

CIC ASSET MANAGEMENT INC.

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016

Independent Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying consolidated financial statements of **CIC Asset Management Inc.**, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the fifteen month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of CIC Asset Management Inc. as at March 31, 2016, and its consolidated financial performance and its consolidated cash flows for the fifteen month period then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants
May 25, 2016
Regina, Saskatchewan

CIC Asset Management Inc.
 Consolidated Statement of Financial Position
 As at
 (thousands of dollars)

	Note	March 31 2016	December 31 2014
ASSETS			
Current			
Cash and cash equivalents	6	\$ 19,989	\$ 13,561
Short-term investments	8	2,500	5,000
Interest and dividends receivable		474	1,228
Accounts receivable		17	4
Restricted cash and cash equivalents	7	<u>412</u>	<u>421</u>
		23,392	20,214
Investments	8	57,211	53,763
Investments in equity accounted investees	9	-	3,657
Restricted cash and cash equivalents	7	<u>4,724</u>	<u>4,766</u>
		<u>\$ 85,327</u>	<u>\$ 82,400</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables		\$ 60	\$ 130
Provisions	10	<u>-</u>	<u>1,965</u>
		60	2,095
Provisions	10	<u>47,771</u>	<u>47,450</u>
		<u>47,831</u>	<u>49,545</u>
Shareholders' Equity			
Share capital	11	-	-
Contributed surplus		85	85
Retained earnings		<u>37,411</u>	<u>32,770</u>
		<u>37,496</u>	<u>32,855</u>
		<u>\$ 85,327</u>	<u>\$ 82,400</u>
Commitments and contingencies	12		
(See accompanying notes)			

On behalf of the Board:

Lindsay Osilivie

Director



Director

CIC Asset Management Inc.
 Consolidated Statement of Comprehensive Income
 For the Period Ended
 (thousands of dollars)

	Note	Fifteen Months March 31 2016	Twelve months December 31 2014
REVENUES			
Interest and other		\$ 5,209	\$ 2,784
Share of losses of equity accounted investees	9	(45)	(1,363)
(Loss) gain on sale of investments		<u>(84)</u>	<u>901</u>
		<u>5,080</u>	<u>2,322</u>
EXPENSES			
Operating		<u>438</u>	<u>583</u>
EARNINGS BEFORE THE FOLLOWING		4,642	1,739
(Provision for) recovery of environmental remediation liabilities	10	(5)	13,900
Net change in value of investments		(31)	-
Recovery of (provision for) loan losses		<u>35</u>	<u>(2,675)</u>
NET EARNINGS ATTRIBUTABLE TO CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN (CIC)		<u>4,641</u>	<u>12,964</u>
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO CIC		<u>\$ 4,641</u>	<u>\$ 12,964</u>

(See accompanying notes)

CIC Asset Management Inc.
Consolidated Statement of Changes in Equity
For the Period Ended
(thousands of dollars)

	Attributable to CIC				
	Share Capital (Note 11)	Other Contributed Surplus	Retained Earnings	Accumulated Non- Comprehensive Loss	Total Equity
Balance at January 1, 2014	\$ 35,000	\$ 125	\$ 64,806	\$ -	\$ 99,931
Net earnings	-	-	12,964	-	12,964
Dividends paid to CIC	-	-	(45,000)	-	(45,000)
Redemption of share capital	(35,000)	-	-	-	(35,000)
Other	-	(40)	-	-	(40)
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ 32,770</u>	<u>\$ -</u>	<u>\$ 32,855</u>
Balance at January 1, 2015	\$ -	\$ 85	\$ 32,770	\$ -	\$ 32,855
Net earnings	-	-	4,641	-	4,641
Dividends to CIC	-	-	-	-	-
Balance at March 31, 2016	<u>\$ -</u>	<u>\$ 85</u>	<u>\$ 37,411</u>	<u>\$ -</u>	<u>\$ 37,496</u>

(See accompanying notes)

CIC Asset Management Inc.
Consolidated Statement of Cash Flows
For the Period Ended
(thousands of dollars)

	Note	Fifteen Months March 31 2016	Twelve months December 31 2014
OPERATING ACTIVITIES			
Net earnings		\$ 4,641	\$ 12,964
Adjustments to reconcile net earnings to cash from operating activities	13	35	(10,999)
Net change in non-cash working capital balances related to operations	14	<u>671</u>	<u>(58)</u>
Net cash from operating activities		<u>5,347</u>	<u>1,907</u>
INVESTING ACTIVITIES			
Proceeds from sale and collection of investments		179	3,307
Decrease in short-term investments		2,500	40,183
Decrease in restricted cash and other assets and liabilities		<u>51</u>	<u>119</u>
Net cash from investing activities		<u>2,730</u>	<u>43,609</u>
FINANCING ACTIVITIES			
Reduction in provision	10	(1,649)	(1,000)
Redemption of share capital	11	-	(35,000)
Dividends paid to CIC		<u>-</u>	<u>(45,000)</u>
Net cash used in financing activities		<u>(1,649)</u>	<u>(81,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING PERIOD		6,428	(35,484)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		<u>13,561</u>	<u>49,045</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD		<u>\$ 19,989</u>	<u>\$ 13,561</u>

(See accompanying notes)

1. General information

CIC Asset Management Inc. ("AMI" or "the Corporation") is a corporation domiciled in Canada. The address of AMI's registered office and principal place of business is 400 - 2400 College Avenue, Regina, SK, S4P 1C8. AMI has a mandate to prudently manage and divest of its portfolio of investments. The consolidated financial statements of AMI comprise AMI and its subsidiaries and AMI's interest in associates and jointly controlled entities with principal activities as described in Note 4(a).

2. Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Accounting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on May 25, 2016.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the significant accounting policies set out in Note 4.

c) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, which is AMI's functional currency.

d) Change of year end

The Corporation has been directed by the provincial government to change its fiscal year-end to March 31 to coincide with that of the Province of Saskatchewan. The first complete audited fiscal period will consist of the fifteen months ending March 31, 2016 compared to the audited twelve month period ending December 31, 2014. As a result, information contained in these consolidated financial statements may not be comparable with previously reported information.

e) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant items subject to estimates and assumptions include the carrying amounts of investments, the fair value of financial instruments, provisions for environmental remediation liabilities, and disclosure of contingent liabilities. These significant areas are further described in Notes 8, 9, 10, 12 and 16.

f) Use of judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements that affect the application of accounting policies. Significant items subject to judgement are included in the accounting policies listed in Note 4.

3. Application of revised accounting standards

The following amendments to standards, effective for annual periods beginning on or after January 1, 2015, have been applied in preparing these consolidated financial statements:

- IFRS 13, *Fair value measurement*
- IAS 24, *Related party disclosures*

The adoption of these amended standards had no material impact on the consolidated financial statements.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been consistently applied by AMI's subsidiaries.

a) Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Corporation has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefit from its activities. This is generally indicated by the Corporation holding more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Corporation controls another entity. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Identifiable assets acquired, liabilities, and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of any minority interest. The excess of the cost of acquisition over the fair value of the Corporation's share of the identifiable net assets acquired is recorded as goodwill.

These consolidated financial statements include the accounts of CIC Asset Management Inc. and its subsidiaries:

Wholly-owned subsidiaries domiciled in Canada

Principal Activity

101069101 Saskatchewan Ltd.	Inactive
CIC WLSVF Holdings Inc. (Dissolved January 23, 2015)	Inactive
CIC Foods Inc. (Dissolved January 23, 2015)	Inactive
CIC FTLP Holdings Inc.	Investment Holding Corporation
CIC FTMI Holdings Inc.	Investment Holding Corporation
CIC OSB Products Inc. (Dissolved March 24, 2016)	Inactive
CIC PVF Holdings Inc. (Dissolved February 6, 2014)	Inactive
CIC Pulp Ltd.	Inactive
Investment Saskatchewan Swine Inc.	Inactive
Invest Sask Holdings Inc. (Dissolved December 22, 2015)	Inactive

4. Significant accounting policies (continued)

a) Basis of consolidation (continued)

Associates and jointly controlled entities (investments in equity accounted investees)

Associates are those entities in which AMI has significant influence, but not control, over strategic financial and operating policy decisions. Significant influence is presumed to exist when AMI holds between 20.0 and 50.0 per cent of the voting power of another entity. Jointly controlled entities are those entities over whose activities AMI has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method and are recognized initially at cost. AMI's investment includes any goodwill and intangible assets identified at acquisition, net of accumulated impairment losses. The consolidated financial statements include AMI's share of the total comprehensive income and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of AMI, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When AMI's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to Nil and the recognition of further losses is discontinued except to the extent that AMI has an obligation or has made payments on behalf of the investee.

Special purpose entities

AMI has established certain special purpose entities (SPEs) for trading and investment purposes. An SPE is consolidated if, based on an evaluation of the substance of its relationship with AMI and the SPE's risks and rewards, AMI concludes that it controls the SPE. SPEs controlled by AMI were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in AMI receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

AMI has determined that Meadow Lake Pulp Limited Partnership (MLPLP) falls under the classification of an SPE and has been consolidated in these consolidated financial statements.

b) Cash and cash equivalents

Cash and cash equivalents include short-term investments that have a maturity date of ninety days or less. Cash and cash equivalents are measured at fair value through profit and loss, and changes therein are recognized through net earnings.

c) Financial instruments

AMI classifies its financial instruments into one of the following categories: fair value through profit or loss; held-to-maturity; loans and receivables; available-for-sale; and other liabilities.

Financial assets and liabilities are not offset with the net amount reported on the consolidated statement of financial position unless there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments at fair value through profit or loss in which case the transaction costs are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

4. Significant accounting policies (continued)

c) Financial instruments (continued)

Financial assets at fair value through profit or loss

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 at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized through net earnings, as disclosed in Note 16.

Financial assets held-to-maturity

A financial asset is classified as held-to-maturity if it is designated as such upon initial recognition. Held-to-maturity financial assets have a fixed maturity date, where the Corporation intends and has the ability to hold to maturity. Held-to maturity investments after initial recognition are accounted for at amortized cost using the effective interest method, less any impairment losses.

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 recognized initially 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.

Non-derivative financial liabilities

The Corporation initially recognizes a financial liability on the date it originated. All other financial liabilities, including liabilities designated at fair value through profit or loss, are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

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

d) Impairments

Financial assets

A financial asset, that is not carried at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset which can be estimated reliably.

4. Significant accounting policies (continued)

d) Impairments (continued)

Financial assets (continued)

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to AMI on terms that AMI would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss, in respect of a financial asset measured at amortized cost, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net earnings.

Investments in equity accounted investees

The carrying amounts of investments in equity accounted investees are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the equity accounted investment's recoverable amount is estimated. The recoverable amount of an equity accounted investment 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 present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the equity accounted investment.

An impairment loss is recognized if the carrying amount of an equity accounted investment exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings.

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 change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the equity accounted investment's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

e) Provisions

A provision is recognized if, as a result of a past event, AMI has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. Provisions are determined at the best estimate to settle them at the consolidated financial statement date.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Environmental remediation

A provision for environmental remediation is accrued when the occurrence of an environmental expenditure, related to present or past activities of AMI, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations and remediation at identified sites. These provisions are based on management's best estimate considering current environmental laws and regulations and are recorded at fair value. AMI reviews its estimates of future environmental expenditures on an ongoing basis.

4. Significant accounting policies (continued)

f) Revenue recognition

Revenues are recognized, in the period the services are provided, when there is clear proof that an arrangement exists, amounts are determinable and the ability to collect is reasonably assured.

Interest earned on investments is recognized on an accrual basis except where uncertainty exists as to ultimate collection. In cases where collectability of interest is not reasonably assured, interest is recorded when it is received and accrued interest receivable is offset by deferred interest.

Dividends are recorded as income when received or receivable for all investments in which the Corporation does not exercise significant influence.

g) Foreign currency transactions

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Canadian dollars at the exchange rate at that date. Non-monetary assets and liabilities are translated using the exchange rates on the date of the transactions. Foreign currency differences arising on translation are recognized in net earnings, except for differences arising on the translation of qualifying cash flow hedges, which are recognized in other comprehensive income.

The assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate on the reporting date. The revenue and expenses of foreign operations are translated to Canadian dollars using exchange rates on the dates of the transactions. Translation adjustments arising from changes in the exchange rate are reflected in other comprehensive income. When a foreign operation is disposed of the related accumulated translation adjustment is transferred to net earnings as part of the gain or loss on disposal.

h) Finance income and expenses

Finance income - as an investment company, the Corporation has chosen to record gains on sale of investments through net earnings in revenues, and changes in fair value of financial assets at fair value through profit or loss in net change in value of investments. Interest income is also recognized in net earnings using the effective interest method.

Finance expenses - changes in the fair value of financial assets at fair value through profit or loss are recorded to net change in value of investments.

On the consolidated statement of cash flows, interest and dividends received are classified as an operating activity, and dividends paid are classified as a financing activity.

i) New standards and interpretations not yet adopted

The following new and amended standards and interpretations, are not yet effective for the period ended March 31, 2016, and have not been applied in preparing the consolidated financial statements:

IAS 1, Presentation of Financial Statements

In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* to improve the effectiveness of presentation and disclosure in financial reports, with the objective of reducing immaterial disclosures. The amendments are effective for reporting periods beginning on or after January 1, 2016 and will be applied prospectively. The Corporation is currently evaluating the impact of these amendments on the financial statements.

IAS 7, Statement of Cash Flows

In January 2016, the IASB issued amendments to IAS 7, *Statement of Cash Flows* to require a reconciliation of opening and closing liabilities that form part of an entity's financing activities, including both changes arising from cash flows and non-cash changes. The amendments are effective for reporting periods beginning on or after January 1, 2017 and will be applied prospectively. The Corporation is currently evaluating the impact of these amendments on the consolidated financial statements.

4. Significant accounting policies (continued)

i) New standards and interpretations not yet adopted (continued)

IFRS 9, Financial Instruments

In July 2014, the final version of IFRS 9, Financial Instruments was issued. The standard sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. It has also modified the hedge accounting model to better link the economics of risk management with the accounting treatment of hedges. The standard is effective for reporting periods beginning on or after January 1, 2018. The Corporation is in the process of assessing the impact of the adoption of the standard on the consolidated financial statements.

Annual Improvements Cycles

The IASB issued an exposure draft in December 2013 for the annual improvement cycle for 2012-2014. These amendments are effective for annual periods beginning on or after January 1, 2016. The Corporation does not expect these amendments to significantly impact the consolidated financial statements.

5. Status of CIC Asset Management Inc.

The Corporation was incorporated under *The Business Corporations Act (Saskatchewan)* on November 14, 1979 as a wholly-owned subsidiary of CIC, a provincial Crown corporation. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and is not subject to federal and provincial income taxes. Certain of the Corporation's investments are subject to federal and provincial income taxes.

6. Cash and cash equivalents
 (thousands of dollars)

The major components of cash and cash equivalents are as follows:

	March 31 2016	December 31 2014
Cash on deposit	\$ 3,714	\$ 3,339
Short-term investments	<u>16,275</u>	<u>10,222</u>
	<u>\$ 19,989</u>	<u>\$ 13,561</u>

The weighted average interest rate for short-term investments included in cash and cash equivalents at March 31, 2016 was 0.80 per cent (December 2014 - 1.20 per cent).

7. Restricted cash and cash equivalents
 (thousands of dollars)

AMI holds the following cash and cash equivalents restricted for use:

	March 31, 2016		December 31, 2014	
	Current	Non-Current	Current	Non-Current
Meadow Lake Pulp Limited Partnership	<u>\$ 412</u>	<u>\$ 4,724</u>	<u>\$ 421</u>	<u>\$ 4,766</u>

The current portion of restricted cash is held by the receiver of Meadow Lake Pulp Limited Partnership and is subject to an order of the Court of Queen's Bench of Saskatchewan. The non-current portion of restricted cash has been paid to the Corporation, and placed in trust for the future remediation and monitoring costs associated with the Meadow Lake Pulp Limited Partnership site, subject to the order of the Court of Queen's Bench of Saskatchewan. During the period, \$0.1 million (December 2014 - \$0.1 million) was incurred for monitoring costs, as provided for under the court order.

8. Investments
(thousands of dollars)

	March 31 2016	December 31 2014
Short-term investments - at fair value through profit or loss	<u>\$ 2,500</u>	<u>\$ 5,000</u>
Portfolio investments - at fair value through profit or loss (a)	<u>3,353</u>	-
Bond investments held-to-maturity (b)	<u>53,858</u>	<u>53,763</u>
Loans and other advances		
2313329 Ontario Ltd. (c), (d)	-	-
VendAsta Technologies Inc. (e)	-	-
Other (f)	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Total investments	<u>\$ 57,211</u>	<u>\$ 53,763</u>

- a) As detailed in Note 9(b), the Corporation received 2,857,432 common shares in Radiant Technologies Inc. and 2,569,775 preferred shares in Chromatin Inc. In October 2015, the Corporation sold its common shares in Radiant Technologies Inc. for \$0.1 million in net proceeds and recorded a loss on sale of \$0.1 million. Chromatin's fair value at March 31, 2016 is \$3.4 million.
- b) The Corporation holds bonds with various Canadian Chartered Banks with rates varying between 2.22 per cent and 2.37 per cent. The bonds have maturity dates between September 21, 2017 and March 12, 2018.
- c) In 2011, Clothing For Modern Times Ltd. (CFMT) entered receivership and was granted creditor protection under the *Companies' Creditors Arrangement Act* (CCAA). Based on a proposal before the receiver at December 31, 2011, the Corporation recorded impairment on the CFMT debt of \$1.0 million.

On March 22, 2012, as part of the CCAA process, the Corporation was assigned a loan in 2313329 Ontario Ltd. (2313329), a company related to CFMT which purchased a number of CFMT's stores during the CCAA process.

As the terms of the loan to 2313329 and the residual assets of CFMT represented materially different terms and cash flows than the initial loan to CFMT, the loan to CFMT was derecognized and two separate financial instruments recognized. The loan to 2313329 was recorded at its estimated fair value at March 22, 2012 of \$2.6 million, reflecting an estimated effective interest rate of 40.0 per cent. The residual proceeds due from the receiver were recorded as accounts receivable with a fair value at June 6, 2012 of \$4.6 million. Upon the recognition of these financial instruments, the original CFMT loan was derecognized resulting in a \$0.5 million recovery of previous impairments.

AMI received \$4.3 million in proceeds related to the \$4.6 million of CFMT residual assets initially recognized, with the remaining \$0.3 million written off as uncollectable at December 31, 2012.

- d) As detailed in Note 8(c) the Corporation was assigned a loan in 2313329 Ontario Ltd. with an estimated fair value at initial recognition of \$2.6 million under the effective interest method at March 22, 2012. The Corporation recorded an impairment of the loan at December 31, 2012 of \$0.6 million based on impairment testing.

The Corporation performed an impairment test of the loan at December 31, 2013 and determined a further impairment had occurred due to increased risk associated with collecting the principal upon maturity. Based on the application of accounting standards for the impairment testing of loans and receivables, the Corporation recognized an impairment of \$0.5 million at December 31, 2013.

On May 9, 2014, 2313329 Ontario Ltd. notified AMI that it was in bankruptcy. The Corporation effectively recognized a write-down of \$1.5 million, which was the remaining value of the loan. On November 18, 2014, after the write-down the Corporation received \$0.2 million of cash proceeds. The Corporation received \$0.01 million and \$0.02 million in cash proceeds on March 6, 2015 and January 5, 2016, respectively.

8. Investments (continued)

- e) On March 22, 2013, the Corporation converted its equity in VendAsta Technologies Inc. (VendAsta) to senior debt. The debt has a contractual value of \$4.3 million plus interest at prime plus one per cent and matured on December 31, 2015. On October 15, 2014, the Corporation agreed to extinguish its loan with VendAsta for proceeds of \$1.8 million and recorded a loss of \$1.3 million on the loan.
- f) In 2014, the Corporation agreed to modify its forbearance agreement on its subordinated debt in Terra Grains Fuels Inc. to start monthly interest and principal payments if Terra Grain meets the requirements of excess cash flow as defined in the agreement. As a result of the transaction and the uncertainty of further principal payments from Terra Grain, the Corporation continues to carry its loan to Terra Grain at Nil.

9. Investments in equity accounted investees (thousands of dollars)

	Principal activity	Reporting date	Ownership interest		Carrying value	
			March 31 2016	December 31 2014	March 31 2016	December 31 2014
Associates						
Other (a)	Various	Various			-	-
Jointly controlled entities						
Foragen Technologies Limited Partnership (b)	Agricultural venture capital	March 31, 2016	-%	33.3%	-	3,657
					<u>\$ -</u>	<u>\$ 3,657</u>

- a) The Corporation has discontinued recognition of losses or income of various associates as their total equity value is below Nil. During the fifteen months ended March 31, 2016, these associates had net losses totaling \$0.4 million (December 2014 - \$5.1 million). Cumulative losses of \$10.7 million remain at March 31, 2016.
- b) The Corporation, through its wholly owned subsidiary CIC FLTP Holdings Inc., owned limited partnership units in Foragen Technologies Limited Partnership (Foragen). On June 24, 2015, Foragen was dissolved. This joint venture contributed equity losses of \$0.1 million (2014 - \$1.4 million) to the Corporation's financial results. During the period, the Corporation received cash distributions of Nil (December 2014 - \$0.5 million) as a return of capital from Foragen. As part of the dissolution, the Corporation received 2,857,432 common shares in Radiant Technologies Inc. and 2,569,775 preferred shares in Chromatin Inc. Rights to future distributions from certain Foragen investments and 227,657 Series C preferred shares in Chromatin are held in escrow to pay off amounts owing to Foragen employees. Management expects to receive these shares before November 30, 2016.

The Corporation's share of losses from its equity accounted investees for the period was \$0.1 million (December 2014 - \$1.4 million). During the fifteen month period, the Corporation's equity accounted investees are as follows:

- Corporation HET
- Foragen Technologies Limited Partnership (Joint Venture)

The Corporation's equity accounted investees summarized financial information, not adjusted for the percentage ownership held by the Corporation, is detailed as follows:

	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Revenues	Expenses	Net Earnings
December 31, 2014	\$ 4,948	\$ 25,736	\$ 4,832	\$ 3,528	\$ (758)	\$ 4,316	\$ (5,074)
March 31, 2016	\$ 384	\$ 43	\$ 96	\$ -	\$ 397	\$ 795	\$ (398)

10. Provisions

(thousands of dollars)

	Environmental Remediation
Balance at January 1, 2014	\$ 64,315
Increase in provisions	1,000
Reduction of provisions	(14,900)
Settlement of provisions	(1,000)
Recovery on settlement	<u>-</u>
Balance at December 31, 2014	<u>\$ 49,415</u>
Current	<u>\$ 1,965</u>
Non-current	<u>\$ 47,450</u>

	Environmental Remediation
Balance at January 1, 2015	\$ 49,415
Increase in provisions	414
Reduction of provisions	(409)
Settlement of provisions	(1,649)
Recovery on settlement	<u>-</u>
Balance at March 31, 2016	<u>\$ 47,771</u>
Current	<u>\$ -</u>
Non-current	<u>\$ 47,771</u>

a) Environmental remediation

The following are included in the provision for environmental remediation liabilities:

- i) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. The Corporation has accrued \$10.3 million (December 2014 - \$10.2 million) to carry out clean-up activities and associated costs related to an indemnity provided by Prince Albert Pulp Company Ltd. (PAPCO) and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 related to the Prince Albert pulp mill site. The Corporation is a successor corporation to PAPCO and therefore has recorded the estimated cost of its assumed obligations related to the PAPCO site. The increase in the liability of \$0.1 million is due to third party engineers' updated assessment of costs to remediate. The timing to complete this remediation is indeterminable at this time.
- ii) The Corporation has accrued \$37.3 million (December 2014 - \$38.9 million) to carry out the clean-up activities related to an indemnity provided by PAPCO and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 relating to the ERCO Worldwide chemical plant. The decrease in the liability of \$1.6 million is due to remediation work completed during the period and a third party engineers' updated assessment of costs to remediate. The timing to complete the remaining remediation is indeterminable at this time.
- iii) The Corporation has recorded \$0.2 million (December 2014 - \$0.3 million) for estimated groundwater monitoring and health risk assessment costs related to an obligation of Meadow Lake Pulp Limited Partnership as a result of the sale of its assets. These funds are held in trust according to court order, and are to be applied against continued site monitoring expenses through to January 2017, at which time residual amounts may be utilized to conduct a human health and ecological assessment according to the landfill closure plan prepared for the site by environmental consultants. During the period, \$0.1 million (December 2014 - \$0.1 million) was incurred for monitoring costs.

11. Share capital and capital disclosures

(thousands of dollars)

As a wholly-owned subsidiary of CIC, the Corporation's share capital currently consists of funds invested by CIC in the amount of Nil (December 2014 – Nil). The capital structure is determined in conjunction with the shareholder based on the approved business plan.

The Corporation's objectives when managing capital are to ensure adequate capital to support the operations of the Corporation, and to ensure adequate returns to the shareholder.

The Corporation has adequate cash and short-term investments on hand to meet its obligations.

	March 31 2016	December 31 2014
Authorized:		
Unlimited common shares with no par value		
Issued and outstanding:		
(March 31, 2016 – 1 common share)		
(2014 – 1 common share)	\$ -	\$ 35,000
Shares redeemed during period:		
March 31, 2016 – Nil common shares (2014 - 3,499,982)	<u>-</u>	<u>(35,000)</u>
Cost at end of period	<u>\$ -</u>	<u>\$ -</u>

12. Commitments and contingencies

The following significant commitments and contingencies exist at March 31, 2016:

- In the normal course of business, the Corporation became involved in claims and litigation. While the final outcome with respect to claims and litigation pending at March 31, 2016 cannot be predicted with certainty, it is the opinion of management that resolution of these matters will not have a material adverse effect on the Corporation's financial position or results of operations. The Corporation will therefore account for these matters in the period of resolution.
- Included in long term restricted cash is \$4.5 million which has been placed in trust under order of the Court of Queen's Bench of Saskatchewan, related to potential environmental remediation of a landfill site previously operated by Meadow Lake Pulp Limited Partnership. The \$4.5 million is the estimate of the costs which may be required to remediate the site, as determined by third party experts. The Corporation's obligation to incur these costs is contingent on the findings from ongoing groundwater monitoring at the location, which is expected to continue until December 31, 2016; at which time the Corporation will either incur the remediation costs, continue groundwater monitoring, or the funds will be released from trust if results from groundwater monitoring indicate further remediation is not required. Due to uncertainty regarding the future findings of groundwater monitoring, the \$4.5 million held in trust has not been included as a liability in these consolidated financial statements.
- Rights to future distributions from certain Foragen investments and 227,657 preferred shares in Chromatin are held in escrow to pay off amounts owing to Foragen employees. The escrow expires on November 30, 2016 and it is expected that the amount of future distributions will meet the amount due to Foragen employees. In the event that the future distributions do not meet the amounts owing to Foragen employees, Chromatin preferred shares will be distributed in lieu of cash payment. Included in investments at fair value through profit or loss is 227,657 preferred shares in Chromatin at \$0.3 million which is held in escrow.

13. Adjustments to reconcile net earnings to cash from operating activities

(thousands of dollars)

	Note	Fifteen Months March 31 2016	Twelve months December 31 2014
Share of losses from equity investments	9	\$ 45	\$ 1,363
Provision for environmental remediation liabilities	10	414	1,000
Recovery of environmental remediation liabilities	10	(409)	(14,900)
(Loss) gain on sale of investments		84	(901)
(Recovery of) provision for loan losses	8(d)	(35)	2,675
Other non-cash items		<u>(64)</u>	<u>(236)</u>
		<u>\$ 35</u>	<u>\$ (10,999)</u>

14. Net change in non-cash working capital balances related to operations
(thousands of dollars)

	Fifteen Months March 31 2016	Twelve months December 31 2014
Decrease (increase) in interest and dividends receivable	\$ 754	\$ (68)
(Increase) decrease in accounts receivable	(13)	30
Decrease in trade and other payables	<u>(70)</u>	<u>(20)</u>
	<u>\$ 671</u>	<u>\$ (58)</u>

15. Related party transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to AMI by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties). AMI 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 or other government related entities.

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

CIC provides management services to the Corporation without charge. The Corporation estimates \$0.2 million (December 2014 - \$0.2 million) of CIC's senior management time is expended on the Corporation.

16. Financial instruments and financial risk management
(thousands of dollars)

Financial instruments

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgement and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The classification of the Corporation's financial instruments is as follows:

Financial Instruments	Classification (i)	March 31, 2016		December 31, 2014	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial Assets</u>					
Cash and cash equivalents	FVTPL	\$ 19,989	\$ 19,989	\$ 13,561	\$ 13,561
Short-term investments	FVTPL	2,500	2,500	5,000	5,000
Interest and dividends receivable	LAR	474	474	1,228	1,228
Accounts receivable	LAR	17	17	4	4
Restricted cash and cash equivalents	FVTPL	5,136	5,136	5,187	5,187
Investments - fair value	FVTPL	3,353	3,353	-	-
Investments - held to maturity	HTM	53,858	53,858	53,763	53,763
Investments - loans and other advances	LAR	-	(ii)	-	(ii)
<u>Financial Liabilities</u>					
Trade and other payables	OL	60	60	130	130

i) Classification details are:

FVTPL - fair value through profit or loss
HTM - held to maturity
LAR - loans and receivables
OL - other liabilities

16. Financial instruments and financial risk management (continued)

(thousands of dollars)

Financial instruments (continued)

- ii) The uncertainty and potentially broad range of fair values for Investments - loans and other advances, renders the disclosure of a fair value with appropriate reliability impractical. Loans are reviewed for indications of impairment annually as detailed in Note 4(d).

a) Fair value hierarchy

Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of inputs used in the valuation.

Level 1 - Quoted prices are readily available from an active market.

Level 2 - Inputs, other than quoted prices included in level 1 that are observable either directly or indirectly.

Level 3 - Inputs are not based on observable market data.

AMI's financial instruments are categorized within this hierarchy as follows:

	March 31, 2016				Total
	Level 1	Level 2	Level 3		
Cash and cash equivalents	\$ 19,989	\$ -	\$ -		\$ 19,989
Short-term investments	2,500	-	-		2,500
Restricted cash and cash equivalents	5,136	-	-		5,136
Investments - held to maturity	-	53,858	-		53,858
Investments - fair value	-	-	3,353		3,353
	December 31, 2014				Total
	Level 1	Level 2	Level 3		
Cash and cash equivalents	\$ 13,561	\$ -	\$ -		\$ 13,561
Short-term investments	5,000	-	-		5,000
Restricted cash and cash equivalents	5,187	-	-		5,187
Investments - held to maturity	-	53,763	-		53,763
Investments - fair value	-	-	-		-

Changes in Level 3 investments carried at fair value are as follows:

	March 31 2016	December 31 2014
Balance, beginning of period	\$ -	\$ -
Investments received	<u>3,353</u>	<u>-</u>
Balance, end of period	<u><u>\$ 3,353</u></u>	<u><u>\$ -</u></u>

The Corporation, through its wholly owned subsidiary CIC FLTP Holdings Inc., owned limited partnership units in Foragen. On June 24, 2015, Foragen was dissolved. As part of the dissolution, the Corporation received 2,569,775 preferred shares in Chromatin Inc. Chromatin Inc. preferred shares are classified as level 3 due to the nature of inputs used in the valuation.

i) Financial instruments categorized as level 3

In estimating fair value for equity investments designated as fair value through profit or loss (FVTPL), the Corporation places priority on observable market information for the particular security when such information is available, namely the security's closing price on the listing exchange. The fair values of unlisted securities are established according to the requirements of IAS 39 - *Financial Instruments: Recognition and Measurement*. In applying IAS 39, the Corporation considers the guidance provided by the International

16. Financial instruments and financial risk management (continued)

a) Fair value hierarchy (continued)

i) Financial instruments categorized as level 3 (continued)

Private Equity and Venture Capital (IPEV) guidelines, as well as the Canadian Institute of Chartered Business Valuators (CICBV), within the constraints of IAS 39.

Where evidence of a recent, arm's length transaction has occurred in the shares of an unlisted equity position held by the Corporation, the Corporation considers such a transaction to generally provide a good indication of fair value. Where a recent, arm's length transaction has not occurred, or secondary indicators exist which would question the applicability of a recent transaction, the Corporation considers alternative valuation methodologies permitted under IAS 39. These methods are primarily focused on the projected earnings or cash flows of the business, discounted to present value by applying a discount rate which appropriately reflects industry and company specific risk factors.

Determining fair value for the Corporation's equity investments, which are not publicly traded and recorded at fair value through profit or loss, requires application of professional judgement and use of estimates. Significant estimates utilized by the Corporation include the timing and amount of future cash flows, anticipated economic outlook for the investee's industry, impact of pending or potential regulation or legislation, forecast consumer tastes, emergence of substitute products, anticipated fluctuations in commodities prices, and macroeconomic demand.

Significant aspects of professional judgement include selecting an appropriate valuation approach, determining a range of appropriate risk adjusted rates of return for a series of cash flows, and assessing the risk inherent in cash flows, the probabilities of micro and macroeconomic variables occurring, and probabilities of potentially significant company, industry, or economic factors occurring or failing to occur as the case may be.

In circumstances where fair value cannot be estimated reliably, the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has since been impaired. All recorded values of investments are reviewed at each reporting date for any indication of impairment and adjusted accordingly.

ii) Other financial assets and liabilities

Other financial assets and liabilities including interest and dividends receivable, accounts receivable and trade and other payables have not been classified in the fair value hierarchy given that carrying value approximates fair value due to immediate or short-term maturity.

Financial risk management

b) Market risk

AMI is exposed to market risk (equity prices and interest rates), credit risk and liquidity risks. AMI mitigates the risk through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return. The Corporation manages the following market risk:

Interest rate risk

AMI is exposed to changes in interest rates in its cash and cash equivalents, fixed income investments, including short-term investments and restricted cash and cash equivalents. Based on period end balances, it is estimated that a 100 basis point increase or decrease in interest rates would decrease or increase annual profit or loss by \$0.2 million at March 31, 2016 (December 2014 - \$0.2 million).

16. Financial instruments and financial risk management (continued)

(thousands of dollars)

Financial risk management (continued)

c) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. AMI maintains credit policies and limits in respect to short-term investments.

The carrying amount of financial assets represents the maximum credit exposure as follows:

	March 31 2016	December 31 2014
Cash and cash equivalents	\$ 19,989	\$ 13,561
Short-term investments	2,500	5,000
Interest and dividends receivable	474	1,228
Accounts receivable	17	4
Restricted cash and cash equivalents	5,136	5,187
Investments - fair value through profit or loss	3,353	-
Investments - held to maturity	53,858	53,763
Investments - loans and other advances	<u>-</u>	<u>-</u>
	<u>\$ 85,327</u>	<u>\$ 78,743</u>

d) Liquidity risk

Liquidity risk is the risk that AMI is unable to meet its financial commitments as they become due. AMI is a subsidiary of CIC and as such has access to capital markets through the General Revenue Fund. AMI, through its diversified holdings and capital allocation, can allocate resources to ensure that all financial commitments made are met.

Where necessary AMI can borrow funds from CIC, adjust dividend rates, or be provided with equity injections to solve any liquidity issues.

AMI's only contractual obligations are trade and other payables. All trade and other payables are due in 2016-17.

17. Comparative Figures

Certain December 31, 2014 comparative figures have been reclassified to conform to the current period's presentation.