



Annual Report 2022-23

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Letters of Transmittal



To the Honourable Russ Mirasty,
Office of the Lieutenant Governor of Saskatchewan

May it please Your Honour:

The undersigned is pleased to present the Saskatchewan Research Council Annual Report for the period ending March 31, 2023.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jeremy Harrison".

Honourable Jeremy Harrison
Minister Responsible for Saskatchewan Research Council



To the Honourable Jeremy Harrison,
Minister Responsible for Saskatchewan Research Council

I have the honour of submitting the Annual Report for the Saskatchewan Research Council for the fiscal year ending March 31, 2023.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Crabtree".

Mike Crabtree
President and CEO of Saskatchewan Research Council



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**The information on pages 3-9 is current as of the date of tabling of this report.*

Vision

Driven by our passion for a better world, we will break boundaries to become the most internationally recognized and valued science solutions company in North America.

Mission

We proudly deliver smart science solutions, with unparalleled service to clients and colleagues, that grow and strengthen our economy. We embrace our safe, creative and diverse work environment which enables us to excel, personally and professionally. We live by our core values to build a better world.

Values

Integrity

Respect

Quality

One Team



Message from Management and the Board

For 76 years now, the Saskatchewan Research Council (SRC) has been growing and strengthening Saskatchewan's economy. SRC's economic impact assessment for 2022-23 boasts impacts of \$930 million in direct economic benefits to the province. In addition, the work done at SRC contributed to the creation or maintenance of over 1,473 jobs in Saskatchewan, valued at an additional \$89 million. These impact numbers were also accompanied by an annual revenue of \$232 million generated by SRC in 2022-23.

Throughout its years, we can look back and see SRC's evolution from a small research facility to Canada's second largest research and technology organization, employing over 350 professionals. Over the past seven decades Saskatchewan has seen a great deal of change. Computers, the internet, rare earth elements and net zero were not even topics of conversation in 1947. Since then, SRC has played a leading role in helping Saskatchewan adapt, develop and thrive in the face of these changes and also in the energy, resource and agricultural sectors of the province. 2022-23 continued this trend.

In May 2022, SRC and Westinghouse Electric Canada signed a Memorandum of Understanding to advance micro-small modular reactors, also known as micro-reactors, in Saskatchewan. Westinghouse and SRC are working together to develop a project to locate an eVinci™ micro-reactor in Saskatchewan for the development and testing of industrial, research and energy use applications. The eVinci micro-reactor is safe, easy to transport and requires no water for cooling. This will help create a customized solution for Saskatchewan's unique reliable clean energy needs.

Significant progress continued to be made on SRC's Rare Earth Processing Facility with several construction and procurement milestones happening for the project in 2022-23. Most significantly, in August 2022, SRC achieved a major achievement by pouring the first rare earth metal ingots ever produced in Canada. The ingots were processed by SRC during a successful test run of the metals smelting unit at the under construction Rare Earth Processing Facility. Metal ingots, a rare earth metal, are the key ingredient used to manufacture permanent magnets which are used in electric vehicles, wind turbines and electronics, etc. They will be the final product produced at the Facility when operational at the end of 2024. In addition, SRC celebrated the grand opening of its Solvent Extraction (SX) Fabrication Facility, another huge milestone. Over the coming few months, the SX Fabrication Facility will be manufacturing 140 proprietary commercial-scale solvent extraction cells for use in the separation unit of the Rare Earth Processing Facility. The cells take mixed rare earth chloride, a liquid mixture which includes all 17 rare earth elements, through a process that separates them into individual or grouped rare earth oxides. These cells, which were designed by SRC with artificial intelligence, now make Saskatchewan one of only a handful of jurisdictions in the world with this capability.

SRC celebrated the grand opening of a new facility in June 2022 which consolidated SRC's Mining and Minerals operations into one purpose-built facility to more effectively serve its clients. The new location, funded by the Government of Saskatchewan, provides additional opportunities to continue expanding SRC's services and capabilities. The facility now houses roughly 90 employees working in SRC's Geoanalytical Laboratories, Mineral Processing, and Engineering and Manufacturing groups. One of these groups – SRC Geoanalytical Laboratories – celebrated its 50th anniversary of providing high quality analysis to the exploration and mining industry. The lab was started in 1973 as an internal service for the geologists working at SRC and over the years has evolved into a world-class laboratory serving external

industry clients from around the globe. It offers geochemical and mineralogical analysis with expertise in base metals, gold, lithium, uranium, potash, rare earth elements, and diamonds.

The final phase of Saskatchewan’s Accelerated Site Closure Program (ASCP) was completed with SRC playing an integral role in the program over its three years as program administrator. As of April 2023, \$400 million in contracts were issued to companies to engage Saskatchewan- based service workers in site closure work. With this investment, more than 900 Saskatchewan-based companies carried out over 18,500 completed activities for well, facility and flowline remediation projects across the province.

Significant progress also continued at Project CLEANS in 2022 – the remediation project being led by SRC at 37 abandoned uranium mine and mill sites in northern Saskatchewan. The Lorado Mill Site has been completely remediated, the Gunnar Mine and Mill Site is currently undergoing major remediation with completion scheduled in the next two-to-three years and 20 smaller satellite sites have also been fully remediated. This project will ultimately remediate the sites with positive economic, environmental and social impacts ensuring a safe environment for those that live and work in the area.

In 2022-23, SRC worked with the Saskatchewan Ministry of Energy and Resources to complete a Helium Liquefaction Hub Study that furthered the development of helium processing and liquefaction hubs in the province. The study incorporated technical and economic components and provided the critical information needed to look at the development of a commercial scale, value-added, export-oriented helium sector in Saskatchewan. The Helium Study will help provide companies with the information they need to make major investment decisions around establishing Saskatchewan as a regional helium liquefaction hub in Western Canada and the surrounding U.S. states.

SRC also celebrated the ten-year anniversary of our climate reference station at the Conservation Learning Centre (CLC). SRC has two climate reference stations, one in Saskatoon and one at the CLC, near Prince Albert, SK. These sites collect hourly and daily data to track Saskatchewan’s evolving climate over the long term. This milestone year is important to recognize as it allows SRC to now report on 10-year averages in its annual reporting. Using this data, climatologists can create trends and compare the current year events with those of the past.

As we look to the coming year, SRC will continue to focus on several key strategic areas that include strategic metals, carbon capture utilization and storage, micro-reactors and advanced mining. Each project requires substantial involvement in terms of capital and engagement from multiple stakeholders such as governments, industry, and regulators. SRC has large networks, technical and scientific expertise and hands-on involvement with the technologies needed to bring these complex ideas to life. Not only will these projects provide ongoing support to industry, but also catalyze new opportunities in Saskatchewan. This is all done with environmental sustainability top of mind. These large-scale projects will take years to fully develop and mature but we are already seeing evidence of success in many of the areas as noted above.

The opportunities that SRC has undertaken, along with ongoing innovation, flexible planning and continuous improvement, have ensured that SRC will continue to deliver quality services to our clients, while also creating lasting impacts in Saskatchewan communities.

Mike Crabtree
President and CEO

George Prudat
Chair, Board of Directors

Board of Directors



George Prudat
Chair



Leanne Bellegarde
Vice-Chair



Mike Crabtree
Secretary



Michael Meekins



William (Bill) Miller



Mark Pickard



Norm Beug



Kurtis Doney



Kari Harvey



Byron Merkosky

Executive Team



Mike Crabtree
President and CEO



Toby Arnold
Senior Vice-President,
Organizational Effectiveness



Ryan Hill
Chief Financial Officer and Senior Vice-
President, Mining and Energy



Muhammad Imran
Vice-President,
Rare Earth Element



Jesse Merilees
Vice-President,
Environment and Biotech



Wanda Nyirfa
Vice-President,
External Relations



Corporate Governance

Authority

The Saskatchewan Research Council (SRC) is a Saskatchewan Treasury Board Crown Corporation governed by *The Research Council Act*. Within this framework, the Board of Directors (Board) delegates the responsibility and authority for the ongoing management of the corporation to the President and CEO.

Board Responsibilities

The Board ensures that the activities of the corporation are carried out under the terms of *The Research Council Act*. The Board oversees the stewardship of the corporation and has responsibility for strategic planning, risk oversight and monitoring of financial and business performance. The Board ensures that management has systems in place to identify and manage the principal risks of the business.

Board Composition and Compensation

The SRC Board is comprised of a diverse combination of knowledge and expertise. The members represent a cross-section of SRC's stakeholder community. All but the President & CEO are independent of SRC management. Board members (except for members who are government employees) receive a retainer and an honorarium for meetings attended. The level of compensation is established by Treasury Board. Members are allowed travel and associated expenses at SRC-approved rates.

The Board and Management

The Board focuses on the strategic leadership of the corporation and does not become involved in day-to-day management, but delegates and entrusts operational decisions to management, holding management accountable for the corporation's performance, long-term viability and the achievement of its objectives.

The Board also has established an Audit/Finance Committee and a Governance Committee.

Consolidated Financial Statements

Report of Management
Year Ended March 31, 2023

The accompanying consolidated financial statements are the responsibility of the management of the Saskatchewan Research Council (the Council). They have been prepared in accordance with International Financial Reporting Standards, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit and Finance Committee, which is composed of five non-management directors and one management director. The Committee meets periodically with management to satisfy itself that management's responsibilities are properly discharged, to review the financial statements and to recommend approval of the financial statements to the Board.

Deloitte LLP has audited the Council's financial statements in accordance with Canadian generally accepted auditing standards and their report follows.



Michael Crabtree
President and CEO



Ryan Hill, CPA, CA
Chief Financial Officer and Senior-Vice President, Mining and Energy

Independent Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan:

Opinion

We have audited the consolidated financial statements of Saskatchewan Research Council (the "Council"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Deloitte LLP

Chartered Professional Accountants
May 10, 2023
Saskatoon, Saskatchewan

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31
(Thousands of dollars)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash	\$ 41,029	\$ 61,846
Accounts receivable (Note 12 and 13)	10,212	23,836
Inventory (Note 4)	8,275	3,618
Prepaid expenses	<u>11,012</u>	<u>3,295</u>
	70,528	92,595
Non-current assets:		
Accrued pension benefit asset (Note 5)	560	451
Goodwill	524	524
Restricted investment (Note 6)	1,419	1,446
Right-of-use assets (Note 7)	42,475	38,335
Property, plant and equipment (Note 8)	<u>61,062</u>	<u>56,164</u>
	<u>\$ 176,568</u>	<u>\$ 189,515</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 5,953	23,384
Unearned revenue (Note 10)	3,506	26,128
Deferred revenue (Note 11)	1,154	1,286
Salaries, wages and vacations payable	2,952	3,787
Current portion of lease liabilities (Note 12 and 14)	3,385	2,690
Current portion of due to related party (Note 12)	1,376	1,376
Current portion of long-term debt (Note 15)	<u>555</u>	<u>-</u>
	18,881	58,651
Non-current liabilities:		
Lease liabilities (Note 12 and 14)	40,444	36,420
Due to related party (Note 12)	14,342	15,432
Long-term debt (Note 15)	5,941	-
Deferred revenue (Note 11)	60,817	44,821
Sick leave benefits payable	<u>32</u>	<u>36</u>
	140,457	155,360
Equity (Statement 3):		
Contributed surplus	922	922
Retained earnings - unappropriated	33,770	31,787
Retained earnings - appropriated	<u>1,419</u>	<u>1,446</u>
	<u>36,111</u>	<u>34,155</u>
	<u>\$ 176,568</u>	<u>\$ 189,515</u>

(See accompanying notes to the consolidated financial statements)

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended March 31
(Thousands of dollars)

	<u>2023</u>	<u>2022</u>
Revenue:		
Contracts (Note 12)	\$ 209,045	\$ 255,615
Transfer from General Revenue Fund (Note 12)	<u>20,309</u>	<u>20,309</u>
	<u>229,354</u>	<u>275,924</u>
Expenses:		
Salaries and benefits	30,799	27,673
Services	172,025	226,345
Accommodation charges	5,586	5,911
Supplies	9,240	5,824
Depreciation (Note 7 and 8)	8,695	7,395
Travel, training and education	1,773	1,161
Financing charges (Note 14 and 15)	<u>1,854</u>	<u>1,436</u>
	<u>229,972</u>	<u>275,745</u>
(Loss) gain from operations	<u>(618)</u>	<u>179</u>
Other income (expense):		
Interest revenue	2,509	731
(Loss) gain on restricted investment (Note 6)	<u>(27)</u>	<u>64</u>
	<u>2,482</u>	<u>795</u>
Net income	1,864	974
Other comprehensive (loss) income:		
Defined benefit pension plan actuarial gain (loss) (Note 5)	<u>92</u>	<u>(3)</u>
Total comprehensive income	<u>\$ 1,956</u>	<u>\$ 971</u>

(See accompanying notes to the consolidated financial statements)

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31

(Thousands of dollars)

	<u>Unappropriated Retained Earnings</u>	<u>Appropriated Retained Earnings</u>	<u>Contributed Surplus</u>	<u>Total</u>
Equity				
Balance, March 31, 2021	\$ 30,880	\$ 1,382	\$ 922	\$ 33,184
Net income	974	-	-	974
Other comprehensive loss	(3)	-	-	(3)
Change in appropriated amount during year	<u>(64)</u>	<u>64</u>	<u>-</u>	<u>-</u>
Balance, March 31, 2022	31,787	1,446	922	34,155
Net income	1,864	-	-	1,864
Other comprehensive income	92	-	-	92
Change in appropriated amount during year	<u>27</u>	<u>(27)</u>	<u>-</u>	<u>-</u>
Balance, March 31, 2023	<u>\$ 33,770</u>	<u>\$ 1,419</u>	<u>\$ 922</u>	<u>\$ 36,111</u>

(See accompanying notes to the consolidated financial statements)

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

(Thousands of dollars)

	<u>2023</u>	<u>2022</u>
Cash flows from (used in) operating activities:		
Cash receipts from contracts	\$ 200,498	\$ 195,685
Cash receipts from General Revenue Fund	20,309	20,309
Cash receipts from Grants	20,560	15,500
Cash paid to suppliers and employees	(237,868)	(257,809)
Interest received	<u>2,482</u>	<u>795</u>
Cash flows from (used in) operating activities	<u>5,981</u>	<u>(25,520)</u>
Cash flows (used in) from investing:		
Withdrawal of trust investments (Note 18)	-	5,515
Purchase of business assets	-	(1,288)
Interest paid	(1,854)	(1,436)
Purchase of property, plant and equipment	<u>(22,273)</u>	<u>(19,335)</u>
Cash flows used in investing activities	<u>(24,127)</u>	<u>(16,544)</u>
Cash flows (used in) from financing:		
Payment on lease liabilities	(2,895)	(2,229)
Principal repayment of long term debt	(1,185)	-
Principal repayment of due to related party	(1,091)	(1,068)
Issuance of long-term debt (Note 15)	<u>2,500</u>	<u>-</u>
Cash flows used in financing activities	<u>(2,671)</u>	<u>(3,297)</u>
Net decrease in cash	(20,817)	(45,361)
Cash, beginning of year	<u>61,846</u>	<u>107,207</u>
Cash, end of year	<u>\$ 41,029</u>	<u>\$ 61,846</u>

(See accompanying notes to the consolidated financial statements)

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

1. Status of Saskatchewan Research Council

Saskatchewan Research Council (the Council) was established pursuant to Section 3 of *The Research Council Act* for the purpose of research and investigation in the fields of the physical sciences, pure and applied, as they affect the economy of the Province of Saskatchewan. The Council is a corporate body which receives monies appropriated by the Legislature for these purposes and is owned by the Government of the Province of Saskatchewan (the Province). It is empowered to conduct research and other services under contract for others and to receive financial assistance pursuant to agreements with other similar agencies. The Council has also been contracted by the Province to manage the remediation of northern abandoned mine sites and the abandonment and reclamation of inactive oil and gas wells. The Council's financial results are included in the summary financial statements of the Province. As a Treasury Board Crown corporation, the Council is not subject to federal income tax or goods and services tax.

The Council's head office is located at 820 51st Street in Saskatoon, Saskatchewan.

2. Basis of Presentation

a) Statement of Compliance

The Council's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorized and issued by the Board of Directors of the Council on May 10, 2023.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments which are accounted for according to the accounting policy in note 3b).

c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Council's functional currency.

d) Estimates and Judgments

The preparation of financial statements in conformity with IFRS in Canada 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. Actual results could differ from those estimates.

Areas of judgments in applying accounting policies that have the most effect on the amounts recognized in the consolidated financial statements include the determination of cash-generating units.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

2. Basis of Presentation (continued)

d) Estimates and Judgments (continued)

Key estimates within the financial statements include estimates related to accounts receivable, inventory valuation, accrued pension benefit assets, goodwill impairment, right-of-use assets, property, plant and equipment, lease liabilities and contract revenue recognition.

Accounts receivable

Determining when there is reasonable expectation that the Council will not be able to collect accounts requires judgment.

Inventory

Estimation and judgment are used to determine the appropriate measure of net realizable value as well as the allowance for inventory obsolescence. Management's best estimate is required to determine the amount of inventories to be written off in a given period.

Accrued pension benefit asset

The cost of the defined benefit pension plan as well as the present value of the pension obligations is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, mortality rates and future pension increases. All assumptions are reviewed at the end of each fiscal year. Any changes in these assumptions will impact the carrying amount of pension obligations.

Leases

In assessing the carrying value of right-of-use assets and lease liabilities and underlying estimates of future cashflows, the Council uses judgement in identifying which arrangements contain a lease as well as the lease term and rates for contracts including renewal options for which the Council is the lessee.

Property, plant and equipment

When an item of property, plant and equipment comprises individual components for which different depreciation rates are appropriate, judgment is used in determining the appropriate level of componentization.

Contract revenue recognition

The determination of performance obligations being met on a project is a matter of management judgment. Management reviews performance obligations on a contract-by-contract basis to determine the appropriate amount of revenue to recognize during the period.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

2. Basis of Presentation (continued)

e) New and revised IFRS Standards

The Council has not yet adopted certain new standards, amendments and interpretations to existing standards which have been issued but are not yet effective. These include:

- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IFRS 3 - Reference to the Conceptual Framework
- Amendments to IAS 16 - Property, Plant and Equipment—Proceeds before Intended Use
- Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments and IFRS 16 Leases.

The Council does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Council in future periods.

3. Summary of Accounting Policies

a) Consolidation Principles

The accounts of TecMark International Commercialization Inc., a wholly owned subsidiary of the Saskatchewan Research Council, are consolidated in these financial statements. TecMark International Commercialization Inc. (TecMark) was incorporated under *The Business Corporations Act* (Saskatchewan) on October 9, 1996, as a wholly owned subsidiary of the Council. TecMark holds certain patents and other non-tangible assets of the Council. There are no other financial transactions flowing through this subsidiary. The Council is currently in the process of winding up TecMark and transferring back ownership of these assets.

b) Financial Instruments

The Council does not have any derivative financial instruments.

Non-derivative financial assets:

The Council has the following non-derivative financial assets:

Financial assets at fair value through profit or loss (FVTPL)

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Council manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Council's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

3. Summary of Accounting Policies (continued)

b) Financial Instruments (continued)

incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The financial assets classified as FVTPL consist of the restricted investment.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash, accounts receivable from related and non-related parties.

Non-derivative financial liabilities:

The Council's non-derivative financial liabilities include accounts payable, salaries, wages and vacation payable, long-term debt and sick leave benefits payable.

Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Impairment of financial assets:

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each fiscal period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

3. Summary of Accounting Policies (continued)

c) Revenue Recognition

The Council recognizes revenue when it transfers control over a promised good or service, a performance obligation under the contract, to a customer and where the Council is entitled to consideration as a result of completion of the performance obligation. Depending on the terms of the contract with the customer, revenue recognition can occur at a point in time or over time. When a performance obligation is satisfied, revenue is measured at the transaction price that is allocated to that performance obligation. For contracts where non-cash consideration is received, revenue is recognized and measured at the fair value of the non-cash consideration.

Customer contracts may include the transfer of multiple goods and services. Where the Council determines that the multiple goods and services are not distinct performance obligations, they are treated as a single performance obligation.

Contract costs for obtaining a customer contract are recognized as expenses as incurred unless they create an asset related to future contract activity that the Council expects to recover.

Significant judgement may be required to determine the number of distinct performance obligations within a contract and the allocation of transaction price to multiple performance obligations in a contract, and to determine whether the Council acts as a principle or agent for certain performance obligations. When multiple performance obligations are identified in a contract, the transaction price is allocated based on the stand-alone selling price of each performance obligation. If stand-alone selling price is not observable, the Council estimates the stand-alone selling price for each distinct performance obligation based on the related expected cost plus margin of each distinct performance obligation. The Council is acting as a principle when the Council controls the goods or services before transfer to the customer. The Council is acting as an agent when it is obliged to arrange for the provision of the goods and services by another party that are not controlled by the Council before transfer to the customer. When the Council acts as an agent, the revenue is recognized net of any related costs incurred.

The Council's principal sources of revenue and methods applied to the recognition of these revenues in these financial statements are as follows:

Contract Revenue

Contracts with customers relate to the delivery of a broad range of science and engineering specialties and consist primarily of highly unique contracts. Such contracts are entered into prior to services being provided. Due to the unique nature of the performance obligations under these contracts, revenue is recognized as a performance obligation is satisfied over time. Under the terms of the contracts, the Council is contractually restricted from redirecting the output of the contract to other customers and has an enforceable right to payment for work

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

3. Summary of Accounting Policies (continued)

c) Revenue Recognition (continued)

done. These contracts are recognized over time on a cost-to-cost basis, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Council considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

Contract revenue consists of revenues earned from third party clients, Project CLEANs and the Accelerated Site Closure Program (ASCP). Project CLEANs is a multi-year, multimillion-dollar project managed by the Council which is aimed at assessing and reclaiming abandoned northern mine sites. In 2020, the Government of Saskatchewan launched the ASCP project for the abandonment and reclamation of inactive oil and gas wells. ASCP will access up to \$400 million, over two years, through the federal COVID-19 Economic Response Plan. As of March 31, 2023, ASCP operations are fully complete.

Grants

Grants from the General Revenue Fund are unrestricted in nature and recognized as they are received or receivable. Capital grant revenues for the Pipe Flow Expansion, Mineral Processing Plant, Mining and Minerals Facility and Rare Earth Processing Facility are recorded as deferred revenue and are recognized as a reduction of depreciation expense at the same rate as the related assets are put in use and depreciated. Grants that compensate the Council for expenses incurred are recognized in profit or loss as an offset against expense in the same period in which the expenses are recognized.

d) Leases

The Council assesses whether a contract is or contains a lease, at inception of the contract. The Council recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Council recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Council uses its incremental borrowing rate.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

3. Summary of Accounting Policies (continued)

d) Leases (continued)

Each lease payment is allocated between the liability and interest so as to achieve a constant rate on the finance balance outstanding. The interest component is included in finance expense. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the Council's estimate or assessment of whether it will exercise an extension, termination, or purchase option. A corresponding adjustment is made to the right-of-use asset or is recorded in the statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

e) Property, Plant and Equipment

Property, plant and equipment (PP&E) is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PP&E consists of the purchase price and any costs directly attributable to bringing the asset to the location and the condition necessary for its intended use. Self-constructed assets are recorded at cost, including labour and materials.

Depreciation of PP&E is provided over the estimated useful lives of the assets on the following basis:

Straight-line method

Automotive	5 years
Buildings	9 - 20 years
Computer Equipment	5 years
Equipment	5 - 10 years
Leasehold Improvements	2 - 30 years

The Council assesses its assets and useful lives at the end of each fiscal year. When it is determined that assigned asset lives do not reflect the expected remaining period of benefit, prospective changes are made to the useful lives. These changes can result in changes to depreciation expense in future periods.

Assets under construction are recorded as in progress until they are operational and available for use, at which time depreciation commences.

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of an asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of PP&E consists of major components with different useful lives, the components are accounted for as separate items. Expenditures incurred to replace a component of an item of PP&E that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

3. Summary of Accounting Policies (continued)

f) Goodwill

Goodwill is initially recognized and measured as set out above. Goodwill is not amortized but is assessed annually for impairment. An impairment loss recognized for goodwill is not reversed in a subsequent period.

g) Impairment

The carrying amounts of the Council's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated.

The recoverable amount of a cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The Council assesses the CGU at the lowest level of revenue attributable to assets and has assessed the Council as a single CGU.

An impairment loss is recognized if the carrying amount of the Council's CGU exceeds its estimated recoverable amount. Impairment losses are recognized as a charge against net income.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a positive change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the CGU carrying amount does not exceed the carrying amount that would have been determined net of depreciation, if no impairment loss had been recognized.

h) Restricted Investment

The investment is comprised of deposits in units in a balanced mutual fund managed by a professional investment manager.

This investment has been classified as FVTPL and is carried at fair value with unrealized gains or losses recognized in the consolidated statement of comprehensive income. Units in the mutual fund are recorded in the accounts at their net asset value per unit. Net asset value per unit is the market value of the investments in the fund portfolio divided by the total number of outstanding units in that fund. The adjustment necessary to record units at their net asset value at year-end is shown as a change in restricted investment on the consolidated statement of comprehensive income.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

3. Summary of Accounting Policies (continued)

i) Inventory

Inventory is valued at the lower of cost and net realizable value. Costs are allocated to inventory based on weighted average cost method. Net realizable value is based on the replacement cost of raw materials and materials and supplies inventory.

A write-down is recognized if the carrying amount exceeds net realizable value and may be reversed if the circumstances that caused it no longer exist.

j) Accrued Pension Benefit Asset

The Council maintains a pension plan for its employees. The Board of Directors for the Council is responsible for the plan and approves the pension plan financial statements. The Plan is registered with the Saskatchewan Superintendent of Pensions (Superintendent) and is required to comply with *The Pension Benefits Act, 1992 (Act)*. Until December 31, 1990, it was a defined benefit plan. Effective January 1, 1991, the Plan was changed to a defined contribution plan. The changes did not affect employees who retired before this date. They continue to receive benefits as granted.

Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income. The valuation adjustment includes the expected return on plan assets netted against the interest arising on the pension liability and is included in other income.

k) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars using the rate of exchange in effect at the reporting date. Revenues and expenses are translated at the rate prevailing at the transaction date. Foreign currency translation gains and losses are included in other income in the period in which they arise.

4. Inventory

	2023 (000's)	2022 (000's)
Raw materials	\$ 7,072	\$ -
Inventory in transit	-	2,962
Materials and supplies	1,203	656
Less: allowance for obsolescence	-	-
	<u>\$ 8,275</u>	<u>\$ 3,618</u>

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

5. Accrued Pension Benefit Asset

Defined Contribution

The defined contribution pension plan assets had a market value of \$18,192,000 (2021 - \$20,763,000) at December 31, 2022. By design, the liabilities equal the assets of a defined contribution pension plan.

The defined contribution pension plan expense (employer contributions) for the year ended March 31, 2023 was \$1,255,000 (2022 - \$1,114,000).

The assets consist of units in multiple funds held by London Life Investment Management Ltd. These funds have no fixed interest rate, and returns are based on the performance of the funds. The fair value of the assets is considered to be the market value.

Defined Benefit

The Pension Benefits Act, 1992 (Act), requires the pension plan to obtain, every three years, an actuarial valuation that outlines its funding position and solvency position. The latest actuarial valuation of the defined benefit pension plan was performed as at December 31, 2022 by an independent actuary, Mercer. This valuation has been extrapolated to March 31, 2023 by Mercer. A discount rate of 4.80% (2022 – 3.60%) was used in the calculation of the extrapolation. The pension plan has been valued using management's best estimates.

This plan is low risk to the Council. It is a closed plan and fully funded. At December 31, 2022 there were two members with an average age of 93. Separate audited financial statements for the pension plan are prepared.

The assets of the defined benefit plan consist of units in two balanced funds held by London Life Investment Management Ltd. These funds have no fixed interest rate, and returns are based on the performance of the funds. The fair value of the assets is considered to be the market value.

The funding position outlines whether the pension plan has sufficient assets to pay the benefits agreed to under the plan. The solvency position outlines if the pension plan has sufficient assets to windup the plan at the valuation date. If the funding and solvency positions are deficits, the Act outlines how the deficits are to be paid. The next actuarial valuation for funding and solvency purposes prepared by Mercer is scheduled to be filed with the Superintendent at December 31, 2024. The 2022 valuation disclosed a solvency surplus of \$457,000 (2021 - \$394,000 surplus) and a funding surplus of \$529,000 (2021 - \$474,000 surplus).

A 1% increase in the interest rate assumption would result in a \$8,000 decrease to the pension liability. A 1% decrease in the interest rate assumption would result in a \$8,000 increase to the pension liability.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

5. Accrued Pension Benefit Asset (continued)

Defined Benefit (continued)

The financial position of the defined benefit pension plan is as follows:

	2023 (000's)	2022 (000's)
Defined benefit asset expected market value, April 1	\$ 725	\$ 756
Expected return on plan assets	25	13
Benefits paid	(70)	(83)
Experience gain/(loss)	(8)	39
Asset at market value, March 31	<u>672</u>	<u>725</u>
Defined benefit obligation at April 1	274	310
Interest on accrued benefits and benefit payments	8	5
Benefits paid	(70)	(83)
Experience losses/(gains)	(96)	44
Pension increase	-	12
Assumption changes	(4)	(14)
Obligation, extrapolated to March 31	<u>112</u>	<u>274</u>
Accrued pension asset, March 31	<u>\$ 560</u>	<u>\$ 451</u>

Upon termination of the defined benefit portion of the pension plan, any balance remaining, after discharging all liabilities, shall belong to the Council. The balance may be distributed in a manner to be determined by the Council, at its sole discretion, after receiving prior approval in accordance with *The Pension Benefits Act, 1992*, the *Income Tax Act (Canada)* and the regulations thereunder.

The defined benefit pension plan net gain of \$92,000 (2022 - \$3,000 net loss) is presented in other comprehensive income. Effective January 1, 2003, the Council is not being reimbursed for administrative costs incurred by the pension plan.

6. Restricted Investment

Restricted investment represents the Technology-in-Action Fund (Fund), which was established by the Council in 1994 when Mr. Ian Wahn made a gift to the Council, an agent of the Crown. The Fund was established to help the people of Saskatchewan develop their province as a highly skilled, fair, desirable and compassionate society with a secure environment through research, development and the transfer of innovative scientific and technological solutions, applications and services.

The Council received a binding ruling from the Canada Revenue Agency that accepted this gift as a "Gift to the Crown".

The Council maintains a separate account for the capital contributions and all investment income earned.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

6. Restricted Investment (continued)

The balance of the Fund at March 31 is as follows:

	2023 (000's)	Change (000's)	2022 (000's)
Capital contributions	\$ 504	\$ -	\$ 504
Accumulated investment (loss) earnings	1,151	(27)	1,178
Accumulated technology grants, fund expenses	(236)	-	(236)
Total	\$ 1,419	\$ 27	\$ 1,446

The capital contributions are invested in a Canadian balanced mutual fund. The balanced mutual fund has no fixed interest rate, and the return is based on the performance of the mutual fund. Additional units in the mutual fund are acquired when distributions are made by the mutual fund investments. Cash dividends are not paid by the fund; however, investors can realize changes in the underlying unit values by redeeming units. The investment earnings include the actual earnings of the investment and the year-over-year change in the market value of the assets.

7. Right-of-Use assets

	Buildings (000's)
Cost	
Balance, March 31, 2021	\$ 33,266
Additions	10,588
Disposals	-
Terminations	(502)
Balance, March 31, 2022	\$ 43,352
Additions	7,614
Disposals	-
Terminations	-
Balance, March 31, 2023	\$ 50,966
Accumulated depreciation	
Balance, March 31, 2021	\$ 2,945
Depreciation	2,574
Disposals	-
Terminations	(502)
Balance, March 31, 2022	\$ 5,017
Depreciation	3,474
Disposals	-
Terminations	-
Balance, March 31, 2023	\$ 8,491
Net Book Value	
March 31, 2023	\$ 42,475
March 31, 2022	\$ 38,335

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

8. Property, Plant and Equipment

(000's)	Building	Leasehold Improvements	Computer Equipment	Equipment	Automotive	Construction in Progress	Total
Cost							
Balance, March 31, 2021	\$ 453	\$ 40,929	\$ 3,018	\$ 52,813	\$ 846	\$ 5,813	\$ 103,872
Additions	-	15,633	278	3,416	8	-	19,335
Disposals/transfers	-	(1,298)	(495)	(2,251)	-	(503)	(4,547)
Balance, March 31, 2022	453	55,264	2,801	53,978	854	5,310	118,660
Additions	-	7,741	-	2,664	-	11,868	22,273
Disposals/transfers	-	(7,009)	(316)	(10,304)	(34)	(8,497)	(26,160)
Balance, March 31, 2023	453	55,996	2,485	46,338	820	8,681	114,773
Accumulated Depreciation							
Balance, March 31, 2021	421	18,994	2,463	37,884	670	-	60,432
Current year depreciation	3	1,598	158	3,621	60	-	5,440
Disposals	-	(891)	(489)	(1,996)	-	-	(3,376)
Balance, March 31, 2022	424	19,701	2,132	39,508	730	-	62,496
Current year depreciation	4	2,670	175	3,610	44	-	6,503
Disposals	-	(6,250)	(305)	(8,700)	(33)	-	(15,288)
Balance, March 31, 2023	428	16,121	2,002	34,419	741	-	53,711
Net Book Value							
March 31, 2023	\$ 25	\$ 39,875	\$ 483	\$ 11,919	\$ 79	\$ 8,681	\$ 61,062
March 31, 2022	\$ 29	\$ 35,563	\$ 669	\$ 14,469	\$ 124	\$ 5,310	\$ 56,164

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

9. Line of Credit

The Council was authorized by the Minister of Finance to establish a line of credit not to exceed \$5,100,000. There is an assignment of the accounts receivable as collateral for bank indebtedness. Interest is charged on the line of credit at ScotiaBank prime rate.

As at March 31, 2023 and March 31, 2022 the Council was not utilizing this line of credit.

10. Unearned Revenue

Unearned revenue consists of:

	2023 (000's)	2022 (000's)
Accelerated site closure program	\$ -	\$ 23,431
Project CLEANs	1,775	792
Other contracts	1,731	1,905
	<u>\$ 3,506</u>	<u>\$ 26,128</u>

11. Deferred Revenue

The Council received funding for certain property, plant and equipment (PP&E), which it records as deferred revenue until such time as the related assets are put in use and depreciated. Revenue is recognized at the same rate as the depreciation of the related assets.

a) Pipe Flow Expansion

The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by Enterprise Saskatchewan and Western Economic Diversification Canada to acquire equipment and develop space for the Pipe Flow Expansion.

b) Mineral Processing Pilot Plant

The Council received funding towards the total cost of PP&E from the Western Economic Partnership Agreement by Enterprise Saskatchewan and Western Economic Diversification Canada to acquire equipment and develop space for the Mineral Processing Pilot Plant.

c) Mining and Minerals Facility

In June 2020, The Council received funding towards the total cost of PP&E from the Government of Saskatchewan to acquire equipment and develop space for the Mining and Minerals Facility.

d) Rare Earth Processing Facility

Between August 2020 and March 2022, The Council received funding from the Government of Saskatchewan to acquire equipment and develop space for a Rare Earth Processing Facility. To date, \$51,000,000 of funding has been committed. The Government of Saskatchewan has approved an additional \$20,000,000 of funding to be paid in fiscal 2024.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

11. Deferred Revenue (continued)

e) Rare Earth Processing Facility

Between August 2020 and March 2022, The Council received funding from the Government of Saskatchewan to acquire equipment and develop space for a Rare Earth Processing Facility. To date, \$51,000,000 of funding has been committed. The Government of Saskatchewan has approved an additional \$20,000,000 of funding to be paid in fiscal 2024.

In March 2023, The Council received funding from PrairiesCan to allocate towards capital and facility operational costs for portions of the Rare Earth Processing Facility. Total approved funding from PrairiesCan totals \$3,000,000.

	Balance, March 31, 2022 (000's)	Less Amount Recognized (000's)	Add Amount Received (000's)	Balance, March 31, 2023 (000's)
Pipeline Expansion	\$ 191	\$ 159	\$ -	\$ 32
Mineral Processing Plant	249	127	-	122
Mining and Minerals Facility	14,667	1,000	-	13,667
Rare Earth Processing Facility	31,000	3,410	20,560	48,150
	<u>\$ 46,107</u>	<u>\$ 4,696</u>	<u>\$ 20,560</u>	<u>\$ 61,971</u>

	2023 (000's)	2022 (000's)
Current Portion		
Pipe Flow Expansion	\$ 32	\$ 159
Mineral Processing Pilot Plant	122	127
Mining and Minerals Facility	1000	1,000
	<u>\$ 1,154</u>	<u>\$ 1,286</u>

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

12. Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Council by virtue of common control or significant influence by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). The Council has elected to take a partial exemption under IAS 24 – Related Party Disclosures which allows government-related entities to limit the extent of disclosures about related party transactions with government and other government-related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

During the year, the Council paid \$7,540,000 (2022 - \$8,775,000) for accommodation charges on buildings.

During the 2018-19 year, the Council entered into an agreement related to the construction of new office and laboratory space that was financed through Innovation Saskatchewan.

	2023 (000's)	2022 (000's)
Due to related party, variable rate based on Government of Saskatchewan short term borrowing rate, due March 31, 2038	\$ 15,718	\$ 16,808
Less: current portion of due to related party	1,376	1,376
	\$ 14,342	\$ 15,432

As at March 31, 2023, the amounts payable to Innovation Saskatchewan are as follows:

Less than 1 year (000's)	Between 2 and 5 years (000's)	More than 5 years (000's)
\$ 1,376	\$ 3,449	\$ 10,893

In addition, the Council has lease liability payments due to related parties as follows:

	Less than 1 year (000's)	Between 2 and 5 years (000's)	More than 5 years (000's)
Future minimum lease payments	\$ 2,216	\$ 6,712	\$ 28,663
Present value of lease liabilities	1,376	3,759	21,056

In 2023, the Council purchased supplies and services for \$336,000 (2022 - \$594,000) from related parties.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

12. Related Party Transactions (continued)

During the year, the Council recognized fee-for-service contract revenue of \$175,961,000 (2022 - \$230,540,000) with related parties.

The Council received \$20,309,000 (2022 - \$20,309,000) in funding from the General Revenue Fund.

As at March 31, the Council had \$318,000 (2022 - \$3,634,000) in related party accounts receivable.

The Council has \$61,911,000 (2022 - \$45,948,000) of deferred revenue from related parties as at March 31, 2023. Of the \$61,911,000, \$22,000 (2022 - \$134,000) is related to the Pipe Flow Expansion funding, \$72,000 (2022 - \$147,000) is related to the Mineral Processing Pilot Plant funding, \$13,667,000 (2022 - \$14,667,000) is related to the Mining and Minerals Facility funding and \$48,150,000 (2022 - \$31,000,000) is related to the Rare Earth Processing Facility funding.

The Council has \$1,805,000 (2022 - \$25,192,000) of unearned revenue from related parties, related to fee-for-service contracts, as at March 31, 2023.

During the year, the Council provided general administrative services to the Saskatchewan Research Council Employees' Pension Plan without charge.

Key management personnel includes the President and Vice-Presidents of the Council. The compensation paid to key management for employee services is shown below:

	2023 (000's)	2022 (000's)
Salaries and benefits	\$ 3,178	\$ 2,891

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

13. Financial Instruments

Credit Risk:

Credit risk is the risk of an unexpected loss by the Council if a customer or third-party to a financial instrument fails to meet its contractual obligations.

The Council's credit risk is limited to its accounts receivable and cash balances.

Until the Council's surplus cash is required to fund operations, it is invested in a variety of highly rated, risk-free instruments.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

13. Financial Instruments (continued)

The majority of the Council's receivables are from related parties, other government agencies and reputable, longstanding corporate clients who have a strong payment history. The Council also manages this risk by monitoring the credit worthiness of its customers and seeking pre-payment or insurance for receivables due from customers with a high level of credit risk. Loss rates are based on actual credit loss past experience and are adjusted to reflect differences between current and historical economic conditions and the Council's view of the economic conditions over the expected lives of the receivables. Historically the Council's write offs have not been significant.

At March 31, 2023, the Council had expected credit losses of \$211,000 (2022 - \$211,000).

The following reflects an aging summary of the Council's accounts receivable:

	2023 (000's)	2022 (000's)
Current	\$ 6,669	\$ 22,292
31 - 60 days	2,229	448
61- 90 days	1,271	707
Over 90 days	254	600
	<u>10,423</u>	<u>24,047</u>
Expected credit losses	(211)	(211)
	<u>\$ 10,212</u>	<u>\$ 23,836</u>

The following reflects a reconciliation of the Council's expected credit losses:

	2023 (000's)	2022 (000's)
Balance, beginning of year	\$ 211	\$ 211
Additions charged to operations	38	-
Write-offs net of recoveries	(38)	-
Balance, end of year	<u>\$ 211</u>	<u>\$ 211</u>

Liquidity Risk

Liquidity risk is the risk that the Council is unable to meet its financial obligations as they fall due. The Council ensures that there is sufficient capital in order to meet short-term business requirements, after taking into consideration cash flows from operations and the Council's holdings of cash and the availability of the line of credit. The Council believes that these sources will be sufficient to cover short-term and long-term cash requirements.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

13. Financial Instruments (continued)

The following table summarizes the contractual maturity of the Council's financial liabilities at March 31.

	(000's) Carrying Amount	(000's) <0-6 months	(000's) <7-12 months
2023			
Accounts payable	\$ 5,953	\$ 5,953	\$ -
Salaries, wages and vacation payable	2,952	2,607	345
	<u>\$ 8,905</u>	<u>\$ 8,560</u>	<u>\$ 345</u>
2022			
Accounts payable	\$ 23,384	\$ 23,384	\$ -
Salaries, wages and vacation payable	3,787	3,391	396
	<u>\$ 27,171</u>	<u>\$ 26,775</u>	<u>\$ 396</u>

Interest Rate Risk

The Council's exposure to floating interest rate risk is generally limited to certain cash. The Council manages its interest rate risk on these investments by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

Equity Price Risk

Equity price risk is the risk that the value of an equity will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market.

The Council manages the equity price risk of the Restricted Investment through investing in a Canadian balanced mutual fund.

A 10% change in the market value of the Restricted Investment would result in a \$149,000 change in the return from the Restricted Investment.

Foreign Exchange Risk

Foreign exchange risk is the risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the Council.

The Council is exposed to foreign exchange risk primarily relating to United States operating and capital expenditures. The company has no significant foreign currency exposure related to cash and receivables at March 31, 2023. The Council does not believe that the impact of fluctuations in foreign exchange rates on anticipated transactions will be material and therefore has not provided a sensitivity analysis of the impact on net earnings.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2023

13. Financial Instruments (continued)

Fair Values

The fair values of the cash, accounts receivable, accounts payable, salaries, wages and vacation payable, and sick leave benefits payable approximate their carrying value due to the short-term nature of these instruments. The fair value of the Restricted Investment is considered to be market value, the calculation of which is detailed in Note 3g).

The following table summarizes the classification, measurement category, carrying amount, and fair value of the Council's financial instruments.

	Class ¹	Level ¹	2023 (000's)		2022 (000's)	
			Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets						
Cash	L&R	1	\$ 41,029	\$ 41,029	\$ 61,846	\$ 61,846
Accounts receivable	L&R	N/A	10,212	10,212	23,836	23,836
Restricted investment	FVTPL	1	1,419	1,419	1,446	1,446
Financial Liabilities						
Accounts payable	OFL	N/A	5,953	5,953	23,384	23,384
Salaries, wages and vacation payable	OFL	N/A	2,952	2,952	3,787	3,787
Due to related party	OFL	1	15,718	15,718	16,808	16,808
Long-term debt	OFL	1	3,996	3,996	-	-
Sick leave benefits payable	OFL	N/A	32	32	36	36

¹ Classification and Level
FVTPL – Fair value through profit and loss
L&R – Loans and receivables
OFL – Other financial liabilities

Investments measured at fair value are categorized into a hierarchy level, which is described below. This level is based on the transparency of the inputs used to measure the fair values of assets and liabilities.

Level 1 – Quoted prices in active markets for identical assets.

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14. Lease Liability

	2023 (000's)	2022 (000's)
Total future minimum lease payments	\$ 59,586	\$ 53,404
Less: future finance charges on leases	15,757	14,294
Present value of lease liabilities	43,829	39,110
Less: current portion	3,385	2,690
	<u>\$ 40,444</u>	<u>\$ 36,420</u>

As at March 31, 2023, the scheduled future minimum payments and the present value of lease liabilities are as follows:

	Less than 1 year (000's)	Between 2 and 5 years (000's)	More than 5 years (000's)
Future minimum lease payments	\$ 4,850	\$ 13,593	\$ 41,143
Present value of lease liabilities	3,385	9,770	30,674

The discount rates applied range from 3.2% to 7.45%.

As at March 31, 2023 the Council has outstanding commitments to a third party in relation to right-of-use assets and lease liabilities in the future.

15. Long-term debt

During the year ended March 31, 2023, the Council entered in to a third-party loan agreement with their primary landlord to finance corporate head office tenant improvements. The loan is repayable in monthly installments beginning December 1, 2022 at an interest rate of 6% and is secured by tenant improvements.

The Council received \$2,500,000 related to financing of capital equipment for the Rare Earth Elements Facility with Western Economic Diversification Canada. The agreement requires repayment of funds over 59 months at \$41,667 per month beginning January 1, 2026. Interest is calculated during the period beginning on the due date and ending on the day before payment is received and compounds monthly at the average bank rate plus 3%.

	2023 (000's)
Principal	\$ 7,620
Current year repayments	1,124
	6,496
Less: current portion	(555)
	<u>\$ 5,941</u>

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15. Long-term debt (continued)

As at March 31, 2023, the amounts payable to related to long-term debt are as follows:

Less than 1 year (000's)	Between 2 and 5 years (000's)	More than 5 years (000's)
\$ 555	\$ 3,345	\$ 2,596

16. Capital Disclosures

The Council manages capital through assessment of current and future goals, and the capital requirement of these goals. The Council's objective when managing capital is to ensure adequate capital is available to support operations and future strategies of the Council.

The Council's management considers its capital structure to consist of contributed surplus and unappropriated retained earnings.

The usage of this capital is restricted in accordance with *The Financial Administration Act, 1993*.

The Council is not subject to prescribed capital requirements or external restrictions.

17. Trust Investment

The Canadian Nuclear Safety Commission's (CNSC) licensing conditions require that SLOWPOKE reactor owners have in place a decommissioning plan and a financial plan to cover the associated costs.

Prior to fiscal 2022, the Council had invested \$5,515,000 in a legal trust for the purpose of settling the provision. This trust agreement is a condition of the operating license issued to the Council by CNSC. The terms of the trust agreement require the trust be invested in GICs and require the Council to contribute to the trust account each year. The funds cannot be used for any purpose without prior approval of CNSC.

During 2022, the Council applied to CNSC for release of these funds following approvals of the completed decommissioning and the funds were released back to the Council.

18. Contingent Liability

The Council is involved in a lawsuit related to Project CLEANS. The matter is currently in the discovery and disclosure phase and the prospect of liability remains indeterminate. The Council will be reimbursed for any costs associated with this potential claim.

19. Comparative Figures

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