

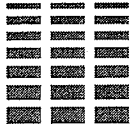
Attawapiskat First Nation
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2011 & 2010

ATTAWAPISKAT FIRST NATION

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YEARS ENDED MARCH 31, 2011 & 2010

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Attawapiskat First Nation.

We have audited the accompanying consolidated financial statements of Attawapiskat First Nation which comprise the consolidated statement of financial position as at March 31, 2011 and the consolidated statements of financial activities and accumulated surplus, changes in net debt and cash flows for the year then ended, and summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these consolidated financial statements in accordance with Canadian public sector 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.

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 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 auditor's judgment, 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting principles.

Ross, Pope & Company LLP

Timmins, Ontario
July 26, 2011

Ross, Pope & Company LLP
Chartered Accountants
Licensed Public Accountants

STATEMENT 1

Attawapiskat First Nation


CONSOLIDATED STATEMENT OF FINANCIAL POSITION

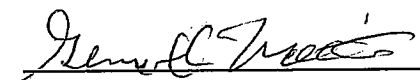
AS AT MARCH 31

| | 2011 | 2010 |
|--|----------------------|----------------------|
| FINANCIAL ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 373,514 | \$ 723,783 |
| Investments (market value \$160,599; Note 2) | 1 | 1 |
| Accounts receivable (Note 3) | 3,349,654 | 3,021,721 |
| Funding receivable | 3,143,671 | 1,768,795 |
| | 6,866,840 | 5,514,300 |
| Restricted cash - CMHC reserve fund (Note 8) | 5,426 | 162,937 |
| Funds held in trust - INAC (Note 4) | 174,682 | 168,266 |
| Long-term deposit (Note 5) | 200,000 | 200,000 |
| Long-term accounts receivable (Note 6) | 88,332 | 88,332 |
| TOTAL FINANCIAL ASSETS | 7,335,280 | 6,133,835 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Bank overdraft | \$ 2,448,279 | \$ - |
| Callable debt (Note 12) | 439,000 | 2,878,000 |
| Accounts payable and accrued liabilities | 7,125,744 | 6,952,930 |
| Due to related parties (Note 10) | 221,708 | 125,865 |
| Due to Attawapiskat Trust | - | 347,655 |
| Current portion of long-term debt (Note 13) | 599,706 | 774,099 |
| | 10,834,437 | 11,078,549 |
| Deferred revenue (Note 9) | 280,802 | 1,986,407 |
| Capital receipts overexpended (Note 11) | 953,478 | 953,478 |
| Long-term debt (Note 13) | 6,664,601 | 7,083,656 |
| TOTAL LIABILITIES | 18,733,318 | 21,102,090 |
| NET DEBT | (11,398,038) | (14,968,255) |
| NON-FINANCIAL ASSETS | | |
| Tangible capital assets (Notes 1 & Schedule A) | 71,264,811 | 72,172,185 |
| Inventories (Note 1) | 738,289 | 815,922 |
| Prepaid expenses | 81,066 | 36,527 |
| | 72,084,166 | 73,024,634 |
| ACCUMULATED SURPLUS (Note 22) | \$ 60,686,128 | \$ 58,056,379 |

CONTINGENCIES (Note 14)

Approved by:


Chief


Councillor

See accompanying notes.

STATEMENT 2

Attawapiskat First Nation

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES AND ACCUMULATED SURPLUS

YEARS ENDED MARCH 31

| | 2011 | 2010 |
|---|----------------------|----------------------|
| REVENUE | | |
| Indian and Northern Affairs Canada | | |
| Current year funding (Note 16) | \$ 17,064,573 | \$ 14,942,181 |
| Capital receipts overexpended - dike project (Note 11) | - | 1,624,871 |
| INAC hydro advances forgiven (Note 12) | - | 2,400,000 |
| | 17,064,573 | 18,967,052 |
| Health and Welfare Canada | 1,340,026 | 635,563 |
| Ontario First Nations Limited Partnership - Casino Rama | 3,401,784 | 742,599 |
| Province of Ontario | 4,730,435 | 4,543,274 |
| Contracting and user fees | 1,297,410 | 2,400,264 |
| Attawapiskat Trust distributions | 961,868 | 1,217,309 |
| Mushkegowuk Council | 270,493 | 162,629 |
| Canada Mortgage and Housing Corporation | 403,986 | 398,953 |
| Other | 4,844,313 | 4,194,053 |
| | 34,314,888 | 33,261,696 |
| EXPENDITURES | | |
| Administration | 3,290,047 | 4,222,240 |
| Amortization | 3,648,187 | 3,256,789 |
| Interest on long-term debt | 342,496 | 348,980 |
| Program delivery | 12,226,769 | 11,742,162 |
| Wages and employee benefits | 11,228,614 | 9,810,586 |
| Write down of accounts receivable | 438,734 | 1,142,600 |
| | 31,174,847 | 30,523,357 |
| ANNUAL SURPLUS | 3,140,041 | 2,738,339 |
| ACCUMULATED SURPLUS, beginning of year (Note 23) | 58,056,380 | 55,318,040 |
| REPAYABLE TO FUNDING AGENCIES | (510,293) | - |
| ACCUMULATED SURPLUS, end of year | \$ 60,686,128 | \$ 58,056,379 |

See accompanying notes.

STATEMENT 3

Attawapiskat First Nation

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

YEARS ENDED MARCH 31

| | 2011 | 2010 |
|---|------------------------|------------------------|
| ANNUAL SURPLUS | \$ 3,140,041 | \$ 2,738,339 |
| Acquisition of tangible capital assets | (2,740,812) | (5,198,074) |
| Disposal of tangible capital assets | - | 6,613 |
| Amortization of tangible capital assets | 3,648,187 | 3,256,789 |
| Decrease in inventories | 77,633 | 183,698 |
| Decrease (Increase) in prepaid expenses | (44,539) | 20,350 |
| | 940,469 | (1,730,624) |
| CHANGE IN NET DEBT | 4,080,510 | 1,007,715 |
| NET DEBT, BEGINNING OF YEAR | (14,968,255) | (15,975,970) |
| REPAYABLE TO FUNDING AGENCIES | (510,293) | - |
| NET DEBT, END OF YEAR | \$ (11,398,038) | \$ (14,968,255) |

See accompanying notes.

Attawapiskat First Nation

CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED MARCH 31

| | 2011 | 2010 |
|---|--------------------|--------------------|
| OPERATING ACTIVITIES | | |
| ANNUAL SURPLUS | \$ 3,140,041 | \$ 2,738,339 |
| ITEMS NOT AFFECTING CASH: | | |
| Amortization | 3,648,187 | 3,256,789 |
| DECREASE (INCREASE) IN: | | |
| Accounts receivable | (327,933) | 819,619 |
| INAC funding receivable | (1,374,876) | (997,870) |
| Inventories | 77,633 | 183,698 |
| Prepaid expenses | (44,539) | 20,351 |
| Restricted cash - CMHC reserve funds | 157,511 | 124,385 |
| Funds held in trust - INAC | (6,415) | (6,159) |
| Investments | - | 2,977 |
| Long-term accounts receivable | - | 35,723 |
| INCREASE (DECREASE) IN: | | |
| Accounts payable and accrued liabilities | 172,813 | (2,754,884) |
| Deferred revenue | (1,705,605) | 1,545,771 |
| Due to Attawapiskat Trust | (347,655) | 87,654 |
| Capital receipts overexpended | - | (1,423,870) |
| CASH PROVIDED BY OPERATING ACTIVITIES | 3,389,162 | 3,632,523 |
| FINANCING ACTIVITIES | | |
| Repayment of long-term debt | (593,448) | (787,412) |
| Proceeds (repayment) of demand loan | (2,439,000) | 1,014,094 |
| Due to INAC - forgiven | - | (2,400,000) |
| Advances from related parties (net) | 95,843 | - |
| Repayable to funding agencies | (510,293) | - |
| CASH USED IN FINANCING ACTIVITIES | (3,446,898) | (2,173,318) |
| INVESTING ACTIVITIES | | |
| Term deposits redeemed | - | 200,000 |
| Acquisition and construction of tangible capital assets | (2,740,812) | (5,198,074) |
| Proceeds on disposal of tangible capital assets | - | 6,613 |
| CASH USED IN INVESTING ACTIVITIES | (2,740,812) | (4,991,461) |
| CHANGE IN CASH | (2,798,548) | (3,532,256) |
| CASH, beginning of year | 723,783 | 3,076,957 |
| CASH, end of year | (2,074,765) | (455,299) |
| Cash | 373,514 | 723,783 |
| Cash (Overdraft) | (2,448,279) | - |
| Cash | \$ (2,074,765) | \$ 723,783 |
| SUPPLEMENTARY CASH FLOW INFORMATION: | | |
| Interest paid | \$ 342,496 | \$ 348,980 |

Attawapiskat First Nation

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2011 & 2010

NATURE OF ORGANIZATION

Attawapiskat First Nation is an Indian Band located in the James Bay Region of Northern Ontario.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are the representation of management and have been prepared properly and within reasonable limits of materiality in accordance with Canadian generally accepted accounting principles for First Nations as defined in the Year-end Reporting Handbook of the Department of Indian and Northern Affairs Canada, which requires adherence to the Public Sector Accounting Board accounting recommendations. Further, the financial statements are prepared on the going concern assumption that the organization will be able to realize its assets and discharge its liabilities in the normal course of business. Significant accounting policies are as follows:

(a) CONSOLIDATION

The consolidated financial statements include the accounts of the following separate legal entities:

- Attawapiskat First Nation Band
- Attawapiskat First Nation Education Authority
- Attawapiskat First Nation Maytawaywin Authority (Arena Gymnasium facility)
- Attawapiskat Development Corporation
- Attawapiskat Health Services Board
- Attawapiskat Power Corporation
- Attawapiskat Limited Partnership

Inter-entity transactions and balances have been eliminated.

In 2005, the First Nation assumed operation of community health services previously operated by Attawapiskat Health Services Board. As such, Attawapiskat Health Services Board reported no revenues or expenditures during the 2011 fiscal year.

In the current year, the consolidated financial statement does not include the consolidation of Attawapiskat Resources Inc., a specified business enterprise. As a result, a prior year adjustment was made to remove the prior year consolidating amounts of Attawapiskat Resources Inc. for comparative purposes. The effect of the prior period adjustment was a decrease in financial assets of \$2,153,085, decrease in liabilities of \$2,017,631, decrease in net debt of \$135,454, increase in non-financial assets of \$35,487, and decrease in opening accumulated surplus of \$99,967.

Attawapiskat Power Corporation is accounted for on the modified equity basis. The corporation's accounting principles are not adjusted to conform with those of the First Nation and inter-entity transactions and balances have not been eliminated.

(b) INVENTORIES

Inventories, comprised primarily of fuel stock and coarse aggregate stockpiles for resale and use in operations, are recorded at cost on a first in first out basis. Management expects inventory to be utilized in the 2012 fiscal year.

Attawapiskat First Nation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED MARCH 31, 2011 & 2010

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on the declining balance and straight line methods as follows:

| | |
|-------------------|---------------------|
| Land improvements | 15 years |
| Buildings | 10% & 20-40 years |
| Vehicles | 5-20 years |
| Equipment | 4-100% & 5-20 years |
| Roads | 80 years |
| Sewer and water | 50 years |

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

(d) 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 normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Debt for the year.

(e) ACCRUAL ACCOUNTING

The financial statements of the First Nation have been prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

(f) USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenue and expenditure during the period. Actual results could differ from these estimates.

(g) REVENUE RECOGNITION AND GOVERNMENT TRANSFERS

Revenues are recognized when they are earned, specifically, when all the following conditions are met: services are provided or products are delivered to residents or customers, there is clear evidence that an arrangement exists with funding providers, amounts are fixed or can be determined, and the ability to collect is reasonably assured.

Government transfers are recognized in the financial statements in the period in which the events giving rise to the transfer occur, eligibility criteria are met, and reasonable estimates of the amount can be made.

Government transfers and other revenues received for a specific purpose and unexpended at the year-end date are deferred in the accounts, reported as deferred revenue, and recognized as revenue in the period the corresponding expenditures occur or the unexpended transfers are repaid.

(h) FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Canadian Institute of Chartered Accountants (CICA) has issued a number of standards that are not yet effective. The First Nation expects no impact of these future standards on the financial statements.

Attawapiskat First Nation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED MARCH 31, 2011 & 2010

2. INVESTMENTS

Investments, carried at the lower of cost and market value consist of 4,269 common shares of Sunlife Financial Inc.

3. ACCOUNTS RECEIVABLE

Included in accounts receivable is \$17,604 (2010 - \$22,618) representing advances, net of allowances for doubtful accounts of \$272,138 (2010 - \$296,223), to and on behalf of employees and officers of the First Nation and consolidated entities. Management has collection procedures in place and expects the net balances to be repaid.

4. FUNDS HELD IN TRUST - INAC

Funds held in trust - INAC represents monies in the custody of Indian and Northern Affairs Canada. Any use of the funds must be approved by the First Nation membership and authorized by Indian and Northern Affairs Canada.

5. LONG-TERM DEPOSIT

Long-term deposit consists of a deposit requirement to the Independent Electricity System Operator by Attawapiskat Power Corporation.

6. LONG-TERM ACCOUNTS RECEIVABLE

Accounts receivable previously carried by Hydro One Remotes and paid by Attawapiskat First Nation as a condition of the transfer of electrical distribution assets from Hydro One Remotes is being collected by Attawapiskat Power Corporation. The arrears balances in excess of \$1,200 per customer have been classified as long-term to reflect the collection process utilized by the corporation.

7. BANK INDEBTEDNESS

The First Nation has available a credit facility agreement bearing interest at prime rate plus 2.75% with a borrowing limit of \$2,500,000. At the year-end date \$2,448,279 was utilized.

8. CMHC REPLACEMENT RESERVE FUNDS

Use of the CMHC reserve funds are restricted to the replacement and renovation of CMHC rental properties as directed by the Canada Mortgage and Housing Corporation. At the year-end date the respective monies on hand were not sufficient to meet the CMHC reserve fund requirements. The deficiency amounted to \$406,433.

Attawapiskat First Nation**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****YEARS ENDED MARCH 31, 2011 & 2010****9. DEFERRED REVENUE**

Deferred revenue consists of funding for capital and other projects received in the current and prior years for budgeted expenditures which were not incurred in the current and prior fiscal years and will be applied against the applicable future expenditures in the fiscal year incurred.

Details of the deferred revenue balance are as follows:

| | 2011 | 2010 |
|---|-------------------|---------------------|
| Economic Development Funding | \$ 33,821 | \$ 65,500 |
| Health Canada - Early Childhood Development | 93,981 | 93,981 |
| INAC - Infrastructure Programs | - | 1,242,943 |
| INAC - National Child Benefit | - | 258,121 |
| INAC - Education Facilities - Fit up | 153,000 | - |
| INAC - Parental and Community Involvement | - | 28,171 |
| INAC - Social Assistance Programs | - | 165,222 |
| Nishwabe Aski Nation Funding | - | 98,648 |
| Northwest Company rental deposit | - | 33,821 |
| | \$ 280,802 | \$ 1,986,407 |

10. DUE TO RELATED PARTIES

The balance consists of the following items. Amounts to/from consolidated entities relate to trade items in the normal course of operations.

| | |
|--|-------------------|
| ARC - Due from Attawapiskat First Nation Maytawaywin Authority | \$ 136,190 |
| ARC - Due to Attawapiskat First Nation Education Authority | (65,917) |
| ARI - Due from Attawapiskat First Nation | 843 |
| ARI - Due from Attawapiskat Development Corporation | 55,592 |
| AFN - Due from Attawapiskat Power Corporation | 95,000 |
| | \$ 221,708 |

The balance payable by Attawapiskat First Nation Maytawaywin Authority assumes that the committee will pay the outstanding trade payables of the same amount. The balance due to Attawapiskat First Nation Education Authority arose from payments made by the Education Authority for arena related expenditures after the committee assumed control of the arena facility.

The balance payable by Attawapiskat First Nation and Attawapiskat Development Corporation to Attawapiskat Resources Inc. assumes that the committees will pay the outstanding trade payable of the same amount.

The balance payable from Attawapiskat Power Corporation (APC) pertains to a discrepancy in consolidation periods between both entities. Figures consolidated for APC pertain to the year-end dated December 31, 2010 as opposed to March 31, 2011.

11. CAPITAL RECEIPTS OVEREXPENDED

Capital receipts overexpended relates to funds received in prior years from Indian and Northern Affairs Canada (INAC) for the development and construction of a protective flood dike. The project was suspended in progress in a prior year pending the resolution of funding matters and engineering and financial issues arising from cost overruns incurred under the original designs. As the funding related to the incomplete project has been expended, additional sources of financing will be required in order to complete the project. During the year, INAC and management undertook a review of the project which resulted in a reduction in the amount reported as overexpended and a corresponding increase to current year revenue.

Attawapiskat First Nation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED MARCH 31, 2011 & 2010

12. CALLABLE DEBT

Callable debt consists of a bank demand loan bearing interest at an rate of 1.75% above the bank prime rate.

13. LONG-TERM DEBT

| | 2011 | 2010 |
|---|--------------|--------------|
| BMO bank loan payable bearing interest at 6.47%, secured by a fixed and floating charge on a commercial complex, triplex, office complex, general assignment of book debts, and assignment of lease agreement, repayable at \$31,192 per month principal and interest, maturing April 2013. | \$ 1,409,762 | \$ 1,683,068 |
| BMO mortgage payable bearing interest at 4.76%, repaid during the year. | - | 50,159 |
| Great West Life mortgage payable bearing interest at 9.47%, repayable at \$4,424 per month principal and interest, secured by real property, maturing August 2019. | 313,751 | 336,773 |
| BMO loan relating to Peacekeepers facilities, bearing interest at 8.42%, repayable at \$1,648 per month principal and interest, secured by Band Council Resolution and property lease assignment, maturing October 2011. | 10,397 | 27,165 |
| Loan payable bearing interest at 2.9%, repaid during the year. | - | 8,586 |
| Wells Fargo capital lease relating to waste collection vehicle, bearing interest at 10.45%, repayable at \$3,306 per month principal and interest, maturing February 2013. | 69,683 | 97,126 |
| Wakenagun Community Futures Development Corporation loan bearing interest at 7.75%, secured by promissory note and a lien on specific equipment, repayable at \$1,519 per month principal and interest, maturing March 2010. | 152,184 | 152,184 |
| CMHC mortgage payable bearing interest at 3.98%, repayable at \$7,521 per month principal and interest, secured by real property, renewable March 2013, maturing February, 2033. | 1,326,143 | 1,363,539 |
| TD Canada Trust loan relating to fire protection equipment, bearing interest at the bank prime rate plus 1%, repayable at \$3,555 per month principal and interest, secured by Band Council Resolution, maturing May 2013. | 79,778 | 118,680 |
| CMHC mortgage payable bearing interest at 2.61%, repayable at \$6,149 per month principal and interest, secured by real property, renewable September 2014, maturing September 2034. | 1,298,949 | 1,338,615 |

Attawapiskat First Nation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED MARCH 31, 2011 & 2010

13. LONG-TERM DEBT (CONT'D)

| | 2011 | 2010 |
|--|---------------------|---------------------|
| CMHC mortgage payable bearing interest at 2.61%, repayable at \$3,401 per month principal and interest, secured by real property, renewable September 2014, maturing September 2034. | 718,161 | 740,111 |
| CMHC mortgage payable bearing interest at 2.86%, repayable at \$2,580 per month principal and interest, secured by real property, renewable August 2014, maturing July 2034. | 528,211 | 543,980 |
| CMHC mortgage payable bearing interest at 2.86%, repayable at \$6,626 per month principal and interest, secured by real property, renewable August 2014, maturing July 2034. | 1,357,288 | 1,397,769 |
| | 7,264,307 | 7,857,755 |
| Less: Current portion | 599,706 | 774,099 |
| | \$ 6,664,601 | \$ 7,083,656 |

Principal portion of the credit facilities due in the next five years and thereafter are approximately as follows:

| | | |
|------------|-----------|------------------|
| 2012 | \$ | 599,706 |
| 2013 | | 590,586 |
| 2014 | | 530,099 |
| 2015 | | 570,075 |
| 2016 | | 439,374 |
| Thereafter | | 4,534,467 |
| | \$ | 7,264,307 |

14. CONTINGENCIES

The First Nation is involved in claims and potential claims arising in the normal course of operations. Any settlements, awards or determination of loss will be reflected in the accounts as the matters are resolved.

15. ECONOMIC DEPENDENCE

The First Nation receives 49.7% (2010 - 54.6%) of its revenues pursuant to funding arrangements with Indian and Northern Affairs Canada and 12.7% (2010 - 13.3%) of its revenues pursuant to funding arrangements with the Province of Ontario. The continuation of the organization is dependent on this funding.

Attawapiskat First Nation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED MARCH 31, 2011 & 2010

16. DISTRIBUTION FROM ONTARIO FIRST NATIONS LIMITED PARTNERSHIP

The First Nation is entitled to a percentage of net revenues earned at the Casino Rama gaming facility located near Orillia, Ontario. Net revenues are distributed in accordance with a formula agreed to by the participating First Nation Bands, which are located in the Province of Ontario. The First Nation's policy as ratified by Council is to appropriate any annual surplus in the Casino Rama Program Fund to a Casino Rama Fund.

17. FINANCIAL INSTRUMENTS

(a) Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The First Nation is exposed to credit risk from members and customers. In order to reduce its credit risk, the First Nation reviews a new member/customer's history before extending credit and conducts regular reviews of its existing member/customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The First Nation has a significant number of member/customers which minimizes concentration of credit risk.

(b) Fair Value

The financial instruments consist of cash, investments, accounts receivable, INAC funding receivable, callable debt, accounts payable and accrued liabilities, due to INAC, due to Attawapiskat Trust and related party balances. Except for related party balances and investments, fair value approximates carrying value due to the immediate or short term maturity of these instruments. The fair value of the amounts of related party balances are less than carrying value, as the amounts are non-interest bearing. As the amounts have no terms of repayment, the fair value cannot be calculated with any degree of certainty. The fair value of investments, which are carried at cost, is their market value.

18. BUDGET FIGURES

Budget figures have not been presented as the information was not available from the management of certain entities.

19. COMPARATIVE FIGURES

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

20. CAPITAL MANAGEMENT AND GOING CONCERN

The First Nation's objectives when managing capital, which is comprised of its accumulated surplus and net long-term debt, are to continue as a going concern to protect its ability to meet its ongoing liabilities. At the year-end date the First Nation had a working capital deficiency of \$3,967,597 (2010 - \$5,564,249) and a Net Debt of \$11,398,038 (2010 - \$14,968,255). At the date of these financial statements the First Nation was operating under a co-management arrangement with a Remedial Management Plan under discussion with Chief and Council and INAC. The ability of the First Nation to continue as a going concern is dependent on its ability to reduce its Net Debt and working capital deficiency.

Attawapiskat First Nation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED MARCH 31, 2011 & 2010

21. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

Generally accepted accounting principles require the disclosure of the net present value of landfill closure and post-closure care expenditures. Accounts payable and accrued liabilities includes \$30,000 in respect of landfill closure and post-closure expenditures.

Closure involves capping the site with a compacted impermeable clay layer, a layer of topsoil, the re-introduction of a vegetative cover and the construction of surface drainage controls. Post-closure care will involve routine inspections, cap maintenance, and ground water sampling and analysis, if applicable. The reported liability is based on estimates and assumptions using information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, if and when applicable.

22. ACCUMULATED SURPLUS

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets as follows:

| | 2011 | 2010 (Restated) |
|-----------------------------------|----------------------|----------------------|
| Unrestricted Deficit | \$ (1,340,609) | \$ (2,054,532) |
| Restrictive surplus | | |
| INAC - Trust Fund | 174,682 | 168,266 |
| Rama - Equity | 563,306 | 670,054 |
| CMHC Replacement Reserve | 411,859 | 359,559 |
| Repayable to funding agencies | (510,293) | - |
| Equity in tangible capital assets | 61,387,183 | 58,913,032 |
| | \$ 60,686,128 | \$ 58,056,379 |

ATTAWAPISKAT FIRST NATION

SCHEDULE OF TANGIBLE CAPITAL ASSETS

YEARS ENDED MARCH 31

| | General Capital Assets | | | | | Infrastructure | | | Totals | |
|--|------------------------|----------------------|------------------------|-------------------------------|-------------------|---------------------|----------------------------|----------------------|----------------------|----------------------|
| | Land Improvements | Buildings | Educational Facilities | Teachorage Housing Facilities | Vehicles | Equipment and other | Roads, Streets and Bridges | Water and Sewer | 2011 | 2010 |
| Cost | | | | | | | | | | |
| Opening costs | \$ 1,318,798 | \$ 42,803,272 | \$ 16,438,384 | \$ 3,366,744 | \$ 1,008,361 | \$ 6,374,659 | \$ 15,077,035 | \$ 19,532,790 | \$ 105,920,043 | \$ 100,730,637 |
| Additions during the year | 569,759 | 1,680,862 | 13,315 | 22,073 | - | 262,859 | - | 191,947 | 2,740,815 | 5,196,019 |
| Disposals and write downs | - | - | - | - | - | - | - | - | - | (6,613) |
| Closing costs | 1,888,557 | 44,484,134 | 16,451,699 | 3,388,817 | 1,008,361 | 6,637,518 | 15,077,035 | 19,724,737 | 108,660,858 | 105,920,043 |
| Accumulated Amortization | | | | | | | | | | |
| | 123,914 | 13,688,515 | 9,173,866 | 2,284,181 | 623,657 | 2,279,573 | 1,294,125 | 4,280,027 | 33,747,858 | 30,491,069 |
| | 123,786 | 1,380,630 | 782,860 | 169,441 | 76,116 | 532,252 | 188,435 | 394,669 | 3,648,189 | 3,256,789 |
| Closing accumulated amortization | 247,700 | 15,069,145 | 9,956,726 | 2,453,622 | 699,773 | 2,811,825 | 1,482,560 | 4,674,696 | 37,396,047 | 33,747,858 |
| Net Book Value of Tangible Capital Assets | \$ 1,640,857 | \$ 29,414,989 | \$ 6,494,973 | \$ 935,195 | \$ 308,588 | \$ 3,825,693 | \$ 13,594,475 | \$ 15,050,041 | \$ 71,264,811 | \$ 72,172,185 |