# International Minerals Innovation Institute
## Financial Statements
*December 31, 2016*

## 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 23, 2017

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, 2016, 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, 2016 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 23, 2017

MNP LLP

Chartered Professional Accountants

# International Minerals Innovation Institute
## Statement of Financial Position
*As at December 31, 2016*

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash and cash equivalents *(Note 3)* | **3,230,452** | 620,724 |
| Short-term investments *(Note 4)* | **-** | 2,313,026 |
| Accounts receivable *(Note 5)* | **69,006** | 402,798 |
| Goods and Services Tax receivable | **2,964** | - |
| Prepaid expenses and deposits | **16,544** | 600 |
| | **3,318,966** | 3,337,148 |
| **Capital assets** *(Note 6)* | **685,191** | 116,162 |
| | **4,004,157** | 3,453,310 |
| **Liabilities** | | |
| **Current** | | |
| Accounts payable and accruals | **246,354** | 325,774 |
| Deferred contributions *(Note 7)* | **116,463** | 273,472 |
| Current portion of deferred contributions - corrosion project *(Note 8)* | **70,823** | - |
| Goods and Services Tax payable | **-** | 6,402 |
| | **433,640** | 605,648 |
| **Deferred contributions - corrosion project** *(Note 8)* | **601,991** | - |
| | **1,035,631** | 605,648 |
| **Commitments** *(Note 11)* | | |
| **Subsequent event** *(Note 14)* | | |
| **Net Assets** | | |
| Internally restricted *(Note 3), (Note 9)* | **2,081,096** | - |
| Unrestricted *(Note 9)* | **887,430** | 2,847,662 |
| | **2,968,526** | 2,847,662 |
| | **4,004,157** | 3,453,310 |

**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, 2016*

| | 2016 | 2015 |
|---|---|---|
| **Revenue** | | |
| Memberships *(Note 7)* | **1,187,009** | 1,247,376 |
| Grant revenue *(Note 7)* | **903,000** | 1,030,000 |
| Sponsorship *(Note 7), (Note 8), (Note 13)* | **637,656** | 414,257 |
| | **2,727,665** | 2,691,633 |
| **Expenses** | | |
| Advertising | **35,638** | 21,493 |
| Amortization | **3,504** | 5,730 |
| Bank charges and interest | **773** | 679 |
| Contracted services | **46,810** | 47,963 |
| Insurance | **2,674** | 2,698 |
| Legal and accounting fees | **26,530** | 37,253 |
| Meetings and conferences | **4,399** | 10,800 |
| Office supplies and expenses | **9,888** | 12,243 |
| Rent | **35,537** | 35,802 |
| Salaries and benefits | **313,325** | 424,615 |
| Telephone | **3,062** | 2,997 |
| Travel | **11,133** | 14,701 |
| Website development & IT support | **6,504** | 7,423 |
| | **499,777** | 624,397 |
| **Education and Training Expenses** *(Note 12)* | **1,411,249** | 1,605,754 |
| **Research and Development Expenses** *(Note 13)* | **711,314** | 568,994 |
| **Total expenses** | **2,622,340** | 2,799,145 |
| **Excess (deficiency) of revenue over expenses before other items** | **105,325** | (107,512) |
| **Other income (loss)** | | |
| Interest income | **15,861** | 23,913 |
| Foreign exchange loss | **(256)** | (2,612) |
| Loss on disposal of capital assets | **(66)** | - |
| | **15,539** | 21,301 |
| **Excess (deficiency) of revenue over expenses** | **120,864** | (86,211) |

*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, 2016*

| | *Internally restricted* | *Unrestricted* | ***2016*** | *2015* |
|---|---|---|---|---|
| **Net assets beginning of year** | **-** | **2,847,662** | **2,847,662** | 2,933,873 |
| **Transfer to internally restricted during year** *(Note 9)* | **2,081,096** | **(2,081,096)** | **-** | - |
| **Excess (deficiency) of revenue over expenses** | **-** | **120,864** | **120,864** | (86,211) |
| **Net assets, end of year** | **2,081,096** | **887,430** | **2,968,526** | 2,847,662 |

*The accompanying notes are an integral part of these financial statements*

| | 2016 | 2015 |
|---|---|---|
| **Cash provided by (used for) the following activities** | | |
| **Operating** | | |
| Excess (deficiency) of revenue over expenses | **120,864** | (86,211) |
| Amortization | **3,504** | 5,730 |
| Amortization of corrosion project equipment (Note 6) | **35,411** | - |
| Loss on disposal of capital assets | **66** | - |
| Deferred contributions - corrosion project recognized (Note 8) | **(35,411)** | - |
| | **124,434** | (80,481) |
| Changes in working capital accounts | | |
| Accounts receivable | **333,792** | 856,492 |
| Deferred contributions | **(157,009)** | 157,624 |
| Accounts payable and accruals | **(79,420)** | (6,713) |
| Prepaid expenses and deposits | **(15,944)** | 400 |
| Goods and Services Tax payable/receivable | **(9,366)** | 18,435 |
| | **196,487** | 945,757 |
| **Financing** | | |
| Cash contributions received for corrosion project *(Note 8)* | **708,225** | - |
| **Investing** | | |
| Purchase of short-term investments | **-** | (2,306,651) |
| Proceeds on disposal of short-term investments | **2,313,026** | 2,003,600 |
| Purchase of capital assets | **(608,135)** | (100,090) |
| Proceeds on disposal of capital assets | **125** | 609 |
| | **1,705,016** | (402,532) |
| **Increase in cash and cash equivalents** | **2,609,728** | 543,225 |
| **Cash and cash equivalents, beginning of year** | **620,724** | 77,499 |
| **Cash and cash equivalents, end of year** | **3,230,452** | 620,724 |

## 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*.

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.

### 3. Cash and cash equivalents

| | 2016 | 2015 |
|---|---|---|
| Chequing account | **386,467** | 620,724 |
| Savings deposit - 0.8% | **2,718,642** | - |
| Savings deposit - 0.8% | **125,343** | - |
| | **3,230,452** | 620,724 |

The Organization has internally restricted $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 9.

### 4. Short-term investments

| | 2016 | 2015 |
|---|---|---|
| GIC - 1 year - Prime less 2.10% | **-** | 1,300,000 |
| GIC - 1 year - 0.9% | **-** | 1,000,000 |
| Accrued interest | **-** | 13,026 |
| | **-** | 2,313,026 |

### 5. Accounts receivable

Included in accounts receivable is $25,000 (2015 - $250,000) related to Innovation Saskatchewan government funding.

### 6. Capital assets

| | Cost | Accumulated amortization | 2016 Net book value | 2015 Net book value |
|---|---|---|---|---|
| Computer equipment | **5,979** | **5,584** | **395** | 1,002 |
| Furniture and fixtures | **26,017** | **14,035** | **11,982** | 15,070 |
| Corrosion project equipment | **708,225** | **35,411** | **672,814** | 100,090 |
| | **740,221** | **55,030** | **685,191** | 116,162 |

The corrosion project equipment will be used by the educational institutions outlined in Note 11, 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 $35,411 on the corrosion project equipment is included in research and development expenses on the statement of operations.

## 7. 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:

| | **2016** | 2015 |
|---|---|---|
| ***Deferred contribution - memberships*** | | |
| Balance, beginning of year | **273,472** | 115,848 |
| Membership fees received during the year | **1,005,000** | 1,405,000 |
| Less: Membership fees recognized as revenue in current year | **(1,187,009)** | (1,247,376) |
| Balance, end of year | **91,463** | 273,472 |
| ***Deferred contribution - grants*** | | |
| Grants received during the year | **928,000** | 1,030,000 |
| Less: Grants recognized as revenue in current year | **(903,000)** | (1,030,000) |
| Balance, end of year | **25,000** | - |
| ***Deferred contribution - pay to play projects*** | | |
| Sponsorship contributions received during the year | **1,310,470** | 414,257 |
| Less: Contributions received relating to capital assets (Note 8) | **(708,225)** | - |
| Less: Sponsorships recognized as revenue in current year | **(602,245)** | (414,257) |
| Balance, end of year | **-** | - |
| Total deferred contributions | **116,463** | 273,472 |

## 8. 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 periods when the related capital assets are amortized. Changes in deferred capital contributions are as follows:

| | **2016** | 2015 |
|---|---|---|
| Sponsorship contributions relating to capital assets received during the year | **708,225** | - |
| Less: Amounts recognized as sponsorship revenue during the year | **(35,411)** | - |
| | **672,814** | - |
| Less: current portion | **70,823** | - |
| Balance, end of year | **601,991** | - |

## 9. Restrictions on net assets

***Internally restricted net assets***

During the year, the Organization’s board of directors internally restricted $125,000 (2015 – $nil) 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 internally restricted net assets of $1,956,096 (2015 - $nil) to fund the 2017, 2018 and 2019 project commitments outlined in Note 11.

These restricted amounts are not available for other purposes without approval of the board of directors and are funded by $2,081,096 of cash and cash equivalents as outlined in Note 3.

## 10. 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, 2016, four (2015 - one) customers accounted for 99% (2015 - 62%) of the accounts receivable which is $68,006 (2015 - $250,000). 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, 2016 were $nil CAD (2015 - $72,004 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.

## 11. 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)** 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, $1,428,795 was paid up to 2016 and the remaining $412,205 is to be paid out in 2017.

**2)** 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, $410,000 was paid up to 2016 and the remaining $94,000 is to be paid out over 2017-2018.

**3)** 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, $1,338,082 was paid up to 2016 and the remaining $337,918 is to be paid over 2017-2018.

**4)** University of Saskatchewan: A Healthy Workplace for a Healthy Workforce: the Organization committed to funding $40,000 for the purposes of sponsoring research on identifying the predictors of health impacting workplace productivity in the mining industry of Saskatchewan. Of the total commitment, $17,500 was paid up to 2016 and the remaining $22,500 is to be paid in 2017.

*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 $2,130,491 for research into four key issues: Erosion-Corrosion/Corrosion Wear; Stress Corrosion Cracking; Concrete/Rebar Corrosion; and Corrosion Inhibitor Technology. Of the total commitment, $1,189,018 was purchased in capital assets or paid out to the participants and the remaining funding of $941,473 will be provided over a three year period from 2017 to 2019.

**2)** University of Saskatchewan: Deep Hydrogeological Research to Support Brine Management: the Organization committed to funding $203,500 for this research project which focuses on advancing knowledge of deep groundwater systems and their continued use for waste water management. Of the total commitment, $111,000 was paid by the end of 2016 and the remaining $92,500 will be paid in 2017.

**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, $72,000 was paid by the end of 2016 and the remaining $55,500 is to be paid over 2017-2018.

A summary of expenditures committed as of December 31, 2016 include:

| | *2017* | *2018* | *2019* | *Total* |
|---|---|---|---|---|
| Total Education & Training Commitments | 780,705 | 85,918 | - | 866,623 |
| Total Research & Development Commitments | 498,456 | 317,793 | 273,224 | 1,089,473 |
| Total per year | 1,279,161 | 403,711 | 273,224 | 1,956,096 |

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

**12. Changes in education and training commitments**

Parkland College and Carlton Trail Regional College Introduction to Mining: prior to 2016, the Organization committed to funding $431,200 for the purpose of providing the following courses: Essentials Skills, Safety, BEAHR Environmental Monitoring, and Mining Essentials, all of which are industry certified. When the project was completed in 2016, part of the funding advanced prior to 2016 was owing back by Parkland College as one of the courses was not offered. As a result $57,800 was refunded by Parkland College in the current year. This amount was recorded as a reduction of E&T project expenses in 2016. The remaining unfunded commitment of $50,000 has been forfeited by Parkland College.

Saskatchewan Polytechnic Centre for Mineral Innovation, Training and Leadership: prior to 2016, 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. The final installment of $150,000 was paid out during 2016, however the participant closed the Centre and was required to return $100,000 of the funding paid during 2016 as a result. The refund has reduced the E&T project expenses in 2016.

**13. Changes in research and development commitments**

University of Saskatchewan: Development of Functionalized Clay-Based Reactive Media for Removal of Cationic Salts from Brine Effluent: prior to 2016, 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. During fiscal 2016, NSERC funding for this project was approved and received by the project participants, resulting in a reduction in funding required for the project from the Organization. As a result, in the statement of operations, refunds of project revenues from partners totaling $88,120 offsets current year sponsorship revenues and refunds of project expenditures of $117,001 offsets current year research and development expenses.

**14. Subsequent event**

In late 2016, a special board meeting was called to approve a new membership fee structure for Category A members for the 2017, 2018 and 2019 fiscal years. As a result, the expected funding from this category of memberships will reduce to $100,000 per Category A member per year, as compared to the previous amount of $200,000. This will have a signficant impact in the membership revenue commencing in 2017.