

International Minerals Innovation Institute
Financial Statements
December 31, 2017

International Minerals Innovation Institute
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For the year ended December 31, 2017

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Management's Responsibility

To the Members of International Minerals Innovation Institute:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Finance and Audit Committee are composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Finance and Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Organization's external auditors.

MNP LLP is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

March 29, 2018



Executive Director

Independent Auditors' Report

To the Members of International Minerals Innovation Institute:

We have audited the accompanying financial statements of International Minerals Innovation Institute, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of International Minerals Innovation Institute as at December 31, 2017 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.

Saskatoon, Saskatchewan

March 29, 2018

MNP LLP

Chartered Professional Accountants

International Minerals Innovation Institute

Statement of Financial Position

As at December 31, 2017

	2017	2016
Assets		
Current		
Cash and cash equivalents <i>(Note 3)</i>	3,609,221	3,230,452
Accounts receivable <i>(Note 4)</i>	11,271	69,006
Goods and Services Tax receivable	4,207	2,964
Prepaid expenses and deposits	24,185	16,544
	3,648,884	3,318,966
Capital assets <i>(Note 5)</i>	610,936	685,191
	4,259,820	4,004,157
Liabilities		
Current		
Accounts payable and accruals	126,739	246,354
Deferred contributions <i>(Note 6)</i>	184,276	116,463
Current portion of deferred contributions - corrosion project <i>(Note 7)</i>	70,823	70,823
	381,838	433,640
Deferred contributions - corrosion project <i>(Note 7)</i>	531,169	601,991
	913,007	1,035,631
Commitments <i>(Note 10)</i>		
Net Assets		
Internally restricted <i>(Note 3), (Note 8)</i>	1,813,072	2,081,096
Unrestricted	1,533,741	887,430
	3,346,813	2,968,526
	4,259,820	4,004,157

Approved on behalf of the Board of Directors



Director



Director

The accompanying notes are an integral part of these financial statements

International Minerals Innovation Institute

Statement of Operations

For the year ended December 31, 2017

	2017	2016
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Revenue		
Grant revenue (Note 6)	1,065,990	903,000
Memberships (Note 6)	770,343	1,187,009
Sponsorship (Note 6), (Note 7)	369,198	637,656
Special projects	31,932	-
	<hr/>	<hr/>
	2,237,463	2,727,665
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Expenses		
Advertising	28,978	35,638
Amortization	2,377	3,504
Bank charges and interest	791	773
Contracted services	42,226	46,810
Insurance	2,699	2,674
Legal and accounting fees	29,615	26,530
Meetings and conferences	4,030	4,399
Office supplies and expenses	6,290	9,888
Rent	35,434	35,537
Salaries and benefits	305,297	313,325
Telephone	4,029	3,062
Travel	11,545	11,133
Website development & IT support	5,795	6,504
	<hr/>	<hr/>
	479,106	499,777
Education and Training Expenses	822,582	1,411,249
Research and Development Expenses	529,025	711,314
Special Project Expenses	54,948	-
	<hr/>	<hr/>
Total expenses	1,885,661	2,622,340
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Excess of revenue over expenses before other items	351,802	105,325
Other income (loss)		
Interest income	27,540	15,861
Foreign exchange loss	-	(256)
Loss on disposal of capital assets	(1,055)	(66)
	<hr/>	<hr/>
	26,485	15,539
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Excess of revenue over expenses	378,287	120,864
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The accompanying notes are an integral part of these financial statements

International Minerals Innovation Institute Statement of Changes in Net Assets

For the year ended December 31, 2017

	<i>Internally restricted</i>	<i>Unrestricted</i>	2017	2016
Net assets beginning of year	2,081,096	887,430	2,968,526	2,847,662
Transfer to unrestricted during year <i>(Note 8)</i>	(268,024)	268,024	-	-
Excess of revenue over expenses	-	378,287	378,287	120,864
Net assets, end of year	1,813,072	1,533,741	3,346,813	2,968,526

The accompanying notes are an integral part of these financial statements

International Minerals Innovation Institute

Statement of Cash Flows

For the year ended December 31, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	378,287	120,864
Amortization	2,377	3,504
Amortization of corrosion project equipment (Note 5)	70,822	35,411
Loss on disposal of capital assets	1,055	66
Deferred contributions - corrosion project recognized (Note 7)	(70,822)	(35,411)
	381,719	124,434
Changes in working capital accounts		
Accounts receivable	57,735	333,792
Prepaid expenses and deposits	(7,641)	(15,944)
Accounts payable and accruals	(119,614)	(79,420)
Deferred contributions	67,813	(157,009)
Goods and Services Tax receivable	(1,243)	(9,366)
	378,769	196,487
Financing		
Cash contributions received for corrosion project (Note 7)	-	708,225
Investing		
Proceeds on disposal of short-term investments	-	2,313,026
Purchase of capital assets	-	(608,135)
Proceeds on disposal of capital assets	-	125
	-	1,705,016
Increase in cash and cash equivalents	378,769	2,609,728
Cash and cash equivalents, beginning of year	3,230,452	620,724
Cash and cash equivalents, end of year	3,609,221	3,230,452

The accompanying notes are an integral part of these financial statements

International Minerals Innovation Institute

Notes to the Financial Statements

For the year ended December 31, 2017

1. Incorporation and nature of the organization

International Minerals Innovation Institute (the "Organization") was incorporated under the authority of the Non-Profit Corporation Act, 1995 on January 27, 2012 and is registered as a not-for-profit organization and thus is exempt from income taxes under section 149(1) of the Income Tax Act ("the Act").

The Organization's purpose is to fund and facilitate the design of education and training programs and research and development projects for the mining and minerals industry in Saskatchewan.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents includes balances with banks and savings deposits with no term to maturity.

Short-term investments

Short-term investments consist of GIC's held with maturity dates from one to twelve months after the fiscal year end that are measured at cost less impairment.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined.

Amortization is provided using the declining balance or straight-line methods at rates intended to amortize the cost of assets over their estimated useful lives. In the year of acquisition, amortization is taken at one-half of the annual rate.

	Method	Rate
Computer equipment	declining balance	55 %
Corrosion project equipment	straight-line	10 years
Furniture and fixtures	declining balance	20 %

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions 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.

The Organization recognizes interest on short-term investments over the term of the investment if the amount to be received can be reasonably estimated and collection is reasonably assured.

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized portion of restricted contributions that were used to purchase the Organization's corrosion project equipment. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

When the Organization determines that a long-lived asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with CPA Canada Section 3840 *Related Party Transactions*.

At initial recognition, the Organization may irrevocably elect to subsequently measure any financial instrument at fair value. The Organization has not made such an election during the year. The Organization subsequently measures all financial assets and liabilities at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments are added to the carrying amount for those financial instruments subsequently measured at amortized cost.

Financial asset impairment

The Organization assesses impairment of all of its financial assets measured at amortized cost. The Organization groups assets for impairment testing when there are numerous assets affected by the same factors. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenue over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenue over expenses in the year the reversal occurs.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

Management estimates grant revenue and member fees earned and deferred based on its best understanding of the terms and conditions that apply to the funding arrangements entered into by the Organization.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenue over expenses in the periods in which they become known.

Foreign currency translation

These financial statements have been presented in Canadian dollars, the principal currency of the Organization's operations.

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and monetary liabilities reflect the exchange rates at the statement of financial position date. Gains and losses on translation or settlement are included in the determination of excess of revenue over expenses for the current period.

International Minerals Innovation Institute
Notes to the Financial Statements
For the year ended December 31, 2017

3. Cash and cash equivalents

	<i>2017</i>	<i>2016</i>
Chequing account	188,262	386,467
Savings deposit - 0.9% (2016 - 0.8%)	3,294,694	2,718,642
Savings deposit - 0.9% (2016 - 0.8%)	126,265	125,343
	3,609,221	3,230,452

The Organization has internally restricted \$1,813,072 (2016 - \$2,081,096) of savings deposits held for the purposes of funding the internally restricted net assets and future project commitments as described in Note 8.

4. Accounts receivable

Included in accounts receivable is \$nil (2016 - \$25,000) related to Innovation Saskatchewan government funding.

5. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2017 Net book value</i>	<i>2016 Net book value</i>
Computer equipment	4,145	4,022	123	395
Furniture and fixtures	24,014	15,192	8,822	11,982
Corrosion project equipment	708,225	106,234	601,991	672,814
	736,384	125,448	610,936	685,191

The corrosion project equipment will be used by the educational institutions outlined in Note 10, R & D project #1 for the term of the project and the intent is for the Organization to transfer the equipment to these institutions upon conclusion of the project.

Amortization expense of \$70,822 (2016 - \$35,411) on the corrosion project equipment is included in research and development expenses on the statement of operations.

International Minerals Innovation Institute
Notes to the Financial Statements
For the year ended December 31, 2017

6. Deferred contributions

Deferred contributions consist of unspent grant revenue and member fees externally restricted for operating expenses, education and training programs and research and development programs. Recognition of these amounts as revenue is deferred to periods when the specified expenditures are made. Changes in the deferred contribution balance are as follows:

	2017	2016
<i>Deferred contribution - memberships</i>		
Balance, beginning of year	91,463	273,472
Membership fees received during the year	730,000	1,005,000
Less: Membership fees recognized as revenue in current year	(770,343)	(1,187,009)
Balance, end of year	51,120	91,463
<i>Deferred contribution - grants and special projects</i>		
Balance, beginning of year	25,000	-
Grants received during the year	1,200,000	928,000
Less: Grants and special projects funding recognized as revenue in current year	(1,091,844)	(903,000)
Balance, end of year	133,156	25,000
<i>Deferred contribution - pay to play projects</i>		
Sponsorship contributions received during the year	369,198	1,310,470
Less: Contributions received relating to capital assets (Note 7)	-	(708,225)
Less: Sponsorships recognized as revenue in current year	(369,198)	(602,245)
Balance, end of year	-	-
Total deferred contributions	184,276	116,463

7. Deferred contributions - corrosion project

Deferred capital contributions consist of the unamortized amount of contributions received for the purchase of capital assets for the Corrosion Mining Minerals Research Cluster project. Recognition of these amounts as revenue is deferred to years when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

	2017	2016
Balance, beginning of year	672,814	-
Sponsorship contributions relating to capital assets received during the year	-	708,225
Less: Amounts recognized as sponsorship revenue during the year	(70,822)	(35,411)
Less: current portion	601,992	672,814
Balance, end of year	70,823	70,823
Balance, end of year	531,169	601,991

8. Restrictions on net assets

Internally restricted net assets

The Organization's board of directors maintained its internal restriction of \$125,000 (2016 – \$125,000) of net assets to be held for future severance, lease buyouts, legal and accounting services in the situation the Organization needs to wind down. This reserve is funded by a separate savings deposit held and described in Note 3 and is to be reviewed every three years or in the event of a material change in the Organization.

In addition, the Organization's board of directors reduced its internally restricted net assets to \$1,688,072 (2016 - \$1,956,096) to fund the 2018 and 2019 project commitments outlined in Note 10. This resulted in a transfer of \$268,024 to the unrestricted fund during the year.

These restricted amounts are not available for other purposes without approval of the board of directors and are funded by \$1,813,072 (2016 - \$2,081,096) of cash and cash equivalents as outlined in Note 3.

9. Financial instruments

The Organization, as part of its operations, carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

As at December 31, 2017, three (2016 - four) customers accounted for 91% (2016 - 99%) of the accounts receivable which is \$11,271 (2016 - \$69,006). The Organization believes that there is no unusual exposure associated with the collection of these receivables. The Organization performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

The Organization has a concentration of risk because substantially all of its member fees are from organizations in the mining and minerals industry. Therefore, impairment of this industry would inhibit the operations of the Organization.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. US dollar denominated accounts payable at December 31, 2017 were \$nil CAD (2016 - \$nil CAD).

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization's exposure to liquidity risk is dependent on the collection of accounts receivable, funding and purchasing commitments and obligations or raising funds to meet commitments and sustain operations.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Organization is exposed to interest rate price risk on its cash and cash equivalents as they are at fixed interest rates.

10. Commitments

The Organization has approved various funding proposals associated with Education and Training and Research and Development. The approved funding commitments as a result have been provided in detail in the discussion below:

Education and Training ("E&T") Funding Commitments:

- 1) Cumberland College Equipment Funding and Safety Training Funding:** the Organization committed to funding \$504,000 for the purposes of buying equipment for Electrical and Industrial Mechanics along with funding safety training. Of the total commitment, \$466,000 was paid up to 2017 and the remaining \$38,000 is to be paid over 2018 to 2019.
- 2) North Rim Exploration Girls in the Classroom:** the Organization committed to funding \$165,000 for the purposes of promoting mining careers to young women and girls. The total commitment of \$165,000 is to be paid out in 2018 to 2019.
- 3) Women in Mining - Mine Your Potential Mentorship Program:** the Organization committed to funding \$151,400 for the purposes of developing training and covering required fees to increase recruitment and retention of women within the industry. The total commitment of \$151,400 is to be paid over 2018 to 2019.
- 4) University of Saskatchewan College of Engineering Indigenous Student Success Program:** the Organization committed to funding \$82,048 for the purpose of supporting Indigenous students on their path to becoming professional engineers. The total commitment of \$82,048 is to be paid in 2018 to 2019.
- 5) Junior & Youth First Responders Boot Camp:** the Organization committed to funding \$122,000 for the purposes of providing week-long workshops for youth including career awareness, safety training and site visits to promote interest in the mining industry. The total commitment of \$122,000 is to be paid over 2018 to 2019.
- 6) Indigenization of Mineral Resources K-12 SMA Lesson Plans & Pilot Camps:** the Organization committed to funding \$163,500 for the purposes of creating new opportunities for Indigenous people in the minerals sector workforce and promoting mining careers to young women and girls. The total commitment of \$163,500 is to be paid in 2018 to 2019.

Research and Development ("R&D") Funding Commitments:

- 1) University of Saskatchewan, University of Regina, and Canadian Light Source: Corrosion Mining Minerals Research Cluster.** The Organization has committed to funding \$2,067,491 (reduced from \$2,130,491 in 2016 due to \$63,000 in funding obtained from another source) for research into four key issues: Erosion-Corrosion/Corrosion Wear; Stress Corrosion Cracking; Concrete/Rebar Corrosion; and Corrosion Inhibitor Technology. Of the total commitment, \$1,444,996 was purchased in capital assets or paid out to the participants and the remaining funding of \$622,495 will be provided over a two year period from 2018 to 2019.
- 2) Cigar Lake New Concept Mining Yielding Bolt Test Trial:** the Organization committed to funding \$173,854 for this research project. Of the total commitment, \$61,725 was paid by the end of 2017 and the remaining \$112,129 will be paid in 2018.
- 3) University of Saskatchewan: Resin Grouted Rock Bolt Support Behaviour Under Shear Loading:** the Organization committed to funding \$127,500 for this research project which focuses on research into rebar strength under shear deformation and the effect of hole and rebar size on support behaviour in underground potash operations. Of the total commitment, \$120,000 was paid by the end of 2017 and the remaining \$7,500 is to be paid in 2018.
- 4) Investigation of Polymeric Reagents for KCl Collection During Potash Flotation:** the Organization committed to funding \$25,000 for this research project which focuses on research into polymeric reagents. The total commitment of \$25,000 is to be paid in 2018.
- 5) Quantification of Scaling Bar Impacts for Underground Mine Safety:** the Organization committed to funding \$25,000 for this research project which focuses on research into impacts on underground mine safety. The total commitment of \$25,000 is to be paid in 2018.
- 6) Enhancing Mine Safety and Accuracy Through Underground UWB Positioning System:** the Organization committed to funding \$174,000 for this research project which focuses on enhancing safety and accuracy in underground mines. The total commitment of \$174,000 is to be paid over two years from 2018 to 2019.

International Minerals Innovation Institute
Notes to the Financial Statements
For the year ended December 31, 2017

10. Commitments *(Continued from previous page)*

The contribution towards R&D project 2 was approved by the Board of Directors on May 31, 2017. The agreement is still in the process of being finalized.

Contributions towards E&T projects 2 through 6 and R&D projects 4 through 6 were approved by the Board of Directors on December 14, 2017. Agreements were signed for E&T projects 2 and 3 and R&D project 4 in January 2018, while the remaining project agreements are still in the process of being finalized.

A summary of expenditures committed as of December 31, 2017 include:

	<i>2018</i>	<i>2019</i>	<i>Total</i>
Total Education & Training Commitments	399,546	322,402	721,948
Total Research & Development Commitments	596,067	370,057	966,124
Total per year	1,006,447	681,625	1,688,072

The Organization also occupies leased premises subject to minimum monthly rent of \$2,809 until August 1, 2018.