CIC ASSET MANAGEMENT INC.

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2020

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, 2020
- the consolidated statement of comprehensive income 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, 2020, 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 21, 2020
Regina, Canada

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

	Note	2020	2019
ASSETS			
Current			
Cash and cash equivalents		**$ 8,824**	$ 5,170
Short-term investments	6	**46,723**	895
Interest receivable		**327**	424
Accounts receivable		**228**	389
		56,102	6,878
Restricted cash and cash equivalents	5	**4,557**	4,587
Investments	6	**6,024**	53,040
		$ 66,683	$ 64,505
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables		**$ 84**	$ 116
Provisions	7	**59,531**	59,561
		59,615	59,677
Shareholder's Equity			
Retained earnings		**7,068**	4,828
		$ 66,683	$ 64,505

Commitments and contingencies 9

(See accompanying notes)

On behalf of the Board:

Director

Director

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

	Note		2020		2019
REVENUES					
Interest and other		**$**	**1,445**	$	1,392
EXPENSES					
Operating			**135**		360
EARNINGS BEFORE THE FOLLOWING			**1,310**		1,032
Provision for environmental remediation liabilities	7		**76**		7,024
Recovery of loan losses	6(a)		**(1,006)**		-
NET EARNINGS (LOSS) ATTRIBUTABLE TO CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN (CIC)			**2,240**		(5,992)
OTHER COMPREHENSIVE INCOME			**-**		-
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CIC		**$**	**2,240**	$	(5,992)

(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 8)	Contributed Surplus	Retained Earnings	Total Equity
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
Balance at April 1, 2019	**$ -**	**$ -**	**$ 4,828**	**$ 4,828**
Net earnings	**-**	**-**	**2,240**	**2,240**
Balance at March 31, 2020	**$ -**	**$ -**	**$ 7,068**	**$ 7,068**

(See accompanying notes)

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

	Note	2020	2019
OPERATING ACTIVITIES			
Net earnings (loss)		**$ 2,240**	$ (5,992)
Adjustments to reconcile net earnings to cash from operating activities	10	**(637)**	7,228
Net change in non-cash working capital balances related to operations	11	**226**	(178)
Net cash from operating activities		**1,829**	1,058
INVESTING ACTIVITIES			
Purchase of investments	6	**(2,654)**	(895)
Proceeds from collection and sale of investments	6	**4,555**	-
Decrease in restricted cash	5	**30**	449
Net cash (used in) from investing activities		**1,931**	(446)
FINANCING ACTIVITIES			
Provision settled	7	**(106)**	(152)
Dividends paid to CIC		**-**	(1,000)
Net cash used in financing activities		**(106)**	(1,152)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING YEAR		**3,654**	(540)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**5,170**	5,710
CASH AND CASH EQUIVALENTS, END OF YEAR		**$ 8,824**	$ 5,170

(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 monitor and review the remaining portfolio of investments. The consolidated financial statements of AMI comprise AMI and its subsidiaries with principal activities as described in Note 3(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 21, 2020.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis as explained in the significant accounting policies set out in Note 3.

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 6, 7, 9 and 13.

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 3.

3. 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

The Corporation consolidates the accounts of 101069101 Saskatchewan Ltd., a wholly-owned share capital subsidiary.

b) 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, and restricted cash and cash equivalents.

Financial instruments at amortized cost

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

c) 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 receivable at an amount equal to lifetime ECL.

3. Significant accounting policies (continued)

d) 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 measured 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.

e) Revenue recognition

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.

AMI recognizes gains or losses on the sale of an investment and the recovery of loan losses are recorded in net earnings. Recovery of loan losses are not recognized in excess of cumulative loan losses.

4. 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.

5. Restricted cash and cash equivalents

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. All reductions in restricted cash were related to monitoring costs, as provided for under the court order.

6. Investments

(thousands of dollars)

		2020		2019
Short-term investments – amortized cost (a)	**$**	**46,723**	$	895
Investments - amortized cost (b)	**$**	**6,024**	$	53,040
Total investments	**$**	**52,747**	$	53,935

a) All 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. In 2019-20, the Corporation provided an additional loan of $2.6 million. Terra Grain Fuels was subsequently sold and CIC AMI received proceeds of $4.5 million in 2019-20.

The Corporation holds bonds with various Canadian Chartered Banks and provinces with rates varying between 1.9 per cent and 4.5 per cent (2019 - 1.9 per cent and 4.5 per cent). The bonds are classified as short-term investments as they will mature within the next year, with maturity dates between December 1, 2020 and March 31, 2021.

b) The Corporation holds a CIBC bond with a 1.9 per cent interest rate (2019 – 1.9 per cent). This bond will mature on April 26, 2021.

7. Provisions

(thousands of dollars)

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

		Environmental Remediation
Balance at April 1, 2019	**$**	**59,561**
Increase in provisions		**76**
Settlement of provisions		**(106)**
Balance at March 31, 2020	**$**	**59,531**

Environmental remediation

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

a) The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. The Corporation has accrued $35.4 million (2019 - $35.4 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.

7. Provisions (continued)

Environmental remediation (continued)

b) The Corporation has accrued $24.1 million (2019 - $24.1 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 timing to complete the remaining remediation is indeterminable at this time.

c) The Corporation has recorded $0.1 million (2019 - $0.1 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.

8. 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 (2019 - Nil). CIC holds 1 common share with no par value.

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.

9. Commitments and contingencies

The following significant commitments and contingencies exist at March 31, 2020:

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, 2020 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.

10. Adjustments to reconcile net earnings to cash from operating activities
(thousands of dollars)

	Note		2020		2019
Provision for environmental remediation liabilities	7	**$**	**76**	$	7,024
Recovery of loan losses			**(1,006)**		-
Bond amortization			**293**		289
Other			**-**		(85)
		$	**(637)**	$	7,228

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

		2020		2019
Decrease (increase) in interest receivable	**$**	**97**	$	(95)
Decrease (increase) in accounts receivable		**161**		(132)
(Decrease) increase in trade and other payables		**(32)**		49
	$	**226**	$	(178)

12. 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 (2019 - $0.2 million) of CIC's senior management time is expended on the Corporation.

13. 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:

		2020		2019	
Financial Instruments	**Classification (i)**	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Assets					
Cash and cash equivalents	FVTPL	**$ 8,824**	**$ 8,824**	$ 5,170	$ 5,170
Interest receivable	AC	**327**	**327**	424	424
Accounts receivable	AC	**228**	**228**	389	389
Restricted cash and cash equivalents	FVTPL	**4,557**	**4,557**	4,587	4,587
Investments - amortized cost	AC	**52,747**	**52,747**	53,935	53,935
Financial Liabilities					
Trade and other payables	AC	**84**	**84**	116	116

i) Classification details are:

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

13. 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:

2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 8,824**	**$ -**	**$ -**	**$ 8,824**
Restricted cash and cash equivalents	**4,557**	**-**	**-**	**4,557**
Investments - amortized cost	**-**	**52,747**	**-**	**52,747**

2019	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 5,710	$ -	$ -	$ 5,710
Restricted cash and cash equivalents	4,587	-	-	4,587
Investments - amortized cost	-	53,040	895	53,935

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

	2020	2019
Balance, beginning of year	**$ 895**	$ -
Purchases (note 6 (a))	**2,654**	895
Gains attributable to assets during the year included in recovery of loan losses	**1,006**	-
Settlements	**(4,555)**	-
Balance, end of year	**$ -**	$ 895

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

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 increase or decrease annual profit or loss by $0.5 million at March 31, 2020 (2019 - $0.7 million).

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:

	2020	2019
Cash and cash equivalents	**$ 8,824**	$ 5,170
Interest receivable	**327**	424
Accounts receivable	**228**	389
Restricted cash and cash equivalents	**4,557**	4,587
Investments - amortized cost	**52,747**	53,935
	$ 66,683	$ 64,505

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.