

Algonquin Treaty Negotiation Funding Trust

Financial Statements

For the year ended 31 March 2012

**Wilfred J. Lamb**  
**CHARTERED ACCOUNTANT**

11 Humphrey Way  
Kanata, On K2L 2S9

Tel (613) 836-6618

INDEPENDENT AUDITORS' REPORT

To the members of,  
Algonquin Treaty Negotiation Funding Trust.

I have audited the accompanying financial statements of the Algonquin Treaty Negotiation Funding Trust, which comprise the balance sheet as at 31 March 2012, and the statements of revenue and expenses for the Workplan, Negotiation Preparedness Initiative, Gathering Strength - Reorientation of Self Government, Consultation Program, Enrolment, Agreement in Principal Ratification Process and Other Funding 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 financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

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

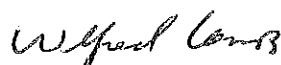
*Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Algonquin Treaty Negotiation Funding Trust as at 31 March 2012, and the results of its operations for the year then ended in accordance with Canadian accounting standards for private enterprises.

*Comparative information*

Without modifying my opinion, I draw attention to Note 9 to the financial statements which mentions that the Algonquin Treaty Negotiation Funding Trust adopted Canadian accounting standards for private enterprises on 1 April 2011 with a transition date of 1 April 2010. These standards were applied retrospectively by management to the comparative information in these financial statements including the balance sheets as at 31 March 2011 and 1 April 2010 and the statements of revenue and expenses for the year ended 31 March 2011 and related disclosures. I was not engaged to report on the restated comparative information, and as such, it is unaudited.

KANATA, ONTARIO.  
6 July 2012.

  
**Wilfred Lamb,**  
Licensed Public Accountant.

Algonquin Treaty Negotiation Funding Trust

Balance Sheet

As at 31 March 2012

(with 2011 figures for comparison)

|   | <u>2012</u>                 | <u>2011</u>                 |
|---|-----------------------------|-----------------------------|
| <u>ASSETS</u>   |                             |                             |
| Current:  |                             |                             |
| Cash in trust account                                       | \$ 1,016,524                | \$ 868,472                  |
| Funding receivables   | 106,172                     | 278,400                     |
| Due from Algonquin Opportunity (No. 1) Corporation (Note 4) | 23,942                      | 5,915                       |
| Due from Algonquin Opportunity (No. 2) Corporation (Note 4) | <u>                    </u> | <u>22,439</u>               |
|   | <u>\$ 1,146,638</u>         | <u>\$ 1,175,226</u>         |
| <u>LIABILITIES AND DEFICIT</u>                              |                             |                             |
| Current liabilities:  |                             |                             |
| Accounts payable and accrued liabilities                    | \$ 844,522                  | \$ 691,374                  |
| Due to Indian and Northern Affairs Canada                   | 178,039                     | 33,396                      |
| Due to Province of Ontario                                  | 57,727                      | 14,738                      |
| Deferred revenue (Note 5)                                   | 61,617                      | 435,718                     |
| Due to Algonquin Opportunity (No. 2) Corporation (Note 4)   | <u>4,733</u>                | <u>                    </u> |
|   | \$ 1,146,638                | \$ 1,175,226                |
| Long term debt:   |                             |                             |
| Loan payable (Note 6)                                       | <u>13,774,549</u>           | <u>11,752,588</u>           |
|   | <u>\$ 14,921,187</u>        | <u>\$ 12,927,814</u>        |
| Deficit:  |                             |                             |
| Deficit at the beginning of the year                        | \$ (11,752,588)             | \$ (9,785,985)              |
| Deficiency of revenue over expenses for the year            | <u>(2,021,961)</u>          | <u>(1,966,603)</u>          |
| Deficit at the end of the year                              | <u>\$ (13,774,549)</u>      | <u>\$ (11,752,588)</u>      |
|   | <u>\$ 1,146,638</u>         | <u>\$ 1,175,226</u>         |

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

WorkPlan

Statement of Revenue and Expenses

For the year ended 31 March 2012

(with 2012 budget and 2011 actual figures for comparison)

|  | <u>2012<br/>Budget</u> | <u>2012<br/>INAC Actual</u> | <u>2012<br/>MAA Actual</u> | <u>2011<br/>Actual</u> |
|--|------------------------|-----------------------------|----------------------------|------------------------|
| Revenue:   |                        |                             |                            |                        |
| Ministry of Aboriginal Affairs                   | \$ <u>704,420</u>      | \$ <u>-</u>                 | \$ <u>704,420</u>          | \$ <u>729,000</u>      |
| Expenses:  |                        |                             |                            |                        |
| Accounting and reporting                         | \$ 97,000              | \$ 49,529                   | \$ 57,000                  | \$ 91,948              |
| Accommodations and meals                         | 174,386                | 74,077                      | 22,500                     | 146,819                |
| Administrative support                           | 249,600                | 182,393                     | 54,293                     | 217,201                |
| Archaeologist                                    | 10,000                 |                             | 10,000                     | 6,475                  |
| Audit  | 7,100                  | 7,100                       |                            | 5,000                  |
| Consultation office - overhead                   | 182,250                | 198,489                     |                            | 207,948                |
| - rent   | 90,000                 |                             | 84,467                     | 81,886                 |
| Consultants                                      | 118,364                | 54,958                      |                            | 169,841                |
| Election process                                 | 35,000                 |                             | 34,898                     |                        |
| Enrolment  | 10,000                 |                             | 10,000                     | 34,931                 |
| Executive director                               | 105,000                | 9,537                       | 92,800                     | 46,274                 |
| Forestry specialist                              | 65,000                 |                             | 65,495                     | 7,500                  |
| Legal  | 227,170                | 119,887                     | 85,000                     | 210,130                |
| Newsletters                                      | 23,500                 |                             |                            | 11,520                 |
| Principal negotiator and senior legal counsel    | 494,550                | 407,642                     | 74,476                     | 461,003                |
| Remuneration                                     | 848,000                | 790,400                     | 57,600                     | 832,000                |
| Travel - meetings                                | 145,000                | 127,949                     | 35,723                     | 145,127                |
| - community                                      | <u>22,500</u>          | <u></u>                     | <u>20,168</u>              | <u>20,000</u>          |
|  | \$ <u>2,904,420</u>    | \$ <u>2,021,961</u>         | \$ <u>704,420</u>          | \$ <u>2,695,603</u>    |
| Deficiency of revenue over expenses for the year | \$ <u>(2,200,000)</u>  | \$ <u>(2,021,961)</u>       | \$ <u>-</u>                | \$ <u>(1,966,603)</u>  |

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Negotiation Preparedness Initiative

Statement of Revenue and Expenses

For the year ended 31 March 2012

(with 2012 budget and 2011 actual figures for comparison)

|  | <u>2012<br/>Budget</u> | <u>2012<br/>Actual</u> | <u>2011<br/>Actual</u> |
|--|------------------------|------------------------|------------------------|
| Revenue:                                     |                        |                        |                        |
| Indian and Northern Affairs Canada           | \$ <u>670,000</u>      | \$ <u>670,000</u>      | \$ <u>700,000</u>      |
| Expenses:                                    |                        |                        |                        |
| Accounting and reporting services            | \$ 38,500              | \$ 38,500              | \$ 26,000              |
| Archaeologist                                | 15,000                 | 5,338                  |                        |
| Audit  | 1,500                  | 1,500                  | 1,500                  |
| Consultants                                  | 214,000                | 234,041                | 189,251                |
| Consultation office - overhead               | 41,710                 | 53,201                 | 21,913                 |
| - rent                                       | 100,000                | 99,257                 | 100,000                |
| - salaries                                   | 48,290                 | 47,400                 | 52,462                 |
| - training                                   | 10,000                 | 10,000                 | 25,625                 |
| Community travel                             | 25,000                 | 6,168                  | 6,450                  |
| Elders                                       | 75,000                 | 75,000                 | 110,713                |
| Election process                             | 20,000                 | 20,000                 |                        |
| Legal  | 62,500                 | 62,500                 | 122,404                |
| Rockcliffe Development                       | <u>18,500</u>          | <u>17,095</u>          | <u>43,682</u>          |
|  | \$ <u>670,000</u>      | \$ <u>670,000</u>      | \$ <u>700,000</u>      |
| Excess of revenue over expenses for the year | \$ <u>-</u>            | \$ <u>-</u>            | \$ <u>-</u>            |

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust  
Gathering Strength - Re-Orientation of Self Government  
Statement of Revenue and Expenses  
For the year ended 31 March 2012  
(with 2012 budget and 2011 actual figures for comparison)

|   | <u>2012</u><br><u>Budget</u> | <u>2012</u><br><u>Actual</u> | <u>2011</u><br><u>Actual</u> |
|---|------------------------------|------------------------------|------------------------------|
| Revenue:                                      |                              |                              |                              |
| Indian and Northern Affairs Canada            | \$ 293,306                   | \$ 293,306                   | \$ 344,000                   |
| Expenses:                                     |                              |                              |                              |
| Accounting and reporting services             | \$ 37,306                    | \$ 47,273                    | \$ 37,055                    |
| Audit   | 1,000                        | 1,000                        | 2,000                        |
| Capacity building                             | 75,000                       | 64,324                       | 60,118                       |
| Consultants                                   | 8,000                        | 14,727                       |                              |
| Communications                                | 10,000                       |                              | 3,561                        |
| Community meetings                            | 10,000                       | 9,103                        | 9,969                        |
| Elders  | 75,000                       | 73,986                       | 75,000                       |
| Election process                              |                              |                              | 40,000                       |
| Legal   | 7,500                        | 7,923                        |                              |
| Nation Gathering                              | 17,000                       | 20,824                       | 23,871                       |
| Newsletters                                   | 42,500                       | 44,146                       | 42,501                       |
| Principal negotiator and senior legal counsel | 10,000                       | 10,000                       | 49,925                       |
|   | <u>\$ 293,306</u>            | <u>\$ 293,306</u>            | <u>\$ 344,000</u>            |
| Excess of revenue over expenses for the year  | <u>\$ -</u>                  | <u>\$ -</u>                  | <u>\$ -</u>                  |

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Consultation Program

Statement of Revenue and Expenses

For the year ended 31 March 2012

(with 2012 budget and 2011 actual figures for comparison)

|   | <u>2012<br/>Budget</u> | <u>2012<br/>Actual</u> | <u>2011<br/>Actual</u> |
|---|------------------------|------------------------|------------------------|
| Revenue:                                      |                        |                        |                        |
| Ministry of Aboriginal Affairs                | \$ 463,422             | \$ 463,422             | \$ 454,999             |
| Expenses:                                     |                        |                        |                        |
| Accounting and reporting services             | \$ 35,000              | \$ 35,000              | \$ 33,684              |
| Audit   | 2,000                  | 2,000                  | 1,800                  |
| Biologist                                     | 61,850                 | 51,016                 | 52,065                 |
| Consultants                                   | 157,500                | 139,253                | 217,500                |
| Consultation office - overhead                | 8,665                  | 19,178                 |                        |
| - rent  | 18,921                 | 18,921                 | 12,435                 |
| - salaries                                    | 4,425                  | 4,426                  |                        |
| - training                                    | 12,231                 | 16,804                 |                        |
| Elders  | 50,000                 | 50,000                 | 30,398                 |
| Enrolment                                     | 10,000                 | 23,994                 | 57,117                 |
| Legal   | 52,830                 | 52,830                 | 50,000                 |
| Principal negotiator and senior legal counsel | 50,000                 | 50,000                 |                        |
|   | <u>\$ 463,422</u>      | <u>\$ 463,422</u>      | <u>\$ 454,999</u>      |
| Excess of revenue over expenses for the year  | <u>\$ -</u>            | <u>\$ -</u>            | <u>\$ -</u>            |

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Enrolment

Statement of Revenue and Expenses

For the year ended 31 March 2012

(with 2012 budget and 2011 actual figures for comparison)

|  | <u>2012<br/>Budget</u>   | <u>2012<br/>Actual</u>   | <u>2011<br/>Actual</u>   |
|--|--------------------------|--------------------------|--------------------------|
| Revenue:                                     |                          |                          |                          |
| Indian and Northern Affairs Canada           | <u>\$        60,000</u>  | <u>\$        60,000</u>  | <u>\$       150,000</u>  |
| Expenses:                                    |                          |                          |                          |
| Accounting and reporting services            |                          |                          | \$       20,000          |
| Audit  |                          |                          | 800                      |
| Enrolment                                    | <u>\$        60,000</u>  | <u>\$        60,000</u>  | <u>      129,200</u>     |
|  | <u>\$        60,000</u>  | <u>\$        60,000</u>  | <u>\$       150,000</u>  |
| Excess of revenue over expenses for the year | <u>\$              -</u> | <u>\$              -</u> | <u>\$              -</u> |

(See accompanying notes)



Algonquin Treaty Negotiation Funding Trust

Agreement In Principal Ratification Process

Statement of Revenue and Expenses

For the year ended 31 March 2012

(with 2012 budget and 2011 actual figures for comparison)

|  | <u>2012</u><br><u>Budget</u> | <u>2012</u><br><u>Actual</u> | <u>2011</u><br><u>Actual</u> |
|--|------------------------------|------------------------------|------------------------------|
| Revenue:                                     |                              |                              |                              |
| Indian and Northern Affairs Canada           | \$ 400,000                   |                              | \$ 400,000                   |
| Ministry of Aboriginal Affairs               | <u>783,104</u>               | <u>\$ 445,374</u>            | <u>16,899</u>                |
|  | <u>\$ 1,183,104</u>          | <u>\$ 445,374</u>            | <u>\$ 416,899</u>            |
| Expenses:                                    |                              |                              |                              |
| Ratification Process:                        |                              |                              |                              |
| Officers                                     | \$ 50,000                    |                              |                              |
| Material                                     | 50,000                       |                              |                              |
| Liaison support                              | 115,169                      | \$ 65,909                    | \$ 119,986                   |
| Polling station                              | 5,000                        |                              |                              |
| Professional services                        | 255,546                      | 139,423                      | 136,628                      |
| Security                                     | 9,000                        |                              |                              |
| Vote manager                                 | 62,150                       |                              |                              |
| Vote manager travel                          | 20,000                       |                              |                              |
| Communications:                              |                              |                              |                              |
| External communications                      | 80,014                       | 11,933                       | 12,048                       |
| Mail outs                                    | 33,035                       | 11,456                       | 38,750                       |
| Administration:                              |                              |                              |                              |
| Administration                               | 77,870                       | 29,356                       | 31,042                       |
| Chair  | 58,050                       | 24,975                       | 21,150                       |
| Clerical                                     | 40,199                       | 20,199                       | 11,781                       |
| Review committee members                     | 70,740                       | 13,076                       | 12,641                       |
| Debriefing                                   | 5,000                        |                              |                              |
| Equipment                                    | 24,821                       | 8,153                        | 13,237                       |
| Other  | 5,884                        | 884                          | 1,968                        |
| Review committee                             | 208,755                      | 118,139                      | 11,979                       |
| Travel                                       | <u>11,871</u>                | <u>1,871</u>                 | <u>5,689</u>                 |
|  | <u>\$ 1,183,104</u>          | <u>\$ 445,374</u>            | <u>\$ 416,899</u>            |
| Excess of revenue over expenses for the year | <u>\$ -</u>                  | <u>\$ -</u>                  | <u>\$ -</u>                  |

(See accompanying notes)

Algonquin Treaty Negotiation Funding Trust

Other Funding

Statement of Revenue and Expenses

For the year ended 31 March 2012

(with 2012 budget and 2011 actual figures for comparison)

|  | <u>2012<br/>Budget</u>      | <u>2012<br/>Actual</u>      | <u>2011<br/>Actual</u> |
|--|-----------------------------|-----------------------------|------------------------|
| Revenue:                                     |                             |                             |                        |
| First Nickle - private funding               |                             |                             | \$ 554                 |
| Ministry of Natural Resources                | <u>\$ 80,000</u>            | <u>\$ 80,000</u>            | <u>98,491</u>          |
|  | <u>\$ 80,000</u>            | <u>\$ 80,000</u>            | <u>\$ 99,045</u>       |
| Expenses:                                    |                             |                             |                        |
| Algonquin Harvest                            | \$ 80,000                   | \$ 80,000                   | \$ 79,508              |
| First Nickle                                 |                             |                             | 554                    |
| Frontenac Ventures                           | <u>                    </u> | <u>                    </u> | <u>18,983</u>          |
|  | <u>\$ 80,000</u>            | <u>\$ 80,000</u>            | <u>\$ 99,045</u>       |
| Excess of revenue over expenses for the year | <u>\$ -</u>                 | <u>\$ -</u>                 | <u>\$ -</u>            |

(See accompanying notes)

## Algonquin Treaty Negotiation Funding Trust

### Notes to the Financial Statements

For the year ended 31 March 2012

#### 1. NATURE OF THE TRUST

The Algonquin Treaty Negotiation Funding Trust was created 20 December 2005. The objective of the Trust is to facilitate the negotiations for claim agreements with the Crown. The Trust is overseen by sixteen elected individuals from ten Algonquin communities, three of whom are appointed as trustees.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Accounting Standards for Private Enterprises and include the following significant accounting policies:

a) Basis of accounting:

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or legal obligation to pay.

b) Use of estimates:

The preparation of financial statements in accordance with Canadian accounting standards for private enterprises requires the Trust's management to make estimates that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

#### 3. FINANCIAL INSTRUMENTS

Where not disclosed, the carrying amount of the Trust's financial instruments, being cash in trust account, funding receivables, due from Algonquin Opportunity (No.1) Corporation, accounts payable and accrued liabilities, due to Algonquin Opportunity (No.2) Corporation, due to Indian and Northern Affairs Canada and due to Province of Ontario, approximates their fair values, except where fair values are not readily obtainable. Unless otherwise noted, it is management's opinion that the Trust is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

Risks and concentrations:

The following analysis provides a measure of the Trust's risk exposure at the balance sheet date, 31 March 2012.

Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with the financial liabilities. The Trust is exposed to this risk mainly in respect of its accounts payable and due to Algonquin Opportunity (No.2) Corporation.

Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Trust's main credit risks relate to the amounts due from Algonquin Opportunity (No.1) Corporation. The Trust provides credit in the normal course of its operations.

Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Trust is not exposed to any significant market risks.

Algonquin Treaty Negotiation Funding Trust

Notes to the Financial Statements

For the year ended 31 March 2012

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust is not exposed to any significant interest risks.

4. RELATED PARTY TRANSACTIONS

The Algonquin Treaty Negotiation Funding Trust provided funding to cover costs of assisting the operations of the Algonquin Treaty Negotiation Funding Trust operating within Algonquin Opportunity (No. 2) Corporation. The total funding provided for in 2012 was \$ 355,359 (2011 - \$ 301,922).

The Algonquin Treaty Negotiation Funding Trust provided working capital to operations of Algonquin Opportunity (No. 1) Corporation.

The amounts due from both Corporations are interest free and have no specific repayment terms. The results of Algonquin Opportunity (No. 2) Corporation are consolidated with the Algonquin Treaty Negotiation Funding Trust for reporting purposes under the funding program.

Algonquin Opportunity (No. 2) Corporation and Algonquin Opportunity (No. 1) Corporation are 100% owned by the Algonquins of Ontario Opportunities Funding Trust which is controlled by the members of the Algonquin Treaty Negotiation Funding Trust.

5. DEFERRED REVENUE

The Trust has received funding in advance to be applied to expenditures of subsequent years as follows:

|                  | <u>2012</u>      | <u>2011</u>       |
|------------------|------------------|-------------------|
| Native values    | \$ 18,517        | \$ 23,517         |
| Forestry         | 9,000            |                   |
| Ratification     |                  | 383,101           |
| Nation Gathering | <u>34,100</u>    | <u>29,100</u>     |
|                  | <u>\$ 61,617</u> | <u>\$ 435,718</u> |

6. LOAN PAYABLE

Loan payable represents advances from the Indian and Northern Affairs Canada for the purpose of financing costs incurred in the negotiations of claim agreements. The loans are to be deemed advances on an eventual claim settlement.

Total advances in the year amounted to \$ 2,021,961. Loans will be interest free until the earliest of:

- 1) The date such advances become due;
- 2) The actual claims settlement date;
- 3) The date of demand by the Minister in event of a default having occurred.

Interest rates on advances bear interest rates equal to rates payable by Crown Corporations on loans from the consolidated revenue fund for a term of years equal to the term of years between the cheque issue date for the advance and the due date of the advance.

|                                      | <u>2012</u>          | <u>2011</u>          |
|--------------------------------------|----------------------|----------------------|
| Balance at the beginning of the year | \$ 11,752,588        | \$ 9,785,985         |
| Advances in current year on Workplan | <u>2,021,961</u>     | <u>1,966,603</u>     |
| Balance at the end of the year       | <u>\$ 13,774,549</u> | <u>\$ 11,752,588</u> |

Algonquin Treaty Negotiation Funding Trust

Notes to the Financial Statements

For the year ended 31 March 2012

7. ECONOMIC DEPENDENCE

The Trust is dependent on the Government of Ontario and the Indian and Northern Affairs for 100% of its revenue.

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

9. IMPACT ON THE CHANGE IN THE BASIS OF ACCOUNTING

The Trust has elected to apply the standards in Part II of the CICA Handbook - Accounting, Canadian accounting standards for private enterprises.

These financial statements are the first financial statements prepared in accordance with Canadian accounting standards for private enterprises, hereafter referred to as "ASPE."

The financial statements for the year ended 31 March 2012 were prepared in accordance with the accounting principles described and the provisions set out in Section 1500, First time Adoption, of CICA Handbook - Accounting for first time adopters of this basis of accounting.

|  | Balance Sheet as at<br>1 April 2010<br>Based on Previous<br>Financial Statements | Changes in<br>Retained Earnings | Balance Sheet as at<br>1 April 2010<br>in Accordance with<br>ASPE |
|--|--|---------------------------------|---|
| <u>ASSETS</u>  |  |                                 |   |
| Current assets:                                      |  |                                 |   |
| Cash in trust account                                | \$ 368,056   | \$ -                            | \$ 368,056  |
| Funding receivables                                  | 400,960  |                                 | 400,960   |
| Due from Algonquin Opportunity (No.2)<br>Corporation | 6,682  |                                 | 6,682   |
|  | <u>\$ 775,698</u>  | <u>\$ -</u>                     | <u>\$ 775,698</u>   |
| <u>LIABILITIES</u>                                   |  |                                 |   |
| Current liabilities:                                 |  |                                 |   |
| Accounts payable and accrued liabilities             | \$ 735,683   | \$ -                            | \$ 735,683  |
| Due to Indian and Northern Affairs Canada            | 40,015   |                                 | 40,015  |
|  | <u>\$ 775,698</u>  | <u>\$ -</u>                     | <u>\$ 775,698</u>   |
| Long term debt:                                      |  |                                 |   |
| Loan payable   | 9,785,985  |                                 | 9,785,985   |
|  | <u>\$ 10,561,683</u>   | <u>\$ -</u>                     | <u>\$ 10,561,683</u>  |
| <u>DEFICIT</u>                                       |  |                                 |   |
| Deficit  | <u>\$ (9,785,985)</u>  | <u>\$ -</u>                     | <u>\$ (9,785,985)</u>   |
|  | <u>\$ 775,698</u>  | <u>\$ -</u>                     | <u>\$ 775,698</u>   |

10. STATEMENT OF CASH FLOW

A cash flow statement has not been included as the required cash flow information is readily apparent from the other financial statements.

**Wilfred J. Lamb**  
CHARTERED ACCOUNTANT

11 Humphrey Way  
Kanata, Ontario  
K2L 2S9

Tel (613) 836-6618  
Fax (613) 591-6061

July 6, 2012

Trustees  
Algonquin Treaty Negotiation Funding Trust  
c/o MacKillican & Associates  
252 Raglan Street South  
Renfrew, ON K7V 4A6

Re Audit of 2012 financial statements

Dears Sirs,

The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters to communicate. Accordingly, my audit would not usually identify all such matters that may be of interest to management in discharging its responsibilities and it is inappropriate to conclude that no such matters exist.

During the course of my audit of the financial statements for the year ended March 31, 2012, I did not identify any of the following matters; misstatements other than trivial errors; fraud; misstatements that may cause future financial statements to be materially misstated; illegal or possibly illegal acts, other than ones considered inconsequential; or significant weaknesses in internal control.

I would like to express my appreciation for the co-operation and assistance which I received during the course of my audit from the staff at MacKillican & Associates.

This communication is prepared solely for the information of management and is not intended for any other purpose. I accept no responsibility to a third party who uses this communication.

Yours truly

  
Wilfred Lamb