

**Frog Lake First Nation
Consolidated Financial Statements**

March 31, 2022

Management's Responsibility

To the Members of Frog Lake First Nation

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

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Frog Lake First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and external auditors. The Council is also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP is appointed by the Members to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

July 26, 2022

"Originally signed by Kevin Price"

Chief Financial
Officer

To the Members of Frog Lake First Nation:

Opinion

We have audited the consolidated financial statements of Frog Lake First Nation (the "First Nation"), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows and related schedules for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2022, and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statement for the year ended March 31, 2021 were audited by another auditor who expressed a qualified opinion on those statements on August 10, 2021 due to the possible limitation of scope related to investments in government business enterprises, which are accounted for by the modified equity method. The investments are carried on the consolidated statement of financial position as at March 31, 2021 and the First Nation's share of these enterprises' net income is included in Frog Lake First Nation's consolidated surplus of revenue and expenses for the year then ended. The auditors were unable to obtain sufficient appropriate audit evidence about the carrying amount of certain Frog Lake First Nation's investments and the equity in these enterprises at March 31, 2021 and were unable to determine whether any adjustments to these amounts were necessary. As part of our audit of the consolidated financial statements for the year ended March 31, 2022, we were able to obtain sufficient, appropriate audit evidence with respect to the prior year carrying amount of investments and the equity in these enterprises. Accordingly, our opinion on the consolidated financial statements for the year ended March 31, 2022 is not qualified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 First Nation'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 First Nation'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 First Nation 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.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Edmonton, Alberta

July 26, 2022

MNP LLP

Chartered Professional Accountants

MNP

Frog Lake First Nation
Consolidated Statement of Financial Position
As at March 31, 2022

| | 2022 | 2021 |
|---|--------------------|-------------|
| Financial assets | | |
| Cash and cash equivalents (Note 3) | 7,573,874 | 10,918,620 |
| Accounts receivable (Note 4) | 1,110,902 | 1,575,092 |
| Investments in partnerships and government business entities (Note 5) | 27,552,506 | 25,754,762 |
| Funds held in trust and restricted investments (Note 6) | 4,975,735 | 3,262,200 |
| Total financial assets | 41,213,017 | 41,510,674 |
| Liabilities | | |
| Accounts payable and accruals | 1,890,236 | 2,206,783 |
| Deferred revenue (Note 8) | 10,309,005 | 16,193,492 |
| Long-term debt (Note 9) | 6,587,129 | 7,349,781 |
| Total financial liabilities | 18,786,370 | 25,750,056 |
| Net financial assets | 22,426,647 | 15,760,618 |
| Contingencies (Note 11) | | |
| Non-financial assets | | |
| Tangible capital assets (Schedule 1) | 106,445,604 | 105,416,811 |
| Prepaid expenses | 274,161 | 294,863 |
| Total non-financial assets | 106,719,765 | 105,711,674 |
| Accumulated surplus | 129,146,412 | 121,472,292 |

Approved on behalf of the Council

"Originally signed by Gregory Desjarlais"

"Originally signed by Collin Quinney"

Chief

Councillor

Frog Lake First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2022

| | <i>Schedules</i> | 2022 Budget | 2022 | 2021 |
|--|------------------|------------------------|--------------------|-------------|
| Revenue | | | | |
| Department of Indigenous Services Canada | | 35,686,181 | 36,304,152 | 36,040,715 |
| Indigenous Services Canada - Health | | 2,377,809 | 6,633,833 | 4,614,579 |
| Indigenous Skills and Employment Training Strategy | | 874,150 | 991,376 | 771,379 |
| First Nation Development Fund | | 705,183 | 705,183 | 424,407 |
| Canada Mortgage and Housing Corporation | | - | 560,135 | 212,394 |
| Investment income | | - | 4,231,591 | (4,186,144) |
| Other revenue | | 4,514,016 | 3,658,440 | 3,576,648 |
| Resource revenue (Note 6) | | 996,572 | 2,029,987 | 1,138,245 |
| Interest and land leases (Note 6) | | 480,000 | 1,386,613 | 1,209,480 |
| Tribal Chiefs Ventures Inc | | 129,251 | 777,502 | 1,130,508 |
| Repayment of funding | | - | (157,271) | - |
| | | 45,763,162 | 57,121,541 | 44,932,211 |
| Program expenses | | | | |
| Band Government | 3 | 1,788,245 | 2,329,147 | 2,021,404 |
| Community Services | 5 | 951,194 | 4,061,145 | 1,807,175 |
| Economic Development | 6 | 2,543,527 | 1,979,788 | 966,228 |
| Indigenous Skills & Employment Training Strategy (ISETS) | 7 | 874,150 | 914,718 | 715,137 |
| Education | 8 | 10,675,665 | 10,998,704 | 8,984,651 |
| Health | 9 | 2,863,257 | 4,470,771 | 4,635,246 |
| Housing | 10 | 1,612,943 | 3,180,381 | 2,620,374 |
| Public Works | 11 | 5,613,983 | 4,819,222 | 6,628,145 |
| Social Services | 12 | 7,093,124 | 5,457,222 | 6,046,240 |
| Other | 13 | 8,485,030 | 1,028,282 | 560,131 |
| Amortization | 14 | - | 9,155,580 | 8,207,760 |
| Total expenditures | | 42,501,118 | 48,394,960 | 43,192,491 |
| Surplus before other items | | 3,262,044 | 8,726,581 | 1,739,720 |
| Other income (expense) | | | | |
| Loss on write-down of tangible capital assets (Schedule 1) | | - | (1,052,461) | - |
| Surplus | | 3,262,044 | 7,674,120 | 1,739,720 |
| Accumulated surplus, beginning of year | | 1,118,831 | 121,472,292 | 119,732,572 |
| Accumulated surplus, end of year | | 4,380,875 | 129,146,412 | 121,472,292 |

Frog Lake First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2022

| | 2022 Budget | 2022 | 2021 |
|--|------------------------|---------------------|--------------|
| Annual surplus | 3,262,044 | 7,674,120 | 1,739,720 |
| Purchases of tangible capital assets | (945,000) | (11,236,836) | (15,902,620) |
| Amortization of tangible capital assets | 212,448 | 9,155,580 | 8,207,760 |
| Loss on write-down of tangible capital assets | - | 1,052,461 | - |
| | (732,552) | (1,028,795) | (7,694,860) |
| Acquisition of prepaid expenses | - | - | (171,672) |
| Use of prepaid expenses | - | 20,704 | - |
| | - | 20,704 | (171,672) |
| Increase in net financial assets | 2,529,492 | 6,666,029 | (6,126,812) |
| Net financial assets, beginning of year | 15,760,618 | 15,760,618 | 21,887,430 |
| Net financial assets, end of year | 18,290,110 | 22,426,647 | 15,760,618 |

Frog Lake First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2022

| | 2022 | 2021 |
|---|--------------------|--------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Surplus | 7,674,120 | 1,739,720 |
| Non-cash items | | |
| Amortization | 9,155,580 | 8,207,760 |
| Loss on write-down of tangible capital assets | 1,052,461 | - |
| | 17,882,161 | 9,947,480 |
| Changes in working capital accounts | | |
| Accounts receivable | 464,190 | (1,191,344) |
| Prepaid expenses | 20,704 | (171,672) |
| Accounts payable and accruals | (316,551) | (643,125) |
| Deferred revenue | (5,884,488) | 7,585,524 |
| | 12,166,016 | 15,526,863 |
| Financing activities | | |
| Repayment of current portion of long-term debt | (1,187,197) | (1,062,080) |
| Loan proceeds | 424,551 | 2,037,794 |
| | (762,646) | 975,714 |
| Capital activities | | |
| Purchases of tangible capital assets | (11,236,836) | (15,902,620) |
| Investing activities | | |
| Withdrawal from trust funds | (3,416,161) | - |
| Income from trust funds | 1,702,626 | 989,736 |
| Investment in Nation business entities | (2,055,990) | (599,262) |
| Withdrawals from investments in Nation business entities | 258,245 | 4,623,501 |
| | (3,511,280) | 5,013,975 |
| Increase (decrease) in cash resources | (3,344,746) | 5,613,932 |
| Cash resources, beginning of year | 10,918,620 | 5,304,688 |
| Cash resources, end of year | 7,573,874 | 10,918,620 |

Frog Lake First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2022

1. Operations

The Frog Lake First Nation (the "First Nation") is located in the province of Alberta, and provides various services to its members. Frog Lake First Nation includes the Nation's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

2. Significant accounting policies

These financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants Canada, and are consistent with the accounting policies set out by the Department of Indigenous Services Canada. These consolidated financial statements are subject to review by the nation's funding agents. It is possible that adjustments could be made based on results of their reviews. Significant aspects of the accounting policies adopted by the Nation are as follows:

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Net financial assets (net debt)

The First Nation's financial statements are presented so as to highlight net financial assets (net debt) as the measurement of financial position. The net financial assets (net debt) of the First Nation is determined by its financial assets less its liabilities. Net financial assets (net debt) combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity and are either owned or controlled by the Nation, except for government business entities. Trusts administered on behalf of third parties by Frog Lake First Nation are excluded from the First Nation reporting entity.

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Frog Lake First Nation government business entities, owned or controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the government business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. Entities accounted for by the modified equity basis include:

- Frog Lake Energy Resources Corp. - 100%
- Frog Lake Energy Resources Limited Partnership - 99.5%
- Frog Lake Oilfield Services Limited Partnership - 99.9%
- Frog Lake Oilfield Services GP Ltd. - 100%
- Frog Lake Off Reserve Housing Corporation - 100%

Frog Lake First Nation
Notes to the Consolidated Consolidated Financial Statements
For the year ended March 31, 2022

2. Significant accounting policies *(Continued from previous page)*

Reporting entity *(Continued from previous page)*

- Frog Lake Off Reserve Housing Limited Partnership - 99.99%
- Moosachee Ranches GP Ltd. - 75%
- Moosachee Ranches Limited Partnership - 75%
- Frog Lake Midstream Limited Partnership - 99.5%
- Frog Lake Travel Centre Limited Partnership - 99.9%
- Frog Lake Economic Development Corporation - 100%
- Frog Lake Economic Development Limited Partnership - 99.9%
- Frog Lake Gravel and Concrete Limited Partnership - 99.9%
- Waskonaman Askih (Moving Earth) Construction GL Ltd. - 100%
- Waskonaman Askih (Moving Earth) Construction Limited Partnership - 99.9%
- Frog Lake Construction and Gravel Limited Partnership - 99.9%

Trust funds owned by First Nation are recorded at cost.

Investments in Business Partnerships are recorded using the modified equity method:

- Seven lakes Oilfield Services Limited Partnership - 8.33%
- Pimee Well Servicing Limited Partnership - 16.67%
- Pimee Well Servicing Ltd. - 16.67%
- IMI Brokerage Limited Partnership - 4.45%
- Kanata Power Plant Limited Partnership - 49%
- Okisikow Iskwew Center Ltd. - 50%

The First Nation has ownership in the following companies which are recorded using the cost method:

- Pimee Kehewin General Store LP
- SLS Metalworks and Fabricating LP

Frog Lake First Nation
Notes to the Consolidated Consolidated Financial Statements
For the year ended March 31, 2022

2. Significant accounting policies *(Continued from previous page)*

Revenue recognition

Government Transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Externally restricted revenue

The First Nation recognizes externally restricted inflows as revenue in the period the resources are used for the purposes specified in accordance with an agreement or legislation. Until this time, the First Nation records externally restricted inflows in deferred revenue.

Funds held in Ottawa Trust Fund

Due to measurement uncertainty, revenue related to the receipt of funds held in the Ottawa Trust Fund is recognized when it is received.

Other revenue, administration fees, and investment income

All other revenue received that is not subject to funding agreements are recorded in the year in which they are earned and collection is reasonably assured.

Deferred revenue

Funding received under funding arrangements relating to projects that relate to a subsequent fiscal period are reflected as deferred revenue on the consolidated statement of financial position in the year of receipt. These amounts are recognized in revenue in the year the project costs are incurred.

Cash and cash equivalents

Cash and cash equivalent include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records for tangible capital assets that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

When conditions indicate that a tangible capital asset no longer contributes to the First Nation's ability to provide goods and services, or that the value of future economic benefits associated with a tangible capital asset is less than its net book value, the First Nation reduces the cost of the asset to reflect the decline in its value. Write-downs of tangible capital assets are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

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

Frog Lake First Nation
Notes to the Consolidated Consolidated Financial Statements
For the year ended March 31, 2022

2. Significant accounting policies *(Continued from previous page)*

Tangible capital assets *(Continued from previous page)*

Amortization

Social housing assets acquired under Canada Mortgage and Housing Corporation ("CMHC") sponsored programs are amortized over their estimated useful lives at a rate equivalent to the annual principal reduction in the related long-term debt. Amortization for other tangible capital assets is provided using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

| | Method | Rate |
|--------------------------------|---------------|-------------|
| Buildings | straight-line | 20 years |
| Housing | straight-line | 20 years |
| Automotive and other equipment | straight-line | 5-40 years |
| Infrastructure | straight-line | 20 years |
| Computers | straight-line | 2-3 years |
| Furniture | straight-line | 5 years |

Financial instruments

The First Nation recognizes its financial instruments when the First Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the First Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The First Nation has not made such an election during the year.

The First Nation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at cost. All other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating surplus (deficit). Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Management considers whether the investee has experienced continued losses for a period of years in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

Measurement uncertainty

The preparation of 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 financial statements, and the reported amounts of revenue and expenses during the reporting period.

Frog Lake First Nation
Notes to the Consolidated Consolidated Financial Statements
For the year ended March 31, 2022

2. Significant accounting policies *(Continued from previous page)*

Measurement uncertainty *(Continued from previous page)*

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Investment in Nation business entities is stated after evaluation as to valuation and collectability of advances. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the First Nation is responsible for.

Oil and gas royalties and surface right payments related to oil and gas exploration and development activities are administered directly by the Government of Canada ("Canada") under the provisions of the Indian Oil and Gas Act. The First Nation records receipts based on currently available information supplied by Canada. Royalty payments from oil and gas producers are subject to periodic revision.

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

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be significant. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the years in which they become known.

Segments

The First Nation conducts its business through eleven of reportable segments: Band Government, Community Services, Economic Development, Indigenous Skills & Employment Training Strategy (ISETS), Education, Health, Housing, Public Works, Social Services, Other, and Amortization. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in this note.

Fair value measurements

The First Nation classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the First Nation to develop its own assumptions.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2022.

Frog Lake First Nation
Notes to the Consolidated Consolidated Financial Statements
For the year ended March 31, 2022

2. Significant accounting policies *(Continued from previous page)*

Liability for contaminated site *(Continued from previous page)*

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

3. Cash and cash equivalents

| | 2022 | 2021 |
|-----------------------|------------------|-------------------|
| Unrestricted | 7,181,286 | 8,433,827 |
| Externally restricted | 388,130 | 54,377 |
| Internally restricted | 4,458 | 2,430,416 |
| | 7,573,874 | 10,918,620 |

4. Accounts receivable

| | 2022 | 2021 |
|--|------------------|------------------|
| Trade receivable | 1,029,896 | 643,987 |
| Goods and services tax receivable | 38,426 | 31,476 |
| Payroll advances | 37,580 | 4,463 |
| Department of Indigenous Services Canada | 5,000 | 895,166 |
| | 1,110,902 | 1,575,092 |

5. Investments in partnerships and government business entities

The First Nation has investments in the following entities:

| | <i>Opening net investment</i> | <i>Loans / advances</i> | <i>Current share of earnings (loss)</i> | <i>Total investment</i> |
|---|-------------------------------|-------------------------|---|-------------------------|
| Wholly-owned Businesses: | | | | |
| Frog Lake Off Reserve Housing Corporation | 11,038,344 | - | 10,823 | 11,049,167 |
| Frog Lake Energy Resources Corporation | (7,040,517) | 6,714,605 | 1,745,140 | 1,419,228 |
| | 3,997,827 | 6,714,605 | 1,755,963 | 12,468,395 |
| Significantly Influenced Businesses: | | | | |
| Frog Lake Midstream Limited Partnership - 99.5% | 14,901,592 | - | (8,831,091) | 6,070,501 |
| Frog Lake Travel Centre Limited Partnership - 99.9% | 484,867 | - | 55,971 | 540,838 |
| Moosachee Ranches GP Ltd. - 75% | 479,424 | - | 13,073 | 492,497 |
| Other Frog Lake First Nation controlled entities | 66,132 | (142,571) | - | (76,439) |
| | 15,932,015 | (142,571) | (8,762,047) | 7,027,397 |

Frog Lake First Nation
Notes to the Consolidated Consolidated Financial Statements
For the year ended March 31, 2022

5. Investments in partnerships and government business entities *(Continued from previous page)*

| | | | | 2022 |
|---|-------------------------------|-------------------------|---|-------------------------|
| | <i>Opening net investment</i> | <i>Loans / advances</i> | <i>Current share of earnings (loss)</i> | <i>Total investment</i> |
| Business Partnerships – Modified Equity: | | | | |
| Seven Lakes Oilfield Services Limited Partnership - 8.33% | 2,361,080 | (49,998) | 161,757 | 2,472,839 |
| Pimee Well Servicing Limited Partnership - 16.67% | 1,979,049 | - | - | 1,979,049 |
| Pimee Well Servicing Ltd. - 16.67% | 1,196,188 | 33,085 | 2,906 | 1,232,179 |
| IMI Brokerage Limited Partnership - 4.45% | 30,210 | - | - | 30,210 |
| Kanata Power Plant Limited Partnership - 49% | - | - | 1,296,210 | 1,296,210 |
| Okisikow Iskwew Center Ltd. - 50% | - | - | 556,058 | 556,058 |
| Young Spirit Supplies - 50% | 250,000 | - | 240,169 | 490,169 |
| | 5,816,527 | (16,913) | 2,257,100 | 8,056,714 |
| | 25,746,369 | 6,555,121 | (4,748,984) | 27,552,506 |

Other Frog Lake First Nation controlled entities balances shown are the consolidated balances of Frog Lake Oilfield Services GP Ltd., Frog Lake Oilfield Services LP, Frog Lake Off Reserve Housing Corporation LP, Moosachee Ranches LP, Waskonaman Askih (Moving Earth) Construction GP Ltd., Waskonaman Askih (Moving Earth) Construction LP, Frog Lake Energy Resources Limited Partnership, Frog Lake Economic Development Corporation, Frog Lake Economic Development Corporation LP, Frog Lake Gravel and Concrete LP, and Frog Lake Construction and Gravel Limited Partnership.

Frog Lake First Nation
Notes to the Consolidated Consolidated Financial Statements
For the year ended March 31, 2022

5. Investments in partnerships and government business entities *(Continued from previous page)*

Summary financial information for each business partnership, accounted for using the modified equity method, for their respective year-end is as follows:

| | <i>Frog Lake Energy Resources Corporation</i> As at March 31, 2022 | <i>Frog Lake Travel Centre Limited Partnership</i> As at March 31, 2022 | <i>Seven Lake Oilfield Services LP</i> As at December 31, 2021 | <i>Pimee Well Servicing LP</i> As at December 31, 2021 |
|--|--|---|--|--|
| Assets | | | | |
| Cash | 12,936,632 | 92,797 | 4,832,568 | 656,809 |
| Accounts receivable | 817,773 | 74,131 | 14,808,183 | 3,270,934 |
| Inventory | - | 150,786 | 337,442 | 425,000 |
| Investments | 26,484,822 | 10,000 | - | 1,244,014 |
| Property, plant and equipment | 1,530,314 | 200,747 | 22,501,785 | 18,605,238 |
| Intangible assets | - | - | - | 3,873 |
| Prepaid expenses | 43,800 | 7,000 | 55,533 | 103,548 |
| Deposits | - | - | 38,438 | - |
| Due from related parties and shareholder | 4,168,310 | 134,334 | 4,370,388 | 262,479 |
| Total assets | 45,981,651 | 669,795 | 46,944,337 | 24,571,895 |
| Liabilities | | | | |
| Accounts payable and accruals | 578,947 | 60,329 | 6,917,344 | 1,462,459 |
| Deferred revenue | - | 5,138 | - | - |
| Short-term debt | 1,621,958 | 35,745 | 3,007,154 | 1,165,355 |
| Long-term debt | 21,731,430 | 18,000 | 7,345,217 | 2,177,955 |
| Due to related parties and shareholder | 2,327,025 | - | - | - |
| Asset retirement obligation | 10,564,160 | - | - | - |
| Future income tax liability | - | - | - | - |
| Total liabilities | 36,823,520 | 119,212 | 17,269,715 | 4,805,769 |
| Accumulated other comprehensive income (loss) | | | | |
| | 9,158,131 | 550,583 | 29,674,622 | 19,766,126 |
| Total revenue | 9,465,785 | 6,935,799 | 65,392,759 | 19,154,102 |
| Total expenses | 5,019,435 | 6,879,772 | 63,451,110 | 19,017,623 |
| Comprehensive income (loss) | 4,446,350 | 56,027 | 1,941,649 | 136,479 |
| Comprehensive income (loss) | - | 56,027 | - | - |

Frog Lake First Nation
Notes to the Consolidated Consolidated Financial Statements
For the year ended March 31, 2022

5. Investments in partnerships and government business entities *(Continued from previous page)*

| | <i>Pimee Well Servicing Ltd. As at October 31, 2021</i> | <i>Other Entities As at March 31, 2022</i> |
|--|---|--|
| Assets | | |
| Cash | 13,981 | 28,576 |
| Accounts receivable | - | - |
| Inventory | - | - |
| Investments | 7,778,399 | - |
| Property, plant and equipment | - | - |
| Intangible assets | - | - |
| Prepaid expenses | - | 611,519 |
| Deposits | - | - |
| Due from related parties and shareholder | - | - |
| Total assets | 7,792,380 | 640,095 |
| Liabilities | | |
| Accounts payable and accruals | 2,247 | - |
| Deferred revenue | - | - |
| Short-term debt | - | - |
| Long-term debt | - | - |
| Due to related parties and shareholder | 2,374,924 | 750,000 |
| Asset retirement obligation | - | - |
| Future income tax liability | 111,800 | - |
| Total liabilities | 2,488,971 | 750,000 |
| Accumulated other comprehensive income (loss) | 5,303,409 | (109,905) |
| Total revenue | 206,680 | 31,755 |
| Total expenses | 219,862 | 14,325 |
| Comprehensive income (loss) | (13,182) | 17,430 |
| Comprehensive income (loss) | - | - |

The Frog Lake Energy Resources Corporation balances shown are the consolidated balances of Frog Lake Energy Resources Corporation, Frog Lake Energy Resources Limited Partnership and Frog Lake Midstream Limited Partnership.

The other entities balances shown are the consolidated balances of Frog Lake Oilfield Services GP Ltd., Frog Lake Oilfield Services LP, Frog Lake Off Reserve Housing Corporation, Frog Lake Off Reserve Housing Corporation, Frog Lake Off Reserve Housing Corporation GP, Moosachee Ranches GP Ltd, Moosachee Ranches LP, Waskonaman Askih (Moving Earth) Construction GP Ltd., Waskonaman Askih (Moving Earth) Construction LP, Frog Lake Construction and Gravel Limited Partnership, IMI Brokerage Limited Partnership, Kanata Power Plant Limited Partnership, and Okisikew Iskewew Center Ltd.

Frog Lake First Nation
Notes to the Consolidated Consolidated Financial Statements
For the year ended March 31, 2022

6. Funds held in trust and restricted investments

Funds held by the Government of Canada (Indigenous Services Canada) in trust for the use and benefit of the Frog Lake First Nation.

Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous Services Canada, with the consent of the First Nation's Council.

| | 2022 | 2021 |
|----------------------------|-------------|-------------|
| Capital Trust | | |
| Balance, beginning of year | 1,956,163 | 2,732,526 |
| Oil royalties | 2,029,987 | 1,138,244 |
| | <hr/> | <hr/> |
| Less: Transfers to Nation | 3,986,150 | 3,870,770 |
| | 1,118,419 | 1,914,607 |
| Balance, end of year | <hr/> | <hr/> |
| | 2,867,731 | 1,956,163 |
| Revenue Trust | | |
| Balance, beginning of year | 1,306,037 | 1,519,410 |
| Interest | 60,139 | - |
| Land leases | 1,326,035 | 1,209,481 |
| | <hr/> | <hr/> |
| Less: Transfers to Nation | 2,692,211 | 2,728,891 |
| | 584,207 | 1,422,854 |
| Balance, end of year | <hr/> | <hr/> |
| | 2,108,004 | 1,306,037 |
| | <hr/> | <hr/> |
| | 4,975,735 | 3,262,200 |

The trust funds accounts held in Ottawa arise from monies derived from capital and revenue sources which the Crown considers are described in Section 62 of the *Indian Act*. These funds are held in trust by the Government of Canada and the Crown treats these funds as primarily governed by sections 64 and 69 of the *Indian Act*.

These funds are treated by Canada as held in trust in the Consolidated Revenue fund of the Government of Canada. The funds attract interest pursuant to Section 61(2) of the *Indian Act*.

7. Tangible capital assets

The tangible capital assets reconciliation is included in Schedule 1.

8. Deferred revenue

Deferred revenue represents funds received, but not expended, as at the year end. The deferred revenue relates to the following programs and funders:

| | 2022 | 2021 |
|--|-------------|-------------|
| Department of Indigenous Services Canada | 7,735,744 | 13,678,790 |
| Indigenous Skills and Employment Training Strategy | 293,570 | 265,249 |
| Indigenous Services Canada - Health | 2,279,691 | 1,669,084 |
| Other | - | 580,369 |
| | <hr/> | <hr/> |
| | 10,309,005 | 16,193,492 |

Frog Lake First Nation
Notes to the Consolidated Consolidated Financial Statements
For the year ended March 31, 2022

9. Long-term debt

| | 2022 | 2021 |
|---|------------------|-------------|
| Vehicle loans repayable in monthly installments of \$3,798, including interest at 5.89-5.99%, secured by vehicles with a net book value of \$113,388, maturing in July 2021, August 2021 and January 2024. | 77,951 | 47,495 |
| Royal Bank of Canada fixed rate term loan repayable in monthly installments of \$20,852 including interest at 4.63% per annum, due October 2025. Secured by the Capital Trust. | 1,768,889 | 1,937,444 |
| Royal Bank of Canada fixed rate term loan repayable in monthly installments of \$36,500 plus interest at 5.02% per annum, due February 2023. Secured by the Capital Trust. | 428,640 | 866,640 |
| Royal Bank of Canada fixed rate term loan repayable in monthly installments of \$36,500 including interest at 5.02% per annum, due February 2023. Secured by the Capital Trust. | 2,144,212 | 2,465,668 |
| Royal Bank of Canada fixed rate term loan repayable in monthly installments of \$1,501 plus interest at prime plus 4.5% per annum, due September 2022. Secured by the Capital Trust. | 130,646 | 148,614 |
| Royal Bank of Canada fixed rate term loan repayable in monthly installments of \$6,528 including interest at 4.52% per annum, due January 2027. Secured by the Capital Trust. | 339,005 | - |
| CMHC mortgage repayable in monthly installments of \$1,990 including interest at 1.53% per annum, due May 2026. Secured by property disclosed below and a guarantee from the Minister of the Department of Indigenous Services Canada, | 96,360 | 119,014 |
| CMHC mortgage repayable in monthly installments of \$2,178 including interest at 1.69% per annum, renewing September 2024. Secured by property disclosed below and a guarantee from the Minister of the Department of Indigenous Services Canada, | 276,699 | 297,985 |
| CMHC mortgage repayable in monthly installments of \$2,299 including interest at 1.69% per annum, renewing September 2024. Secured by property disclosed below and a guarantee from the Minister of the Department of Indigenous Services Canada, | 173,872 | 198,311 |
| CMHC mortgage repayable in monthly installments of \$1,189 including interest at 2.49% per annum, renewing May 2023. Secured by property disclosed below and a guarantee from the Minister of the Department of Indigenous Services Canada, | 79,447 | 91,577 |
| CMHC mortgage repayable in monthly installments of \$2,231 including interest at 1.13% per annum, renewing June 2026. Secured by property disclosed below and a guarantee from the Minister of the Department of Indigenous Services Canada, | 336,967 | 360,094 |
| CMHC mortgage repayable in monthly installments of \$7,368 including interest at 0.76% per annum, renewing December 2025. Secured by property disclosed below and a guarantee from the Minister of the Department of Indigenous Services Canada, | 734,441 | 816,939 |
| | 6,587,129 | 7,349,781 |

The prime rate as at March 31, 2022 is 2.70% (2021 - 2.45%).

Frog Lake First Nation
Notes to the Consolidated Consolidated Financial Statements
For the year ended March 31, 2022

9. Long-term debt *(Continued from previous page)*

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

| | Principal |
|------------|-----------|
| 2023 | 1,246,178 |
| 2024 | 848,328 |
| 2025 | 846,563 |
| 2026 | 877,074 |
| 2027 | 878,727 |
| | <hr/> |
| | 4,696,870 |
| | <hr/> |
| Thereafter | 1,890,259 |

Interest on long-term debt amounted to \$263,110 (2021 - \$270,181).

The Royal Bank loans are secured by a General Security Agreement executed by the First Nation providing a charge over all assets; assignment of insurance; a First Nation council resolution authorizing assignment of \$820,000 annually in revenues from Frog Lake Energy Resources Corporation; directing minimum \$6,600,000 in funding from the First Nations Development Fund; directing Department of Indian Affairs and Northern Development to cover minimum of \$1,100,000 in cost overruns and any loan arrears from Capital Trust account.

Canada Mortgage and Housing Corporation ("CMHC") mortgages consists of Government of Canada ministerial guarantees. Included in Schedule 1, total Buildings of \$92,083,320 (2021 - \$91,202,638) are pledged as security for CMHC mortgages above.

The First Nation has a revolving line of credit with a limit of \$500,000. As at March 31, 2022, the First Nation has drawn \$nil (2021 - \$nil) on the revolving line of credit. The facility bears interest per annum at Royal Bank Prime plus 1.0% (2021 - 1.0%).

10. CMHC replacement reserve

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the Nation established the following:

- A replacement reserve, established by an annual allocation of \$nil (2021 - \$nil), to ensure replacement of buildings financed by CMHC. At March 31, 2022, \$nil (2021 - \$nil) has been set aside to fund this reserve. The unfunded portion at March 31, 2022 was \$718,503 (2021 - \$281,574).

In accordance with terms of the agreements, CMHC reserve moneys must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal. The First Nation is in violation of their agreement with CMHC. The possible effect of the violation has not yet been determined.

11. Contingencies

Frog Lake First Nation has been named as defendant in certain legal proceedings. The Nation is actively defending all lawsuits. Since the amount of loss, if any, cannot be reasonably estimated, no provision has been recorded in these financial statements. Should a loss be incurred, it will be expensed in the year the liability is determined.

Government contributions related to the projects of the Nation are subject to conditions regarding the expenditure of funds. The Nation's accounting records are subject to audit by the various funding agencies. Should any instances be identified in which the amounts charged to projects are not in accordance with the agreed terms and conditions, amounts would be refundable to the respective funding agencies. Adjustments to the financial statements as a result of these audits will be recorded in the period in which they become known.

Frog Lake First Nation
Notes to the Consolidated Consolidated Financial Statements
For the year ended March 31, 2022

12. Budget information

The budget reported in the financial statements was provided by management and approved by the Chief and Council of the Frog Lake First Nation on July 21, 2022.

13. Economic dependence

Frog Lake First Nation receives substantially all of its revenue from Indigenous Services Canada as a result of Treaties entered into with the Government of Canada. These treaties are administered by Indigenous Services Canada under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

14. Comparative figures

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

15. Significant event

During the prior year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses and organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID19 outbreak may have on the Nation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence.

These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Nation's operations and financial condition.