Grant Thornton

Flying Post First Nation

Consolidated Financial Statements

March 31, 2014

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FLYING POST FIRST NATION
March 31, 2014

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Flying Post First Nation are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

Flying Post First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the consolidated financial statements are relevant, reliable and accurate and Flying Post First Nation's assets are appropriately accounted for and adequately safeguarded.

The Council of Flying Post First Nation is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. Council carries out this responsibility principally through its Financial Administration.

The Financial Administration meets periodically with the Chief and Council, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual consolidated financial statements and the external auditors' report. The Financial Administration reports its findings to the Council for consideration when approving the financial statements for issuance to the Members.

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

Chief

Councillor

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Grant Thornton

Independent Auditor's Report

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To the Chief, Council and Members of
Flying Post First Nation

We have audited the accompanying consolidated financial statements of Flying Post First Nation which comprise the statement of financial position as at March 31, 2014, the statements of financial activities, operating fund statement of operations and accumulated surplus, trust fund statement of changes in fund balance, statement of cash flows and statement of changes in net financial assets for the year 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the First Nation's preparation and fair presentation of the consolidated 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 First Nation'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 consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Flying Post First Nation as at March 31, 2014, and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Thunder Bay, Canada
July 29, 2014

Chartered Accountants
Licensed Public Accountants

Flying Post First Nation — Statement 1
Consolidated Statement of Financial Position
As at March 31

	2014	2013
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents	**374,415**	279,420
Accounts receivable *[note 2]*	**85,863**	190,675
Investments *[note 3]*	**1,080,178**	1,030,934
Trust Fund assets	**183,843**	179,303
Restricted assets *[note 4]*	**2,429,860**	2,258,219
Total financial assets	**4,154,159**	3,938,551
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	**17,775**	29,278
NET FINANCIAL ASSETS	**4,136,384**	3,909,273
NON-FINANCIAL ASSETS		
Tangible capital assets, net *[note 5]*	**35,345**	39,309
Prepaid expenses	**17,810**	19,573
	53,155	58,882
Accumulated surplus	**1,575,836**	1,530,633
Trust Fund balance	**183,843**	179,303
Casino Rama Fund balance	**2,429,860**	2,258,219
Total accumulated surplus	**4,189,539**	3,968,155

Contingencies *[note 7]*

See accompanying notes to the consolidated financial statements.

Approved by

_________________ Chief   _________________ Councillor

Flying Post First Nation

Statement 2

Consolidated Statement of Financial Activities

Year ended March 31	2014	2013
	$	$
Revenue		
Aboriginal Affairs and Northern Development Canada	**400,051**	358,564
Ontario First Nations Limited Partnership	**414,904**	415,481
Health Canada	**91,610**	89,641
Wabun Tribal Council	**101,397**	106,271
Mining agreements	**202,978**	263,427
Interest	**12,967**	11,225
Other	—	1,041
	1,223,907	1,245,650
Expenses		
Band support	**257,685**	261,095
Economic development	**32,535**	30,211
Education	**289,881**	315,663
Brighter Futures	**92,517**	92,446
New Relationship Fund	**75,876**	75,251
Lake Shore Gold Partnership Community Fund	**3,498**	15,985
Casino Rama	**250,531**	208,003
	1,002,523	998,654
Excess of revenue over expenses for the year	**221,384**	246,996
Total accumulated surplus, beginning of year	**3,968,155**	3,721,159
Total accumulated surplus, end of year	**4,189,539**	3,968,155

Flying Post First Nation

Statement 3

Consolidated Operating Fund Statement of Operations and Accumulated Surplus

Year ended March 31

2014

	Beginning Accumulated Surplus (Deficit) $	Revenue $	Expenses $	Excess (Shortfall) of Revenue Over Expenses $	Ending Accumulated Surplus (Deficit) $
General	(140,837)	239,434	290,220	(50,786)	(191,623)
Education	57,817	187,173	289,881	(102,708)	(44,891)
Brighter Futures	21,593	91,610	92,517	(907)	20,686
New Relationship Fund	60,864	76,000	75,876	124	60,988
Lake Shore Gold Partnership Community Fund	1,320,882	116,750	3,498	113,252	1,434,134
Augen Gold Partnership Community Fund	210,314	42,492	—	42,492	252,806
Mining Community Fund	—	43,736	—	43,736	43,736
	1,530,633	797,195	751,992	45,203	1,575,836

See accompanying notes to the consolidated financial statements.

Flying Post First Nation — Statement 4

Consolidated Trust Fund Statement of Changes in Fund Balance

Year ended March 31	**2014**	2013
	$	$
Revenue		
Interest income	**4,540**	4,299
Fund balance, beginning of year	**179,303**	175,004
Fund balance, end of year	**183,843**	179,303

Trust Fund assets consist of cash.

See accompanying notes to the consolidated financial statements.

Flying Post First Nation **Statement 5**

Consolidated Casino Rama Fund Statement of Changes in Fund Balance

Year ended March 31	**2014**	2013
	$	$
Revenue		
Ontario First Nations Limited Partnership		
Regular	**414,904**	415,481
Interest	**7,268**	5,774
	422,172	421,255
Expenses		
Community development	**192,844**	165,522
Cultural development	**5,652**	685
Economic development	**1,032**	2,050
Education	**34,993**	31,010
Health	**16,010**	8,736
	250,531	208,003
Excess of revenue over expenses for the year	**171,641**	213,252
Fund balance, beginning of year	**2,258,219**	2,044,967
Fund balance, end of year	**2,429,860**	2,258,219

See accompanying notes to the consolidated financial statements.

Flying Post First Nation

Statement 6

Consolidated Statement of Cash Flows

Year ended March 31

	2014	2013
	$	$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**221,384**	246,996
Add charges (deduct credits) to operations not requiring an outlay of cash		
Amortization of tangible capital assets	**3,964**	5,054
Gain on disposal of investments	**(1,765)**	—
	223,583	252,050
Add (deduct) changes in non-cash working capital items		
Accounts receivable	**104,812**	16,856
Prepaid expenses	**1,763**	8,155
Accounts payable and accrued liabilities	**(11,503)**	12,673
Cash provided by operating activities	**318,655**	289,734
INVESTING ACTIVITIES		
Increase in investments	**(61,736)**	(16,750)
Proceeds on disposal of investments	**14,257**	—
Increase in Trust Fund assets	**(4,540)**	(4,299)
Cash used in investing activities	**(52,019)**	(21,049)
Increase in cash and cash equivalents during the year	**266,636**	268,685
Cash and cash equivalents, beginning of year	**2,537,639**	2,268,954
Cash and cash equivalents, end of year	**2,804,275**	2,537,639
Cash and cash equivalents consists of:		
Cash and cash equivalents	**374,415**	279,420
Restricted assets *[note 4]*	**2,429,860**	2,258,219
	2,804,275	2,537,639

See accompanying notes to the consolidated financial statements.

Flying Post First Nation — Statement 7

Consolidated Statement of Changes in Net Financial Assets

Year ended March 31	**2014**	2013
	Actual	Actual
	$	$
Annual surplus	**221,384**	246,996
Decrease in prepaid expenses	**1,763**	8,155
Amortization of tangible capital assets	**3,964**	5,054
	227,111	260,205
Net financial assets, beginning of year	**3,909,273**	3,649,068
Net financial assets, end of year	**4,136,384**	3,909,273

See accompanying notes to the consolidated financial statements.

GENERAL

Flying Post First Nation is a band management group recognized under the Indian Act. The purpose of Flying Post First Nation is to provide leadership and accountability to the members of the band.

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements of Flying Post First Nation are prepared by management in accordance with accounting policies generally accepted for the public sector as prescribed by the Public Sector Accounting Board ("PSAB") of CPA Canada. The more significant of these accounting policies are as follows:

Basis of consolidation

These consolidated financial statements reflect the assets, liabilities, revenue and expenses of the Operating Fund, externally restricted Casino Rama Fund and Aboriginal Affairs and Northern Development Canada Trust Fund of Flying Post First Nation and include all band activities under the control of the First Nation, including those within Flying Post Holdings Inc., Flying Post Development General Partner Inc. and Flying Post Development Limited Partnership.

All interfund balances and transactions have been eliminated.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances in banks and term deposits with a maturity period of three months or less at the date of acquisition.

Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus, provides the change in net financial assets for the year.

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization and write-downs, if any. Cost includes all amounts that are directly attributable to acquisition, construction, development or betterment of the assets. The cost of the tangible capital assets are amortized on a declining balance basis at the rates set out below:

Automotive	30%
Building	5%
Computer equipment	33%
Office equipment	20%

Investments

The First Nation accounts for investments using the cost method. The carrying value of an investment is written-down to its net recoverable amount if a decline in market value is judged to be other than temporary.

Fund accounting

The First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the summary financial statements.

The Trust Fund reports on Trust Funds owned by the First Nation and held by the Government of Canada.

The Casino Rama Fund reports the activities financed in whole or in part by proceeds from Ontario First Nations Limited Partnership and Ontario First Nations (2008) Limited Partnership.

Government transfers

Government transfers are transfers of monetary assets or tangible capital assets from a government to an individual, an organization or another government that are not the result of an exchange transaction, expected to be repaid in the future or expected to produce a direct financial return. Government transfers received are recognized in the consolidated 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.

Government transfers made to a recipient by the First Nation are recorded as an expense when they are authorized and the recipient meets all eligibility criteria.

Revenue recognition

Other revenue is recognized in the period in which the related services are performed or goods are sold. Amounts collected for which the related services have yet to be performed or goods have yet to be sold are recognized as a liability and recognized as revenue when the related services are performed or goods are sold.

Interest is recognized as it is earned.

Funds received, other than government transfers, for specified purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the Consolidated Statement of Financial Position. The revenue is recognized in the related schedules in the year in which it is used for the specified purpose.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions the First Nation may undertake in the future. Significant estimates include valuation allowance for accounts receivable and recoveries from and payments to government agencies related to surpluses/deficiencies of funds transferred.

2. ACCOUNTS RECEIVABLE

	2014	2013
	$	$
Accounts receivable	**85,863**	199,568
Valuation allowance	—	(8,893)
	85,863	190,675

3. INVESTMENTS

	2014		2013	
	Cost $	**Market Value** $	Cost $	Market Value $
Elcora Resources Corp.	**5,000**	**9,500**	—	—
Explor Resources Inc.	**20,000**	**6,000**	—	—
Lake Shore Gold Corp.	**1,041,442**	**224,475**	1,019,100	255,225
Rapier Gold Inc.	**8,250**	**2,250**	—	—
Red Pine Exploration Inc.	**5,486**	**7,473**	—	—
Trelawney Mining and Exploration Inc.	—	—	11,834	14,223
	1,080,178	**249,698**	1,030,934	269,448

The First Nation owns 50,000 [2013 – nil] common shares of Elcora Resources Corp. In addition, the First Nation holds 50,000 warrants of Elcora Resources Corp. expiring July 22, 2014 that entitle the First Nation to acquire one common share for each warrant at an exercise price of $0.20 per share.

The First Nation owns 100,000 [2013 – nil] common shares of Explor Resources Inc.

The First Nation owns 332,290 [2013 – 307,500] common shares of Lake Shore Gold Corp.

The First Nation owns 75,000 [2013 – nil] common shares of Rapier Gold Inc.

The First Nation owns 50,000 [2013 – nil] common shares of Red Pine Exploration Inc. In addition, the First Nation holds 100,000 warrants of Red Pine Exploration Inc. expiring February 19, 2019 that entitle the First Nation to acquire one common share for each warrant at an exercise price of $0.05 per share.

The First Nation owns nil [2013 – 4,310] common shares of Trelawney Mining and Exploration Inc.

4. RESTRICTED ASSETS

Restricted assets are related to the Ontario First Nations Limited Partnership and Ontario First Nations (2008) Limited Partnership profit distribution and consist of bank balances and amounts held in trust. As at year-end, this balance was comprised as follows:

	2014	2013
	$	$
Undistributed funds on deposit with bank	**1,538,106**	1,299,800
Fund allocations on deposit with bank	**891,754**	958,419
	2,429,860	2,258,219

5. TANGIBLE CAPITAL ASSETS

Details of year-end tangible capital asset balances are as follows:

	2014		2013	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
	$	$	$	$
Automotive	**23,664**	**20,283**	23,664	18,834
Building	**51,274**	**22,063**	51,274	20,526
Computer equipment	**29,783**	**28,586**	29,783	27,997
Office equipment	**30,810**	**29,254**	30,810	28,865
	135,531	**100,186**	135,531	96,222
Tangible capital assets, net	**35,345**		39,309	

Amortization for the year is $3,964 [2013 - $5,054].

6. FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their carrying value because of their short-term to maturity.

Market risk arises from the First Nation's investment portfolio, consisting of equity instruments. It is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of general economic and other market factors affecting equity prices.

7. CONTINGENCIES

The fund balances may include surpluses/deficits from funds contributed by government agencies. Such surpluses/deficits may be subject to recovery/payment by the contributing agencies. These potential liabilities/receivables are not recorded until they become payable/recoverable. Some restrictions may apply to the use of the funds.

8. ANNUAL BUDGET

The First Nation does not prepare an annual budget in a format that is comparable to these consolidated financial statements therefore comparative budget figures have not been presented in these consolidated financial statements.

9. SEGMENTED INFORMATION

Flying Post First Nation provides a range of services to its members. For management reporting purposes Flying Post First Nation's operations and activities are organized and reported by Fund. The Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations. The activities can also be categorized into segments. The following segments have been identified and separately disclosed:

Band support
Band support services are comprised of various administrative and other activities related to the operations of the organization.

Economic development
Economic development contains the activities related to economic development for the First Nation.

Education
Education contains the funding revenue and financial support to the First Nation members for elementary, secondary and post-secondary education.

Brighter Futures
Brighter Futures contains the revenue and expenses related to various health programs and services provided to the First Nation members

New Relationship Fund
The New Relationship Fund contains the revenue and expenses related to the First Nation dealing with land and resource issues as funded by the Wabun Tribal Council.

Mining agreements
Mining agreements includes the activity related to the Lake Shore Gold Partnership Community Fund, the Augen Gold Partnership Community Fund and the Mining Community Fund. The Funds have been established to accumulate funding from various mining agreements for the benefit of the community.

Other
Other includes the activities of the Trust Fund and Casino Rama Fund.

Flying Post First Nation
Notes to the Consolidated Financial Statements
March 31, 2014

	Band Support		Economic Development		Education		Brighter Futures	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$	$	**$**	$	**$**	$	**$**	$
Revenue								
Aboriginal Affairs and Northern Development Canada	**196,863**	164,307	**36,333**	34,737	**166,855**	159,520	**—**	—
Ontario First Nations Limited Partnership	**—**	—	**—**	—	**—**	—	**—**	—
Health Canada	**—**	—	**—**	—	**—**	—	**91,610**	89,641
Wabun Tribal Council	**5,079**	4,342	**—**	—	**20,318**	—	**—**	—
Mining agreements	**—**	—	**—**	—	**—**	—	**—**	—
Interest	**1,159**	1,152	**—**	—	**—**	—	**—**	—
Other	**—**	1,041	**—**	—	**—**	—	**—**	—
	203,101	170,842	**36,333**	34,737	**187,173**	159,520	**91,610**	89,641
Expenses								
Amortization	**3,964**	5,054	**—**	—	**—**	—	**—**	—
Band equipment	**2,346**	628	**—**	—	**—**	—	**—**	—
Bank charges	**1,806**	1,848	**—**	—	**—**	—	**—**	—
Brighter Futures program expenses	**—**	—	**—**	—	**—**	—	**92,517**	92,446
Casino Rama								
Community development	**—**	—	**—**	—	**—**	—	**—**	—
Cultural development	**—**	—	**—**	—	**—**	—	**—**	—
Economic development	**—**	—	**—**	—	**—**	—	**—**	—
Education	**—**	—	**—**	—	**—**	—	**—**	—
Health	**—**	—	**—**	—	**—**	—	**—**	—
Catering	**734**	648	**—**	—	**—**	—	**—**	—
Community outreach	**—**	—	**—**	—	**—**	—	**—**	—
Distribution	**—**	—	**—**	—	**—**	—	**—**	—
Education allowances and tuition	**—**	—	**—**	—	**289,881**	315,663	**—**	—
Elder's services	**20,471**	11,518	**—**	—	**—**	—	**—**	—
Healthy Babies/Healthy Children	**—**	1,400	**—**	—	**—**	—	**—**	—
Honorariums	**30,000**	30,000	**—**	—	**—**	—	**—**	—
Maintenance	**45**	369	**—**	—	**—**	—	**—**	—
Miscellaneous	**—**	—	**—**	—	**—**	—	**—**	—
Office	**20,768**	24,890	**—**	—	**—**	—	**—**	—
Professional fees	**56,316**	56,285	**—**	—	**—**	—	**—**	—
Student employment	**5,120**	4,342	**—**	—	**—**	—	**—**	—
Travel and meetings	**2,123**	10,482	**—**	—	**—**	—	**—**	—
Wages and benefits	**113,992**	113,631	**32,535**	30,211	**—**	—	**—**	—
	257,685	261,095	**32,535**	30,211	**289,881**	315,663	**92,517**	92,446
Excess (shortfall) of revenue over expenses	**(54,584)**	(90,253)	**3,798**	4,526	**(102,708)**	(156,143)	**(907)**	(2,805)

	New Relationship Fund		Mining Agreements		Other		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$	$	$	$	$	$	$	$
Revenue								
Aboriginal Affairs and Northern Development Canada	—	—	—	—	—	—	**400,051**	358,564
Ontario First Nations Limited Partnership	—	—	—	—	**414,904**	**415,481**	**414,904**	415,481
Health Canada							**91,610**	89,641
Wabun Tribal Council	**76,000**	101,929	—	—	—	—	**101,397**	106,271
Mining agreements	—	—	**202,978**	263,427	—	—	**202,978**	263,427
Interest	—	—	—	—	**11,808**	10,073	**12,967**	11,225
Other	—	—	—	—	—	—		1,041
	76,000	101,929	**202,978**	263,427	**426,712**	425,554	**1,223,907**	1,245,650
Expenses								
Amortization	—	—	—	—	—	—	**3,964**	5,054
Band equipment	—	—	—	—	—	—	**2,346**	628
Bank charges	—	—	—	—	—	—	**1,806**	1,848
Brighter Futures program expenses	—	—	—	—	—	—	**92,517**	92,446
Casino Rama								
Community development	—	—	—	—	**192,844**	165,522	**192,844**	165,522
Cultural development	—	—	—	—	**5,652**	685	**5,652**	685
Economic development	—	—	—	—	**1,032**	2,050	**1,032**	2,050
Education	—	—	—	—	**34,993**	31,010	**34,993**	31,010
Health	—	—	—	—	**16,010**	8,736	**16,010**	8,736
Catering	—	—	—	—	—	—	**734**	648
Community outreach	**13,179**	4,661	—	—	—	—	**13,179**	4,661
Distribution	—	—	**2,840**	15,985	—	—	**2,840**	15,985
Education allowances and tuition	—	—	—	—	—	—	**289,881**	315,663
Elder's services	—	—	—	—	—	—	**20,471**	11,518
Healthy Babies/Healthy Children	—	—	—	—	—	—	**—**	1,400
Honorariums	—	—	—	—	—	—	**30,000**	30,000
Maintenance	—	—	—	—	—	—	**45**	369
Miscellaneous	—	—	**658**	—	—	—	**658**	—
Office	**4,000**	4,000	—	—	—	—	**24,768**	28,890
Professional fees	—	—	—	—	—	—	**56,316**	56,285
Student employment	—	—	—	—	—	—	**5,120**	4,342
Travel and meetings	**7,306**	9,647	—	—	—	—	**9,429**	20,129
Wages and benefits	**51,391**	56,943	—	—	—	—	**197,918**	200,785
	75,876	75,251	**3,498**	15,985	**250,531**	208,003	**1,002,523**	998,654
Excess (shortfall) of revenue over expenses	**124**	26,678	**199,480**	247,442	**176,181**	217,551	**221,384**	246,996