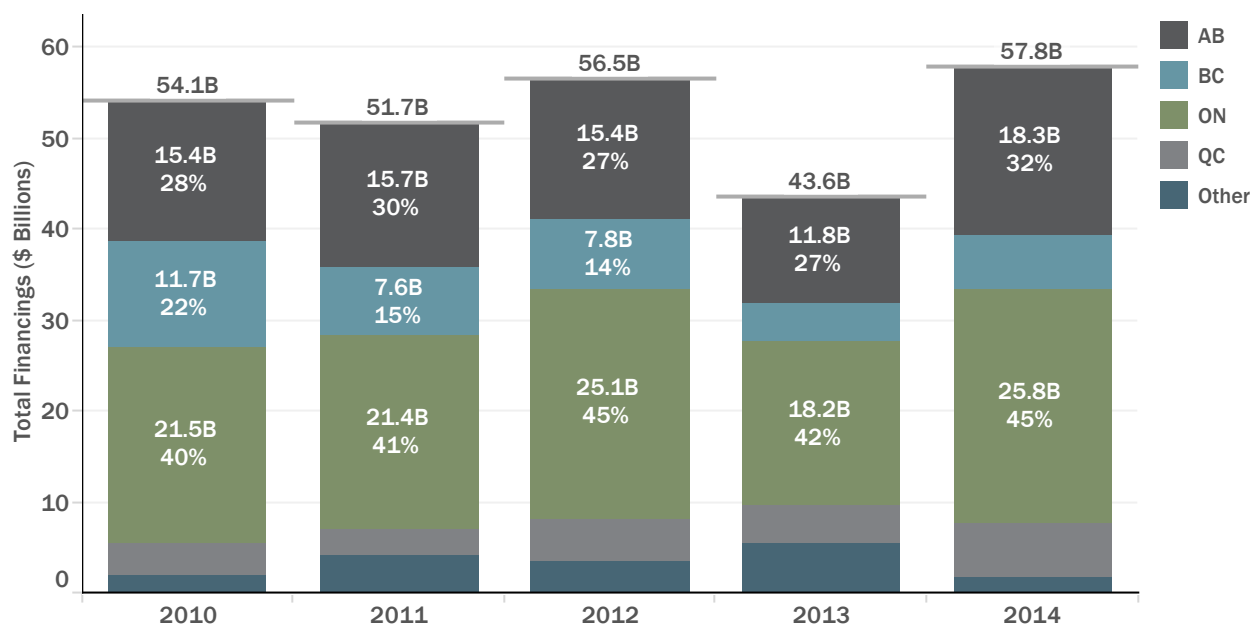


Chart 18 shows financings over the last five years by issuers listed on the TSX or TSXV. In 2014, financings by these issuers were the greatest in the last five years at \$57.8 billion, up 33 per cent from \$43.6 billion in the prior year. The chart also shows financings according to major financing type. Both the public and IPO (initial public offering) financings must be qualified by a prospectus, and could have been grouped together. However, for this chart IPOs have been shown separately as they represent financings where a previously unlisted issuer (private issuer) becomes a listed issuer (public issuer). Private financings are those conducted without a prospectus, where the issuer must have a valid prospectus exemption.⁸ Please note that the private financings classified in Chart 18 are only for issuers listed on the TSX and TSXV, and only for listed securities. These private financings represented a relatively small subset of the exempt market. For a more comprehensive analysis of prospectus-exempt markets see the section beginning on page 27.

As shown in Chart 18, the dominant type of financing of these listed issuers has been public financings, often referred to by investors as “secondary” or “follow-on” financings. In 2014, secondary public financings on the TSX and TSXV totalled \$43.0 billion, representing 74 per cent of the total amount raised. Private financings totalled \$9.2 billion (16 per cent) while IPOs totalled \$5.5 billion (9.5 per cent).

⁸ Such as those available in National Instrument 45-106 *Registration and Prospectus Exemptions*.

CHART 19: TOTAL FINANCINGS BY TSX AND TSXV LISTED ISSUERS, BY PR



Listed issuers with Ontario as PR represented the greatest proportion of total financings at \$25.8 billion (45 per cent) in 2014, as shown in Chart 19. This proportion was relatively comparable to the proportion of total market capitalization represented by all reporting issuers with Ontario PR at 48 per cent (Chart 4). Alberta PR issuers raised \$18.3 billion (32 per cent) of the total in 2014. Alberta PR issuers represented 25 per cent of the total market capitalization. British Columbia PR and Québec PR issuers each raised a total of \$6.0 billion (10 per cent) in 2014. British Columbia PR issuers accounted for 6.0 per cent of total market capitalization and Québec PR issuers represented 17 per cent of total market capitalization.

CHART 20: TOTAL FINANCINGS BY TSX AND TSXV LISTED ISSUERS, BY INDUSTRY

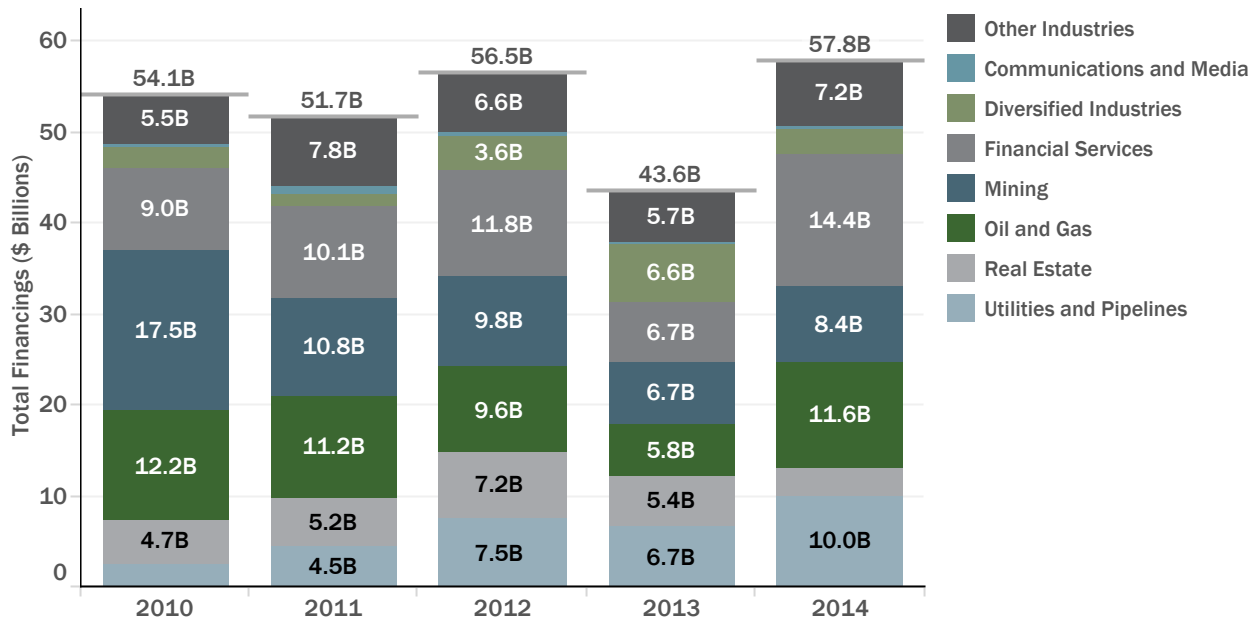


Chart 20 shows a break down by TMX industry classification for issuers listed on the TSX or TSXV. Over the last five years, the industries that have collectively raised the greatest amount of capital have been Financial Services, Mining, and Oil and Gas. However, in 2014, the top three industries were Financial Services at \$14.4 billion, Oil and Gas at \$11.6 billion and Utilities and Pipelines at \$10.0 billion.

Prospectus-Exempt Markets

Issuers in the Prospectus-Exempt Market

In Canada, the general requirement for any issuer raising capital by issuing securities is to do so via prospectus. However, an issuer is permitted to raise capital without a prospectus if it meets the conditions of an available prospectus exemption. This is often referred to as raising capital in the “exempt market.”⁹ A number of prospectus exemptions available in National Instrument 45-106 *Registration and Prospectus Exemptions* require the distributions to be reported to a securities regulator using the Report of Exempt Distribution.¹⁰ Those reported to the ASC are the source for the analysis in this report.

It is important to note that securities law permits investment funds to file 30 days following the fund’s fiscal year-end. Given that the fiscal year-end may not be the same as the calendar year-end, the data reported by investment funds for 2014 and available for this report is incomplete. However, the effect of this is more pronounced when analyzing distributions to Alberta investors than by Alberta issuers, as investment funds tend to be headquartered outside Alberta.

Chart 21 shows the number of issuers that accessed capital in the exempt market in Alberta during the calendar year (distributed securities to Albertans), independent of the location of the issuer’s head office. It is evident from the chart that the number of issuers active in Alberta has declined annually over the past five years from 2,519 in 2010 to 1,418 in 2014. However, as is shown in Chart 23, this trend is not mirrored in the amounts of capital raised in the exempt market.

Reporting issuers from across Canada made up 542 (38 per cent) of the 1,418 issuers that accessed the exempt market in Alberta in 2014.

9 The distribution of securities must still occur through proper registration or under a registration exemption. See National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

10 See part 6 of NI 45-106 and Form 45-106F1 *Report of Exempt Distribution*.

CHART 21: NUMBER OF ISSUERS ACTIVE IN ALBERTA EXEMPT MARKET DURING THE CALENDAR YEAR

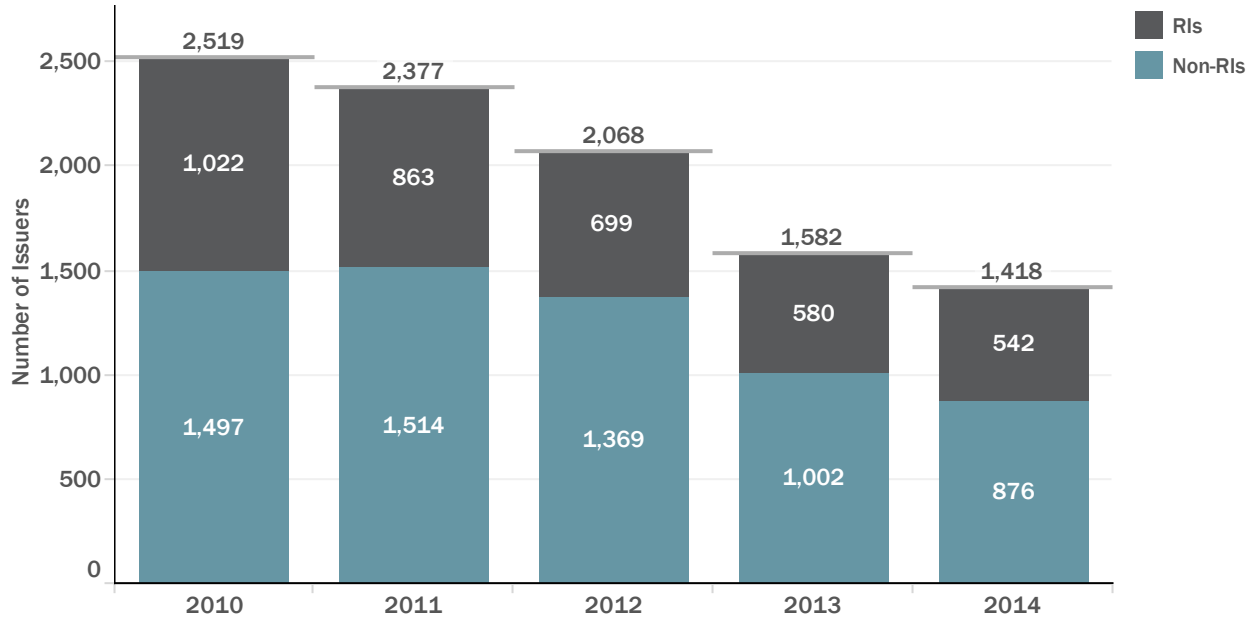


CHART 22: NUMBER OF ALBERTA-BASED ISSUERS ACTIVE IN THE EXEMPT MARKET DURING THE CALENDAR YEAR

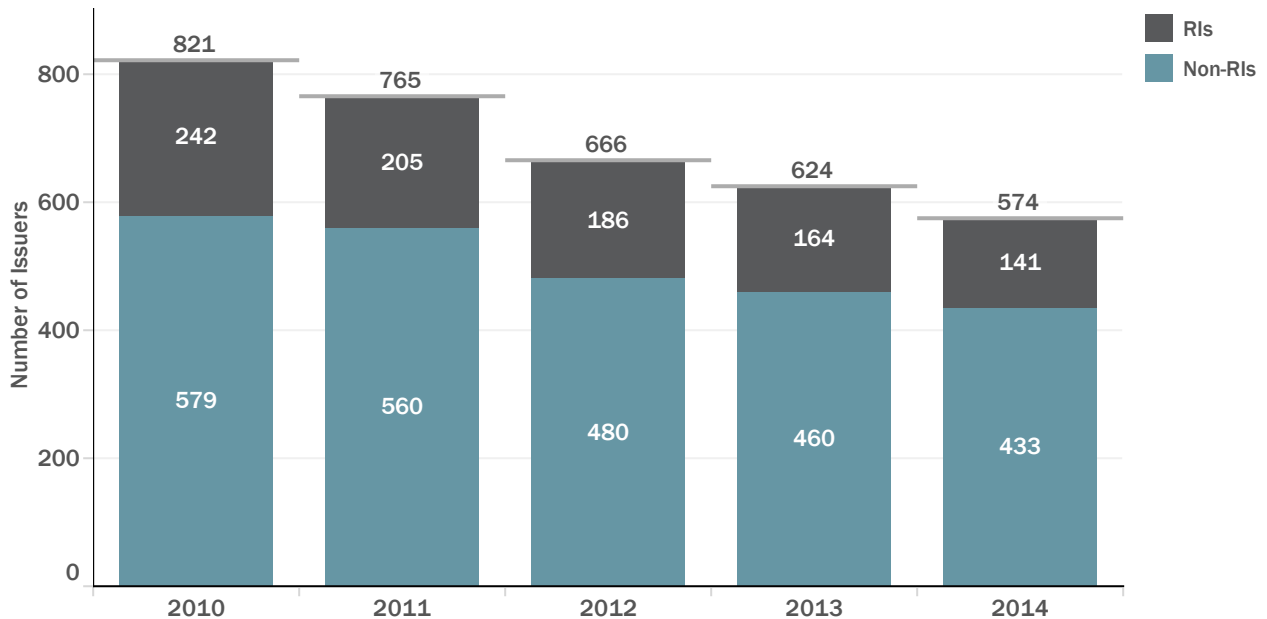


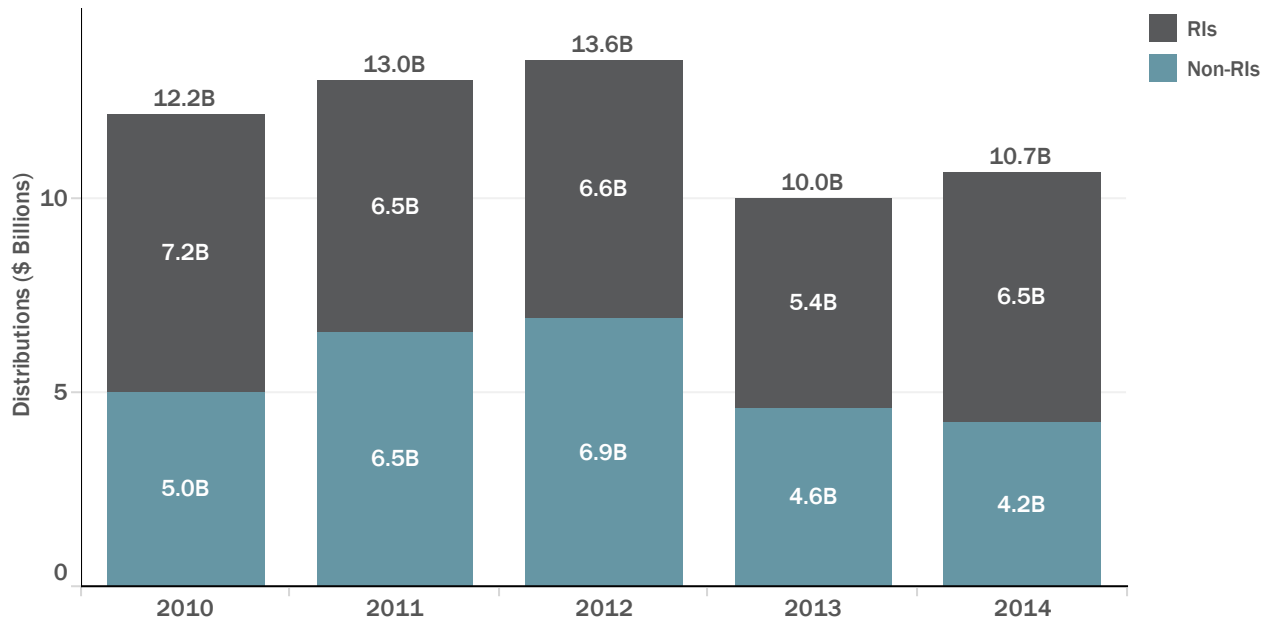
Chart 22 shows the number of Alberta-based issuers that accessed capital in the exempt market during the calendar year, which exhibited a similar declining trend as Chart 21. In 2014, 141 (25 per cent) of the

Alberta-based issuers active in the exempt market were reporting issuers.

The Alberta capital market is not a closed system. Alberta issuers can distribute securities anywhere in the world that securities law permits. Similarly, Alberta investors may purchase securities of any issuer, provided the issuer meets the requirements of Alberta securities laws. Prominent industries also vary by province and country, where capital raising can occur with or without a prospectus. For these reasons, when analyzing the exempt market it is important, and more informative, to analyze issuers and investors separately, which is the approach in the following two sections.

Prospectus-Exempt Financings by Alberta Issuers

CHART 23: TOTAL RAISED IN THE EXEMPT MARKET BY ALBERTA-BASED ISSUERS, BY REPORTING TYPE



For prospectus exemptions that are reportable, Alberta securities law requires Alberta-based issuers to report exempt distributions to the ASC regardless of the jurisdiction of the investor. This is because distributions to investors outside of Alberta are considered distributions “from” Alberta. Chart 23 shows the total capital raised by Alberta-based issuers over the last five years, segmented by whether the issuer was a reporting issuer or non-reporting issuer. Consistently, more than half of the capital raised in the exempt market has been by reporting issuers choosing to rely on a prospectus exemption. Many of these reporting issuers have securities listed on an exchange, although not all the securities distributed are listed on an exchange. For example, the category of Debt securities is the most common type of security distributed by Alberta-based issuers (as discussed on page 32) and are not listed on an exchange.

CHART 24: TOTAL RAISED IN THE EXEMPT MARKET BY ALBERTA-BASED ISSUERS, BY INDUSTRY

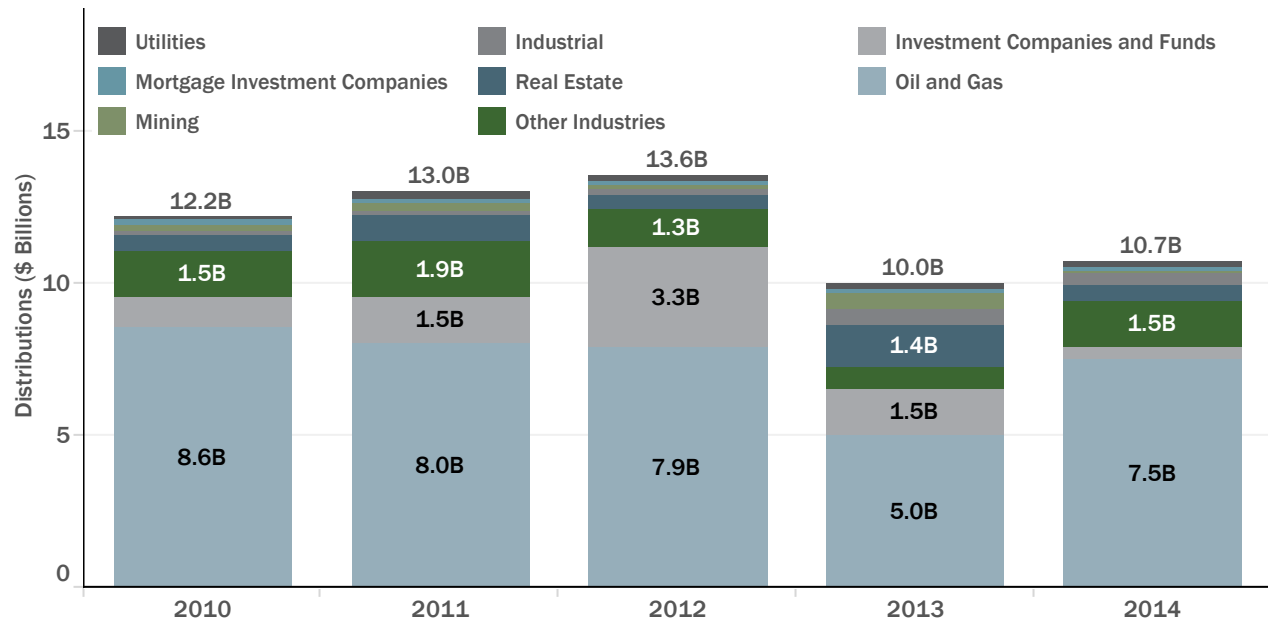
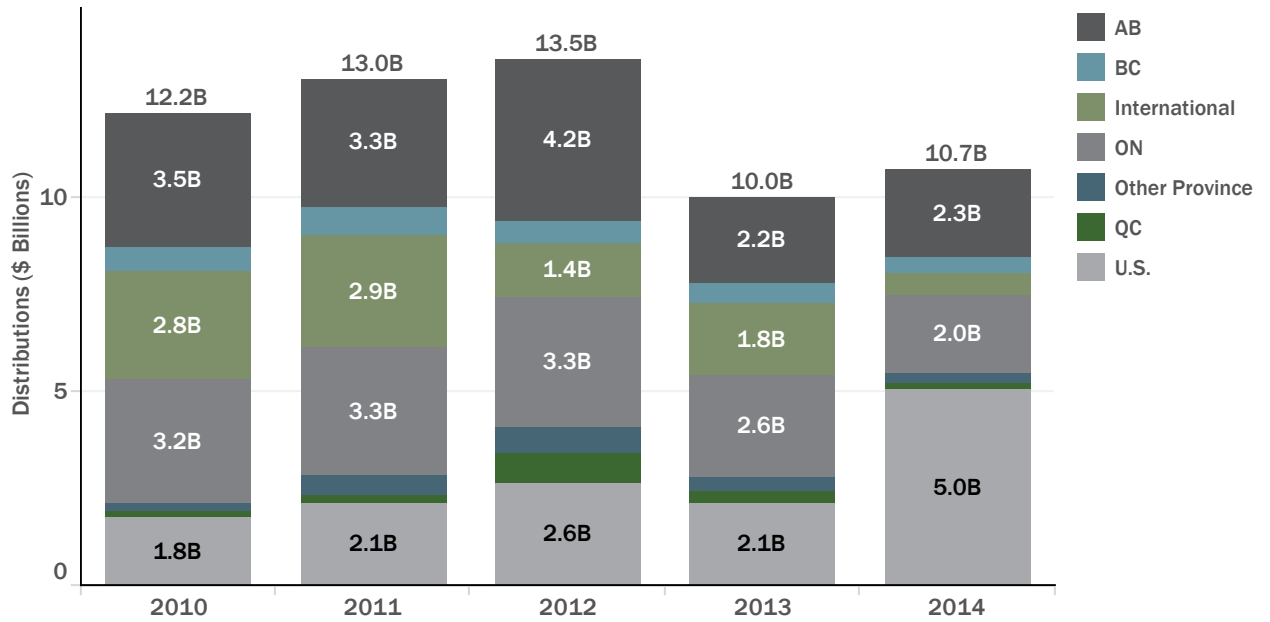


Chart 24 shows capital raised by Alberta issuers in the exempt market segmented by industry, as identified on the Report of Exempt Distribution. In Alberta, the most prominent industry over the last five years was Oil and Gas, totalling \$7.5 billion in 2014, an increase of 50 per cent over the \$5.0 billion raised in 2013 and similar to the \$7.9 billion raised in 2012. In Chart 24, several industries have been added to Other Industries,¹¹ which many issuers select if none of the other categories apply. In 2014, within the Other Industries category, the Other selection accounted for \$1.4 billion of the categories total of \$1.5 billion. Year-over-year, Real Estate issuers raised \$0.5 billion in 2014, down from \$1.4 billion in 2013. As previously noted, investment funds may report 30 days following year-end. The result is that the total capital raised by Alberta-based Investment Companies and Funds for 2014 is not yet final and may be revised in subsequent reports. However, in 2013 \$1.5 billion was raised by Alberta-based Investment Companies and Funds (previously reported as \$0.5 billion in the 2014 Alberta Capital Market report), which was less than half of the funds raised in 2012.

¹¹ Bio-tech, Forestry, Hi-tech and Other. Note that mining exploration/development and mining production have been grouped under Mining in this report.

CHART 25: TOTAL RAISED IN THE EXEMPT MARKET BY ALBERTA-BASED ISSUERS, BY INVESTOR LOCATION



As shown in Chart 25, Alberta-based issuers have typically raised about one-quarter of capital in the exempt market, in aggregate, from Albertans. Based on data reported to date, the proportion of the capital raised by Alberta-based issuers from Alberta investors was only 21 per cent in 2014. A significant source of capital for Alberta-based issuers was from investors based in Ontario, the U.S. and internationally, where larger institutional investors tend to be located. In 2014, nearly half of the funds raised by Alberta-based issuers was from investors in the U.S., a record for the last five years in both total amount, \$5.0 billion, and proportion.

CHART 26: TOTAL RAISED IN THE EXEMPT MARKET BY ALBERTA-BASED ISSUERS, BY SECURITY TYPE

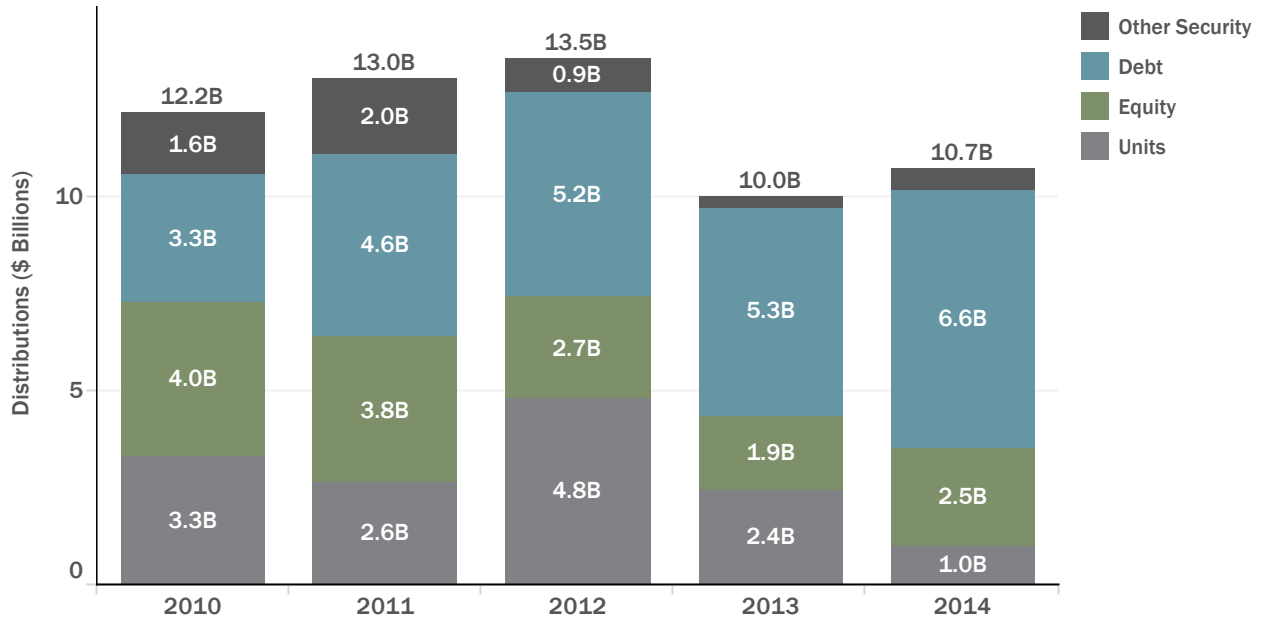


Chart 26 shows a broad breakdown by type of security distributed by Alberta-based issuers. In four of the past five years (based on distributions reported to date), Debt securities have been the most common type of security issued, accounting for almost two-thirds of the total in 2014. As more investment funds report distributions for 2014, distributions of Units will likely increase.

CHART 27: TOTAL RAISED IN THE EXEMPT MARKET BY ALBERTA-BASED ISSUERS, BY EXEMPTION

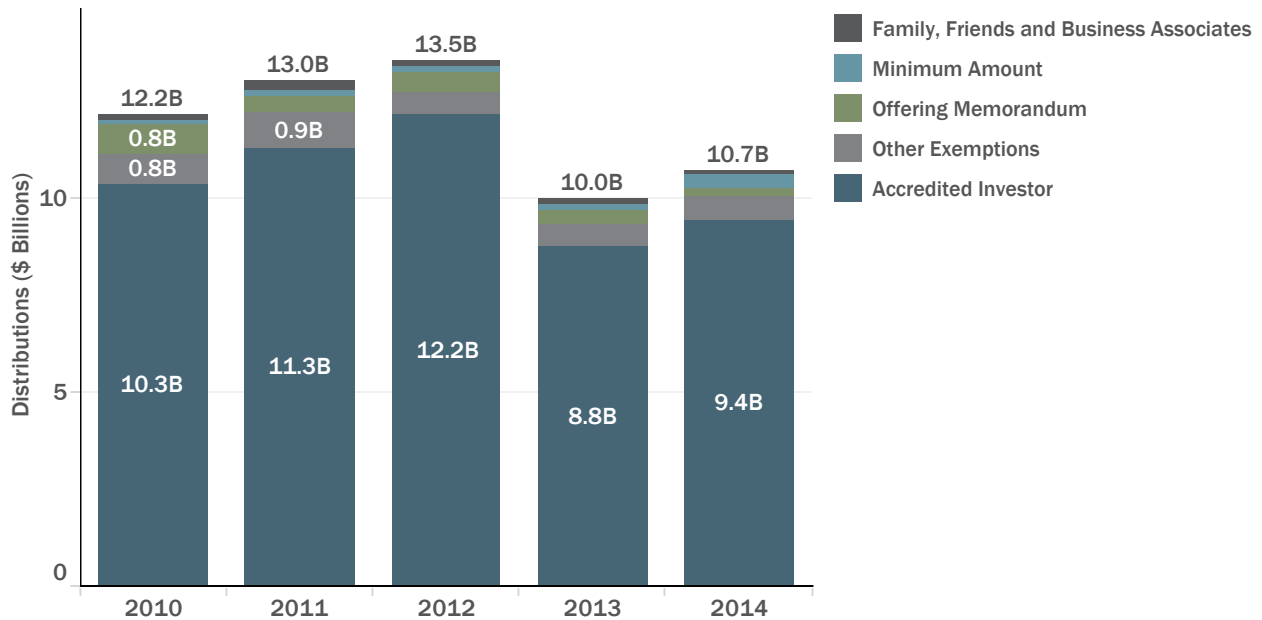


Chart 27 shows the prospectus exemptions relied on by Alberta-based issuers to raise capital in the exempt market.¹² Based on reported distributions to date, approximately \$9.4 billion (88 per cent) of the capital raised was under the accredited investor (AI) exemption, compared with \$8.8 billion (88 per cent) in 2013. Approximately \$0.2 billion was raised under the Offering Memorandum (OM) exemption in 2014, compared with \$0.4 billion in 2013.

Each of the exemptions shown in Chart 27 are available when specific conditions are met by the issuer. These conditions may be found in the relevant sections of National Instrument 45-106 *Prospectus and Registration Exemptions*. However, each of the four exemptions shown in Chart 27 also depend on the circumstances of the purchaser, summarized in Table A as context to the data in this report.

Table A: Data Sources for Combined Dataset

Exemption	Summary of Certain Provisions Applicable to Individuals
Accredited Investor	Individuals who are accredited based on exceeding specified income, net financial asset or net asset thresholds.
Family, Friends and Business Associates	Individuals who are a director, executive officer or control person of the issuer, or of an affiliate of the issuer, and specified family members, close personal friends or close business associates of such persons.
Offering Memorandum	Individuals who have received a valid Form 45-106F2 Offering Memorandum of the issuer and are either purchasing not more than \$10,000 of the issuer's securities or are an eligible investor based on exceeding specified income or net asset thresholds.
Minimum Amount	Individuals purchasing a minimum of \$150,000 of securities in a single transaction from a single issuer. Effective May 5, 2015 this exemption will no longer be available to issuers distributing to individuals.

Investments in the Exempt Market by Albertans

This section analyzes the capital invested by Albertans versus capital raised by Alberta issuers, which reveals some significant differences. As shown in Chart 29, the greatest proportion of investments by Albertans in the exempt market from 2010-2014 were investment funds. As noted, because investment funds may report distributions up to 30 days following the fund's fiscal year-end, the data reported for 2014 is incomplete. To give a clearer picture, investments reported for 2013 will be discussed in greater detail in this section.

Chart 28 shows a break down by whether Albertans invested in reporting issuers or non-reporting issuers in the exempt market. In 2013, \$9.7 billion (88 per cent) of a total \$11.0 billion raised was invested by Albertans in non-reporting issuers. The proportion of investment in non-reporting issuers by Albertans over the last five years was much greater than the comparable analysis of Alberta-based issuers shown in Chart 23, which showed that only 46 per cent of Alberta-based issuers were non-reporting in 2013 (40 per cent in 2014). The primary reason for the greater concentration of non-reporting issuers in Chart 28 is that investment funds distributing securities in the exempt market tend to be non-reporting issuers.

¹² Specifically shown in Chart 27 are section 2.3 Accredited Investor, section 2.5 Family, Friends and Business Associates, section 2.9 Offering Memorandum, and section 2.10 Minimum Amount Investment, as well as other exemptions available in National Instrument 45-106 *Prospectus and Registration Exemptions* and reported to the ASC under Part 6.

CHART 28: TOTAL INVESTED IN THE EXEMPT MARKET BY ALBERTANS, BY ISSUER REPORTING TYPE

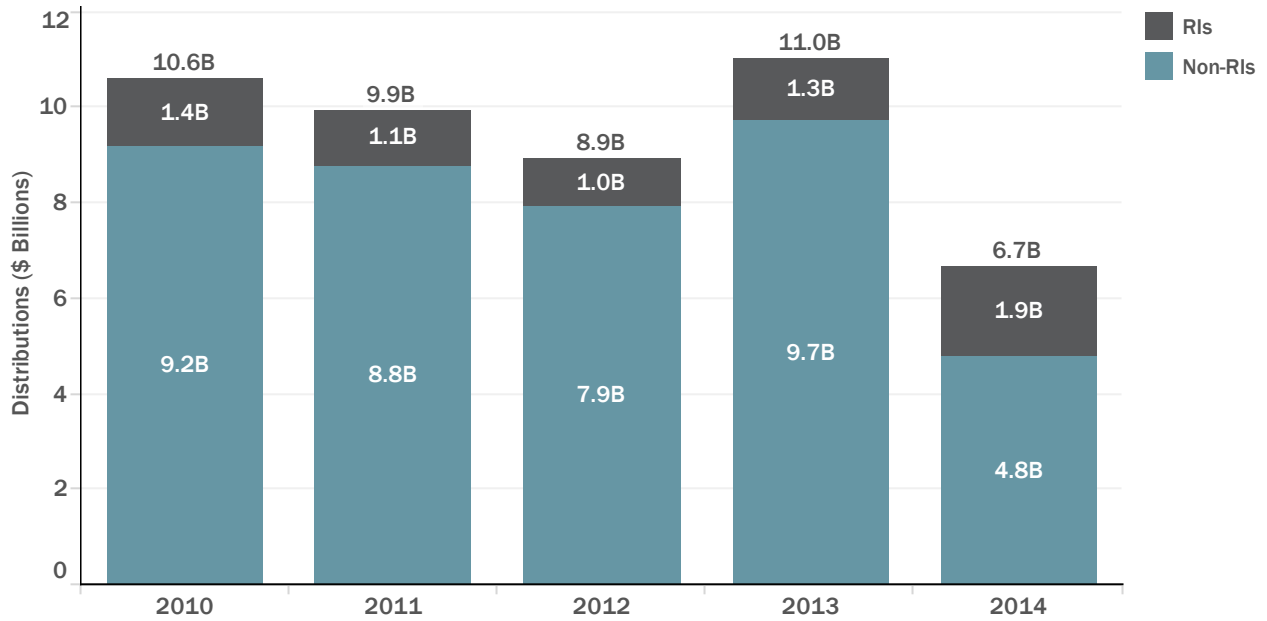
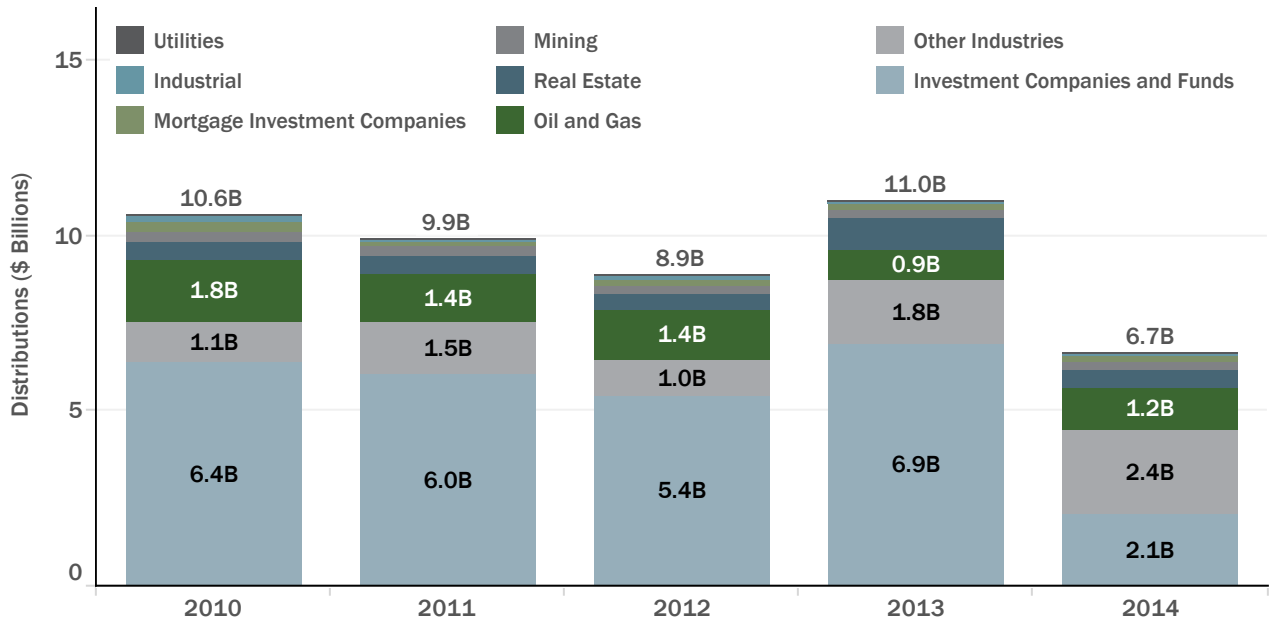


CHART 29: TOTAL INVESTED IN THE EXEMPT MARKET BY ALBERTANS, BY INDUSTRY



As shown in Chart 29, the greatest proportion of funds from Alberta-based investors in 2010-2013 were invested in the Investment Companies and Funds industry. In 2013, \$6.9 billion (63 per cent) of investments by Albertans were in investment funds, compared with 61 per cent in 2012. It should be noted that the 2013 total for Investment Companies and Funds reported in the 2014 Alberta Capital

Market report was \$3.0 billion, a change of \$3.9 billion. Therefore, the preliminary total of \$1.9 billion for Investment Companies and Funds in 2014 in this report will likely be revised significantly upward over the following year. It is not known how the total funds invested in the exempt market by Albertans for 2014 will ultimately compare to the total of \$11.0 billion in 2013. However, it is possible to compare other industries, because the reporting deadline for non-reporting issuers is 10 days following a distribution. In 2014, Albertans invested \$2.4 billion in Other Industries (of which \$2.3 billion was reported as Other on the Report of Exempt Distribution); up from \$1.8 billion in 2013 (\$1.6 reported as Other). Investments in Oil and Gas issuers increased to \$1.2 billion in 2014 from \$0.9 billion in 2013, while investments in Real Estate decreased to \$0.5 billion in 2014 from \$0.9 billion in 2013.

CHART 30: TOTAL INVESTED IN THE EXEMPT MARKET BY ALBERTANS, BY ISSUER LOCATION

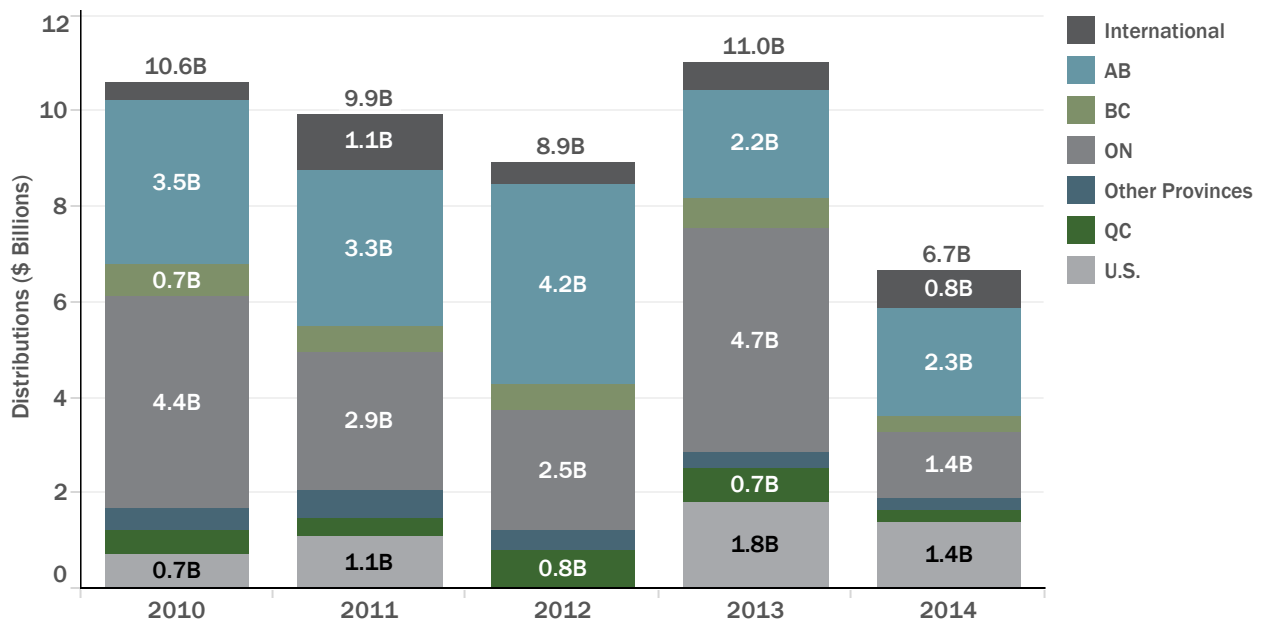


Chart 30 shows the major jurisdictions where Albertans invested in the exempt market over the last five years. In 2013, \$4.7 billion was invested in issuers located in Ontario, which was approximately 43 per cent of the \$11.0 billion total raised. Albertans invested \$2.2 billion (20 per cent) in Alberta-based issuers and in 2012 the amount invested in Alberta-based issuers was considerably greater at \$4.2 billion or 47 per cent of the total.

CHART 31: TOTAL INVESTED IN THE EXEMPT MARKET BY ALBERTANS, BY SECURITY TYPE

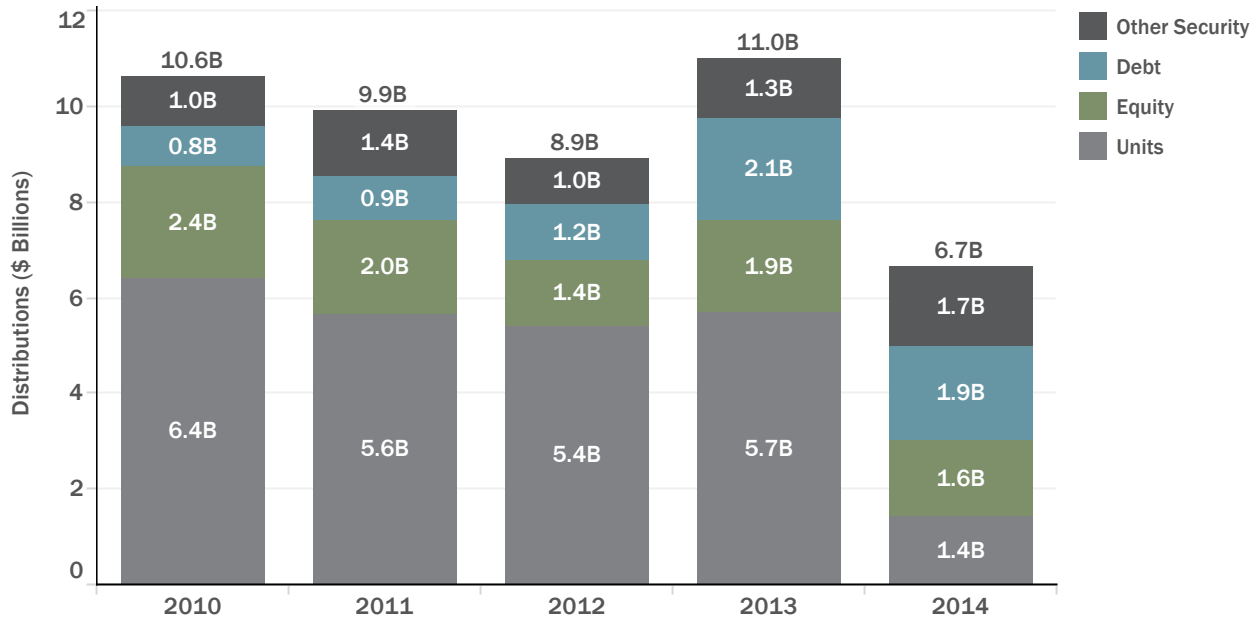
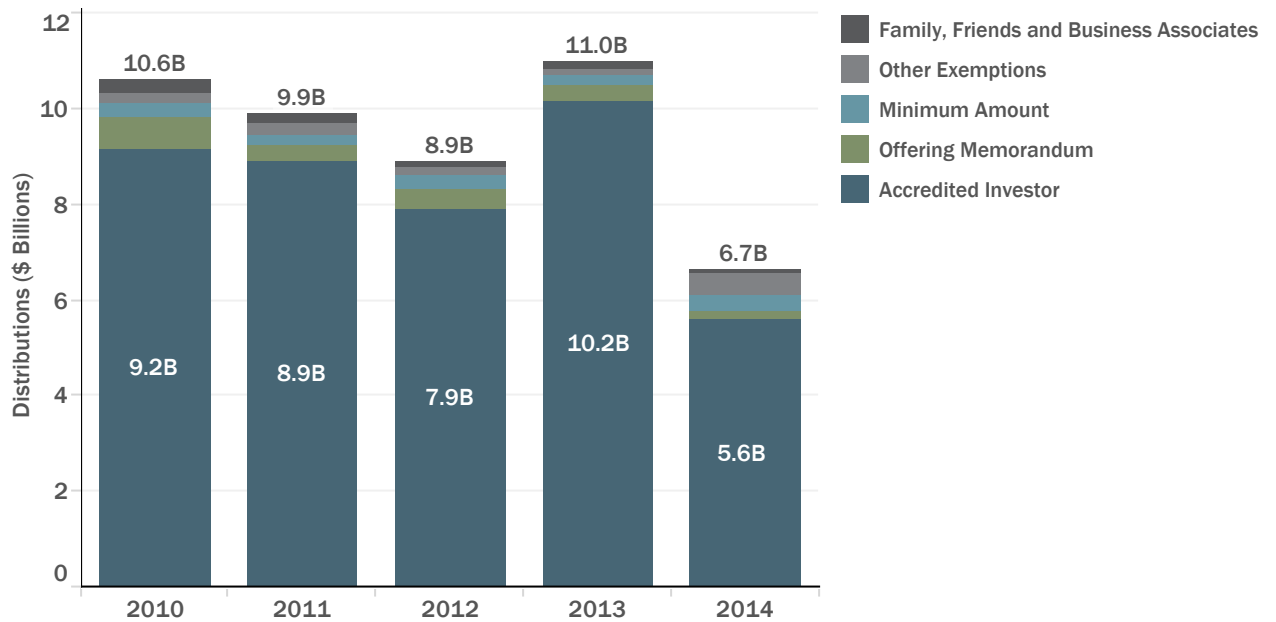


Chart 31 segments the total funds invested by Albertans by the type of security purchased. Based on the significant investment in investment funds, it is not surprising that the greatest type of security purchased was Units, for a total of \$5.7 billion (52 per cent) in 2013. Non-investment fund issuers typically raise capital through Equity or Debt securities. In 2014, \$1.9 billion of Debt securities were purchased by Albertans in the exempt market, down 9.5 per cent from the \$2.1 billion invested in 2013. In 2014, \$1.6 billion of Equity securities were purchased by Albertans in the exempt market, a decrease of 16 per cent from \$1.9 billion invested in 2013.

CHART 32: TOTAL INVESTED IN THE EXEMPT MARKET BY ALBERTANS, BY EXEMPTION RELIED ON BY ISSUER



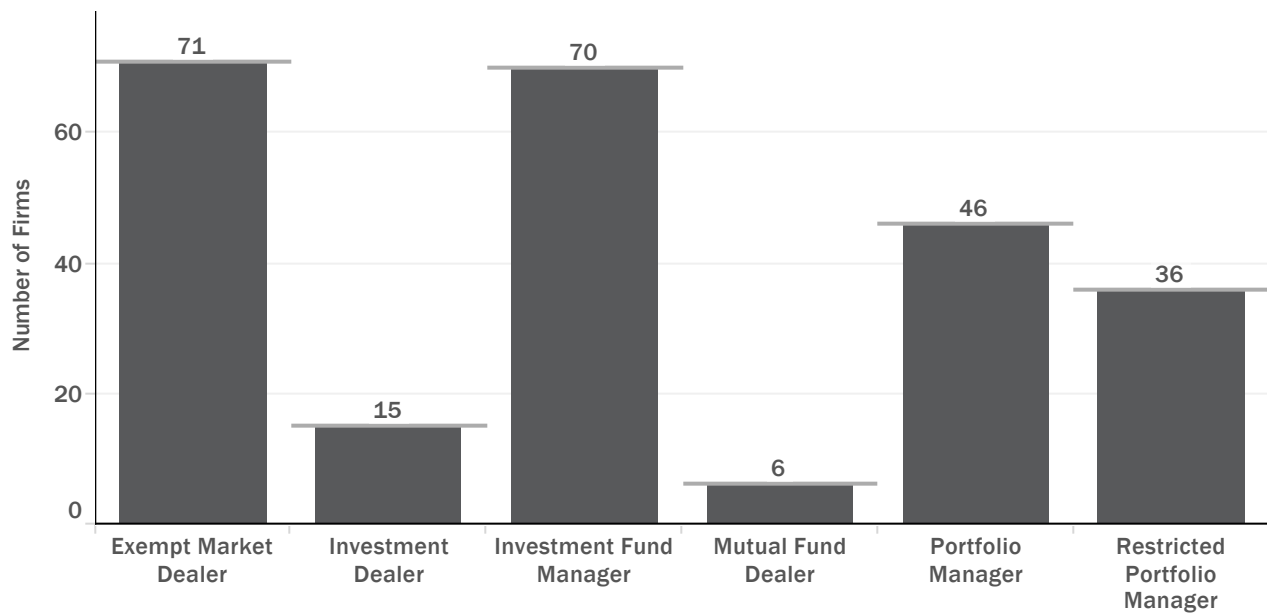
The most apparent element in Chart 32 is the dominant reliance on the accredited investor (AI) exemption by issuers to distribute securities to Albertans.¹³ In 2013, \$10.2 billion (93 per cent) of the total \$11.0 billion was invested by Albertans that qualified as accredited investors. The second greatest amount of capital raised was under the offering memorandum (OM) exemption, which totalled \$0.3 billion (2.7 per cent) in 2013.

¹³ Although the conditions of the exemptions shown here, Accredited Investor, Family, Friends and Business Associates, Minimum Amount Invested, and Offering Memorandum, are based on the investor, it is still the issuer that relies on the prospectus exemption to distribute the securities. See Table A on page 33 for a summary.

Registration

Market participants must register if they are in the business of trading or advising in securities or managing investment funds, unless the firm is able to rely on an available exemption.¹⁴ There are several categories of firm registration. These include dealer categories, adviser categories and the investment fund manager category. This section provides an overview of the registered firms that are principally regulated by the ASC and the categories in which they are registered.

CHART 33: NUMBER OF ALBERTA PR FIRMS IN EACH REGISTRATION CATEGORY



As of the date of this report, there were 124 firms principally regulated by the ASC. Chart 33 shows a tally of the number of registrations in each category.¹⁵ Since firms may register in multiple categories, please note that the sum of all registrations is not the same as the total number of firms principally regulated by the ASC. Among Alberta PR firms, at the time of this report, the most common category of registration was Exempt Market Dealer with 71 firms registered. The next most common was Investment Fund Manager with 70 firms, Portfolio Manager with 46 firms and Restricted Portfolio Manager with 36 firms. There were also 15 firms registered in the Investment Dealer category and six firms registered in the Mutual Fund Dealer category.

¹⁴ See National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*.

¹⁵ Categories with zero Alberta PR firms have not been shown.

CHART 34: ALBERTA PR FIRMS BY NUMBER OF REGISTRATION CATEGORIES

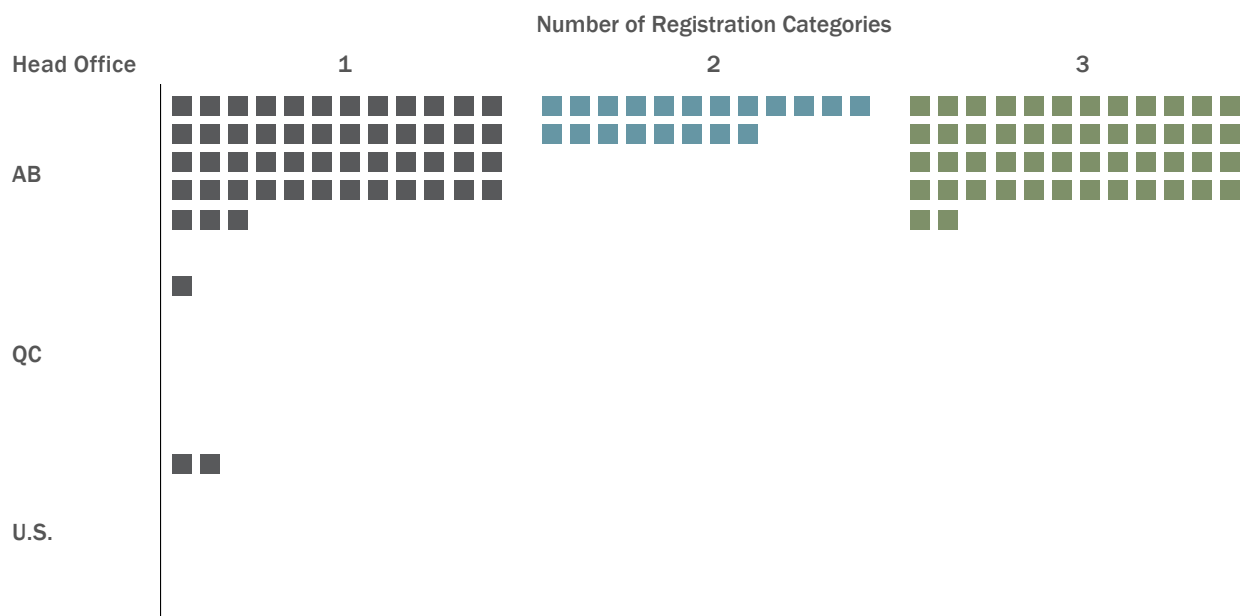


Chart 34 shows how many firms were registered in one, two or three categories. There were 54 firms registered in a single category or 44 per cent of all Alberta PR registered firms. There were also 50 firms that were registered in three categories, representing 40 per cent of all firms. Typically, these firms were registered as Exempt Market Dealers, Investment Fund Managers, and either a Portfolio Manager or Restricted Portfolio Manager. There were 20 firms registered in two categories, 16 per cent of all Alberta PR firms. These firms were typically Investment Fund Managers and either a Portfolio Manager or Restricted Portfolio Manager.

Energy Markets

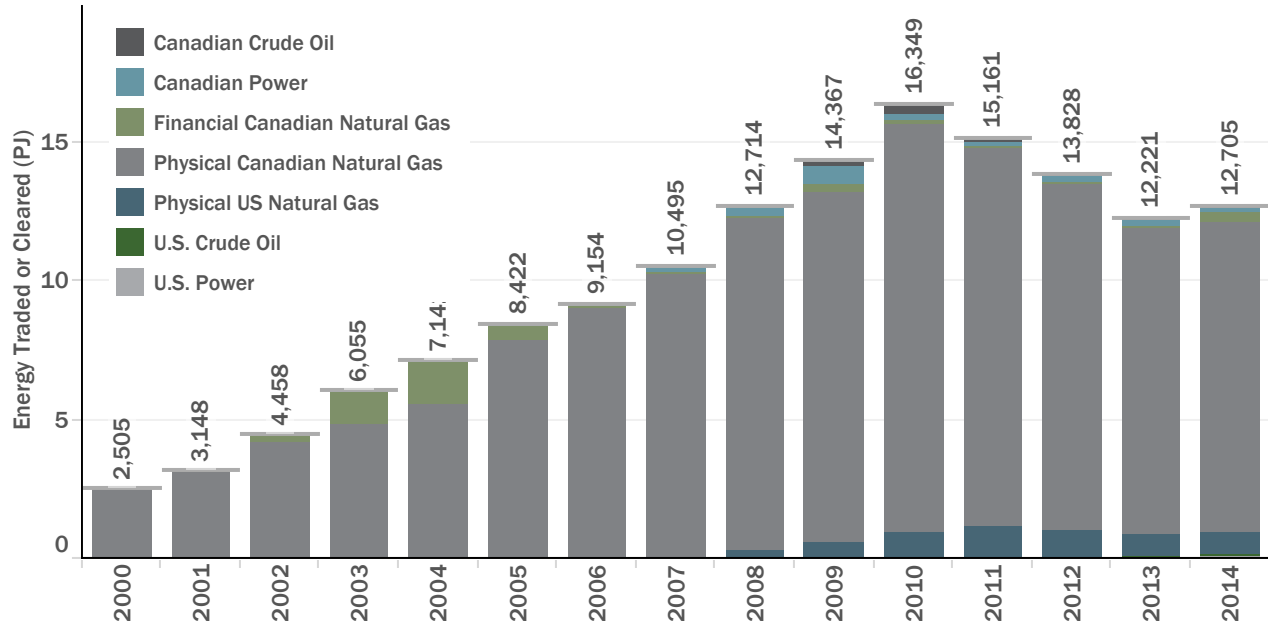
CHART 35: ENERGY TRADED OR CLEARED ON NGX


Chart 35 shows the total energy contracts traded or cleared on NGX each year since 2000. Total volume traded in 2014 increased to 12,705 PJ, up four per cent over 2013 when 12,221 PJ was cleared across various natural gas, crude oil, and power contracts. The bulk of trading or clearing continued to be Physical Canadian Natural Gas (contracts with physical settlement), which totalled 11,120 PJ in 2014 and accounted for 88 per cent of total volume in 2014. The second largest volume was in Physical U.S. Natural Gas, which totalled 839 PJ in 2014, or 6.6 per cent of the total. Chart 35 also shows the recent return of Financial Canadian Natural Gas (i.e. contracts with financial settlement). In 2014, 390 PJ of Financial Canadian Natural Gas were traded or cleared on NGX, representing 3.1 per cent of the total for the year. This proportion compared with about 0.5 per cent in 2011–2013, when the proportion of Physical Canadian Natural Gas was 90 per cent. Combined, natural gas amounted to 97 per cent of the energy traded or cleared on NGX in 2014 and 2013, but down from 98 per cent in 2012.

Appendix: Methodology

Listed Issuer Markets

For the analysis of listed reporting issuers, data has been combined from ASC records, the TMX, SEDAR and Bloomberg. This allowed the report to include all listed reporting issuers in Alberta and conduct analysis by principal regulator, instead of head office location. This section summarizes how this combined data was created and highlights some differences between key fields.

ASC Records

The ASC maintains a record of all issuers reporting in Alberta, based on reporting by issuers on SEDAR, which includes issuers listed on the TSX, TSXV and other exchanges. This record includes the following fields of interest, among others:

- industry;
- location of issuers' head office;
- issuers' principal regulator; and
- the exchanges on which the issuer is listed.

TMX Data

The TMX has data for issuers listed on the TSX and TSXV exchanges as of December 31 each year. The dataset includes the following fields of interest, among others:

- market capitalization at December 31;
- industry, as defined by the TMX;
- location of the issuers' head office; and
- whether the issuer graduated from the TSXV, in the case of TSX-listed issuers.

Combined Data

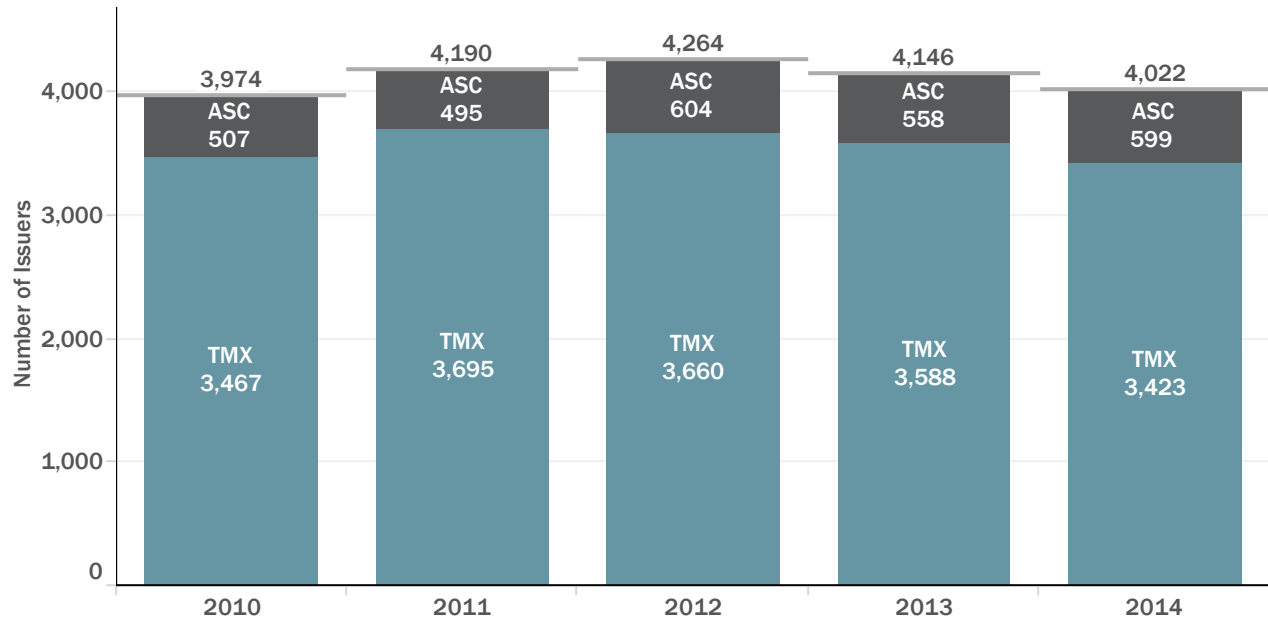
Table B shows the primary source for data used in the analysis of listed reporting issuers in this report.

Table B: Data Sources for Combined Dataset

Data Field	Source
Market capitalization	TMX when available, otherwise Bloomberg, with foreign currencies converted into Canadian dollars as at December 31 based on the spot foreign exchange rate at the time. Also, the market capitalization from Bloomberg was used when it was more than two times the market capitalization from TMX. Companies were excluded when no market capitalization was available unless listed on a Canadian exchange according to SEDAR.
Industry	TMX when available, otherwise SEDAR. TMX oil and gas, and diversified industries were segmented for this report based on the SEDAR industry selections.
Principal regulator	ASC records.
TSXV graduate	TMX.

As shown in Chart 36 and Chart 37, the combined data provides a more comprehensive picture of the total number of reporting issuers and the market capitalization of those issuers.

CHART 36: NUMBER OF LISTED REPORTING ISSUERS BY DATA SOURCE



As shown in Chart 36, the number of issuers included in the data is about 17 per cent greater with the addition of reporting issuers listed on other exchanges. “TMX” indicates the number of issuers for which the data was sourced from the TMX, and “ASC” indicates the number of issuers for which the data was sourced from ASC records for purposes of this report.

CHART 37: MARKET CAPITALIZATION OF LISTED REPORTING ISSUERS BY DATA SOURCE

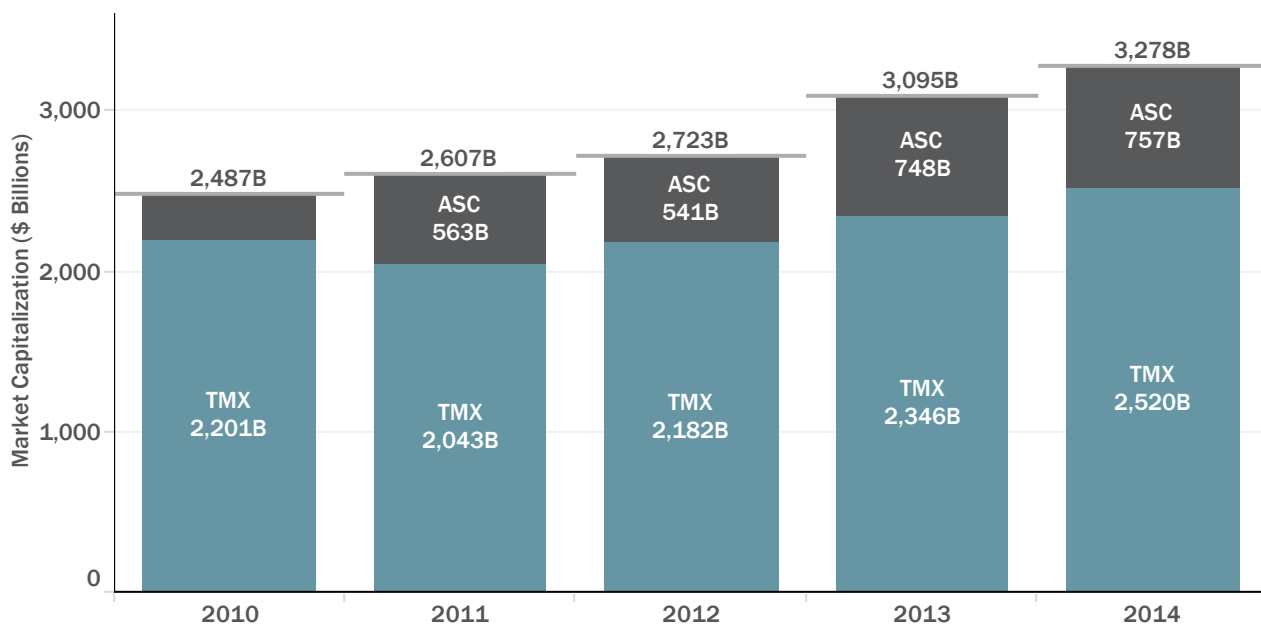


Chart 37 shows that the total market capitalization of all issuers included in the data is about 26 per cent greater with the addition of reporting issuers listed on other exchanges.

CHART 38: TOTAL MARKET CAPITALIZATION BY SEDAR HEAD OFFICE (TOP) AND PR (BOTTOM) FOR 2014

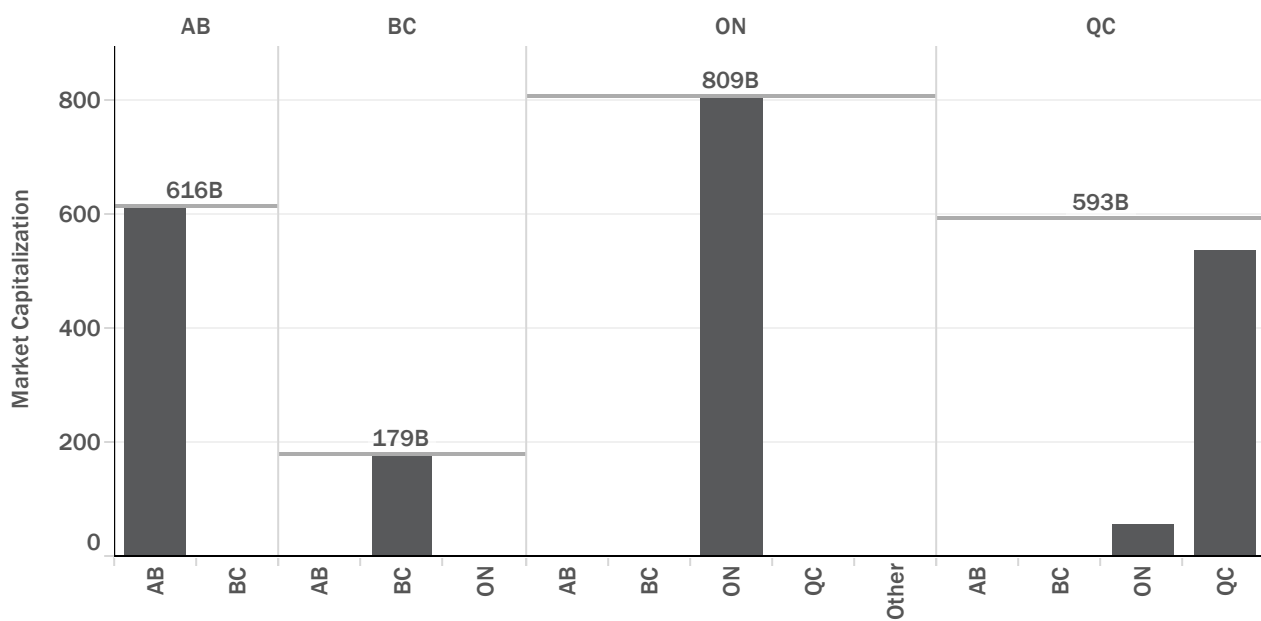
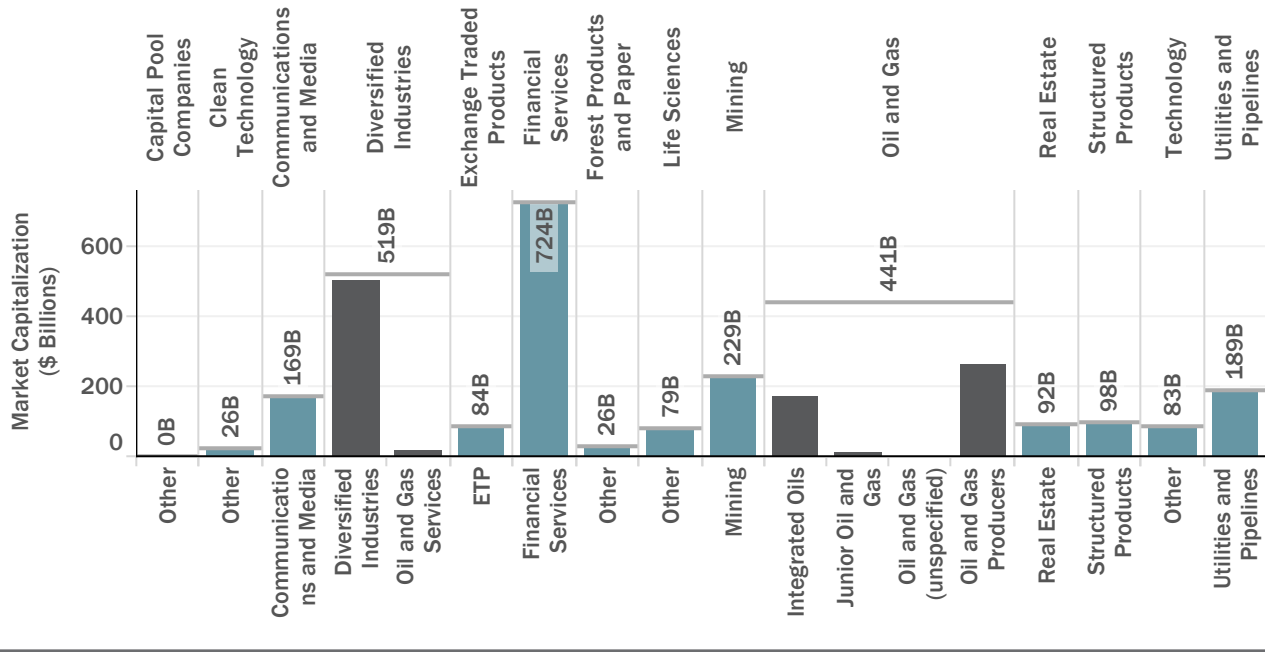


Chart 38 shows total market capitalization of issuers in 2014 with the SEDAR head office on the top axis and the PR on the bottom axis. There are relatively few cases where the two are not the same, with the most

noticeable exception being one large issuer headquartered in Québec with Ontario as the PR. While this report has been prepared on the basis of PR instead of head office location as in prior reports, the overall conclusions drawn on the basis of PR should apply to the head office as well.

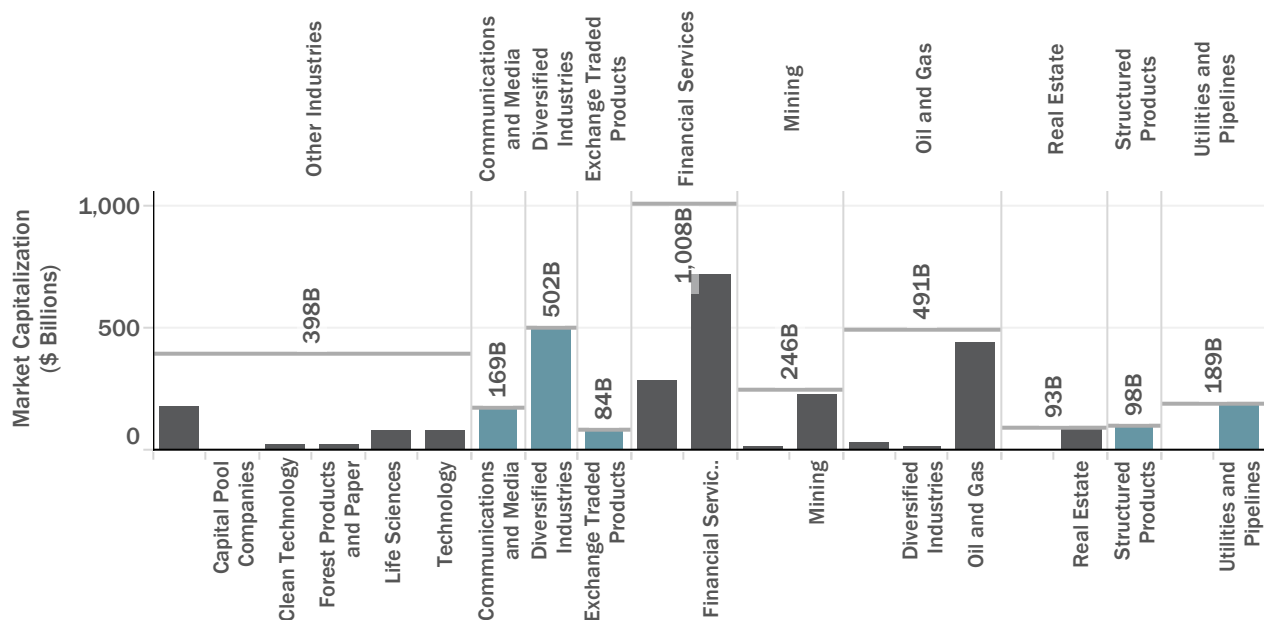
CHART 39: TOTAL MARKET CAPITALIZATION BY TMX INDUSTRY (TOP) VS. SEDAR (BOTTOM) FOR 2014



The industry classifications used by the TMX and SEDAR are different, with greater segmentation in the SEDAR sub-categories. For those issuers listed on the TSX or TSXV exchanges, the TMX classification was chosen, with two notable exceptions for the purposes of analysis of the Oil and Gas industry. All Oil and Gas issuers are grouped by the TMX in one category, while SEDAR has four sub-sectors: Integrated Oils, Junior Oil and Gas, Oil and Gas Producers and Oil and Gas Services. Where Oil and Gas issuers in the TMX data could be mapped to SEDAR, the SEDAR industry classification was used for the purposes of greater segmentation. The TMX also includes Oil and Gas Services in Diversified Industries. For the purposes of this report, these issuers were reclassified where possible to Oil and Gas Services. In aggregation, Oil and Gas Services were included in the Oil and Gas category for purposes of this report, not in Diversified Industries.

Chart 39 shows the effect of this reclassification for issuers in the TMX dataset, on the basis of market capitalization for 2014, with the main differences distinguished by colour. The TMX industries are listed on the top axis and SEDAR industries are listed on the bottom. Note that certain TMX industry categories were classified into Other for purposes of this report.

CHART 40: TOTAL MARKET CAPITALIZATION BY SEDAR INDUSTRY (TOP) VS. TMX (BOTTOM) FOR 2014



Note: blanks show additional reporting issuers not classified by the ASC into TMX classifications.

For reporting issuers listed on other exchanges, the SEDAR classification was used, with the placement of issuers into the existing TMX classification where the categories seemed to be consistent. All additional categories were moved to Other.

Chart 40 shows the main differences of this placement, on the basis of market capitalization, for all reporting issuers in 2014. The SEDAR classification is shown on top (with sub-categories aggregated) and the TMX category on the bottom. Note that there are several blanks on the bottom axis. These blanks represent issuers listed on other exchanges where the SEDAR industry could not be mapped to an equivalent TMX industry.



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