



Annual Report 2024-2025

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Letter of Transmittal



Honourable Warren Kaeding
Minister Responsible for
The Saskatchewan Research Council

To the Honourable Bernadette McIntyre,
Office of the Lieutenant Governor of Saskatchewan

May it please your Honour:

The undersigned is pleased to present *The Saskatchewan Research Council Annual Report* for the period ending March 31, 2025.

Respectfully submitted,

A handwritten signature in white ink that reads "Warren Kaeding".

Honourable Warren Kaeding
Minister Responsible for
The Saskatchewan Research Council

Letter of Transmittal



Mike Crabtree
*President and CEO of
The Saskatchewan Research Council*

To the Honourable Warren Kaeding,
Minister Responsible for The Saskatchewan Research Council

I have the honour of submitting the Annual Report for The Saskatchewan Research Council for the fiscal year ending March 31, 2025.

Sincerely,

A stylized, handwritten signature in white ink, appearing to read 'M. Crabtree', set against a dark blue background.

Mike Crabtree
*President and CEO of
The Saskatchewan Research Council*



Vision, Mission and Values

Vision

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

Mission

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

Values



Integrity



Respect



Quality



One Team

Message from Management and the Board

2024–25 Fiscal Year

As we reflect on the 2024-25 fiscal year, we are proud to share The Saskatchewan Research Council (SRC)'s continued impact as a catalyst for innovation, sustainability and economic growth. For nearly 80 years, SRC has continued to grow and has become Canada's second largest research and technology organization—this year has been among our most ambitious and transformative yet.

We continued to deliver meaningful progress across our strategic initiatives, expand our service offerings and strengthen our role as a trusted collaborator for industry, government and communities in Saskatchewan and beyond.

A key highlight of the year was the launch of SRC's Indigenous Action Plan, which outlines our commitment to reconciliation and shared prosperity with Indigenous Peoples. Grounded by four pillars—Employment, Leadership, Indigenous Community Relationships and Business Development—the plan guides our actions and collaboration with Indigenous Peoples and organizations. New programs like the Kiskiyihta Indigenous Summer Student Program and the Indigenous Workforce Program are already helping create career pathways in science, technology and innovation for Indigenous students and professionals.

In November 2024, we hosted SRC's first-ever Tech Expo, bringing together industry, academia and the public to showcase our world-class research, facilities and technologies. This event marked an important milestone in raising SRC's profile and strengthening collaboration across key sectors.

Another major milestone was the progress made at our under-construction Rare Earth Processing Facility, the first and only facility in North America to produce rare earth metals at a commercial scale. Our team also continued to successfully manufacture Canada's first proprietary solvent extraction cells and introduced cutting-edge metal smelting automation. These innovations position Saskatchewan as a global hub for rare earth processing technology and contribute to the development of a sustainable and secure North American rare earth supply chain.

We also released our annual Economic Impact Assessment, which reinforced SRC's critical role in Saskatchewan's innovation ecosystem. The report highlighted SRC's positive contributions to employment in Saskatchewan, emphasizing the importance of investing in homegrown research and technology. In 2023-2024, SRC had a mandate effectiveness of 38, which means that for every dollar the province invested in SRC, SRC's work contributed at least a 38-times return to the growth of the Saskatchewan economy. Since 2003, SRC has provided \$15.5 billion in impacts to Saskatchewan's economy.

Progress continued on our microreactor project, with SRC designated by the province as the sole organization for developing, licensing and operating microreactors in Saskatchewan. We deepened our collaboration with Westinghouse to bring an eVinci® microreactor to the province and signed key memorandums of understanding with Atomic Energy of Canada Ltd. and the Meadow Lake Tribal Council to explore applications in northern and Indigenous communities. This initiative reflects our commitment to sustainable energy solutions tailored to the province's unique needs.

Throughout the year, SRC also advanced its role in the lithium sector, including operating one of the few pilot plants in North America capable of processing a range of lithium sources to produce battery-grade materials. Our work in lithium-ion battery recycling and direct lithium extraction is helping to shape the future of clean energy materials and contributing to the growth of Saskatchewan's technology sector.

The ongoing Project CLEANS (Cleanup of Abandoned Northern Sites) remediation initiative saw important progress continue at the former Gunnar Mine and Mill Site, with additional Satellite Sites completed and transitioned into monitoring. These long-term efforts are making northern Saskatchewan safer, while providing employment and engagement opportunities for local communities.

As we continued to grow our services, SRC's workforce expanded to 410 employees, including 117 new hires throughout the year. Our people remain at the heart of our success. We launched the first phase of our new Human Resources Information System, enhanced our safety culture through new Field Level Risk Assessment training and saw 92 per cent of employees affirming safety as a top priority in our engagement survey. These safety achievements continue to mark safety as the overriding priority at SRC. We also undertook reviews of compensation, benefits and internal communication to improve SRC employee experiences and support retention.

Financially, we ended the year on a strong note, driven by increased revenue across business units and successful contracts with both new and returning clients. This has allowed us to reinvest in our infrastructure and people, as well as prepare for the next phase of SRC's growth.

Looking forward, we remain committed to delivering high-quality, client-focused research and technology services. With an ambitious strategic plan underway, SRC will continue scaling its major projects, launching new service lines and strengthening Saskatchewan's position as a leader in science, technology and clean energy.

We would like to thank our clients, collaborators and communities for their continued trust. And to our employees—your expertise, creativity and dedication are what makes SRC truly exceptional.

Together, we are building a resilient and innovative future for Saskatchewan and for Canada.

Mike Crabtree
President and CEO

George Prudat
Chair, Board of Directors

Board of Directors

(As of March 31, 2025)



George Prudat
Chair



Norm Beug
Vice-Chair



Mike Crabtree
Secretary



Kurtis Doney



Kari Harvey



Michael Meekins



Byron Merkosky



William (Bill) Miller

Executive Team

(As of March 31, 2025)



Mike Crabtree
President and CEO



Ryan Hill
Chief Operating Officer



Toby Arnold
Senior Vice-President,
Nuclear



Jocelyn Allard
Vice-President,
Finance



Dr. Muhammad Imran
Vice-President,
Rare Earth Element



Sereena King
Vice-President,
Organizational Effectiveness



Jesse Merilees
Vice-President,
Business Integration and Lab Services



Wanda Nyirfa
Vice-President,
External Relations



Unparalleled Service

Exceptional quality and client service is central to SRC's culture, value proposition and future success. SRC regularly sets, communicates and reviews measurable quality objectives to ensure continuous improvement of our quality management system and superior client satisfaction.

Corporate Governance

Authority

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

Board Composition and Compensation

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

Board Responsibilities

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

The Board and Management

The Board focuses on the strategic leadership of the Council and does not become involved in day-to-day management. Management is responsible for the Council’s performance, long-term viability and achievement of its objectives.

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



Prioritizing Safety

SRC provides the foundation for a strong safety culture, where employees are empowered to perform their work safely.

Consolidated Financial Statements

Report of Management
Year Ended March 31, 2025

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

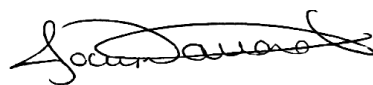
Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and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

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

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



Michael Crabtree
President and CEO



Jocelyn Allard, CPA, CA
Vice-President, Finance

Independent Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the consolidated financial statements of Saskatchewan Research Council (the "Council"), which comprise the consolidated statement of financial position as at March 31, 2025, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Deloitte LLP

Chartered Professional Accountants
May 16, 2025
Saskatoon, Saskatchewan

Statement 1

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

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets:		
Cash	\$ 40,591	\$ 36,041
Accounts receivable (Note 12 and 13)	12,360	12,688
Inventory (Note 4)	11,117	8,117
Prepaid expenses	<u>2,176</u>	<u>9,597</u>
	66,244	66,443
Non-current assets:		
Accrued pension benefit asset (Note 5)	654	603
Goodwill	524	524
Restricted investment (Note 6)	1,755	1,589
Right-of-use assets (Note 7)	45,260	46,833
Property, plant and equipment (Note 8)	<u>133,349</u>	<u>89,045</u>
	<u>\$ 247,786</u>	<u>\$ 205,037</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable (Note 13)	\$ 13,574	\$ 7,840
Unearned revenue (Note 10 and 12)	8,183	8,120
Current portion of deferred revenue (Note 11 and 12)	13,500	3,875
Salaries, wages and vacations payable (Note 13)	3,014	1,559
Current portion of lease liabilities (Note 12 and 14)	3,276	3,799
Current portion of due to related party (Note 12)	1,376	1,376
Current portion of long-term debt (Note 15)	<u>680</u>	<u>555</u>
	43,603	27,124
Non-current liabilities:		
Lease liabilities (Note 12 and 14)	44,560	44,945
Due to related party (Note 12)	12,102	13,232
Long-term debt (Note 15)	5,148	5,617
Long-term liability (Note 17)	700	850
Deferred revenue (Note 11 and 12)	103,132	76,684
Sick leave benefits payable (Note 13)	<u>26</u>	<u>31</u>
	209,271	168,483
Equity (Statement 3):		
Contributed surplus	922	922
Retained earnings - unappropriated	35,838	34,043
Retained earnings - appropriated	<u>1,755</u>	<u>1,589</u>
	<u>38,515</u>	<u>36,554</u>
	<u>\$ 247,786</u>	<u>\$ 205,037</u>

(See accompanying notes to the consolidated financial statements)

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

	<u>2025</u>	<u>2024</u>
Revenue:		
Contracts (Note 12)	\$ 79,926	\$ 59,683
Transfer from General Revenue Fund (Note 12)	<u>20,123</u>	<u>20,408</u>
	<u>100,049</u>	<u>80,091</u>
Expenses:		
Salaries and benefits	33,868	30,692
Services (Note 12)	36,475	24,035
Accommodation charges (Note 12)	6,293	6,075
Supplies (Note 12)	10,358	8,908
Depreciation (Note 7 and 8)	8,750	8,526
Travel, training and education	1,574	1,774
Financing charges (Note 12, 14 and 15)	<u>2,591</u>	<u>2,190</u>
	<u>99,909</u>	<u>82,200</u>
Profit (loss) from operations	<u>140</u>	<u>(2,109)</u>
Other income:		
Interest revenue	1,632	2,365
Gain on restricted investment (Note 6)	<u>166</u>	<u>170</u>
	<u>1,798</u>	<u>2,535</u>
Net income	1,938	426
Other comprehensive income:		
Defined benefit pension plan actuarial gain (Note 5)	<u>23</u>	<u>17</u>
Total comprehensive income	\$ <u>1,961</u>	\$ <u>443</u>

(See accompanying notes to the consolidated financial statements)

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended March 31

(Thousands of dollars)

	<u>Unappropriated Retained Earnings</u>	<u>Appropriated Retained Earnings</u>	<u>Contributed Surplus</u>	<u>Total</u>
Balance, March 31, 2023	\$ 33,770	\$ 1,419	\$ 922	\$ 36,111
Net income	426	-	-	426
Other comprehensive income	17	-	-	17
Change in appropriated amount during year	<u>(170)</u>	<u>170</u>	<u>-</u>	<u>-</u>
Balance, March 31, 2024	<u>34,043</u>	<u>1,589</u>	<u>922</u>	<u>36,554</u>
Net income	1,938	-	-	1,938
Other comprehensive income	23	-	-	23
Change in appropriated amount during year	<u>(166)</u>	<u>166</u>	<u>-</u>	<u>-</u>
Balance, March 31, 2025	<u>\$ 35,838</u>	<u>\$ 1,755</u>	<u>\$ 922</u>	<u>\$ 38,515</u>

(See accompanying notes to the consolidated financial statements)

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

(Thousands of dollars)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Cash receipts from contracts	\$ 64,366	\$ 57,850
Cash receipts from General Revenue Fund	20,123	20,408
Cash receipts from Grants	53,066	27,440
Cash paid to suppliers and employees	(85,989)	(74,114)
Interest received	1,798	2,535
Cash flows from operating activities	<u>53,364</u>	<u>34,119</u>
Cash flows used in investing:		
Interest paid	(2,591)	(2,190)
Purchase of property, plant and equipment	<u>(41,360)</u>	<u>(31,908)</u>
Cash flows used in investing activities	<u>(43,951)</u>	<u>(34,098)</u>
Cash flows used in financing:		
Payment on lease liabilities	(3,389)	(3,575)
Principal repayment of long term debt	(344)	(324)
Principal repayment of due to related party	<u>(1,130)</u>	<u>(1,110)</u>
Cash flows used in financing activities	<u>(4,863)</u>	<u>(5,009)</u>
Net increase (decrease) in cash	4,550	(4,988)
Cash, beginning of year	<u>36,041</u>	<u>41,029</u>
Cash, end of year	<u>\$ 40,591</u>	<u>\$ 36,041</u>

(See accompanying notes to the consolidated financial statements)

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

1. Status of Saskatchewan Research Council

Saskatchewan Research Council (the Council) was established pursuant to Section 3 of The Research Council Act for the purpose of research and investigation in the fields of the physical sciences, pure and applied, as they affect the economy of the Province of Saskatchewan. The Council is a corporate body which receives monies appropriated by the Legislature for these purposes and is owned by the Government of the Province of Saskatchewan (the Province). It is empowered to conduct research and other services under contract for others and to receive financial assistance pursuant to agreements with other similar agencies. The Council's focus is on providing services that support a variety of industries in Saskatchewan and beyond. The key sectors served include Agriculture/Biotechnology, Energy, Environment, Mining and Minerals, Nuclear and Rare Earths. The Council's financial results are included in the summary financial statements of the Province. As a Treasury Board Crown corporation, the Council is not subject to federal income tax or goods and services tax.

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

2. Basis of Presentation

a) Statement of Compliance

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

The financial statements were authorized and issued by the Board of Directors of the Council on May 14, 2025.

b) Basis of Measurement

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

c) Functional and Presentation Currency

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

d) Estimates and Judgments

The preparation of financial statements in conformity with IFRS in Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

2. Basis of Presentation (continued)

d) Estimates and Judgments (continued)

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

Accounts receivable

Determining when there is reasonable expectation that the Council will not be able to collect accounts receivable requires judgment. Determining the estimation of allowances for expected credit losses requires judgment. The Council relies on historical collection experience and the aging of receivables in determining the appropriate level of allowance required.

Inventory valuation

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

Accrued pension benefit asset

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

Goodwill impairment

To assess goodwill for impairment, management uses estimates to determine the recoverable amount of the goodwill based on the operations of the cash generating unit.

Leases

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

Property, plant and equipment

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

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

2. Basis of Presentation (continued)

d) Estimates and Judgments (continued)

Long-term liability

The determination of decommissioning provisions involves significant judgment and estimation. Management assesses the likelihood of occurrence, evaluates potential outcomes, and estimates the financial impact based on available information and historical experience.

Contract revenue recognition

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

e) Consolidation Principles

TecMark International Commercialization Inc. (TecMark) was incorporated under *The Business Corporations Act* (Saskatchewan) on October 15, 1996, as a wholly owned subsidiary of the Council. On August 24, 2023, TecMark was renamed to SRC Nuclear Inc. (SRC Nuclear). This entity will be the primary entity involved in pursuing the licensing and demonstration of the first microreactor in Saskatchewan. The accounts of SRC Nuclear are consolidated in these financial statements. All intercompany transactions have been eliminated.

f) New and revised IFRS Standards

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

- IFRS 18 Presentation and Disclosure in Financial Statements - New presentation and disclosure requirements for financial statements. Effective date is January 1, 2027

The Council is yet to assess the impact of the above on the financial statements.

3. Summary of Material Accounting Policies

a) Financial Instruments

The Council does not have any derivative financial instruments.

Non-derivative financial assets:

The Council has the following non-derivative financial assets:

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

3. Summary of Material Accounting Policies (continued)

a) Financial Instruments (continued)

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

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

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

Loans and receivables

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

Non-derivative financial liabilities:

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

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

Impairment of financial assets:

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

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

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

3. Summary of Material Accounting Policies (continued)

a) Financial Instruments (continued)

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

b) Revenue Recognition

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

Customer contracts may include the transfer of multiple goods and services. Where the Council determines that the multiple goods and services are not distinct performance obligations, they are treated as a single performance obligation. Contract costs for obtaining a customer contract are recognized as expenses as incurred unless they create an asset related to future contract activity that the Council expects to recover.

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

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

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

3. Summary of Material Accounting Policies (continued)

b) Revenue Recognition (continued)

Contract Revenue

Contracts with customers relate to the delivery of a broad range of science and engineering specialties and consist primarily of highly unique contracts. Such contracts are entered into prior to services being provided. Due to the unique nature of the performance obligations under these contracts, revenue is recognized as a performance obligation is satisfied over time. Under the terms of the contracts, the Council is contractually restricted from redirecting the output of the contract to other customers and has an enforceable right to payment for work done. These contracts are recognized over time on a cost-to-cost basis, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Council considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

Contract revenue consists of revenues earned from third party clients and Project CLEANS. Project CLEANS is a multi-year, multimillion-dollar project managed by the Council which is aimed at assessing and reclaiming abandoned northern mine sites.

Grants

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

c) Leases

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

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

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

3. Summary of Material Accounting Policies (continued)

c) Leases (continued)

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

d) Property, Plant and Equipment

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

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

PP&E is depreciated according to the straight-line method on estimated useful lives as follows:

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

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

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

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

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

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

3. Summary of Material Accounting Policies (continued)

e) Goodwill

Goodwill is initially recognized and measured as the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Goodwill is not amortized but is assessed annually for impairment. An impairment loss recognized for goodwill is not reversed in a subsequent period.

f) Impairment

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

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

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

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

g) Restricted Investment

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

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

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

3. Summary of Material Accounting Policies (continued)

h) Inventory

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

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

i) Accrued Pension Benefit Asset

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

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

j) Foreign currency translation

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

4. Inventory

	2025 (000's)	2024 (000's)
Raw materials	\$ 10,023	\$ 7,000
Work-in-progress	-	32
Materials and supplies	1,094	1,085
	<u>\$ 11,117</u>	<u>\$ 8,117</u>
Inventory impairment loss	\$ 158	\$ 91

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

5. Accrued Pension Benefit Asset

Defined Contribution

The defined contribution pension plan assets had a market value of \$21,548,000 (2024 - \$18,997,000) at December 31, 2024. By design, the liabilities equal the assets of a defined contribution pension plan.

The defined contribution pension plan expense (employer contributions) for the year ended March 31, 2025 was \$1,732,000 (2024 - \$1,501,000).

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

Defined Benefit

Under the Pension Benefits Act, 1992 (Act), pension plans must obtain an actuarial valuation every three years to assess their funding and solvency positions. The latest valuation of the defined benefit plan was performed by Mercer as of December 31, 2024, and extrapolated to March 31, 2025, using a discount rate of 3.60% (2024 – 4.60%). The valuation reflects management's best estimates. The plan is closed, fully funded, and considered low risk to the Council. As of December 31, 2024, it had one remaining member. Separate audited financial statements are prepared for the plan.

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

The funding position indicates whether the plan has enough assets to meet its ongoing pension obligations as they become due. The solvency position indicates whether the plan has sufficient assets to pay all liabilities if the plan were wound up at the valuation date. If either position shows a deficit, the Act prescribes how the shortfall must be funded.

The 2024 actuarial valuation, filed with the Superintendent, reported a solvency surplus of \$605,000 and a funding surplus of \$654,000. The 2021 actuarial valuation reported a solvency surplus of \$394,000 and a funding surplus of \$474,000. The next valuation is scheduled for December 31, 2027.

A 1% increase in the interest rate assumption would result in a \$2,000 decrease to the pension liability. A 1% decrease in the interest rate assumption would result in a \$2,000 increase to the pension liability.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

5. Accrued Pension Benefit Asset (continued)

Defined Benefit (continued)

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

	2025 (000's)	2024 (000's)
Defined benefit asset expected market value, April 1	\$ 717	\$ 672
Expected return on plan assets	32	31
Benefits paid	(33)	(38)
Experience gain	26	52
Asset at market value, March 31	<u>742</u>	<u>717</u>
Defined benefit obligation at April 1	114	112
Interest on accrued benefits and benefit payments	4	5
Benefits paid	(33)	(38)
Experience gain	1	34
Assumption changes	2	1
Obligation, extrapolated to March 31	<u>88</u>	<u>114</u>
Accrued pension asset, March 31	<u>\$ 654</u>	<u>\$ 603</u>

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

The defined benefit pension plan net gain of \$23,000 (2024 - \$17,000) is presented in other comprehensive income. Effective January 1, 2003, the Council is not being reimbursed for administrative costs incurred by the pension plan.

6. Restricted Investment

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

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

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

6. Restricted Investment (continued)

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

	2025 (000's)	Change (000's)	2024 (000's)
Capital contributions	\$ 504	\$ -	\$ 504
Accumulated investment earnings	1,487	166	1,321
Accumulated technology grants, fund expenses	(236)	-	(236)
Total	\$ 1,755	\$ 166	\$ 1,589

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

7. Right-of-Use Assets

	Buildings (000's)
Cost	
Balance, March 31, 2023	\$ 50,966
Additions	8,491
Balance, March 31, 2024	\$ 59,457
Additions	3,247
Termination	(3,549)
Balance, March 31, 2025	\$ 59,155
Accumulated depreciation	
Balance, March 31, 2023	\$ 8,491
Depreciation	4,133
Balance, March 31, 2024	\$ 12,624
Termination	(2,839)
Depreciation	4,110
Balance, March 31, 2025	\$ 13,895
Net Book Value	
March 31, 2025	\$ 45,260
March 31, 2024	\$ 46,833

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

8. Property, Plant and Equipment

(000's)	Buildings	Leasehold Improvements	Computer Equipment	Equipment	Automotive	Construction in Progress	Total
Cost							
Balance, March 31, 2023	\$ 453	\$ 55,996	\$ 2,485	\$ 46,338	\$ 820	\$ 8,681	\$ 114,773
Additions	-	760	-	3,636	130	27,382	31,908
Disposals/transfers	-	(72)	(719)	(1,780)	-	1,816	(755)
Balance, March 31, 2024	453	56,684	1,766	48,194	950	37,879	145,926
Additions	-	37	39	2,045	-	39,239	41,360
Disposals/transfers	-	84	7	(645)	-	8,441	7,887
Reclamation Provision	-	700	-	-	-	-	700
Balance, March 31, 2025	453	57,505	1,812	49,594	950	85,559	195,873
Accumulated Depreciation							
Balance, March 31, 2023	428	16,121	2,002	34,419	741	-	53,711
Current year depreciation	4	2,530	158	2,813	42	-	5,547
Disposals	-	(119)	(710)	(1,548)	-	-	(2,377)
Balance, March 31, 2024	432	18,532	1,450	35,684	783	-	56,881
Current year depreciation	3	2,570	133	2,888	42	-	5,636
Disposals	-	-	7	-	-	-	7
Balance, March 31, 2025	435	21,102	1,590	38,572	825	-	62,524
Net Book Value							
March 31, 2025	\$ 18	\$ 36,403	\$ 222	\$ 11,022	\$ 125	\$ 85,559	\$ 133,349
March 31, 2024	\$ 21	\$ 38,152	\$ 316	\$ 12,510	\$ 167	\$ 37,879	\$ 89,045

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

9. Line of Credit

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

As at March 31, 2025 and March 31, 2024 the Council was not utilizing this line of credit.

10. Unearned Revenue

The breakdown of unearned revenue is as follows:

	2025 (000's)	2024 (000's)
Project CLEANs	7,584	7,038
Other contracts	599	1,082
	\$ 8,183	\$ 8,120

11. Deferred Revenue

The Council received funding for certain property, plant and equipment (PP&E), which it records as deferred revenue until such time as the related assets are put in use and depreciated. Revenue is recognized at the same time as depreciation of the related assets. The total depreciation charges related to funding totalled \$1,000,000 this fiscal year. For funding related to operating expenses, revenue is recognized in the fiscal year that the expenses are incurred.

a) Mining and Minerals Facility

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

b) Rare Earth Processing Facility

Between August 2020 and March 2025, the Council received a total of \$93,000,000 in funding from the Government of Saskatchewan to support the acquisition of equipment and the development of space for a Rare Earth Processing Facility. This includes \$22,000,000 received in fiscal year 2025 (2024 - \$20,000,000).

Between March 2023 and June 2024, the Council was approved for a total of \$15,960,000 in funding from PrairiesCan to support capital and operational costs related to the Rare Earth Processing Facility. To date, \$7,967,000 has been received, including \$5,527,000 received in fiscal year 2025 (2024 - \$2,440,000).

In August 2023, the Council was approved for a total of \$4,990,000 in funding from NRCan to support capital and operational costs related to the Rare Earth Processing Facility. To date, \$4,038,000 has been received, all of which was received in fiscal year 2025.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

11. Deferred Revenue (continued)

c) Nuclear Operations

In November 2023, the Council was approved for a total of \$80,000,000 in funding from the Government of Saskatchewan to support the licensing and demonstration of the first microreactor in Saskatchewan. To date, \$26,500,000 has been received, including \$21,500,000 received in fiscal year 2025 (2024 - \$5,000,000).

	Balance March 31, 2024 (000's)	Less Amount Recognized (000's)	Add Amount Received (000's)	Balance March 31, 2025 (000's)
Mining and Minerals Facility	\$ 12,667	\$ 1,000	\$ -	\$ 11,667
Rare Earth Processing Facility	65,017	7,133	31,565	89,449
Nuclear Operations	2,875	8,859	21,500	15,516
	<u>\$ 80,559</u>	<u>\$ 16,992</u>	<u>\$ 53,065</u>	<u>\$ 116,632</u>

	2025 (000's)	2024 (000's)
Current Portion		
Mining and Minerals Facility	1,000	1,000
Nuclear Operation	12,500	2,875
	<u>\$ 13,500</u>	<u>\$ 3,875</u>

12. Related Party Transactions

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

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

During the year, the Council paid \$7,311,000 (2024 - \$7,236,000) for accommodation charges on buildings.

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

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

12. Related Party Transactions (continued)

	2025 (000's)	2024 (000's)
Due to related party	\$ 13,478	\$ 14,608
Less: current portion of due to related party	<u>1,376</u>	<u>1,376</u>
	<u>\$ 12,102</u>	<u>\$ 13,232</u>
Financing charges paid on due to related party	<u>\$ 247</u>	<u>\$ 266</u>

The due to related party is variable rate based on the Government of Saskatchewan short-term borrowing rate of the lessor and is due March 31, 2038. As at March 31, 2025, the amounts payable to Innovation Saskatchewan are as follows:

	Less than 1 year (000's)	Between 2 and 5 years (000's)	More than 5 years (000's)
Payable to Innovation Saskatchewan	\$ 1,376	\$ 5,504	\$ 6,598

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

	Less than 1 year (000's)	Between 2 and 5 years (000's)	More than 5 years (000's)
Future minimum lease payments	\$ 1,433	\$ 5,732	\$ 25,796
Present value of lease liabilities	690	2,993	19,510

In 2025, the Council purchased supplies and services for \$409,000 (2024 - \$559,000) from related parties.

During the year, the Council recognized fee-for-service contract revenue of \$26,936,000 (2024 - \$20,160,000) with related parties.

The Council received \$20,123,000 (2024 - \$20,408,000) in funding from the General Revenue Fund.

As at March 31, the Council had \$2,566,000 (2024 - \$2,669,000) in related party accounts receivable.

The Council has \$104,673,000 (2024 - \$78,119,000) of deferred revenue from related parties as at March 31, 2025. Of the \$104,673,000, \$11,667,000 (2024 - \$12,667,000) is related to the Mining, Minerals Facility funding and \$77,490,000 (2024 - \$62,577,000) is related to the Rare Earth Processing Facility funding and \$15,516,000 (2024 - \$2,875,000) is related to the SRC Nuclear Operations.

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

12. Related Party Transactions (continued)

The Council has \$7,584,000 (2024 - \$7,038,000) of unearned revenue from related parties, related to fee-for-service contracts, as at March 31, 2025.

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

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

	2025 (000's)	2024 (000's)
Salaries and benefits	\$ 3,350	\$ 2,895

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

13. Financial Instruments

Credit Risk

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

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

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

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

At March 31, 2025, the Council had expected credit losses of \$211,000 (2024 - \$211,000).

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

13. Financial Instruments (continued)

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

	2025 (000's)	2024 (000's)
Current	\$ 4,122	\$ 6,289
31 - 60 days	3,472	1,431
61- 90 days	336	269
Over 90 days	4,641	4,910
	<u>12,571</u>	<u>12,899</u>
Expected credit losses	(211)	(211)
	<u>\$ 12,360</u>	<u>\$ 12,688</u>

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

	2025 (000's)	2024 (000's)
Balance, beginning of year	\$ 211	\$ 211
Additions charged to operations	118	24
Write-offs net of recoveries	(118)	(24)
Balance, end of year	<u>\$ 211</u>	<u>\$ 211</u>

Liquidity Risk

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

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

2025	Carrying Amount	<0-6 months	<7-12 months
Accounts payable	\$ 13,574	\$ 13,574	\$ -
Salaries, wages and vacations payable	3,014	2,581	433
	<u>\$ 16,588</u>	<u>\$ 16,155</u>	<u>\$ 433</u>
 2024	 Carrying Amount	 <0-6 months	 <7-12 months
Accounts payable	\$ 7,840	\$ 7,840	\$ -
Salaries, wages and vacations payable	1,559	1,232	327
	<u>\$ 9,399</u>	<u>\$ 9,072</u>	<u>\$ 327</u>

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

13. Financial Instruments (continued)

Interest Rate Risk

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

Equity Price Risk

Equity price risk is the risk that the value of an equity will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market. The Council manages the equity price risk of the Restricted Investment through investing in a Canadian balanced mutual fund.

A 10% change in the market value of the Restricted Investment would result in a \$175,000 change in the return from the Restricted Investment.

Foreign Exchange Risk

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

The Council is exposed to foreign exchange risk primarily relating to United States operating and capital expenditures. The Council has no significant foreign currency exposure related to cash and receivables at March 31, 2025. The Council does not believe that the impact of fluctuations in foreign exchange rates on anticipated transactions will be material and therefore has not provided a sensitivity analysis of the impact on net earnings.

Fair Values

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

Saskatchewan Research Council
Notes to the Consolidated Financial Statements
For the year ended March 31, 2025

13. Financial Instruments (continued)

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

	Class ¹	Level ¹	2025 (000's)		2024 (000's)		
			Carrying amount	Fair value	Carrying amount	Fair value	
Financial Assets							
Cash	L&R	N/A	\$ 40,591	\$ 40,591	\$ 36,041	\$ 36,041	
Accounts receivable	L&R	N/A	12,360	12,360	12,688	12,688	
Restricted investment	FVTPL	2	1,755	1,755	1,589	1,589	
Financial Liabilities							
Accounts payable	OFL	N/A	13,574	13,574	7,840	7,840	
Salaries, wages and vacations payable	OFL	N/A	3,014	3,014	1,559	1,559	
Due to related party	OFL	N/A	13,478	13,478	14,608	14,608	
Long-term debt	OFL	N/A	5,828	5,828	6,172	6,172	
Sick leave benefits payable	OFL	N/A	26	26	31	31	

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

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

Level 2 – valued using inputs other than quoted prices, relying on observable market data or models.

14. Lease Liabilities

	2025 (000's)	2024 (000's)
Total future minimum lease payments	\$ 66,074	\$ 68,704
Less: future finance charges on leases	18,238	19,960
Present value of lease liabilities	47,836	48,744
Less: current portion	3,276	3,799
	\$ 44,560	\$ 44,945

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14. Lease Liabilities (continued)

As at March 31, 2025, the scheduled future minimum payments and the present value of lease liabilities are as follows:

	Less than 1 year (000's)	Between 2 and 5 years (000's)	More than 5 years (000's)
Future minimum lease payments	\$ 5,347	\$ 18,518	\$ 42,209
Present value of lease liabilities	3,276	11,802	32,758

In fiscal year 2025, the Council incurred financing charges related to lease liabilities of \$2,133,000 (2024 - \$1,692,000). The discount rates applied range from 3.2% to 7.95%. As at March 31, 2025, the Council has outstanding commitments to a third party in relation to right-of-use assets and lease liabilities in the future.

15. Long-term debt

During the year ended March 31, 2023, the Council entered into a third-party loan agreement with their primary landlord to finance corporate head office tenant improvements. The loan is repayable in monthly installments of \$46,250 beginning December 1, 2022, at an interest rate of 6% and is secured by tenant improvements.

The Council received \$2,500,000 related to financing of capital equipment for the Rare Earth Elements Facility with Western Economic Diversification Canada. The agreement requires repayment of funds over 60 months at \$41,667 per month beginning January 1, 2026. Interest is calculated during the period beginning on the due date and ending on the day before payment is received and compounds monthly at the average bank rate plus 3%.

	2025 (000's)	2024 (000's)
Principal	\$ 6,172	\$ 6,496
Current year repayments	344	324
	5,828	6,172
Less: current portion	(680)	(555)
	<u>\$ 5,148</u>	<u>\$ 5,617</u>

As at March 31, 2025, the amounts payable related to long-term debt are as follows:

	Less than 1 year (000's)	Between 2 and 5 years (000's)	More than 5 years (000's)
Long-term debt payments	\$ 680	\$ 4,220	\$ 928

In fiscal year 2025, The Council incurred financing charges related to long-term debt of \$211,000 (2024 - \$231,000).

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16. Capital Disclosures

The Council manages capital through assessment of current and future goals, and the capital requirement of these goals. The Council's objective when managing capital is to ensure adequate capital is available to support operations and future strategies of the Council. The Council's management considers its capital structure to consist of contributed surplus and unappropriated retained earnings. The usage of this capital is restricted in accordance with *The Financial Administration Act, 1993*. The Council is not subject to prescribed capital requirements or external restrictions.

17. Long-term Liability

In fiscal year 2025, the Council recognized a provision of \$700,000 in relation to its legal and constructive obligation to decommission and reclaim the Rare Earth Processing Facility. The obligation involves dismantling the facility and restoring the site to its pre-operation condition in a manner consistent with the current and surrounding industrial land use, which is expected to remain unchanged following decommissioning.

The provision represents the present value of the future estimated costs to perform the required decommissioning activities at the end of the facility's useful life. These estimates were prepared by qualified and experienced technical personnel. The facility is expected to become operational in the near term, with decommissioning activities and related cash outflows estimated to occur approximately 15 to 20 years thereafter.

The amount of the provision is subject to uncertainty due to potential changes in operational plans, site conditions, future regulatory requirements, inflation, and discount rates. The provision will be reviewed and updated at least every five years, or sooner if significant changes occur, to reflect revised cost estimates or assumptions.

In fiscal year 2024, a provision of \$850,000 was recognized for the decommissioning of a leased laboratory and office space. The provision relates to the obligation to return the space to its original condition upon the expiration of the lease. As of March 31, 2025, the decommissioning has been completed, and all associated costs have been incurred.

18. Contingent Liability

The Council is involved in a lawsuit related to Project CLEANS. The matter is currently in the discovery and disclosure phase. The Council will be reimbursed for any costs associated with this potential claim. A provision for contingent liabilities is recorded when a reasonable estimate is determined.

The Council acknowledges the existence of other existing claims. The prospect of liability remains indeterminate, and no provision has been recorded.



This report covers activities and financials for the fiscal year April 1, 2024 – March 31, 2025.
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