

# Extractive Sector Transparency Measures Act - Annual Report

<b>Reporting Entity Name</b>	St Marys Cement Inc. (Canada)					
<b>Reporting Year</b>	<b>From</b>	1/1/2019	<b>To:</b>	12/31/2019	<b>Date submitted</b>	8/18/2020
<b>Reporting Entity ESTMA Identification Number</b>	E243148		<input checked="" type="radio"/> Original Submission <input type="radio"/> Amended Report			
<b>Other Subsidiaries Included</b> (optional field)						
<b>For Consolidated Reports - Subsidiary Reporting Entities Included in Report:</b>	St Marys Cement Inc. (US) E112691 , VCNA Prairie LLC E939971					
<b>Not Substituted</b>						
<b>Attestation Through Independent Audit</b>						
<p><i>In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest that I engaged an independent auditor to undertake an audit of the ESTMA report for the entity(ies) and reporting year listed above. Such an audit was conducted in accordance with the Technical Reporting Specifications issued by Natural Resources Canada for independent attestation of ESTMA reports.</i></p> <p><i>The auditor expressed an unmodified opinion, dated 2020-08-11, on the ESTMA Report for the entity(ies) and period listed above.</i></p> <p><i>The independent auditor's report can be found at <a href="http://stmaryscement.com/Pages/Company/ESTMA-Reports.aspx">http://stmaryscement.com/Pages/Company/ESTMA-Reports.aspx</a> .</i></p>						
<b>Full Name of Director or Officer of Reporting Entity</b>	John McCarthy			<b>Date</b>	8/11/2020	
<b>Position Title</b>	Chief Financial Officer, St Marys Cement Inc. (Canada)					

## Extractive Sector Transparency Measures Act - Annual Report

<b>Reporting Year</b>	<b>From:</b>	1/1/2019	<b>To:</b>	12/31/2019		
<b>Reporting Entity Name</b>	St Marys Cement Inc. (Canada)				<b>Currency of the Report</b>	USD
<b>Reporting Entity ESTMA Identification Number</b>	E243148					
<b>Subsidiary Reporting Entities (if necessary)</b>	St Marys Cement Inc. (US) E112691 , VCNA Prairie LLC E939971					

### Payments by Payee

Country	Payee Name <sup>1</sup>	Departments, Agency, etc... within Payee that Received Payments <sup>2</sup>	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid to Payee	Notes <sup>34</sup>
Canada	GOVERNMENT OF CANADA		25,060,000							25,060,000	Payments made to Receiver General relate to Federal and Provincial income taxes at approximate rates of 15% and 10% respectively.
Canada -Ontario	MUNICIPALITY OF CLARINGTON		2,490,000							2,490,000	
Canada -Ontario	GOVERNMENT OF ONTARIO			1,940,000	2,160,000					4,100,000	Payments relate primarily to aggregate royalty payments to TOARC and WSIB remittances.
United States of America	CHARLEVOIX TOWNSHIP		820,000							820,000	
Canada -Ontario	CORPORATION OF THE TOWN OF ST MARYS		750,000							750,000	
United States of America	STATE OF MICHIGAN				190,000					190,000	
United States of America	LEE COUNTY		220,000							220,000	
Canada -Ontario	TOWNSHIP OF BROCK		200,000							200,000	
United States of America	COOK COUNTY		150,000							150,000	
Canada -Ontario	TOWNSHIP OF PUSLINCH		120,000							120,000	
United States of America	KANE COUNTY		110,000							110,000	
United States of America	KANKAKEE COUNTY		90,000							90,000	

**Additional Notes:**

Note - All amounts expressed in USD, unless otherwise stated. Amounts paid in Canadian dollars are converted to USD based on the 1.3268 weighted average exchange rate. Payments are rounded to the nearest \$10,000 USD

## Extractive Sector Transparency Measures Act - Annual Report

<b>Reporting Year</b>	<b>From:</b> 1/1/2019	<b>To:</b> 12/31/2019
<b>Reporting Entity Name</b>	St Marys Cement Inc. (Canada)	<b>Currency of the Report</b> USD
<b>Reporting Entity ESTMA Identification Number</b>	E243148	
<b>Subsidiary Reporting Entities (if necessary)</b>	St Marys Cement Inc. (US) E112691 , VCNA Prairie LLC E939971	

### Payments by Project

Country	Project Name <sup>1</sup>	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes <sup>23</sup>
Canada	Ontario	3,560,000	1,940,000	2,160,000					<b>7,660,000</b>	
United States of America	Michigan	1,040,000		190,000					<b>1,230,000</b>	
United States of America	Illinois	350,000							<b>350,000</b>	
		-								
Canada	Unallocated corporate taxes	25,060,000							<b>25,060,000</b>	

**Additional Notes<sup>3</sup>:**

Note - All amounts expressed in USD, unless otherwise stated. Amounts paid in Canadian dollars are converted to USD based on the 1.3268 weighted average exchange rate. Payments are rounded to the nearest \$10,000 USD



## *Independent auditor's report*

To the Board of Directors of St. Marys Cement Inc. (Canada)

---

### *Our opinion*

In our opinion, the accompanying Extractive Sector Transparency Measures Act (ESTMA) - Annual Report (the report) of St. Marys Cement Inc. (Canada) and its subsidiaries (together, the Company) for the year ended December 31, 2019 is prepared, in all material respects, in accordance with the basis of accounting described in the notes, which is in accordance with the Extractive Sector Transparency Measures Act S.C. 2014, c.39, s 376 (the Act).

### **What we have audited**

The Company's report comprises the schedules of payments by payee and payments by project for the year ended December 31, 2019 and the notes to the report, which include a summary of significant accounting policies.

---

### *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 report* section of our report.

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

### **Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the report in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

---

### *Emphasis of matter – basis of accounting*

We draw attention to notes to the report, which describe the basis of accounting. The report is prepared to assist the Company in complying with the reporting requirements described in the notes. As a result, the report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### *Responsibilities of management and those charged with governance for the report*

Management is responsible for the preparation of the report in accordance with the reporting requirement of ESTMA, and for such internal control as management determines is necessary to enable the preparation of a report that is free from material misstatement, whether due to fraud or error.

---

PricewaterhouseCoopers LLP  
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2  
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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

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

---

### *Auditor's responsibilities for the audit of the report*

Our objectives are to obtain reasonable assurance about whether the report as a whole is 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 the report.

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 report, 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 Company'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 Company'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 report 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 Company to cease to continue as a going concern.

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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
August 11, 2020



## INTRODUCTION

St. Marys Cement Inc. (Canada) and its subsidiaries collectively the “Company” has prepared the following audited consolidated report (“the report”) of payments made to government entities for the year ended December 31, 2019 as required by the Extractive Sector Transparency Measures Act S.C. 2014, c.39, s.376 (“ESTMA” or “the Act”).

## BASIS OF PREPARATION

The report is presented in US Dollars (USD), the Company’s reporting currency, and has been prepared in accordance with the requirements of the Act and the Natural Resources Canada (“NRCan”) Technical Reporting Specifications. Payments made in Canada in Canadian Dollars (CAD) were translated into US Dollars using the 2019 average exchange rate per the Bank of Canada website.

The following is a summary of significant policies and judgments that the Company has made for the purpose of preparing the report.

### **Significant policies**

Payments to the “same payee” that meet or exceed \$75,000 USD (\$100,000 CAD equivalent) in one category of payment are disclosed.

#### **Payee**

For the purposes of the Act, a payee is:

- a. Any government in Canada or in a foreign state;
- b. A body that is established by two or more governments; or
- c. Any trust, board, commission, corporation or body or other authority that is established to exercise or perform, or that exercises or performs, a power, duty or function of a government for a government referred to in paragraph (a) above or a body referred to in paragraph (b) above.

Payees include governments at any level, including national, regional, state, provincial, local, or municipal levels. Payees may include non-governmental entities if the benefit bestowed would have otherwise been provided by the government. Payees also include any government-owned or government-controlled entities that exercise or perform a power, duty or function of government.

Aboriginal and indigenous groups and organizations may also be regarded as a payee under the Act. Currently, the Company does not make payments to such groups.

The individual department, agency or other body of the payee that received the payment has been disclosed in the notes section of the ESTMA Annual Report.

### **Reportable Payments**

A reportable payment for ESTMA purposes is one that:

- a. Is made to the same payee;
- b. Is made in relation to the commercial development of oil, gas or minerals; and



- c. Totals, as a single or multiple payments, \$ 75,000 USD (\$100,000 CAD equivalent) or more in the year in one of the following prescribed seven payment categories.

*Taxes*

This category includes taxes paid by the Company on its income, profits or production in relation to the commercial development of its exploration resources. Taxes reported include property taxes, business taxes and certain provincial resource surcharges. Consumption taxes, personal income taxes and taxes withheld by others on behalf of the Company are excluded as per the Act.

*Royalties*

Royalties are payments for the rights to extract mineral resources, typically at a set percentage of revenue. Both cash royalties and royalties paid in-kind are reported in this category.

*Fees*

This category may include rental fees, entry fees and regulatory charges as well as fees or other consideration for licenses, permits or concessions. The fee category is substantially broad and includes payments to payees that in substance is a fee. Amounts paid in ordinary course commercial transactions in exchange for services provided by a payee are excluded.

*Production entitlements*

A payee's share of mineral production under a production sharing agreement or similar contractual or legislated arrangement is reported under this category. For the year ended December 31, 2019, there were no reportable production entitlement payments to a payee.

*Bonuses*

Signing, discovery, production and any other type of bonuses paid to a payee in relation to the commercial development of mineral resources are reported under this category. For the year ended December 31, 2019, there were no reportable bonuses to a payee.

*Dividends*

Dividends are dividend payments, other than dividends paid to a payee as an ordinary shareholder of the Company on shares that were acquired by the payee on the same terms as were available at the time of acquisition to other shareholders, that are not in lieu of any other reportable payment. For the year ended December 31, 2019, there were no reportable dividend payments to a payee.

*Infrastructure improvement payments*

This payment category consists of payments for the construction of infrastructure that do not relate primarily to the operational purposes of the Company.

**Cash and in-kind payments**

Payments are reported on a cash basis and have been reported in the period in which the payment was made. In-kind payments are converted to an equivalent cash value based on cost or, if cost is not determinable, the in-kind payment is reported at the fair market value. The Company did not incur any in-kind payments during the year ended December 31, 2019.



### **Significant Estimates and Judgments**

The preparation of the report in accordance with the Act requires the use of judgments, estimates and assumptions. The Company uses judgements and estimates in allocating payments not directly attributable to its commercial development of exploration resources.

#### **Payments by Project Level**

Payments have been reported at the project level as required by the Act. A “project” means the operational activities are governed by a single contract, license, lease, concession or similar legal agreement that forms the basis for a payment liability with a payee. If multiple such agreements are substantially interconnected, they would be considered a single project.

“Substantially interconnected” means forming a set of operationally and geographically integrated contracts, licenses, leases or concessions or related agreements with substantially similar terms that are signed with a government and give rise to payment liabilities.

The Company has determined that the operational activities governed by surface or mineral lease contracts related to key operational areas are substantially interconnected and has reported payments related to each such area as a single project. The Company has considered geographical location and common infrastructure as two key indicators for making this determination.

#### **Commercial Development**

The Act defines ‘commercial development of oil, gas or minerals’ as:

- a) The exploration or extraction of oil, gas or minerals;
- b) The acquisition or holding of a permit, license, lease or any other authorization to carry out any of the activities referred to in paragraph (a); or
- c) Any other prescribed activities in relation to oil, gas or minerals.

Payments made by the Company to payees relating to the commercial development of minerals (“commercial development”) are disclosed in this report. The Company’s initial processing activities which are integrated with its extraction operations are included in commercial development. The report excludes payments that are not related to the Company’s commercial development activities, as defined by the Act and the NRCAN Guidance.

#### **Refunds and credits**

Cash refunds received from payees have not been reported. Amounts paid to payees have been reported at the amount paid by the Company, including instances where an applicable credit reduces the amount payable, to reflect the net cash payment to the payee.

#### **Attribution of payments**

Where a payment was made for the Company by another entity, such payment has been deemed to have been made by the Company and has been included in this report. This may include payments not directly made to a payee, or was not received directly by the payee.

#### **Payments made in situations of joint control**

The Company reports all cash payments that it pays directly to a payee, and includes all amounts paid as an operator as part of a joint arrangement. This is the case even where the Company as the operator has been proportionally and directly reimbursed by its non-operating partners.





**Corporate Social Responsibility (“CSR”) Payments**

The ESTMA Report includes CSR payments that contractually obligates the Company to make to a payee, or to another party under the direction of a payee, as a result of the Company’s commercial development. Additionally, the Company has reported voluntary CSR payments which have been made to a payee, or to another party under the direction of a payee, and relates directly to the Company’s commercial development. For the year ended December 31, 2019 there were no reportable corporate social responsibility payments to a payee.