

LAC SEUL FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

LAC SEUL FIRST NATION
MARCH 31, 2014

COUNCIL

Chief	Clifford Bull
Councillors	David Gordon
	Gerald Kejick
	Elvis Trout
	Floyd Vincent
	Selina Vincent
	E. Derek Maud
	Donald Dean Ross
	Norman Thomas

FIRST NATION ADMINISTRATION

Administration Finance Administrator	Roylene Ogemah
Social Services Finance Administrator	Ida Brisket
Education Director	Jennifer Manitowabi
Education Finance Administrator	Dinah Maud
Health Director	Leroy Quoquat
Finance Manager	Grace Strang
Economic Development Manager	Chris Angeconeb
Public Works Manager	William Quedent
Social Director	Chris Lawson

LAC SEUL FIRST NATION
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FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

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LAC SEUL FIRST NATION
FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Lac Seul First Nation are the responsibility of management and have been approved by Chief and Council.

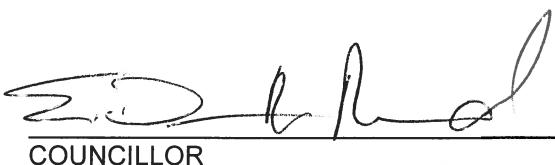
Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these financial statements and, based on careful judgments, have been properly reflected. Management has established systems of internal control, which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The consolidated financial statements have been audited by Holukoff Chiarella in accordance with Canadian generally accepted auditing standards on behalf of the Members. Holukoff Chiarella has full and free access to Council.



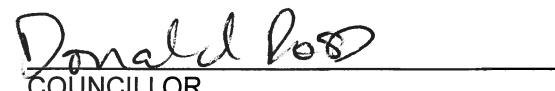
CHIEF



COUNCILLOR



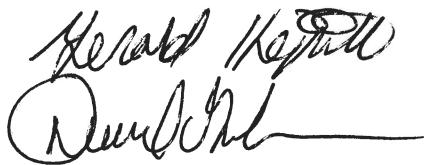
COUNCILLOR



COUNCILLOR



COUNCILLOR



COUNCILLOR



COUNCILLOR

Holukoff Chiarella

CHARTERED ACCOUNTANTS

EXHIBIT "A"

Kevin Massee, B.Comm. (Hons), C.A.
(Practising as Kevin Massee Chartered Accountant Ltd.)
Ralph Orr, B.Comm. (Hons), C.A.
(Practising as Ralph Orr Chartered Accountant Ltd.)
Wayne H. Chiarella, B.A., C.A. (Retired 2011)
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Telephone (204) 452-6449
Fax (204) 452-3397

INDEPENDENT AUDITORS' REPORT

To the Chief, Council and Members of
Lac Seul First Nation

We have audited the accompanying financial statements of Lac Seul First Nation, which comprise the consolidated statements of financial position as at March 31, 2014 and 2013 and the consolidated statements of accumulated surplus, consolidated statements of operations, consolidated statements of change in net debt and consolidated statements of cash flows for the years then ended, 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 Canadian generally accepted accounting principles, 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.

Auditors' 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 auditors' judgement, 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

Holukoff Chiarella

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT, continued

Basis for Qualified Opinion

The First Nation has a mortgage receivable as disclosed in Note 2. The collectability and valuation of which is not susceptible to satisfactory audit verification. Accordingly, we were not able to determine whether any adjustments might be necessary to mortgage receivable, annual surplus for the year and the accumulated surplus.

The First Nation has advanced funds on behalf of the Tim Horton's franchise. No documentation was available on the company incorporated to hold the investment or the financial statements for the operations. As a result we were unable to determine if adjustments might have been found necessary in respect of the long-term investment, annual surplus (deficit) and accumulated surplus.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Lac Seul First Nation as at March 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



WINNIPEG, MANITOBA
July 30, 2014

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

EXHIBIT "B"

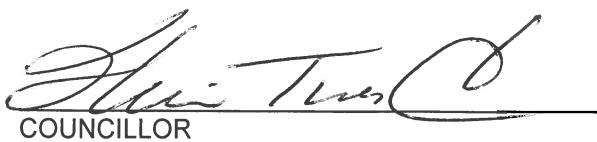
LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash	\$ 3,612,478	1,620,745
Restricted cash and trust funds, Note 2	579,754	390,241
Accounts receivable, Note 3	2,728,720	3,124,254
Accrued interest receivable		1,166
Mortgage receivable, Note 4	2,300,000	2,300,000
Long term investments, Note 5	<u>5,925,109</u>	<u>5,377,689</u>
	<u>15,146,061</u>	<u>12,814,095</u>
LIABILITIES		
Accounts payable and accrued liabilities, Note 6	1,096,460	2,737,608
Band trust funds refundable, Note 7	175,436	175,436
Deferred revenue, Note 8	2,822,410	3,147,776
Obligations under capital lease		1,029,134
Long term debt, Note 9	14,256,276	9,664,595
Native claims loan, Note 10	3,975,898	3,975,898
Reserves, Note 11	<u>970,625</u>	<u>782,798</u>
	<u>23,297,105</u>	<u>21,513,245</u>
NET DEBT	<u>(8,151,044)</u>	<u>(8,699,150)</u>
NON FINANCIAL ASSETS		
Prepaid expenses	18,549	18,210
Tangible capital assets, Note 12	<u>54,029,342</u>	<u>53,250,446</u>
	<u>54,047,891</u>	<u>53,268,656</u>
ACCUMULATED SURPLUS, Exhibit "C", Note 13	\$ 45,896,847	44,569,506

APPROVED BY:


CHIEF


COUNCILLOR


COUNCILLOR


COUNCILLOR

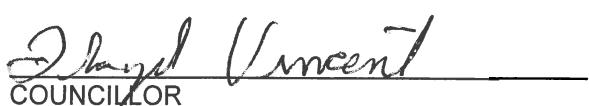

COUNCILLOR



EXHIBIT "C"

LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
BALANCE AT BEGINNING OF YEAR	\$ 44,569,506	42,847,856
ANNUAL SURPLUS, Exhibit "D"	<u>1,327,341</u>	<u>1,721,650</u>
BALANCE AT END OF YEAR	\$ 45,896,847	44,569,506

EXHIBIT "D"

LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ANNUAL SURPLUS (DEFICIT), OPERATIONS, Exhibit "D-1"	\$ 1,757,258	(1,608,657)
ANNUAL SURPLUS (DEFICIT), TRUST/RESTRICTED, Exhibit "D-1"	<u>122,702</u>	<u>(94,911)</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	1,879,960	(1,703,568)
TRANSFER TO TANGIBLE CAPITAL ASSETS	3,060,940	6,645,383
AMORTIZATION NOT EXPENSED IN OPERATIONS	<u>(3,613,559)</u>	<u>(3,220,165)</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ 1,327,341</u>	<u>1,721,650</u>

EXHIBIT "D-1"

LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
REVENUE		
Federal Government		
AANDC	\$ 8,090,067	6,890,610
Human Resources Development	1,726,684	1,648,910
Health Canada Funding Agreements	433,565	320,257
Canada Mortgage and Housing Corporation	4,325,985	3,123,707
Provincial government	1,524,562	1,540,854
Ontario First Nations Limited Partnership	12,538,293	<u>13,688,571</u>
Other	<u>28,639,156</u>	<u>27,212,909</u>
EXPENSES		
Band Management	1,338,384	1,095,093
Social Services	3,564,242	3,530,456
Capital	6,402,445	9,188,660
Education	3,939,906	3,847,430
Economic Development	86,325	79,500
Operations and Maintenance	1,962,763	1,525,253
Health Services	2,246,202	2,177,456
CMHC Housing	634,849	474,021
Operating Programs	1,266,111	2,294,174
Rentals/Capital Buildings	40,084	43,807
Ke-Nawind Housing Development Authority	1,055,527	1,074,940
Obishikokaang Resources Corporation	2,661,154	2,173,411
OFNLP	686,856	1,294,899
Lac Seul Generating Station LP	84,825	99,554
Lac Seul Settlement Fund	440,906	17,790
Obish Development	348,600	
OPG Scholarship and Training	17	33
	<u>26,759,196</u>	<u>28,916,477</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	1,879,960	(1,703,568)
OTHER ITEMS		
Transfer to tangible capital assets	3,060,940	6,645,383
Amortization	<u>(3,613,559)</u>	<u>(3,220,165)</u>
ANNUAL SURPLUS (DEFICIT)	\$ 1,327,341	<u>1,721,650</u>

LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>AANDC</u>	<u>Other</u>	<u>Revenue</u>	<u>Transfers</u>	<u>Deferred</u>	<u>Total</u>	<u>Expenses</u>	<u>Annual Surplus (Deficit)</u>
Band Management	\$ 726,046	958,600	1,185,932			2,870,578	1,338,384	1,532,194
Social Services	689,972	2,986,613	(32,089)			3,644,496	3,564,242	80,254
Capital	1,486,719	2,570,124	1,814,395	(115,212)	5,756,026	6,402,445	(646,419)	
Lac Seul Education Authority	3,842,329	565,726	2,924	106,847	4,517,826	3,939,906	577,920	
Economic Development	89,500		(3,175)			86,325	86,325	
Operations and Maintenance	1,154,891	541,794	127,105			1,823,790	1,962,763	(138,973)
Health Services		2,194,117	(23,538)	91,672		2,262,251	2,246,202	16,049
CMHC Housing		749,327	(114,478)			634,849	634,849	
Operating Programs	100,610	2,711,147	(987,912)	(385,731)	1,438,114	1,266,111	172,003	
Rentals/Capital Buildings		171,236				171,236	40,084	131,152
Ke-Nawind Housing Development Authority		1,165,979	(155,000)			1,010,979	1,055,527	(44,548)
Obishikaang Resources Corporation		2,656,507				2,656,507	2,661,154	(4,647)
OFNLP		1,524,562	(837,706)			686,856	686,856	
Lac Seul Generating Station LP		439,103	(700,000)	345,722		84,825	84,825	
Lac Seul Settlement Fund		428,737	(220,267)	282,068		490,538	440,906	49,632
Obish Development		551,910	(170,669)			381,241	348,600	32,641
Total Operations	8,090,067	20,215,482	(114,478)	325,366	28,516,437	26,759,179	1,757,258	
Ontario Power Generation								
Scholarship and Training		101,275			101,275	17	101,258	
Ottawa Trust Funds		<u>21,444</u>			<u>21,444</u>		<u>21,444</u>	
Total Trust / Restricted		122,719			122,719	17	122,702	
Grand Totals	\$ 8,090,067	20,338,201	(114,478)	325,366	28,639,156	26,759,196	1,879,960	
Other Items								
Transfer to Tangible Capital Assets								3,060,940
Amortization								(3,613,559)
								\$ 1,327,341

EXHIBIT "E"

LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ANNUAL SURPLUS, Exhibit "D"	\$ 1,327,341	1,721,650
Acquisition of tangible capital assets	(4,652,940)	(8,248,578)
Amortization of tangible capital assets	3,874,044	3,405,411
Change in prepaid expenses and inventory	<u>(339)</u>	<u>273,635</u>
(INCREASE) DECREASE IN NET DEBT	548,106	(2,847,882)
NET DEBT AT BEGINNING OF YEAR	<u>(8,699,150)</u>	<u>(5,851,268)</u>
NET DEBT AT END OF YEAR	\$ (8,151,044)	(8,699,150)

EXHIBIT "F"

LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
OPERATING TRANSACTIONS		
Annual surplus, Exhibit "D"	\$ 1,327,341	1,721,650
Add non-cash items		
Amortization	3,874,044	3,405,411
Net change in financial assets/liabilities and prepaid expenses		
Accounts receivable	395,534	591,801
Accrued interest receivable	1,166	(765)
Prepaid expense and inventory	(339)	273,635
Accounts payable	(1,641,148)	(522,999)
Deferred revenue	(325,366)	(3,678,635)
Principal repayment of long term debt	(1,458,590)	(736,047)
Mortgage proceeds		1,605,388
Obligations under capital lease	<u>(1,029,134)</u>	<u>(337,311)</u>
	<u>1,143,508</u>	<u>1,452,787</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	<u>(4,652,940)</u>	<u>(8,248,578)</u>
FINANCING TRANSACTIONS		
Loan proceeds	<u>6,050,271</u>	<u>750,000</u>
	<u>6,050,271</u>	<u>1,619,341</u>
INVESTING TRANSACTIONS		
Change in restricted assets	(189,513)	365,492
Change in reserves	187,827	146,631
Change in short term investments		3,886,967
Change in long term investments	<u>(547,420)</u>	<u>63,961</u>
	<u>(549,106)</u>	<u>4,463,051</u>
NET CHANGE IN CASH POSITION	1,991,733	(713,399)
CASH POSITION AT BEGINNING OF YEAR	<u>1,620,745</u>	<u>2,334,144</u>
CASH POSITION AT END OF YEAR	<u>\$ 3,612,478</u>	<u>1,620,745</u>

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The First Nation is a non-profit, non-taxable entity and is engaged in the social, cultural, educational and economic development of members of Lac Seul First Nation.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the Public Sector Accounting and Auditing Handbook of the Institute of Chartered Accountants.

a) Fund Accounting

The Lac Seul First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established. The various funds have been amalgamated for the purpose of presentation in the Consolidated Financial Statements. Details of the operations of each fund are set out in the supplementary statements. The First Nation maintains the following funds:

- The Operations Fund which reports the general activities of the First Nation,
- The Flood Claims Fund which reports the activities related to the flood claims of the First Nation,
- The Trust / Restricted Fund which reports on the activities of the OFNLP, Ontario Power Generation Scholarship and Training and AANDC Trust Funds of the First Nation.

b) Reporting Entity and Principles of Financial Reporting

Lac Seul First Nation reporting entity includes the Lac Seul First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

These financial statements consolidate the assets, liabilities and results of operations for the following entities which use accounting principles which lend themselves to consolidation:

Lac Seul First Nation
Lac Seul CMHC Housing
Ke-Nawind Housing Development Authority
Lac Seul First Nation OFNLP
Obishikokang Resources Corporation

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual statements.

EXHIBIT "G"

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

b) Reporting Entity and Principles of Financial Reporting, continued

Incorporated business entities, which are not controlled by the First Nation and are not dependent on the First Nation, are recorded by the cost method.

Long-term investments in non-controlled entities are recorded at the lower of cost or net realizable value.

c) Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods and delivering services. The organization does not capitalize computer software.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artefacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

d) Net Debt/Net Financial Assets

The organization's financial statements are presented so as to highlight the net debt/net financial assets as a measurement of financial position. The net debt/net financial assets of the organization are determined by its financial assets less its liabilities.

e) Amortization

Capital assets recorded are amortized annually. Assets are amortized over their expected useful life using the straight-line method at the following rates:

Social housing	20 years
General housing	20 years
Buildings and improvements	25 years
General equipment	5 years
Infrastructure	25 years
Roads and bridges	25 years

In the year of acquisition, 50% of the normal amortization is recorded.

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

f) Deferred Revenue

Deferred revenue represents funding received or receivable under the terms of their respective funding arrangements for specified purposes and for which the related expenses have not been incurred. Unspent funding or expenses made which are not in accordance with the terms of the funding arrangements may constitute a debt to the funding authority upon review of the funding arrangement expenses. Note 8 contains a summary of deferred revenue by project.

g) Revenue Recognition

The First Nation follows the deferral method of account for restricted revenues. Revenues restricted by legislation, regulation or agreement and not available for general government purposes are deferred on the consolidated balance sheet. The revenue is recognized in the year in which it is used for the specified purpose. Unrestricted revenues are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

h) Reserves

The reserves accounts are funded by an annual charge against earnings as opposed to an appropriation of surplus.

i) Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, investments, accounts payable, accrued liabilities, native claims loan and long-term debt. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying charges.

j) Use of Estimates

The preparation of financial statements 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 revenue and expenditures during the reported period. Actual results could differ from management's best estimates as additional information becomes available in the future.

EXHIBIT "G"

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

2. RESTRICTED CASH AND TRUST FUNDS

	<u>2014</u>	<u>2013</u>
OFNLP Funds		
Bank	\$ 208,982	(8,750)
GIC	<u>208,982</u>	<u>150,922</u>
	142,172	
Ottawa Trust Funds	155,046	133,602
Ontario Power Generation Scholarship and Training	<u>215,726</u>	<u>114,467</u>
	<u>579,754</u>	<u>390,241</u>

Changes in Ottawa Trust Funds during the year are as follows:

Balance at beginning of year	\$ 133,602	130,399
Interest	7,294	3,203
Deposit - Nexacor fees	<u>14,150</u>	_____
Balance at end of year	<u>155,046</u>	<u>133,602</u>

3. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
AANDC	\$ 831,949	385,793
Health Canada	304,837	109,955
CMHC	1,275	33,212
HST	38,892	64,697
Province of Ontario	129,678	499,115
Trade	1,399,973	1,970,815
Band members	<u>22,116</u>	<u>60,667</u>
	<u>2,728,720</u>	<u>3,124,254</u>

4. MORTGAGE RECEIVABLE

	<u>2014</u>	<u>2013</u>
Mortgage receivable from First Nation LP and 1450005 Ontario Inc.		
Collateral mortgage receivable	\$ 2,300,000	2,300,000
Secured by property 12 Fifth Avenue, Sioux Lookout, general assignment of rents, leases, material contracts, and general security agreement. Interest the greater of prime plus 1.5% or 10%. Payment of interest last day of each month, principal payment on demand. Accrued interest has not been calculated and interest is recorded when received. Interest received amounted to \$62,305 for the year ended March 31, 2014 (2013 - \$270,446 received).		

EXHIBIT "G"

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

5. LONG TERM INVESTMENTS

The First Nation has the following long term investments in non-controlled entities:

	<u>2014</u>	<u>2013</u>
Lac Seul GS LP		
Equity	\$ 4,462,000	4,609,000
Landmark Inn Limited Partnership		
3 Units	246,359	147,000
2137922 Ontario Ltd.		
3 Common shares	1,500	1,500
RBC Dominion Securities		
4,202,204 Shares Aurcrest Gold Inc. (M.V. \$63,041)	500,024	500,025
Cash account	291	291
191,637 Share Rubicon Minerals Corp. (M.V. \$224,215)	119,873	119,873
2361701 Ontario Inc.		
46,000		
TDL Holdings	<u>549,062</u>	<u> </u>
	\$ 5,925,109	5,377,689

The investment in TDL Holdings is in the funds advanced on behalf of the Tim Horton's franchise. No documentation was available on the company that will hold the investment and no financial statements were available for the Tim's operations.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2014</u>	<u>2013</u>
AANDC	\$ 42,986	103,598
Health Canada	108,463	95,383
Canada Revenue Agency - source deductions		3,065
Trade	<u>945,011</u>	<u>2,535,562</u>
	\$ 1,096,460	2,737,608

7. BAND TRUST FUNDS REFUNDABLE

The Lac Seul First Nation has received funds for timber harvested on reserve. A portion of these funds are to be transferred to the Ottawa Trust Fund. No information has been provided since April 1, 2002. The balance of trust funds refundable as at March 31, 2014 remains at \$175,436.

EXHIBIT "G"

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

8. DEFERRED REVENUE

Funding received or receivable in the current period to be applied against subsequent period programs are recorded as deferred revenue in the financial statements.

Deferred revenue consists of the following:

	Opening Balance Mar 31, 2013	Funding Received	Revenue Recognized	Closing Balance Mar 31, 2014
AANDC				
- Student Tuition				
Frenchman's Head School Instructional	\$ 76,282	595,655	671,937	
- Student Accommodations	50,250	227,000	277,250	
- Water Treatment Plant Upgrade	88,177	580,597	618,028	50,746
- Frenchman's Head School		<u>120,000</u>		<u>120,000</u>
	<u>214,709</u>	<u>1,523,252</u>	<u>1,567,215</u>	<u>170,746</u>
Lac Seul Heritage Complex	33,485		33,485	
Mining Strategy	285,512	843,339	900,348	228,503
Wahsa - Frenchman's Head	31,968	122,181	104,149	50,000
- Kejick Bay	1,771	13,329	15,100	
- Whitefish Bay	9,114	62,202	46,316	25,000
Student Awards	120,591		120,591	
All My Relations	101,704	296,731	398,435	
Kejick Bay Gas Store	6,696	100,000	106,696	
Whitefish Bay Projects	6,231	32,000	38,231	
First Nation Student Success	69,633	68,340	92,892	45,081
Outdoor Skills	56,190	84,908	86,098	55,000
Community Recreational Activator	9,307	45,000	53,209	1,098
Shooniyaa Childcare	105,397		55,397	50,000
Lac Seul Generating Station LP	1,446,750	439,103	784,825	1,101,028
The Land is Our Teacher	34,600		24,422	10,178
Education Administration		346,489	188,196	158,293
NNADAP		222,133	212,101	10,032
Training Center		573,480	437,416	136,064
Lac Seul Peacekeepers		78,875	61,992	16,883
Red Lake Mine Collaboration		869,722	325,886	543,836
Lac Seul Cadet Corp		5,000		5,000
7 Generations	119,557		119,557	
Micro Loan Fund	10,000	3,175		13,175
Gold Corp - Tim Horton's	90,986			90,986
Frenchman's Head Soccer Field	111,507			111,507
Lac Seul Settlement Fund	<u>282,068</u>	<u>208,470</u>	<u>490,538</u>	
	\$ 3,147,776	5,937,729	6,263,095	2,822,410

EXHIBIT "G"

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

9. LONG TERM DEBT

	<u>2014</u>	<u>2013</u>
Instalment loan Royal Bank for construction of Kejick Bay Police Detachment, repayable \$1,105 monthly including interest at 4.5%, secured by Band Council Resolution and assignment of Lac Seul Police Services rents. Due December 27, 2015.	\$ 21,214	33,223
Construction term loan - 2004/05 Housing and Safehouse Royal Bank repayable in monthly instalments of \$10,357 including interest at 4.0%, secured by Band Council Resolution, assignment of minor capital funds and rents. Due June 8, 2014.	607,682	699,845
Construction term loan - 2005/06 Log Cabins Royal Bank repayable in monthly instalments of \$3,100 including interest at 6.0%, secured by Band Council Resolution and assignment of Tikiagan rents. Due February 12, 2015.	212,227	239,208
Instalment loan - Royal Bank for Lac Seul Projects, repayable \$20,000 monthly including interest at 3.75%, secured by Band Council Resolution and assignment of revenue distributions from Ontario First Nations Limited Partnership and a general security interest in all personal Property of the First Nation. Due July 23, 2014.	627,756	
Instalment loan - Royal Bank for various Whitefish Bay projects, repayable \$56,945 annually including interest at 3.9%, secured by Band Council Resolution and irrevocable letter of direction to AANDC assigning a minimum of \$58,000 per annum for seven years from Minor Capital funds. Due July 15, 2014.	56,343	110,701
Instalment loan - Royal Bank for investment in Lac Seul GS LP, repayable \$25,076 monthly including interest at 5.6%, secured by Band Council Resolution and an irrevocable assignment of return on equity and/or revenue distributions from Lac Seul GS LP and a general security interest in all personal property of the First Nation due June 2, 2015.	1,368,771	1,586,594
Instalment loan - Royal Bank for bridge financing of CMHC 10C Unit repayable \$10,801 monthly including interest at 3.5%, secured by Band Council Resolution and General security agreement. Due September 1, 2013.	64,210	
Instalment loan - Royal Bank repayable \$37,916 monthly including interest at 4.1%, secured by Band Council Resolution and assignment of OFNLP funds. Due November 1, 2015.	3,661,059	

EXHIBIT "G"

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

9. LONG TERM DEBT - continued

	<u>2014</u>	<u>2013</u>
Demand loan - Royal Bank for bridge financing of CMHC project interest paid monthly at RBC prime plus 2%, secured by Band Council Resolution and assignment of CMHC funds. Due June 30, 2014.	\$ 696,600	
CMHC Social Housing The First Nation obtained financing to build houses. Through this program the First Nation receives CMHC government assistance to operate the projects as rental units. These loans are secured by a guarantee from the Minister of Aboriginal Affairs and Northern Development Canada.		
CMHC Housing Mortgage, repayable \$2,138.66 monthly including interest at 2.04%, secured by a guarantee agreement with AANDC, maturing March 1, 2019.	221,937	242,811
CMHC Housing Mortgage, repayable at \$5,140.16 monthly including interest at 1.65%, secured by a guarantee agreement with AANDC, maturing June 1, 2017.	969,403	1,014,822
CMHC Housing Mortgage, repayable at \$3,157.12 monthly including interest at 1.71%, secured by a guarantee agreement with AANDC, maturing September 1, 2017.	601,387	628,824
CMHC Housing Mortgage, repayable at \$3,828.77 monthly including interest at 2.04%, maturing March 1, 2019.	755,930	786,086
CMHC Housing Mortgage, repayable at \$6,348.26 monthly including interest at 2.84%, maturing April 1, 2015.	1,211,380	1,252,897
CMHC Housing Mortgage, repayable at \$3,849.13 monthly including interest at 2.97%, maturing April 1, 2016.	748,402	772,230
CMHC Housing Mortgage, repayable at \$6,498.41 monthly including interest at 1.62%, maturing March 1, 2018.	1,552,836	1,605,388
CMHC Housing Mortgage, repayable at \$7,013.25 monthly including interest at 2.35%, maturing September 1, 2018.	<u>1,571,105</u> <u>14,256,276</u>	<u>9,664,595</u>
Current portion	2,801,994	935,885
Term loans subject to refinancing	<u>5,092,227</u>	<u>1,791,739</u>
	\$ 6,362,055	6,936,971

EXHIBIT "G"

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

9. LONG TERM DEBT - continued

Estimated principal repayments due in the next five years and thereafter based on the long term debt renewed on the maturity dates are as follows:

2015	\$ 7,894,221
2016	1,147,988
2017	235,823
2018	2,842,381
2019	<u>2,135,863</u>
	 \$ 14,256,276

10. NATIVE CLAIMS LOAN AGREEMENT

The First Nation entered into a loan agreement with AANDC for funds to pursue its flood claim against the Federal Government. The loan is secured by a promissory note made by the First Nation payable to the Receiver General for Canada in the amount of the loan. The loan is repayable on the date on which the claim is settled. Once the claim is settled, the proceeds received to repay the loan will be recognized as revenue and will be applied to the cumulative balance of the expenditures incurred to the time of settlement. Negotiations have ceased and the First Nation is commencing legal action.

11. RESERVES

The First Nation establishes reserves for legal, contractual or voluntary basis as follows:

	<u>2014</u>	<u>2013</u>
Operating Fund Reserve - Social Housing		
- Post 1996 Section 95 Programs	\$ 445,958	331,481

Under the terms of the agreement with Canada Mortgage and Housing Corporation, any surplus remaining after the payment of all costs and expenses, including the allocation to the Replacement Reserve, should be retained by the First Nation in an Operating Fund Reserve. These funds, along with the accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be mutually agreed to by the First Nation and CMHC. The funds in this account may only be used for the ongoing operating costs of the project. Accordingly, future years' deficits may be recovered from this reserve. Withdrawals are credited to interest first and then principal.

EXHIBIT "G"

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

11. RESERVES, continued

	<u>2014</u>	<u>2013</u>
Replacement Reserve - Social Housing Agreements with Canada Mortgage and Housing Corporation provide for the accumulation of a replacement reserve.	\$ 293,543	220,193
Replacement Reserve - Education The First Nation has voluntarily set up a replacement reserve account for school bus replacement. Funded by allocation from student transportation.	134,900	134,900
Replacement Reserve - Frenchman's Head Wahsa Centre The First Nation has voluntarily set up a replacement reserve for repairs to the Wahsa distance education building at Frenchman's Head. Funded by allocation from Frenchman's Head distance education.	90,601	90,601
Vehicle and Equipment Reserve - Health The First Nation has voluntarily set up a replacement reserve for vehicle and equipment replacement. Funded by allocation from Home and Community Care.	5,623	5,623
The above reserves are unfunded at March 31, 2014.	\$ <u>970,625</u>	<u>782,798</u>

EXHIBIT "G"

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

12. TANGIBLE CAPITAL ASSETS

		2014				
		Cost Mar. 31/13	Additions (Disposals)	Cost Mar. 31/14	Accumulated Amortization	Net Book Value
General equipment and vehicles	\$ 4,241,348	85,812	4,327,160	2,788,207	1,538,953	
Land improvements	774,297	82,818	857,115	356,083	501,032	
Buildings	27,315,385	1,127,264	28,442,649	7,341,824	21,100,825	
Infrastructure	11,986,854	816,838	12,803,692	6,676,214	6,127,478	
General housing	13,739,639	1,659,747	15,399,386	9,950,835	5,448,551	
Social housing	10,812,969	1,823,592	12,636,561	2,890,986	9,745,575	
Roads and bridges	11,313,814	171,611	11,485,425	1,918,497	9,566,928	
Assets under construction	1,114,742	(1,114,742)				
	\$ 81,299,048	4,652,940	85,951,988	31,922,646	54,029,342	
		2013				
		Cost Mar. 31/12	Additions (Disposals)	Cost Mar. 31/13	Accumulated Amortization	Net Book Value
General equipment and vehicles	\$ 4,115,404	125,944	4,241,348	2,074,808	2,166,540	
Land improvements	404,713	369,584	774,297	325,407	448,890	
Buildings	18,169,930	9,145,455	27,315,385	6,269,793	21,045,592	
Infrastructure	11,986,854		11,986,854	6,184,421	5,802,433	
General housing	12,860,410	879,229	13,739,639	9,416,264	4,323,375	
Social housing	9,144,968	1,668,001	10,812,969	2,309,013	8,503,956	
Roads and bridges	5,293,349	6,020,465	11,313,814	1,468,896	9,844,918	
Assets under construction	11,074,842	(9,960,100)	1,114,742			1,114,742
	\$ 73,050,470	8,248,578	81,299,048	28,048,602	53,250,446	

Capital assets under construction are capitalized as expenditures are made. No amortization is taken until the projects are complete.

EXHIBIT "G"

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

13. ACCUMULATED SURPLUS

A portion of this surplus balance includes surpluses and/or deficits from funds contributed by government agencies. Such surpluses/deficits may be subject to repayment or recovery by the contributing agencies, depending on the terms and conditions of the relevant agreements.

14. ECONOMIC DEPENDENCE

The Lac Seul First Nation receives the majority of its revenues pursuant to a funding arrangement with Aboriginal Affairs Northern Development Canada.

15. COMPARATIVE FIGURES

Certain comparative figures for the previous period have not been shown as the information is considered not to be meaningful for comparison with the current period.

The budget figures are unaudited.

16. RECONCILIATION OF AANDC FUNDING

AANDC funding per 2013/14 funding confirmation	\$ 7,946,200
Funding received for 2011/12 Tuition - not shown on confirmation	<u>143,867</u>
AANDC funding per Exhibit "D-1"	\$ <u>8,090,067</u>

LAC SEUL FIRST NATION
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

17. SEGMENT DISCLOSURE

	Band Management		Social Services		Capital Programs	
	Budget	2014	Budget	2014	Budget	2014
REVENUE						
Federal government	\$ 706,786	726,046	671,386	689,972	665,521	886,732
Provincial government			2,975,768	2,893,587	1,350,217	1,397,679
Economic activities					481,241	230,120
Net income for investments in government business enterprises			21,444	3,203		417,501
Other revenue	<u>395,280</u>	<u>2,144,532</u>	<u>654,969</u>	<u>(21,244)</u>	<u>(97,519)</u>	<u>496,694</u>
TOTAL REVENUE	<u>1,102,066</u>	<u>2,892,022</u>	<u>1,329,558</u>	<u>3,644,496</u>	<u>3,461,589</u>	<u>1,383,426</u>
EXPENSES						
Honoraria	366,433	364,988	319,606		49,998	49,998
Chief and Councillors						
Elders and Board Members	454,425	536,920	225,631	616,842	609,752	226,573
Wages and benefits		3,613,559	3,220,165			
Amortization		(3,060,940)	(6,645,383)			
Tangible Capital Assets			4,324			
Interest			545,532			
Other expenses	<u>436,276</u>			<u>2,947,400</u>	<u>2,920,704</u>	<u>1,510,426</u>
TOTAL EXPENSES	<u>820,858</u>	<u>1,891,003</u>	<u>(2,330,125)</u>	<u>3,564,242</u>	<u>3,530,456</u>	<u>1,789,583</u>
ANNUAL SURPLUS (DEFICIT)	\$ 281,208	1,001,019	3,659,683	80,254	(68,867)	(406,157)
						(1,549,740)

**LAC SEUL FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014**

17. SEGMENT DISCLOSURE, continued

	Education		Economic Development		Public Works	
	Budget	2014	Budget	2013	Budget	2014
REVENUE						
Federal government	\$ 3,427,662	3,842,329	3,089,987	89,500	89,500	1,120,941
Provincial government	100,000					1,154,891
Economic activities						976,537
Net income for investments in government business enterprises						
Other revenue	312,594	675,497	619,073	(3,175)	(3,175)	787,049
TOTAL REVENUE	3,840,256	4,517,826	3,709,060	86,325	86,325	1,907,990
						1,823,790
						3,689,209
EXPENSES						
Honoria						49,998
Chief and Councillors	4,864	3,607				
Elders and Board Members	1,413,445	1,536,542	1,257,962	48,891	52,466	44,243
Wages and benefits						569,608
Amortization						683,185
Tangible Capital Assets						508,212
Interest						
Other expenses	2,242,969	2,399,757	2,589,468	30,609	33,859	35,257
TOTAL EXPENSES	3,661,278	3,939,906	3,847,430	79,500	86,325	79,500
ANNUAL SURPLUS (DEFICIT)	\$ 178,978	577,920	(138,370)	6,825	—	—
						43,916
						43,916
						(138,973)
						(9,455)

EXHIBIT G

LAC SEUL FIRST NATION
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014

17. SEGMENT DISCLOSURE, continued

	Health		CMHC & Housing Projects		Total
	Budget	2014	Budget	2013	
REVENUE					
Federal government	\$ 1,726,684	1,726,684	1,648,910	433,565	433,565
Provincial government				320,257	320,257
Economic activities				100,000	100,000
Net income for investments in government business enterprises					
Other revenue	<u>552,377</u>	<u>535,567</u>	<u>457,031</u>	<u>1,498,375</u>	<u>1,212,263</u>
TOTAL REVENUE	<u>2,279,061</u>	<u>2,262,251</u>	<u>2,105,941</u>	<u>1,931,940</u>	<u>1,645,828</u>
EXPENSES					
Honoraria					
Chief and Councillors					
Elders and Board Members	5,000	35,250	3,600	3,300	40,114
Wages and benefits	1,412,911	1,451,574	1,413,291	221,520	163,933
Amortization				260,485	137,533
Tangible Capital Assets				260,485	185,246
Interest					260,485
Other expenses	<u>596,652</u>	<u>794,628</u>	<u>759,165</u>	<u>1,147,224</u>	<u>1,110,792</u>
TOTAL EXPENSES	<u>2,009,563</u>	<u>2,246,202</u>	<u>2,177,456</u>	<u>1,816,045</u>	<u>1,690,376</u>
ANNUAL SURPLUS (DEFICIT)	\$ 269,498	16,049	(71,515)	115,895	(44,548)
					(100,086)
					890,163
					1,327,341
					1,721,650