CIC ASSET MANAGEMENT INC.

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2019

Independent Auditors' Report

To the Members of the Legislative Assembly, Province of Saskatchewan

Opinion

We have audited the consolidated financial statements of CIC Asset Management Inc. ("the Entity") which comprise:

- the consolidated statement of financial position as at March 31, 2019
- the consolidated statement of comprehensive loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity 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 International Financial Reporting Standards, 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 the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 generally accepted auditing standards 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 Entity'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 Entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ 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 auditors’ report. However, future events or conditions may cause the Entity 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.

- 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.

KPMG LLP

Chartered Professional Accountants
May 23, 2019
Regina, Canada

CIC Asset Management Inc.
Consolidated Statement of Financial Position
As at March 31
(thousands of dollars)

	Note		2019		2018
ASSETS					
Current					
Cash and cash equivalents	6	**$**	**5,170**	$	5,710
Restricted cash and cash equivalents	7		**-**		373
Short-term investments	8		**895**		-
Interest receivable			**424**		329
Accounts receivable			**389**		257
			6,878		6,669
Restricted cash and cash equivalents	7		**4,587**		4,663
Investments	8		**53,040**		53,329
		$	**64,505**	$	64,661
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Trade and other payables		**$**	**116**	$	67
Provisions	9		**59,561**		52,689
			59,677		52,756
Shareholders' Equity					
Share capital	10		**-**		-
Contributed surplus			**-**		85
Retained earnings			**4,828**		11,820
			4,828		11,905
		$	**64,505**	$	64,661

Commitments and contingencies 11

(See accompanying notes)

On behalf of the Board:

Director

Director

CIC Asset Management Inc.
Consolidated Statement of Comprehensive Loss
For the Year Ended March 31
(thousands of dollars)

	Note		2019		2018
REVENUES					
Interest and other		**$**	**1,392**	$	1,369
Gain on sale of investments			**-**		21
			1,392		1,390
EXPENSES					
Operating			**360**		164
EARNINGS BEFORE THE FOLLOWING			**1,032**		1,226
Provision for (recovery of) environmental remediation liabilities	9		**7,024**		(33)
Net change in value of investments			-		(3,795)
NET LOSS ATTRIBUTABLE TO CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN (CIC)			**(5,992)**		(2,602)
OTHER COMPREHENSIVE INCOME (LOSS)			**-**		-
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO CIC		**$**	**(5,992)**	$	(2,602)

(See accompanying notes)

CIC Asset Management Inc.
Consolidated Statement of Changes in Equity
For the Year Ended March 31
(thousands of dollars)

	Attributable to CIC			
	Share Capital (Note 10)	Contributed Surplus	Retained Earnings	Total Equity
Balance at April 1, 2017	$ -	$ 85	$ 14,422	$ 14,507
Net loss	-	-	(2,602)	(2,602)
Dividends to CIC	-	-	-	-
Balance at March 31, 2018	$ -	$ 85	$ 11,820	$ 11,905
Balance at April 1, 2018	**$ -**	**$ 85**	**$ 11,820**	**$ 11,905**
Net loss	**-**	**(85)**	**(5,992)**	**(6,077)**
Dividends to CIC	**-**	**-**	**(1,000)**	**(1,000)**
Balance at March 31, 2019	**$ -**	**$ -**	**$ 4,828**	**$ 4,828**

(See accompanying notes)

CIC Asset Management Inc.
Consolidated Statement of Cash Flows
For the Year Ended March 31
(thousands of dollars)

	Note		2019		2018
OPERATING ACTIVITIES					
Net loss		**$**	**(5,992)**	$	(2,602)
Adjustments to reconcile net loss to cash from operating activities	12		**7,228**		3,927
Net change in non-cash working capital balances related to operations	13		**(178)**		121
Net cash from operating activities			**1,058**		1,446
INVESTING ACTIVITIES					
Maturity of investments			**-**		54,000
Purchase of investments	8		**(895)**		(53,493)
Decrease in restricted cash	7		**449**		19
Net cash (used in) from investing activities			**(446)**		526
FINANCING ACTIVITIES					
Provision settled	9		**(152)**		(56)
Dividends paid to CIC			**(1,000)**		-
Net cash used in financing activities			**(1,152)**		(56)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR			**(540)**		1,916
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR			**5,710**		3,794
CASH AND CASH EQUIVALENTS, END OF YEAR		**$**	**5,170**	$	5,710

(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 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 Reporting Standards (IFRS). The consolidated financial statements were authorized for issue by the Board of Directors on May 23, 2019.

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) 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, 11 and 15.

e) 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 standard, effective for annual periods beginning on or after January 1, 2018, has been applied in preparing these consolidated financial statements:

IFRS 15, *Revenue from Contracts with Customers*

Effective April 1, 2018, the Corporation adopted IFRS 15*, Revenue from Contracts with Customers*. IFRS 15 replaces International Accounting Standard 18, *Revenue* and establishes a five-step model to account for revenue arising from contracts with customers. The adoption of the standard had no effect on the consolidated financial statements.

4. Significant accounting policies

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

a) Basis of consolidation

Subsidiaries

Subsidiaries are 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 results of CIC Asset Management Inc. and its subsidiaries:

Wholly-owned subsidiaries domiciled in Canada	**Principal Activity**
101069101 Saskatchewan Ltd.	Inactive
CIC FTLP Holdings Inc. (Dissolved February 20, 2019)	Inactive
CIC FTMI Holdings Inc. (Dissolved January 14, 2019)	Inactive
CIC Pulp Ltd. (Dissolved October 31, 2018)	Inactive

Special purpose entities

AMI has established certain special purpose entities (SPEs) for 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 (dissolved October 31, 2018).

b) Cash and cash equivalents

Cash and cash equivalents include 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 loss.

4. Significant accounting policies (continued)

c) Financial instruments

AMI classifies its financial instruments into one of the following categories: fair value through profit or loss; amortized cost; and other liabilities at amortized cost.

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.

Financial instruments at fair value through profit or loss

The Corporation classifies cash and cash equivalents, restricted cash and cash equivalents, and certain investments at fair value through profit or loss. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized through net loss, as disclosed in Note 15.

Financial instruments at amortized cost

The Corporation classifies interest receivable, accounts receivable and certain investments as amortized cost. Amortized cost financial instruments are subsequently measured at amortized cost using the effective interest method, less any provision for impairment losses.

The Corporation classifies trade and other payables as other liabilities. Other liabilities are non-derivative financial liabilities that are not designated as fair value through profit or loss. Subsequent to initial recognition, these non-derivative financial liabilities are accounted for at amortized cost using the effective interest method.

d) Impairments

Financial assets

The Corporation recognizes loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortized cost. The Corporation measures loss allowances for interest and accounts receivables at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased, the Corporation performs a quantitative and qualitative analysis based on the Corporation's historical experience and forward-looking information. The Corporation assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Corporation considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Corporation in full, without recourse by the Corporation to actions such as realizing security, or the financial asset is 90 days or more past due.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and recognized in net loss. The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery.

4. Significant accounting policies (continued)

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.

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.

g) Finance income and expenses

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

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

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

h) New accounting standards and interpretations not yet adopted

IFRS 16, *Leases*

IFRS 16 replaces IAS 17, *Leases*. It will affect the classification, measurement and valuation of leases and leases will be brought onto the balance sheets. IFRS 16 also removes the classification of leases as either operating leases or finance leases (for the lessee - the lease customer), treating all leases as finance leases. IFRS 16 must be adopted for annual periods beginning on or after January 1, 2019. The adoption of this standard will have no material impact on 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:

	2019	2018
Cash on deposit	**$ 5,170**	$ 5,673
Investments	**-**	37
	$ 5,170	$ 5,710

The weighted average interest rate for investments included in cash and cash equivalents at March 31, 2019 was Nil (2018 – 1.6 per cent).

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

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

	2019		2018	
	Current	**Non-Current**	Current	Non-Current
Meadow Lake Pulp Limited Partnership	**$ -**	**$ 4,587**	$ 373	$ 4,663

In 2019, the current portion of restricted cash, held by the receiver of Meadow Lake Pulp Limited Partnership, was released by way of order of the Court of Queen's Bench of Saskatchewan. The non-current portion of restricted cash is 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 year, $0.01 million (2018 - $0.02 million) was incurred for monitoring costs, as provided for under the court order.

8. Investments
(thousands of dollars)

	2019	2018
Short-term investments - amortized cost (a)	**$ 895**	$ -
Investments - amortized cost (b)	**$ 53,040**	$ 53,329
Total investments	**$ 53,935**	$ 53,329

a) All the sub-debt holders, which includes the Corporation, provided financing to Terra Grain Fuels during a sales process. In 2018-19, the Corporation provided a loan of $0.9 million to Terra Grain Fuels. Subsequent to March 31, 2019, the Corporation provided an additional loan of $1.6 million. It is expected that on May 31, 2019, Terra Grain Fuels will be sold, and CIC AMI will receive 59.7% of the net proceeds, which is expected to cover the carrying value of the investment as of March 31, 2019.

b) The Corporation holds bonds with various Canadian Chartered Banks and provinces with rates varying between 1.88 per cent and 4.5 per cent (2018 - 1.88 per cent and 4.5 per cent). The bonds have maturity dates between December 1, 2020 and April 26, 2021 (2018 - December 1, 2020 and April 26, 2021).

9. Provisions

(thousands of dollars)

		Environmental Remediation
Balance at April 1, 2017	$	52,712
Increase in provisions		33
Reduction of provisions		-
Settlement of provisions		(56)
Balance at March 31, 2018	$	52,689

		Environmental Remediation
Balance at April 1, 2018	**$**	**52,689**
Increase in provisions		**7,024**
Reduction of provisions		**-**
Settlement of provisions		**(152)**
Balance at March 31, 2019	**$**	**59,561**

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 $35.4 million (2018 - $30.6 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 increase in cost is a result of cost escalation. 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 timing to complete this remediation is indeterminable at this time.

ii) The Corporation has accrued $24.1 million (2018 - $21.9 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 increase in cost is a result of cost escalation. The timing to complete the remaining remediation is indeterminable at this time.

iii) The Corporation has recorded $0.1 million (2018 - $0.2 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 until the Ministry of Environment decides when residual amounts may be utilized to conduct a human health and ecological risk assessment according to the landfill closure plan prepared for the site by environmental consultants. During the year, $0.01 million (2018 - $0.02 million) was incurred for monitoring costs.

10. 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 (2018 – 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 investments on hand to meet its obligations.

		2019		2018
Authorized:				
Unlimited common shares with no par value				
Issued and outstanding:				
(March 31, 2019 – 1 common share)				
(March 31, 2018 – 1 common share)	**$**	**-**	$	-
Cost at end of year	**$**	**-**	$	-

11. Commitments and contingencies

The following significant commitments and contingencies exist at March 31, 2019:

a) 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, 2019 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.

b) 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 for the next twelve months; 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.

12. Adjustments to reconcile net loss to cash from operating activities
(thousands of dollars)

	Note		2019		2018
Provision for environmental remediation liabilities	9	**$**	**7,024**	$	33
Gain on sale of investments			**-**		(21)
Net change in value of investments			**-**		3,795
Bond amortization			**289**		120
Other			**(85)**		-
		$	**7,228**	$	3,927

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

		2019		2018
(Increase) decrease in interest receivable	**$**	**(95)**	$	140
Increase in accounts receivable		**(132)**		-
Increase (decrease) in trade and other payables		**49**		(19)
	$	**(178)**	$	121

14. 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.

These transactions are in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

CIC provides management services to the Corporation without charge. The Corporation estimates $0.2 million (2018 - $0.2 million) of CIC's senior management time is expended on the Corporation.

15. 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)	2019 Carrying Amount	2019 Fair Value	2018 Carrying Amount	2018 Fair Value
Financial Assets					
Cash and cash equivalents	FVTPL	**$ 5,170**	**$ 5,170**	$ 5,710	$ 5,710
Interest receivable	AC	**424**	**424**	329	329
Accounts receivable	AC	**389**	**389**	257	257
Restricted cash and cash equivalents	FVTPL	**4,587**	**4,587**	5,036	5,036
Investments - amortized cost	AC	**53,935**	**53,935**	53,329	53,329
Financial Liabilities					
Trade and other payables	AC	**116**	**116**	67	67

i) Classification details are:

FVTPL - fair value through profit or loss
AC - amortized cost

15. Financial instruments and financial risk management (continued)

(thousands of dollars)

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:

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 5,170**	**$ -**	**$ -**	**$ 5,170**
Restricted cash and cash equivalents	**4,587**	**-**	**-**	**4,587**
Investments - amortized cost	**-**	**53,040**	**895**	**53,935**

2018	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 5,710	$ -	$ -	$ 5,710
Restricted cash and cash equivalents	5,036	-	-	5,036
Investments - amortized cost	-	53,329	-	53,329

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

	2019	2018
Balance, beginning of year	**$ -**	$ 3,795
Investments received (note 8 (a))	**-**	-
Net change in value of investment recognized in net loss	**-**	(3,795)
Balance, end of year	**$ -**	$ -

The Corporation, through its wholly owned subsidiary CIC FTLP Holdings Inc., owned 2,569,775 preferred shares in Chromatin Inc. Chromatin Inc. preferred shares were classified as level 3 due to the nature of inputs used in the valuation. On August 29, 2018, Chromatin Inc. went into receivership. The Corporation did not receive any proceeds from Chromatin Inc. and the receivership has been terminated.

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 IFRS 9, *Financial Instruments*. In applying IFRS 9, the Corporation considers the guidance provided by the International Private Equity and Venture Capital (IPEV) guidelines, as well as the Canadian Institute of Chartered Business Valuators (CICBV), within the constraints of IFRS 9.

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

i) Financial instruments categorized as level 3 (continued)

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 IFRS. 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 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 (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 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, certain investments and restricted cash and cash equivalents. Based on year 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 $0.7 million at March 31, 2019 (2018 - $0.5 million).

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

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 certain investments.

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

		2019		2018
Cash and cash equivalents	**$**	**5,170**	$	5,710
Interest receivable		**424**		329
Accounts receivable		**389**		257
Restricted cash and cash equivalents		**4,587**		5,036
Investments - amortized cost		**53,935**		53,329
	$	**64,505**	$	64,661

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 the next fiscal year.