

SYDNEY STEEL CORPORATION
Financial Statements
March 31, 2020

Independent Auditors' Report

To the Directors of Sydney Steel Corporation

Opinion

We have audited the accompanying financial statements of Sydney Steel Corporation which comprise the statement of financial position as at March 31, 2020 and the statements of financial activities, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Sydney Steel Corporation as at March 31, 2020 and the results of its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with 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.

Other Matter

The financial statements of Sydney Steel Corporation for the year ended March 31, 2019 were audited by MGM & Associates, Chartered Professional Accountants of Sydney, Nova Scotia, Canada, prior to its merger with MNP LLP. MGM & Associates, Chartered Professional Accountants expressed an unmodified opinion on those statements on June 27, 2019.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility 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 generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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 Corporation'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 Corporation 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.

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.

MNP LLP

Sydney, Nova Scotia

Chartered Professional Accountants

June 26, 2020

SYDNEY STEEL CORPORATION

Statement of Financial Position

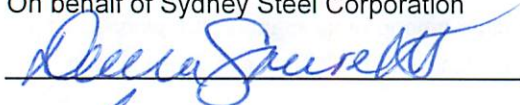
March 31, 2020, with comparative figures for 2019

	2020	2019
FINANCIAL ASSETS		
Cash	\$ 296,962	\$ 210,696
Receivables – HST Province of Nova Scotia	132,121	–
	1,749,528	1,941,495
	<u>2,178,611</u>	<u>2,152,191</u>
FINANCIAL LIABILITIES		
Payables and accruals	4,375	331,367
Payable to Nova Scotia Lands Inc.	1,084,713	738,217
Payable to Sydney Utilities Limited	14,206	12,567
	<u>1,103,294</u>	<u>1,082,151</u>
NET FINANCIAL ASSETS	<u>\$ 1,075,317</u>	<u>\$ 1,070,040</u>
ACCUMULATED SURPLUS	<u>\$ 1,075,317</u>	<u>\$ 1,070,040</u>

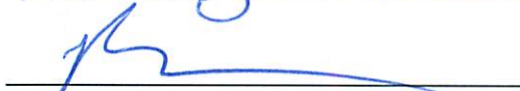
Commitment (note 3)

See accompanying notes to financial statements.

On behalf of Sydney Steel Corporation



Director



Director

SYDNEY STEEL CORPORATION

Statement of Financial Activities

Year ended March 31, 2020, with comparative figures for 2019

	Budget (Unaudited)	2020	2019
REVENUES			
Contributions from the Province of Nova Scotia	\$ –	\$ 32,482	\$ 431,493
Recoveries related to contamination liability	4,225,000	511,952	789,429
Interest	–	5,277	2,939
	4,225,000	549,711	1,223,861
EXPENSES			
Remediation – accretion of contamination liability	4,225,000	511,952	789,429
Professional fees and legal case	–	4,375	391,367
Construction expense	–	500	–
Property taxes	–	27,607	40,125
	4,225,000	544,434	1,220,921
OTHER REVENUES (EXPENSES)			
Remeasurement of contamination liability	–	(56,005)	3,131,693
Increase (reduction) of recoveries related to remeasurement of contamination liability	–	56,005	(3,131,693)
	–	–	–
ANNUAL SURPLUS	–	5,277	2,940
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,070,040	1,070,040	1,067,100
ACCUMULATED SURPLUS, END OF YEAR	\$ 1,070,040	\$ 1,075,317	\$ 1,070,040

See accompanying notes to financial statements.

SYDNEY STEEL CORPORATION

Statement of Change in Net Financial Assets

Year ended March 31, 2020, with comparative figures for 2019

	Budget (Unaudited)	2020	2019
ANNUAL SURPLUS	\$ -	\$ 5,277	\$ 2,940
NET FINANCIAL ASSETS, BEGINNING OF YEAR	1,070,040	1,070,040	1,067,100
NET FINANCIAL ASSETS, END OF YEAR	\$ 1,070,040	\$ 1,075,317	\$ 1,070,040

See accompanying notes to financial statements.

SYDNEY STEEL CORPORATION

Statement of Cash Flows

Year ended March 31, 2020, with comparative figures for 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Annual surplus	\$ 5,277	\$ 2,940
Change in non-cash operating working capital		
Decrease in receivable from Province of Nova Scotia	191,967	153,704
Increase in HST receivable	(132,121)	–
Decrease in payables and accruals	(326,992)	(125,002)
Increase in payable to Nova Scotia Lands Inc.	346,496	86,404
Increase in payable to Sydney Utilities Limited	1,639	–
INCREASE IN CASH AND CASH EQUIVALENTS	86,266	118,046
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	210,696	92,650
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 296,962	\$ 210,696

See accompanying notes to financial statements.

SYDNEY STEEL CORPORATION

Notes to Financial Statements

Year ended March 31, 2020

NATURE OF OPERATIONS

Sydney Steel Corporation ("the Corporation") is a crown corporation incorporated by a special act of the Province of Nova Scotia. The Corporation's main function is to facilitate the remediation of the former steel plant site in Sydney, Nova Scotia.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The Corporation's financial statements are prepared in accordance with Canadian public sector accounting standards.

(b) Cash and cash equivalents

Cash and cash equivalents include balances with banks.

(c) Net financial assets

Net financial assets represent the financial assets of the Corporation less financial liabilities.

(d) Contamination provision

Liabilities for environmental contamination are recognized in the period in which the directly attributable costs of remediation activities can be estimated with a reasonable degree of certainty and are reduced by expected net recoveries. Any change to the estimated liability is charged to expense in the period of the changes.

(e) Revenue recognition

Revenues are recognized in the period in which the transaction or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis except when accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government recoveries are recognized as revenue when expenses are incurred and collectability is reasonably assured.

(f) Accumulated surplus

Accumulated surplus represents the financial and non-financial assets of the Corporation less liabilities. This represents the accumulated balance of surplus arising from the operations of the Corporation.

(g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingencies and the reported

SYDNEY STEEL CORPORATION

Notes to Financial Statements

Year ended March 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

amounts of revenues and expenses in the financial statements and accompanying notes. Significant items subject to management's estimates and assumptions include the valuation of receivables, as well as the valuation of the contamination provision. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

(h) Government transfers

Government transfers are transfers of monetary assets or tangible capital assets to or from the government that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future. Government transfers are recognized in the financial statements as revenue when the transfers are authorized and all eligibility criteria have been met except when there is a stipulation that gives rise to an obligation that meets the definition of a liability. In that case, the transfer is recorded as a liability and recognized as revenue as the stipulations are met.

2. CONTAMINATION PROVISION

The contamination provision relates to the estimated cost to remediate the contamination located on lands owned by the Corporation. The contamination resulted from a century of steel-making on the site. The basis of determining the estimate of the liability relies on a report from an external expert and management's assessment. The amount recorded in the financial statements has been discounted at a rate of 2.5% (3.38% - 2019) to reflect the fact that the expenditures will be made over several years. The Province of Nova Scotia has accepted responsibility to fund the remediation of the lands owned by the Corporation as per the Public Accounts of the Province of Nova Scotia for the fiscal year 1999 – 2000.

	2020	2019
Gross contamination provision, beginning of year	\$ 20,478,067	\$ 23,355,883
Expenditures during the year	(850,952)	(535,552)
Accretion expense	511,952	789,429
Change in estimate of contamination provision	56,005	(3,131,693)
Gross contamination provision, end of year	20,195,072	20,478,067
Expected recoveries from Province of Nova Scotia	20,195,072	20,478,067
Net contamination provision	\$ -	\$ -

The most recent expert valuation of the gross contamination provision was prepared March 5, 2019.

SYDNEY STEEL CORPORATION

Notes to Financial Statements

Year ended March 31, 2020

3. COMMITMENT

On March 30, 2007, the Corporation retained the services of a related party, Nova Scotia Lands Inc., to manage the remediation, redevelopment, and by-product operations to be conducted on Corporation lands and to provide other services as may be required. This agreement, which was initially for a two-year period, has been renewed on an annual basis.

4. RELATED PARTY TRANSACTIONS

Included in the funds receivable from the Province of Nova Scotia are reimbursement of expenses of \$840,024 (2019 - \$524,625) and \$10,928 (2019 - \$10,928) paid to Nova Scotia Lands Inc. and Sydney Utilities Limited, respectively. All companies are controlled by the Province of Nova Scotia.

As well, funds receivable from the Province of Nova Scotia are used to pay property taxes of \$27,607 (2019 - \$40,125), accounting fees of \$1,751 (2019 - \$6,751) and legal fees of \$Nil (2019 - \$324,617) to the Province of Nova Scotia – Department of Justice and construction work of \$500 (2019 - \$Nil).

5. SUBSEQUENT EVENT

On March 11, 2020 the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", was classified as a pandemic and has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to business globally resulting in economic slowdown. The duration and impact of the COVID-19 outbreak, including the impact of government and central bank interventions aimed at stabilizing the economic decline, is not fully known at this time. It is not possible to reliably estimate the length and severity of these developments and the impact on financial result of the Corporation in future periods.