

**Canadian Microelectronics
Corporation/Société
Canadienne de Micro-électronique
Financial Statements**
March 31, 2024

**Canadian Microelectronics
Corporation/Société
Canadienne de Micro-électronique**
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For the year ended March 31, 2024

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Independent Auditor's Report

To the Board of Directors of Canadian Microelectronics Corporation/Société Canadienne de Micro-électronique:

Opinion

We have audited the financial statements of Canadian Microelectronics Corporation/Société Canadienne de Micro-électronique (the "Organization"), which comprise the statement of financial position as at March 31, 2024, and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Organization 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 Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Organization'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 generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 Organization's 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 Organization'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 Organization'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 Organization 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.

Kingston, Ontario

September 20, 2024

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Canadian Microelectronics Corporation/Société Canadienne de Micro-électronique
Statement of Financial Position

For the year ended March 31, 2024

							2024	2023
	<i>N SERC Funded Portion of the National Design Network</i>	<i>Other</i>	<i>RSF</i>	<i>MSI</i>	<i>Quebec</i>	<i>FABRIC</i>	<i>Total</i>	<i>Total</i>
Assets								
Current								
Cash (Note 2)	-	1,697,165					1,697,165	3,936,784
Accounts receivable (Note 3)	-	1,043,380	-	457,500	300,000	1,285,719	3,086,599	1,263,488
Prepaid expenses and deposits	-	570,086	-	-	-	-	570,086	967,562
Funds receivable from Queen's University	-	-	-	-	-	-	-	-
Due from funds	-	2,041,756	1,463	-	-	-	2,043,219	-
HST recoverable	-	11,493	-	-	-	-	11,493	1,962
	-	5,363,880	1,463	457,500	300,000	1,285,719	7,408,562	6,169,796
Capital assets (Note 4)	13,166	98,426	-	-	-	-	111,592	180,354
Advance to RDiUS	-	10,261	-	-	-	-	10,261	-
Investment in RDiUS	-	137	-	-	-	-	137	-
	13,166	5,472,704	1,463	457,500	300,000	1,285,719	7,530,552	6,350,150
Liabilities								
Current								
Funds owing to Queen's University	-	292	-	-	-	-	292	23,858
Due to funds	-	-	-	457,500	300,000	1,285,719	2,043,219	-
Accounts payable and accrued liabilities (Note 5)	-	2,353,480	-	-	-	-	2,353,480	1,530,007
HST payable	-	10,222	-	-	-	-	10,222	74,714
Deferred revenue	-	1,563,809	-	-	-	-	1,563,809	2,308,204
	-	3,927,803	-	457,500	300,000	1,285,719	5,971,022	3,936,783
Net Assets								
Invested in capital assets	13,166	98,426	-	-	-	-	111,592	180,354
Restricted net assets	-	-	1,463	-	-	-	1,463	1,463
Unrestricted net assets	-	1,446,475	-	-	-	-	1,446,475	2,231,550
	13,166	1,544,901	1,463	-	-	-	1,559,530	2,413,367
	13,166	5,472,704	1,463	457,500	300,000	1,285,719	7,530,552	6,350,150

**Canadian Microelectronics
Corporation/Société
Canadienne de Micro-électronique**
Statement of Revenue and Expenditures

For the year ended March 31, 2024

	<i>NSERC Funded Portion of the National Design Network</i>	<i>Other</i>	<i>RSF</i>	<i>MSI</i>	<i>Quebec</i>	<i>FABRIC</i>	<i>2024</i>	<i>2023</i>
Revenue								
Non-subscriber fabrication	-	5,292,903	-	-	-	-	5,292,903	4,407,111
CFI-MSI	-	-	-	4,575,000	-	-	4,575,000	6,856,681
Province of Quebec	-	-	-	-	1,775,545	-	1,775,545	2,048,076
ISED	-	-	-	-	-	1,285,719	1,285,719	-
Subscriber fabrication	-	726,847	-	-	-	307,094	1,033,941	934,454
Subscriptions	-	320,396	-	-	-	436,893	757,289	715,887
R&D Consulting	-	306,648	-	-	-	-	306,648	882,195
Other industrial	-	214,656	-	-	-	55,210	269,866	141,140
Training revenue	-	49,097	-	-	-	42,298	91,395	144,807
Interest	-	75,854	-	-	-	-	75,854	62,612
Other Academic	-	14,975	-	-	-	37,180	52,155	51,397
SponsorChip	-	50,000	-	-	-	-	50,000	174,653
Other	-	-	-	-	-	-	-	12,000
RSF	-	-	-	-	-	-	-	245,971
NanoCanada	-	-	-	-	-	-	-	69,427
	-	7,051,376	-	4,575,000	1,775,545	2,164,394	15,566,315	16,746,411
Expenditures								
Salaries and benefits	-	2,437,842	-	2,229,350	1,373,978	891,913	6,933,083	7,647,774
Fabrication and packaging	-	3,810,348	-	1,264,113	201,306	325,489	5,601,256	6,452,356
Software tools and leases	-	852,340	-	394,419	91,997	173,913	1,512,669	1,452,722
Research and development	-	280,225	-	248,677	35,056	200,875	764,833	779,199
Professional fees	-	274,837	-	115,620	16,299	8,300	415,056	695,294
Office and administration	-	158,946	-	139,578	19,676	-	318,200	427,055
Outreach	-	186,218	-	64,758	8,607	11,296	270,879	382,353
Rent and relocation	-	196,297	-	39,422	5,557	-	241,276	244,298
Training and development	-	58,105	-	40,635	17,652	35,200	151,592	271,628
Equipment management	-	68,300	-	18,153	2,559	26,856	115,868	126,126
Depreciation	12,501	56,258	-	-	-	-	68,759	77,702
Foreign exchange loss (gain)	-	3,547	-	20,275	2,858	-	26,680	(143,648)

The accompanying notes are an integral part of these financial statements

**Canadian Microelectronics
Corporation/Société
Canadienne de Micro-électronique**
Statement of Revenue and Expenditures

For the year ended March 31, 2024

	<i>NSERC Funded Portion of the National Design Network</i>	<i>Other</i>	<i>RSF</i>	<i>MSI</i>	<i>Quebec</i>	<i>FABrIC</i>	<i>2024</i>	<i>2023</i>
NanoCanada Expenses	-	-	-	-	-	-	-	574,255
Contribution to Indirect Costs	-	(490,552)	-	-	-	490,552	-	-
	12,501	7,892,711	-	4,575,000	1,775,545	2,164,394	16,420,151	18,987,114
Deficiency of revenue over expenditures	(12,501)	(841,335)	-	-	-	-	(853,836)	(2,240,703)

The accompanying notes are an integral part of these financial statements

Canadian Microelectronics Corporation/Société Canadienne de Micro-électronique
Statement of Changes in Net Assets

For the year ended March 31, 2024

							2024	2023
	<i>NSERC Funded Portion of the National Design Network</i>	<i>Other</i>	<i>RSF</i>	<i>MSI</i>	<i>Quebec</i>	<i>FABrIC</i>	<i>Total</i>	<i>Total</i>
Net assets, beginning of year	25,667	2,386,237	1,463	-	-	-	2,413,367	4,654,070
Deficiency of revenues over expenditures	(12,501)	(841,335)	-	-	-	-	(853,836)	(2,240,703)
Net assets, end of year	13,166	1,544,902	1,463	-	-	-	1,559,531	2,413,367
Represented by:								
Invested in capital assets	13,166	85,926	-	-	-	-	99,092	180,354
Restricted net assets, end of year	-	-	1,463	-	-	-	1,463	1,463
Unrestricted net assets, end of year	-	1,458,976	-	-	-	-	1,458,976	2,231,550
	13,166	1,544,902	1,463	-	-	-	1,559,531	2,413,367

The accompanying notes are an integral part of these financial statements

**Canadian Microelectronics
Corporation/Société
Canadienne de Micro-électronique**
Statement of Cash Flows
For the year ended March 31, 2024

	2024	2023
Cash provided by (used for) the following activities		
Operating		
Cash receipts from RSF	-	245,971
Cash receipts from ISED	1,285,719	-
Cash receipts from CFI-MSI	4,575,000	6,856,681
Cash received from other sources	6,988,218	11,103,500
Interest received	75,854	62,612
Cash paid to suppliers and employees	(15,130,446)	(19,640,935)
	(2,205,655)	(1,372,171)
Investing		
Advances to RDiUS Inc.	(10,261)	-
Investment in RDiUS Inc.	(137)	-
Purchase of capital assets	-	(26,516)
Increase (decrease) in cash resources	(2,216,053)	(1,398,687)
Cash resources, beginning of year	3,912,926	5,311,613
Cash resources, end of year	1,696,873	3,912,926
Cash resources are composed of:		
Cash	1,697,165	3,936,784
Funds owing (to)/from Queen's University	(292)	(23,858)
	1,696,873	3,912,926

The accompanying notes are an integral part of these financial statements

**Canadian Microelectronics
Corporation/Société
Canadienne de Micro-électronique**
Notes to the Financial Statements
For the year ended March 31, 2024

1. Significant Accounting Policies

Nature of Business

Canadian Microelectronics Corporation/Société Canadienne de Micro-électronique (the "Organization") is incorporated without share capital under the Canada Corporations Act as a not-for-profit organization. The Organization is exempt from income tax under section 149(1)(l) of the Income Tax Act.

The Organization's principal objective is to enable and accelerate Canadian competitiveness through microsystems.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accrual Basis of Accounting

Revenue and expenditures are recorded on the accrual basis, whereby they are reflected in the accounts in the period in which they have been earned and incurred respectively, whether or not such transactions have been finally settled by the receipt or payment of money.

Fund Accounting

The Natural Sciences and Engineering Research Council of Canada (NSERC) funded portion of the National Design Network Fund reports only NSERC granted resources that are to be used in support of the National Design Network.

The Other Fund accounts for the Organization's activities not directly supported by funders.

The RSF (Research Support Fund) accounts for some indirect expenditures incurred for the National Design Network.

The CFI-MSI (Canada Foundation for Innovation- Major Sciences Initiative Fund) accounts for some operating and maintenance expenditures incurred for the National Design Network.

The Quebec Fund (Province of Quebec Fund) accounts for operating costs incurred for the National Design Network activity in Quebec.

The FABrIC Fund (Fabrication of integrated Components for internet's Edge) accounts for operating costs incurred for the design, manufacturing and commercialization of semiconductors and the development of state-of-the-art intelligent sensor technology.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	-30% diminishing balance basis
Furniture and fixtures	-20% diminishing balance basis
Computer software	-50% diminishing balance basis
Leasehold improvements	-5 years straight-line basis

Amortization of capital assets acquired during the year is calculated at one-half rates.

Computer Equipment Located at Universities

The cost of acquiring computer equipment provided on long-term loan to universities is expensed when incurred.

1. Significant Accounting Policies (continued)

Revenue Recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Grant funding and unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Non-subscriber fabrication revenues are recognized using the percentage of completion method.

Contributions In-Kind

No value is ascribed in the statement of revenue and expenditures to donated material and services which are received under the matching provisions of the agreement with NSERC.

Measurement Uncertainty (use of estimates)

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Estimates have been made by management within these financial statements primarily in relation to accounts receivable, capital assets and accounts payable and accrued liabilities.

These estimates and assumptions are reviewed periodically and as adjustments become necessary they are reported in the periods in which they become known.

Foreign Currency Transactions

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the daily exchange rate for the period, except for amortization which is translated at the rates prevailing at the dates the related assets were acquired.

At the period end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in the statement of operations in the current period.

Non-monetary transactions

The Organization enters into agreements with certain customers from whom the Organization acquires goods and services. Non-monetary transactions, for which the Organization's future cash flows have been significantly affected are recorded at the fair value of the assets given up.

**Canadian Microelectronics
Corporation/Société
Canadienne de Micro-électronique**
Notes to the Financial Statements
For the year ended March 31, 2024

1. Significant Accounting Policies (continued)

Pension Plans

The Organization has two different pension plans for employees. In addition, the Organization provides future benefits such as medical, dental and life insurance to eligible and retired employees.

Some employees are enrolled in a RRSP matching plan whereby the Organization matches RRSP contributions made by the participant for up to 6% of their yearly maximum pensionable earnings ("YMPE") and up to 7% for amounts above YMPE up to their gross pay. YMPE is defined as the yearly maximum pensionable earnings as used in determining Canadian pension plan (CPP) contributions.

Some employees are members of the University Pension Plan ("University Plan") which is a defined benefit plan for those individuals previously paid through Queen's University payroll and which provides a minimum level of pension benefits. Under this plan, the employer contributes 9.2% up to the YMPE and 11.5% above YMPE to their gross pay.

Pension plan costs are expensed in the year in which they relate.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash on deposit and funds owing to Queen's University.

2. Cash

The Organization's bank accounts are held at one chartered bank.

Bank balances include \$2,666 denominated in U.S. dollars.

3. Accounts Receivable

	2024	2023
Fabrication cost sharing	581,945	464,369
Other	461,434	796,494
Project management	-	2,625
Accrued receivables	757,500	-
FABRiC	1,285,719	-
	<hr/> 3,086,598	<hr/> 1,263,488

Accounts receivable includes \$394,433 denominated in U.S. dollars.

The transactions are measured using the value of the asset received and are included in the Statement of Operations under fabrication and packaging expenditures in the Other fund.

**Canadian Microelectronics
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Canadienne de Micro-électronique**
Notes to the Financial Statements
For the year ended March 31, 2024

4. Capital Assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2024 Net book value</i>	<i>2023 Net book value</i>
Computer software	80,071	80,065	6	499
Other furniture and fixtures	150,237	126,514	23,723	29,707
NSERC furniture and fixtures	-	-	-	4,201
Leasehold improvements	147,407	132,666	14,741	44,223
Equipment	466,834	393,712	73,122	101,724
	844,549	732,957	111,592	180,354

During the year, capital assets were acquired at an aggregate cost of \$Nil (2023 - \$Nil) for cash.

Capital assets are composed of capital assets owned and used by the Organization at its Kingston, Ontario office.

5. Accounts Payable and Accrued Liabilities

	<i>2024</i>	<i>2023</i>
Trade accounts payable	2,068,181	765,133
Vacation pay accrual	230,299	519,603
Accrued liabilities	55,000	245,270
	2,353,480	1,530,006

Trade accounts payable includes \$529,164 denominated in U.S. dollars and €6,527 denominated in Euros.

6. Commitments

(a) The Organization rents facilities under an operating lease with Kingston Terminal Properties covering the period of March 1, 2020 to February 28, 2025. The base rent is \$6,907 per month.

(b) The Organization rents facilities under an operating lease with KRP Properties covering the period of April 15, 2020 to April 30, 2025. The base rent is \$2,769.

The minimum annual payments for the two commitments (a to b) above for the next three years are as follows:

2025	212,708
2026	6,117
	218,825

7. Contractual Obligations

The Organization has outstanding purchase orders issued at March 31, 2024 totaling \$3,123,269. Of this amount, \$2,025,516 are denominated in U.S. dollars, and \$84,444 denominated in Euros. These amounts are not reflected in the financial statements.

**Canadian Microelectronics
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Notes to the Financial Statements
For the year ended March 31, 2024

8. ISED Funding

The Organization was awarded \$120 million for the five year period ending March 31, 2029.

9. Pension Plans

The combined expense for all Organization pension plans for the year was \$448,275 (2023 - \$518,268); this includes \$179,804 (2023 - \$203,734) under the RRSP plan and \$268,470 (2023 - \$314,534) under the University plan..

10. Economic Dependence

The Organization is economically dependent on continued support from CFI's MSI Program, which funds up to 60% of operating and maintenance costs for CMC's academic activities. In 2024, the Organization was awarded funding to a maximum of \$4.58 million from CFI.

The Organization is also economically dependent on support from the Government of Canada's Strategic Innovation Fund. In 2024, the Organization secured funding of \$120 million through the Government of Canada's Strategic Innovation Fund. The funding will help the Organization support the design, manufacturing and commercialization of semiconductors and intelligent sensor technology. At year end, \$1.28 million has been accrued as receivable for eligible expenses incurred in the fiscal year.

11. Financial Instruments

Financial instruments are financial assets or liabilities of the Organization where, in general, the Organization has the right to receive cash or another financial asset from another party or the Organization has the obligation to pay another party cash or other financial assets.

Financial instruments consist of cash, accounts receivable, funds owing to/from Queen's University, HST payable/recoverable and accounts payable and accrued liabilities.

The Organization initially recognized its financial instruments at fair value and subsequently measures them at amortized cost.

Financial assets measured at cost or amortized cost are tested for impairment at the end of each year and the amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement and the amount of the reversal is recognized in net income. The reversal may be recorded provided it is no greater than the amount that had been previously reported as a reduction in the asset and it does not exceed original cost.

Currency Risk

The Organization is exposed to currency risk as a result of its significant foreign purchases. The risk arises as a result of fluctuations of the Organization's home currency, Canadian dollar, against those in which it is acquiring goods. As noted in Notes 3, 5 and 7, the Organization is exposed to this risk at year-end as a result of amounts owing in foreign currency for existing obligations and those relating to contractual obligations that have been issued.

The Organization attempts to mitigate this risk by acquiring foreign currencies to help offset fluctuations in foreign exchange rates from the time purchase orders are issued to when payment is made. At year-end, the Organization does not have sufficient foreign currencies held to cover those foreign currency obligations.

12. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.