

**International Minerals Innovation Institute**  
**Financial Statements**  
*December 31, 2015*

# International Minerals Innovation Institute Contents

*For the year ended December 31, 2015*

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## **Management's Responsibility**

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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 17, 2016



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Executive Director

## Independent Auditors' Report

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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, 2015, and the statements of operations and 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, 2015 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 17, 2016

*MNP LLP*

Chartered Professional Accountants

# International Minerals Innovation Institute


## Statement of Financial Position

*As at December 31, 2015*

	2015	2014
<b>Assets</b>		
<b>Current</b>		
Cash and cash resources	620,724	77,499
Portfolio investments (Note 3)	2,313,026	2,009,975
Accounts receivable (Note 4)	402,798	1,259,290
Goods and Services Tax receivable	-	12,033
Prepaid expenses and deposits	600	1,000
	<b>3,337,148</b>	<b>3,359,797</b>
<b>Capital assets (Note 5)</b>	<b>116,162</b>	<b>22,411</b>
	<b>3,453,310</b>	<b>3,382,208</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accruals	325,774	332,487
Deferred contributions (Note 6)	273,472	115,848
Goods and Services Tax payable	6,402	-
	<b>605,648</b>	<b>448,335</b>
<b>Commitments (Note 9)</b>		
<b>Net Assets</b>		
Unrestricted	2,847,662	2,933,873
	<b>3,453,310</b>	<b>3,382,208</b>

Approved on behalf of the Board of Directors

  
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 Director

  
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 Director

# International Minerals Innovation Institute

## Statement of Operations and Changes in Net Assets

*For the year ended December 31, 2015*

	<b>2015</b>	<b>2014</b>
<b>Revenue</b>		
Memberships <i>(Note 6)</i>	1,247,376	1,246,152
Grant revenue <i>(Note 6)</i>	1,030,000	1,030,000
Sponsorship <i>(Note 6)</i>	414,257	259,290
	<b>2,691,633</b>	<b>2,535,442</b>
<b>Expenses</b>		
Advertising	21,493	10,101
Amortization	5,730	9,077
Bank charges and interest	679	475
Contracted services	47,963	88,273
Insurance	2,698	2,640
Legal and accounting fees	37,253	80,807
Meetings and conferences	10,800	12,330
Office supplies and expenses	12,243	17,525
Rent	35,802	33,522
Salaries and benefits	424,615	384,629
Telephone	2,997	3,211
Travel	14,701	20,286
Website development & IT support	7,423	5,652
	<b>624,397</b>	<b>668,528</b>
<b>Education and Training Expenses</b>	<b>1,605,754</b>	<b>1,026,760</b>
<b>Research and Development Expenses</b>	<b>568,994</b>	<b>345,720</b>
	<b>2,799,145</b>	<b>2,041,008</b>
<b>(Deficiency) excess of revenue over expenses before other items</b>	<b>(107,512)</b>	<b>494,434</b>
<b>Other income (loss)</b>		
Interest income	23,913	24,718
Foreign exchange loss	(2,612)	-
<b>(Deficiency) excess of revenue over expenses</b>	<b>(86,211)</b>	<b>519,152</b>
<b>Net assets beginning of year</b>	<b>2,933,873</b>	<b>2,414,721</b>
<b>Net assets, end of year</b>	<b>2,847,662</b>	<b>2,933,873</b>

# International Minerals Innovation Institute

## Statement of Cash Flows

*For the year ended December 31, 2015*

	<b>2015</b>	<b>2014</b>
<b>Cash provided by (used for) the following activities</b>		
<b>Operating</b>		
(Deficiency) excess of revenue over expenses	<b>(86,211)</b>	519,152
Amortization	<b>5,730</b>	9,077
	<b>(80,481)</b>	528,229
Changes in working capital accounts		
Accounts receivable	<b>856,492</b>	(1,199,040)
Prepaid expenses and deposits	<b>400</b>	2,569
Accounts payable and accruals	<b>(6,713)</b>	313,296
Goods and Services Tax payable/receivable	<b>18,435</b>	(59,838)
Deferred contributions	<b>157,624</b>	(41,152)
	<b>945,757</b>	(455,936)
<b>Investing</b>		
Purchase of portfolio investments	<b>(2,306,651)</b>	(2,009,975)
Proceeds on disposal of portfolio investments	<b>2,003,600</b>	2,408,614
Purchase of capital assets	<b>(100,090)</b>	-
Proceeds on disposal of capital assets	<b>609</b>	-
	<b>(402,532)</b>	398,639
<b>Increase (decrease) in cash and cash resources</b>	<b>543,225</b>	(57,297)
<b>Cash and cash resources, beginning of year</b>	<b>77,499</b>	134,796
<b>Cash and cash resources, end of year</b>	<b>620,724</b>	77,499

**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 resources**

Cash and cash resources include balances with banks.

**Portfolio investments**

Portfolio investments consist of GIC's held 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.

	<b>Method</b>	<b>Rate</b>
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 portfolio investments over the term of the investment if the amount to be received can be reasonably estimated and collection is reasonably assured.

**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.

**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*.



# International Minerals Innovation Institute

## Notes to the Financial Statements

For the year ended December 31, 2015

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

The Organization subsequently measures all financial assets and liabilities at amortized cost.

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.

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 cost or 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 (deficiency) 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 (deficiency) 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 (deficiency) 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 (deficiency) of revenue over expenses for the current period.

## International Minerals Innovation Institute Notes to the Financial Statements

*For the year ended December 31, 2015*

### 3. Portfolio investments

	2015	2014
GIC - 1 year - Prime less 2.10%	1,300,000	-
GIC - 1 year - 0.9%	1,000,000	-
GIC - 180 days - 1.2%	-	1,000,000
GIC - 1 year - 0.75%	-	700,000
GIC - 1 year - 1.3%	-	303,600
Accrued interest	13,026	6,375
	2,313,026	2,009,975

GIC's have maturity dates ranging from February 16, 2016 to August 17, 2016.

### 4. Accounts receivable

Included in accounts receivable is \$250,000 (2014 - \$1,000,000) related to Innovation Saskatchewan government funding.

### 5. Capital assets

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Computer equipment	6,820	5,818	1,002	3,573
Furniture and fixtures	26,164	11,094	15,070	18,838
Corrosion project equipment	100,090	-	100,090	-
	133,074	16,912	116,162	22,411

Included in corrosion project equipment are assets under construction totaling \$100,090. No amortization of this asset has been recorded during the current year because the assets are currently under construction. The corrosion project equipment will be used by the educational institutions outlined in Note 9, R & D project #3 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.

### 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:

	2015	2014
Balance, beginning of year	115,848	157,000
Membership fees received during the year	1,405,000	1,205,000
Grants received during the year	1,030,000	1,030,000
Pay to play sponsorships	414,257	259,290
Less: Amount recognized as revenue during the year	(2,691,633)	(2,535,442)
Balance, end of year	273,472	115,848

**7. 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, 2015, one customer accounted for 62% (2014 - 79%) of the accounts receivable which is \$250,000 (2014 - \$1,000,000). 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, 2015 were \$72,004 CAD (2014 - \$nil).

***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.

**8. Mitacs Agreement**

At December 31, 2013, a two year agreement was signed with Mitacs which allows the Organization to form a partnership with Mitacs. This provides the Organization access to additional funding dollars for projects in the future and may reduce the commitments in Note 9. During 2015, \$104,000 was committed by Mitacs reducing the required contribution to R&D project #2 as outlined in Note 9.

# International Minerals Innovation Institute

## Notes to the Financial Statements

For the year ended December 31, 2015

### 9. Commitments

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

#### *Education and Training (E&T) Funding Commitments:*

- 1) Saskatchewan Polytechnic Centre for Minerals Innovation, Training and Leadership: the Organization committed to funding \$500,000 for the purpose of developing a program to generate a province-wide training capacity dedicated to the education and skills requirements of the mining and minerals industry. Of the total commitment, \$350,000 was paid up to 2015 and the remaining \$150,000 is to be paid in 2016. This funding will be used to: 1) establish the Centre, develop programs and services and establish training; and 2) to equip the Centre with the appropriate equipment and simulation training technology.
- 2) Northlands College Mining Training and Research Institute: the Organization committed to funding \$1,841,000 for the purposes of expansion of the existing facilities and existing programming to train highly skilled individuals for the mining industry. Of the total commitment, \$668,246 was paid up to 2015 and the remaining \$1,172,754 is to be paid out over 2016-2017.
- 3) Parkland College and Carlton Trail Regional College Introduction to Mining: the Organization committed to funding \$431,200 for the purpose of providing the following courses: Essentials Skills, Safety, BEARH Environmental Monitoring, and Mining Essentials, all of which are industry certified. Of the total commitment, \$381,200 was paid up to 2015 and the remaining \$50,000 is to be paid in 2016.
- 4) 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, \$354,000 was paid up to 2015 and the remaining \$150,000 is to be paid out over 2016-2018.
- 5) University of Saskatchewan: Commencing in 2012, the Organization committed to funding \$1,676,000 for the purposes of developing a Mining Engineering program. Of the total commitment, \$938,082 was paid up to 2015 and the remaining \$737,918 is to be paid over 2016-2018.
- 6) Parkland College Applied Electrical Training for Mining: the Organization committed to funding \$391,700, for the purposes of providing the Saskatchewan Polytechnic Electrician Applied Certificate Enhanced Program to entry level electrician apprentices in the region. Of the total commitment, \$341,700 was paid up to 2015 and the remaining \$50,000 is to be paid in 2016.

#### *Research and Development (R&D) Funding Commitments:*

- 1) Saskatchewan Polytechnic/University of Saskatchewan: Enhancing Cultures of Safety and Safety Engagement in the Saskatchewan Mining Industry: A Collaborative and Multi-Disciplinary Inquiry Proposal: the Organization committed to funding \$785,694 for this research project which will benchmark the safety programs of five participating companies and then use this benchmarking, to develop methods to improve the safety culture of companies. Of the total commitment, \$637,047 was paid up to 2015 and the remaining \$148,647 is to be paid in 2016.
- 2) University of Saskatchewan: Development of Functionalized Clay-Based Reactive Media for Removal of Cationic Salts from Brine Effluent: the Organization committed to funding \$365,000 for this research project which focuses on the development of surface-modified clay-based reactive media that can be used for the remediation of salt-impacted soil and ground water at operational or abandoned potash mines as well as for the control of brine migration from newly planned or expanded mines. Of the total commitment, \$266,000 was paid by the end of 2015 and the remaining \$99,000 is to be paid in 2016.
- 3) University of Saskatchewan, University of Regina, and Canadian Light Source: Corrosion Mining Minerals Research Cluster. The Organization has committed to funding \$2,549,940 for research into four key issues: Erosion-Corrosion/Corrosion Wear; Stress Corrosion Cracking; Concrete/Rebar Corrosion; and Corrosion Inhibitor Technology. Of the total commitment, \$100,090 was paid or accrued in 2015 in relation to the equipment purchase and the remaining funding of \$2,449,850 will be provided over a four year period from 2016 to 2019. Starting in 2016, Western Economic Diversification has agreed to fund \$915,000 of the project costs, \$686,000 to assist with capital approved expenses and \$229,000 to assist with non-capital approved expenses under the terms of their agreement dated June 2015. Such funding will reduce the Organization's future commitments outlined in the table below once received.

**International Minerals Innovation Institute**  
**Notes to the Financial Statements**  
*For the year ended December 31, 2015*

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**9. Commitments** *(Continued from previous page)*

A summary of expenditures committed as of December 31, 2015 include:

	2016	2017	2018	2019	Total
Total Education & Training Commitments	1,803,254	421,500	85,918	-	2,310,672
Total Research & Development Commitments	1,456,357	504,334	471,184	265,622	2,697,497
<b>Total per year</b>	<b>3,259,611</b>	<b>925,834</b>	<b>557,102</b>	<b>265,622</b>	<b>5,008,169</b>

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