The Canadian International Institute for Extractive Industries and Development

Financial Statements

For the period from May 31, 2013 (Inception) through March 31, 2014

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Contents

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Independent Auditor's Report

To the Executive Board of
The Canadian International Institute for Extractive Industries and Development

We have audited the accompanying financial statements of The Canadian International Institute for Extractive Industries and Development, which comprise the Statement of Financial Position as at March 31, 2014, and the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the period ended March 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Canadian International Institute for Extractive Industries and Development as at March 31, 2014 and the results of its operations and cash flows for the period then ended, in accordance with the International Financial Reporting Standards.

BDO Canada LLP

Chartered Accountants

Vancouver, British Columbia
January 9, 2015

The Canadian International Institute for Extractive Industries and Development
Statement of Financial Position

March 31		2014
Assets		
Current		
Grant receivable	$	101,482
Due from related party (Note 5)		409,053
		510,535
Property and equipment (Note 4)		97,469
	$	608,004
Liabilities and Equity		
Liabilities		
Current		
Accounts payable and accrued liabilities	$	208,622
Due to related parties (Note 5)		480,504
		689,126
Equity		
Deficit		(81,122)
	$	608,004

On behalf of the Board:

________________________ Director

________________________ Director

The accompanying notes are an integral part of these financial statements.

The Canadian International Institute for Extractive Industries and Development

Statement of Changes in Equity

For the period from May 31, 2013 (Inception) through March 31 2014

		Deficit
Balance, beginning of period	$	-
Loss for the period		(81,122)
Balance, end of period	$	(81,122)

The accompanying notes are an integral part of these financial statements.

The Canadian International Institute for Extractive Industries and Development

Statement of Comprehensive Income

For the period from May 31, 2013 (Inception) through March 31 2014

Revenue	
In-kind contributions (Note 5)	$ 1,005,250
Government grants	1,623,077
Interest	3,408
	2,631,735
Expenses (Note 5)	
Advertising and promotion	61,876
Conferences and meetings	119,092
Depreciation	24,589
Materials and supplies	125,789
Office and administration	359,598
Professional fees	348,202
Rental	20,834
Salaries and benefits	1,446,951
Telecommunications	2,717
Travel	203,209
	2,712,857
Loss for the period	$ (81,122)

The accompanying notes are an integral part of these financial statements.

The Canadian International Institute for Extractive Industries and Development
Statement of Cash Flows

For the period from May 31, 2013 (Inception) through March 31 2014

Cash provided by (used in)	
Operating activities	
Loss for the period	$ (81,122)
Items not involving cash	
Depreciation	24,589
	(56,533)
Changes in non-cash working capital balances	
Grant receivable	(101,482)
Accounts payable and accrued liabilities	208,622
Due from related party	(409,053)
Due to related parties	480,504
	122,058
Investing activity	
Purchase of property and equipment	(122,058)
Cash, beginning of period	-
Cash, end of period	$ -

The accompanying notes are an integral part of these financial statements.

1. Nature of Operations

Canadian International Institute for Extractive Industries Development (the "Institute") is an International Institute formed by The University of British Columbia ("UBC"), Simon Fraser University ("SFU"), and École Polytechnique de Montréal ("EPM"), on May 31 2013. The Institute is engaged in providing assistance to developing country governments and institutions in support of their efforts to properly develop and manage their extractive sectors. The Institute's establishment and initial operating costs are supported by a $24.6 million contribution from Foreign Affairs, Trade and Development Canada (DFATD, formerly CIDA) over 5 years to 2018. The Institute plans to be self-supporting beyond 2018 through expanded service offerings and through support of multiple stakeholders.

The address of the Institute’s head office and principal place of business is 408 - 6190 Agronomy Road, Vancouver, British Columbia, Canada.

The financial statements were authorized for issue by the Executive Board on Janaury 9, 2015.

Subsequent to the year end, the Institute changed its name to Canadian International Resources and Development Institute.

2. Significant Accounting Policies

a) Basis of Preparation

The principal accounting policies applied in the preparation of these financial statements are set out below.

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Institute's functional and presentation currency is the Canadian dollar.

b) Basis of Measurement

The financial statements have been prepared on the historical cost basis.

c) Use of Estimates and Judgments

The preparation of financial statements in compliance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Further, none of the judgments made were deemed to be significant.

2. Significant Accounting Policies - Continued

c) Use of Estimates and Judgments - Continued

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

d) Related Parties

For the purpose of these financial statements, a party is considered related to the Institute if such party or the Institute has the ability to, directly or indirectly, control or exercise significant influence over the other entity's financial and operating decisions, or if the Institute and such party are subject to common significant influence. Related parties may be individuals or other entities.

e) Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost includes any expenditure directly related to the acquisition of the asset and dismantling costs and removing the items and restoring the site on which they are located. All repairs and maintenance expenditures are recognized in the statement of comprehensive income.

Depreciation begins when the asset is available for use by the Institute and is recognized on a straight-line basis. The estimated useful life of each asset category is as follows:

Computer equipment	5 years
Office furniture and equipment	5 years
Communication systems	5 years
Leasehold improvements	Remaining term of lease

An item of property and equipment is derecognized upon disposal, or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

The assets’ residual values, useful lives, and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively when necessary.

An assessment is made at each reporting date as to whether an asset or a group of assets contained in this category is impaired. Any adjustment to the carrying value of the asset is recorded in the statement of comprehensive income. At 31 March 2014, the Institute had no impairment of property and equipment

2. **Significant Accounting Policies - Continued**

f) Revenue Recognition

Government grants

The Institute may enter into other contracts with the Department of Foreign Affairs, Trade and Development (DFATD) and other funders for the funding of projects in various countries.

The Institute may enter into contribution agreements for consultancies conducted or managed on behalf of other organizations.

Any indirect costs recovery, management fee or procurement fee that is applicable to the Institute is recorded as revenue in accordance with the terms in the individual contracts.

Any portion of the contributions that relate to a future period are deferred and recognized as revenue in the period that the contributions are spent. Any contributions expended in excess of the contributions received from the donors are shown in the statement of financial position as contributions receivable from donors.

Contributions and donated services

Contributions-in-kind provided by UBC, SFU and EPM and received from multilateral donors, the Government of Canada, Strategic Partners and other organizations are recorded as revenue and program activity expenses at fair value.

Wherever government and local communities in countries in which the Institute operates contribute labour services, transportation and other to various projects, the value of such contributions is not reflected in the financial statements because of the difficulty of measurement.

Donated capital assets are capitalized at fair value and amortized over its useful life. Contributions received towards the acquisition of capital assets are deferred and amortized to income on the same basis as the related depreciable property and equipment are amortized.

g) Financial Instruments

Recognition and Measurement

Financial assets and financial liabilities are recognized when the Institute becomes a party to contractual provisions to the instrument.

2. Significant Accounting Policies - Continued

g) Financial Instruments - Continued

Recognition and Measurement - Continued

The Institute derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Institute is recognized as a separate asset or liability. The Institute derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Institute has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Institute has classified its financial assets as loans and receivables. It has classified its financial liabilities as financial liabilities at amortized cost.

Loans and receivables

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

The Institute's financial assets designated as loans and receivables are comprised of grant receivable and amounts due from related parties.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

The Institute's financial liabilities designated at amortized cost are accounts payable and accrued liabilities and due to related parties.

2. Significant Accounting Policies - Continued

g) Financial Instruments - Continued

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired include default or delinquency by the debtor, indication that the issuer will enter bankruptcy or financial reorganization, economic conditions that correlate with defaults or the disappearance of an active market for a security, or a significant prolonged decline in fair value of an asset below its cost.

h) Provisions

Provisions are recognized when the Institute has a present legal or constructive obligation as a result of a past event, it is probable that the Institute will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Currently, no provisions have been deemed to be required.

i) Standards, Amendments and Interpretations Not Yet Effective

The following new standards, amendments and interpretations have not been early adopted in these financial statements:

IFRS 9: Financial Instruments (effective for periods beginning on or after January 1, 2015)

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Institute is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment, and does not anticipate a material impact.

3. Cash

As set out in Note 5, the Institute does not maintain a bank account.

4. Property, Plant and Equipment

	Computer Equipment	Computer Software	Office Equipment and Furniture	Total
Cost				
Balance,				
Beginning of period	$ -	$ -	$ -	$ -
Additions	64,860	222	56,976	**122,058**
March 31, 2014	**$ 64,860**	**$ 222**	**$ 56,976**	**$ 122,058**
Depreciation				
Balance,				
Beginning of period	-	-	-	-
Depreciation for the period	(11,395)	(222)	(12,972)	(24,589)
Balance, March 31, 2014	**$ (11,395)**	**$ (222)**	**$ (12,972)**	**$ (17,791)**
Net book value				
March 31, 2014	**$ 53,465**	**$ -**	**$ 44,004**	**$ 97,469**

5. Related Party Transactions

The amount due from related party represents the cash balance, as at March 31, 2014, held by UBC on behalf of the Institute, as the Institute does not maintain a separate bank account.

The amount due to related parties consists of amounts owed to SFU, total of $286,108, and EPM, total of $194,396, for expenses incurred in the year.

Key management includes the Directors of the Institute. The compensation paid to key management during the period ended March 31, 2014 was $294,005.

These transactions are measured at the exchange value established and agreed to by the related parties.

5. Related Party Transactions - Continued

During the year, the Institute received total of $971,259 in-kind contributions, measured at fair value, from UBC, SFU and EPM. The in-kind contributions consisted of:

Office and administration	$ 319,851
Professional fees	21,122
Salaries and benefits	555,518
Material and supplies	74,768
	$ 971,259

6. Economic Dependence

The Institute receives 62% of its revenue from the federal government.

7. Financial Instrument Risks

The Institute's activities expose it to a variety of financial risks including interest rate risk and liquidity risk. The following provides a measure of those risks at March 31, 2014:

a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Institute is not exposed to any significant interest rate risk.

b) Liquidity Risk

Liquidity risk is the risk that the Institute will not be able to meet its obligations as they fall due. Accounts payable and accrued liabilities are generally due within one year of the balance sheet date. The Institute minimizes its liquidity risk by managing its working capital structure to ensure it is able to meet its obligations as they fall due.

8. Capital Management

Management controls the capital of the Institute to ensure that adequate cash flows are generated to fund its programs and that returns from investments are maximized. The Board and management ensure that overall risk management strategy is in line with this objective. The Institute's capital is comprised of financial liabilities,supported by financial assets.

9. Contingent Liability

Subsequent to the year end, the Institute is in the process of an audit by its major funder, DFATD. The audit has not been finalized but interim results have identified approximately $760,000 in potential adjustments. Management believes that these potential adjustments result from incomplete documentation but for appropriately incurred costs. As such, management believes that these items will not ultimately result in any adjustment to recorded funding and no related liability has been recorded in these financial statements.