FIRST PEOPLES
economic growth fund

2010-11 Annual Report

Table of Contents

On behalf of Premier Selinger and my colleagues in government, I want to recognize the continuing progress and accomplishments of the First Peoples Economic Growth Fund (FPEGF).

Aboriginal economic development and the health of rural and Northern Manitoba communities are vital to our province's future. Your fund is making it possible for Aboriginal companies and entrepreneurs to succeed in this challenging economy. Through strategic support services and a broad range of financing programs, the First Peoples Economic Growth Fund is helping groom the Aboriginal business leaders and role models of tomorrow.

Aboriginal entrepreneurship has a bright future in this province. Best wishes on many more successful years helping First Peoples' businesses thrive.

Eric Robinson, Minister
Manitoba Aboriginal and
Northern Affairs

Manitoba

On behalf of the Assembly of Manitoba Chiefs, I would like to extend my sincerest congratulations to the First Peoples Economic Growth Fund (FPEGF) on its continued success in promoting First Nations entrepreneurship and economic development in Manitoba.

Economic development is the key to success for our communities. By supporting economic ventures, FPEGF contributes to a better future for our people.

Partnership and relationship-building are the keys to FPEGF's success as it continues to work with the Assembly of Manitoba Chiefs and the Province of Manitoba. This coming year the Fund will be evaluated as per the original Memorandum of Understanding, and First Nations will be solicited for their input. We are confident that this evaluation will give us the detailed and valuable information the Fund needs to continue to develop in the direction that is important to First Nations.

I would also like to acknowledge the FPEGF board and staff whose dedication and commitment have contributed to the success of the Fund since its establishment in 2007.

First Peoples Economic Growth Fund is a support to the First Nations business community and it is critical to continue working together to ensure success.

Ekosani, Meegwetch, Mahsee Cho, Wopida, Thank You,

Ron Evans, Grand Chief
Assembly of Manitoba Chiefs

Background of FPEGF Inc.

A joint economic development initiative between the Manitoba government and the Assembly of Manitoba Chiefs (AMC) saw the creation of First Peoples Economic Growth Fund Inc.

First Peoples Economic Growth Fund Inc. (FPEGF) is an organization with the mandate to provide financing to support Manitoba First Nation business proposals that are economically viable.

The unique aspect of FPEGF is that it can provide a variety of support for First Nation-owned businesses through a diverse portfolio of programs. FPEGF may provide financing for business development and support in the following areas:

Financing Programs

Joint Venture Program
Community Economic Expansion Program
Entrepreneur Loan Program
Resource & Energy Investment Program

Support Programs

Business Plan Assistance Program
Aftercare Program
Skills Development Program

First Peoples Economic Growth Fund was established as an independent not-for-profit corporation. The Board of Directors governs the Fund under the Unanimous Members Agreement between the Assembly of Manitoba Chiefs and the Government of Manitoba.

Chairperson's Message

I am pleased to report that fiscal year 2010/11 has produced our best results to date both in terms of Loans/Investments approved and Support applications approved. We have approved 16 loans this year totaling $4,478,000. FPEGF's direct investment in the First Nation business community was used to leverage another $11,811,000 for a total impact on the Manitoba economy of $16,289,000. In addition we approved 27 Support Program applications totaling almost $300,000.

These are the type of results that the Board and our Members (Government of Manitoba and the Assembly of Manitoba Chiefs) can be very proud of. The 34 loan approvals since we began in September 2008 are spread throughout the entire province with 47% going towards clients in northern Manitoba.

I would like to thank the leadership of Manitoba, both First Nation and Provincial, for their ongoing support of FPEGF.

Patricia Turner

Chief Executive Officer's Message

The 2010/11 fiscal year has seen many challenges in the Manitoba economy from the high value of the Canadian dollar and its effect on tourism, manufacturing and exports to the very slow global economic recovery including our largest trading partners. Combine that with increased energy cost and we have had a challenging economic environment to cope with. This has had a trickledown effect even in Manitoba where the economy in general has been relatively stable in comparison to other jurisdictions.

Given the above, the effect on FPEGF clients, and particularly our performance, is hard to measure as this year has been our best year to date. The feeling, however, is that with a more favorable economic climate, First Nation Business in Manitoba would have seen even better results.

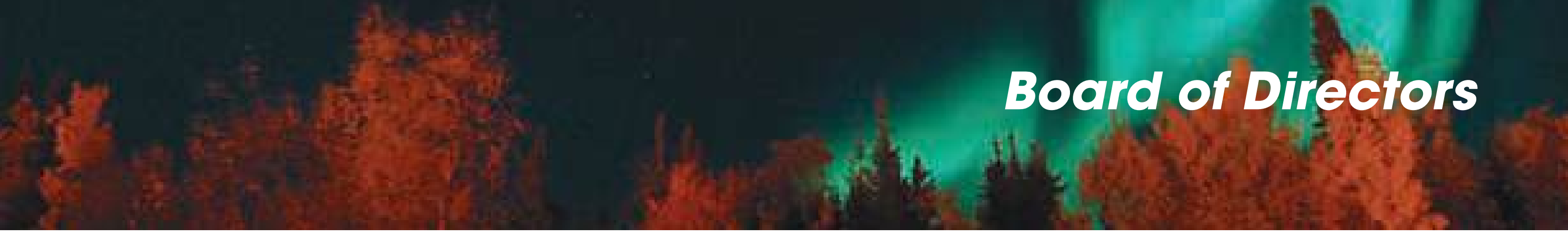
We have experienced slower than expected progress on some of the major economic opportunities in the Resource and Energy sectors, where business development appeared to take a very slow pace regarding First Nation equity participation. It seems that as economic recovery has slowed, so have many potential opportunities. However, we are encouraged by the amount of potential developments in the mining and energy sectors particularly in northern Manitoba.

FPEGF has spent significant time and effort to source out opportunities which we feel will be of economic benefit in subsequent fiscal years. While we celebrate our strongest year yet, we realize that maintaining a significant growth rate will take a tremendous amount of work by our staff and potential clients. We are up for the challenge and look forward to continued success and growth.

Looking ahead to the 2011/12 fiscal year, we will have a formal independent evaluation of our organization completed and we look forward to the constructive recommendations that will come out of that process.

I want to thank the staff and Board for their dedication to the success of our clients and our organization.

Ian Cramer



Board of Directors

The Board members bring a broad range of experience including corporate finance and accounting, business management, First Nations economic and regional development and entrepreneurship. The five members of the Board jointly appointed by AMC and the Government of Manitoba are as follows:

Patricia Turner,
Chairperson
CEO, ET Development Incorporated; co-founder of Aboriginal Chamber of Commerce

Bob Silver,
Vice Chairperson
President, Western Glove Works

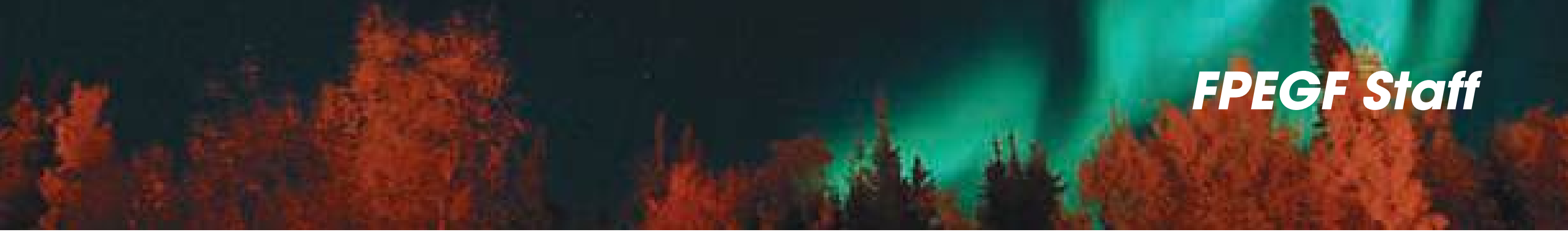
Bob Brennan,
Secretary/Treasurer
President and Chief Executive Officer, Manitoba Hydro

Joe Malcolm,
Director
former Tribal Director of Southeast Resource Development Council

Rosa Walker,
Director
President and Chief Executive Officer, Indigenous Leadership Development Institute Inc.

Guiding Principles

- The Fund will only support those projects that are **economically viable** and provide a positive return on investment to First Nations entrepreneurs, communities and FPEGF.
- **Leveraging** other investment dollars is critical to the growth of the First Nation's economy and must be demonstrated by every business proposal presented to FPEGF.
- **Capacity building** will be an important criteria in the decision-making processes, be it human capital, infrastructure or community capacity.
- **Job creation**, long-term and sustainable employment opportunities, in areas where there is high unemployment is desirable.
- A portion of the Fund will be targeted for projects originating in **rural and northern** Manitoba.
- All businesses receiving funding will have to meet or exceed prevailing **environmental and health standards**.
- FPEGF, while looking to assist businesses of high economic return, will also consider the **needs of the applicants**; in general, applications of exceptional merit with the greatest need will receive the highest priority.



FPEGF Staff

Left to Right: **Daryl Bone**, Senior Loans Manager; **Jacqueline Guiboche**, Receptionist/Administrative Assistant; **Joyce Lillie**, Accountant/Office Manager; **Ian Cramer**, Chief Executive Officer; **Yvonne Dubois**, Loans Administrator/Executive Assistant; **Dale Plewak**, Senior Loans Manager

Financing Programs

Joint Venture Program

This program is intended to provide support for large-scale Manitoba First Nations enterprises which, in the opinion of the Fund, have a business concept that, through initial screening, provides excellent opportunity. The First Nation or First Nation entrepreneur must own at least 51% of the business.

Financing is available for up to the lesser of $1,000,000 or 50% of the total project costs (including identified startup costs and working capital). Minimum funding under this program will be $200,000. Projects funded under this program must be for-profit and commercially viable with total project costs in excess of $500,000. Priority will be given, but not restricted, to higher-end value-added projects.

Community Economic Expansion Program

This program is intended to assist Manitoba First Nation community-owned businesses for startup, expansions or acquisitions. The intent is that these viable businesses will provide for the creation of wealth and jobs for First Nations.

Small and medium sized viable businesses owned by a Manitoba First Nation may be eligible. The maximum loan amount is $300,000 or 50% of the fair market value of the total project costs (including identified startup costs and working capital). Appraisal of the project costs may be required. At the end of the loan, if the business is still in operation, has not been sold and all loan payments have been made consistently, up to $75,000 or 25% of the total loan (whichever is less) may be forgiven.

Entrepreneur Loan Program

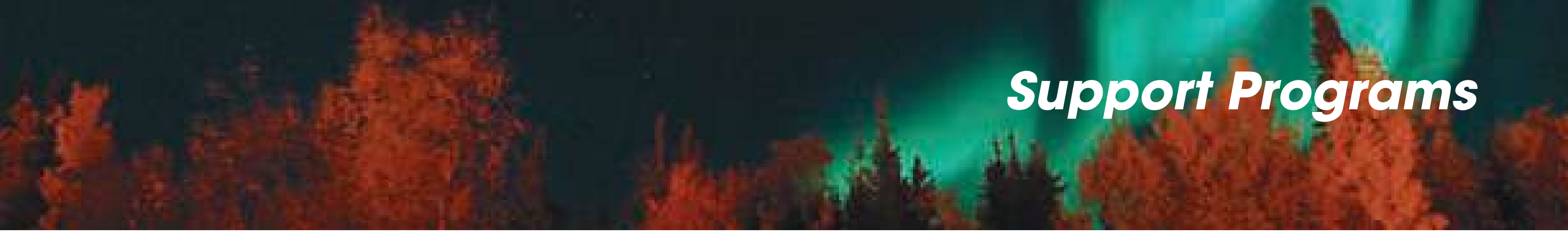
This program is intended to assist Manitoba First Nation entrepreneurs by providing capital and/or working capital through subordinated interest-free loans that will enhance the applicant's ability to leverage financing from other institutions and agencies.

Each loan will be for the lesser of $200,000 per project or 50% of the total project costs (including identified startup costs and working capital) identified in the business plan.

Resource & Energy Investment Program (REIP)

The REIP is intended to provide debt or equity financing to large-scale businesses in either the Resource or Energy sector of the Manitoba economy. All investment will be made in Manitoba to enhance the ownership and participation of First Nations or First Nation entrepreneurs in those businesses that show high potential for viability. Applicants must present a sound business plan.

Typical financing available will be from $500,000 to $1,500,000 and will typically represent about 20% of the total financing.



Support Programs

Business Plan Assistance Program

This program is intended to provide support to Manitoba First Nation individuals or First Nation-based enterprises which, in the opinion of the Fund, have a business concept that, through initial screening, provides excellent opportunity, but demonstrates a need for financial assistance to develop a professional business plan.

This program allows the applicant to engage the services of a professional consultant to assist in the research and development of a quality business plan that will be used to attract financing for the business.

Funding available is up to 75% of the costs to a maximum of $20,000. This funding is non-repayable. The client is expected to pay the first 25% of the costs.

Aftercare Program

This program is intended to provide professional support to new businesses that have obtained assistance under another FPEGF financing program in order to help improve the opportunity for success.

- Funding under this program is intended to allow the business to engage the services of a professional consultant to examine the operations of the business in order to identify areas that may require special attention.
- Funding is not intended for the development of interim or annual financial statements.

Funding available is up to 75% of the costs to a maximum of $20,000. Unused portions of the funding in any year will not be carried forward. The funding is non-repayable.

Skills Development Program

This program supports rapid business readiness training for new and existing First Nations entrepreneurs to develop their management and marketing skills.

- Funding is available up to 75% of the approved costs.
- The program funds only direct course costs such as tuition, workshop fees and books.
- Living expenses are not included.
- The program is not intended to finance the acquisition of a degree or certificate.

Approved Loans and Support Applications

Loans Approved, For Period April 1, 2010 to March 31, 2011

Type	Industry	Geographic Region	Jobs Created	Amount (a)	Leveraged (b)	Total (a + b)
CE*	Air Transportation	NW	3	300,000	1,530,500	1,830,500
CE	Truck Transportation	SW	4	300,000	653,000	953,000
EL	Automotive Repair and Maintenance	NC	8	100,000	101,000	201,000
EL	RV Parks and Campgrounds	NC	1	80,000	80,800	160,800
EL	Oilseed and Grain Farming	SW	1	21,962	31,892	53,854
EL	Convenience Stores	SW	3	109,451	137,681	247,132
EL*	Caterers	SC	14	57,800	58,378	116,178
EL*	Truck Transportation	SC	1	64,300	104,343	168,643
EL	Seasonal Property Maintenance Services	SC	3	190,000	191,900	381,900
EL	Food Manufacturing	SC	4	180,500	332,100	512,600
EL	Heavy & Civil Engineering Construction	SC	2	190,000	191,900	381,900
EL	Heavy & Civil Engineering Construction	SC	1	105,500	106,555	212,055
EL	Vending Machine Operators	SE		28,000	28,280	56,280
JV	General Merchandise Stores	SW	6	487,500	727,375	1,214,875
JV	Air Transportation	SE	2	762,675	770,302	1,532,977
RE*	Hydro-Electric Power Generation	NC		1,500,000	6,765,000	8,265,000
Total	**16 Loans Approved**		**53**	**4,477,688**	**11,811,006**	**16,288,694**

* Loan dollars have not been disbursed as at March 31/11. Commitments will be disbursed once all Loan Terms and Conditions are met.

September 23, 2008 to March 31, 2010	Type	Number	Jobs Created	Amount	Leveraged	Total
	CE	4	29	807,020	5,078,240	5,885,260
	EL	14	45	1,291,124	2,183,580	3,474,704
Grand Total to March 31, 2011			**127**	**6,575,832**	**19,072,826**	**25,648,658**

Support Applications Approved, For Period April 1, 2010 to March 31, 2011

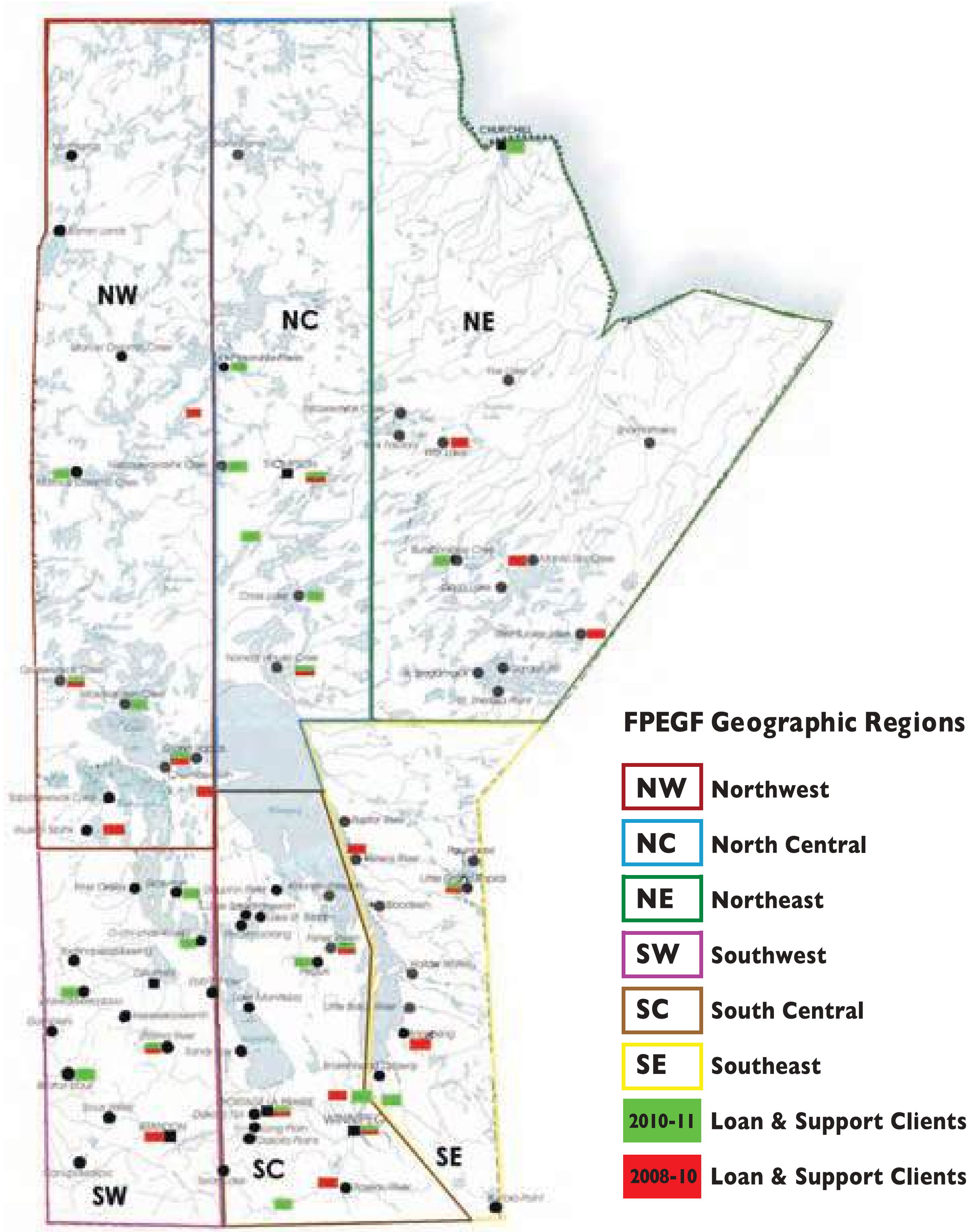
Type	Industry	Geographic Region	Amount (a)	Leveraged (b)	Total (a + b)
BP*	Management Consulting Services	NW	10,500	3,500	14,000
BP*	Full-Service Restaurants	NC	15,750	5,249	20,999
BP*	Building Material, Garden Equipment & Supplies Dealers	NC	16,545	5,515	22,060
BP*	Wireless Telecommunications Carriers	NC	15,750	5,250	21,000
BP*	Scenic and Sightseeing Transportation	NE	13,781	4,594	18,375
BP*	Full-Service Restaurants	NE	6,000	2,000	8,000
BP*	Business Centres	SW	9,750	3,250	13,000
BP*	Cattle Ranching and Farming	SW	12,638	4,212	16,850
BP	Convenience Stores	SW	9,000	3,000	12,000
BP*	Heavy and Civil Engineering Construction	SW	11,250	3,750	15,000
BP*	Offices of Mental Health Practitioners	SC	12,000	4,000	16,000
BP*	Transit & Ground Passenger Transportation	SC	5,512	1,838	7,350
BP*	Truck Transportation	SC	7,200	2,400	9,600
BP*	Automotive Repair and Maintenance	SC	5,550	1,850	7,400
BP	Truck Transportation	SC	2,914	971	3,885
BP	Caterers	SC	4,804	1,601	6,405
BP*	Telephone Call Centres	SC	15,000	5,000	20,000
BP	Seasonal Property Maintenance Services	SC	18,750	6,250	25,000
BP	Recreational Vehicle Parks and Campgrounds	SC	7,087	2,363	9,450
SD	Heavy and Civil Engineering Construction	NW	473	118	591
SD	Gift, Novelty and Souvenir Stores	NW	473	118	591
SD	Full-Service Restaurants	NC	473	118	591
SD	Full-Service Restaurants	NC	473	118	591
SD	Seasonal Property Maintenance Services	SC	4,200	1,400	5,600
SD	Beauty Salons & Barber Shops	SC	473	118	591
SD	Gift, Novelty and Souvenir Stores	SC	473	118	591
SD	Vending Machine Operators	SE	377	126	503
Total	**27 Support Applications Approved**		**207,196**	**68,827**	**276,023**

* Support dollars have not been disbursed as at March 31/11. Actual disbursement may be less.

September 23, 2008 to March 31, 2010	Type	Number	Amount	Leveraged	Total
	BP	20	162,029	84,959	246,988
	SD	1	1,800	600	2,400
Grand Total to March 31, 2011			**371,025**	**154,386**	**525,411**

EL – Entrepreneur Loan   CE – Community Economic Expansion   JV – Joint Venture   RE – Resource + Energy Program
AC – Aftercare   BP – Business Plan Assistance   SD – Skills Development

FPEGF Geographic Regions



Richard Gaywish, Economic Development Officer, Titibinaysiibiing Economic Development Group, Rolling River First Nation

Titibinaysiibiing Economic Development Group owned by the Rolling River First Nation has received financial support for business planning and an interest-free loan for business development from the First Peoples Economic Growth Fund.

In the many years that I have been involved in economic development for First Nations, the First Peoples Economic Growth Fund has had the most impact in our community.

With the support of this fund we have been able to create at least 15 jobs, through the Rolling River Trucking expansion, the Southquill Restaurant expansion and the development of our mini golf course which will enhance the Swoop and Scoop ice cream shop.

The staff has always been there to provide support and professionalism.

Rolling River Trucking's new rock crusher

Client Testimonials

Markus Ballantyne, Maskwa Vending Company

Maskwa Vending Company is Aboriginal owned and operated presently specializing in “crane-style” vending machines.

Maskwa Vending started with 19 leased machines and an opportunity arose to purchase 51 machines of various sizes. We had heard First Peoples Economic Growth Fund (FPEGF) was providing interest-free loans to Manitoba First Nations entrepreneurs, so my partner and I submitted a business plan.

FPEGF took an interest in our business plan and our Senior Loans Manager Dale Plewak took our loan application to the FPEGF Board of Directors who approved the loan for the acquisition of the additional vending machines. During the process towards loan approval, Dale and I went over all aspects of the business plan and he assisted us in dealing with other financial institutions. In addition to the loan for business expansion, FPEGF also helped us cover the cost of computerized accounting training under their Skills Development Program.

Presently we have a number of machines placed on various First Nation sites and in the future we will be approaching FPEGF for further assistance in order to expand Maskwa Vending Company into food and beverage vending.

Kelly Beaulieu, Canadian Prairie Garden Puree Products Inc.

We feel that First Peoples Economic Growth Fund (FPEGF) was essential to the establishment of our business.

Our company, Canadian Prairie Garden Puree Products Inc., is a value-added food processor located in Portage la Prairie. We had an idea to use a unique technology to create shelf-stable vegetable purees for the food ingredient markets using top quality Manitoba vegetables. We knew this was a great idea and it made sense when we looked at the logistics and growing market demand. However, it was a lot more challenging than we imagined – raising the capital we needed to buy the processing equipment and prove the idea.

We initially approached FPEGF with a draft business plan and the basic idea. Senior Loans Manager Daryl Bone and CEO Ian Cramer were so generous with their time and gave us excellent advice right from the start. It became obvious that we needed more due diligence to convince investors of the validity of the idea and to ensure we gave the business the best possible chance for success by developing sound business strategies.

Ian and Daryl suggested that we apply for their business plan funding program and beef up our entire business plan with the help of experts from the industry. We were thus able to get the guidance of Dave Sim who has a Masters in Food Science, an MBA and 40 years experience not only in food processing but also in starting and growing multi-million dollar businesses. With help from Dave and others like Ab Freig, MSc., P. Ag, and Marc Lavoie, MBA, we completed not only a far more professional business plan, but we also improved our market study and completed a formal due diligence plan with better financial statements and projections.

Armed with vastly improved documents, a tweaked plan of action and a strong commitment from FPEGF in the form of a small business loan, we secured financing from Aboriginal Business Canada and Manitoba Agriculture, Food and Rural Initiatives through the Manitoba Food Development Centre to purchase our Phase I processing equipment. We also used the business plan to secure a line of credit through First Nations Bank.

We are now making superior quality puree in our new process facility and gearing up for our first full season of vegetables. We are eagerly awaiting Phase II of the project where we will expand our production capacity to meet the ever-increasing puree market demand.

Our Phase I plant has created five full-time jobs so far and three of those positions are staffed by Aboriginal workers. Our Process Control Manager is a member of Sandy Bay First Nation. In the coming months we will expand to 15 employees as we add production shifts and train more staff. In Phase II our expanded puree plant will require an additional 45 full-time workers.

Left to Right: Kelly Beaulieu and Martin Pollock, partners

We are very grateful for the enthusiasm, expertise, great advice and unfailing support that we have received from Ian, Daryl and the friendly, efficient staff at FPEGF. They are helping grow successful Aboriginal-owned businesses in Manitoba and are directly creating jobs.

FPEGF is definitely an essential “ingredient” to our business success.

Client Testimonials

Oliver Owen, Amik Aviation Ltd.

I wanted to provide an air transportation service to First Nations people who live in isolated Northern communities. The people of Little Grand Rapids and Pauingassi First Nations are entitled to exceptional customer service; I wanted to be the one that delivered that type of customer-focused service.

In addition to being the sole owner of Amik Aviation Ltd., I manage the day-to-day operations of the business and assume piloting responsibilities. I have worn many hats in the aviation industry over the past 27 years as manager, pilot and owner.

Hearing about FPEGF, I approached them for financing because most financial institutions see Aboriginal business as high risk and have not been willing to take a chance on me. At FPEGF, I worked with Daryl Bone, Senior Loans Manager, and found him to have an open mind while working with the other lender to ensure a successful merger.

We currently provide daily scheduled passenger and cargo service to the people of Little Grand Rapids and Pauingassi First Nations. They are picked up directly at their community on our Amphib Caravan.

I am fulfilling my vision for exceptional customer service, thanks to FPEGF.

Kristel Schunemann, Gazee Construction Inc.

Being involved in the Heavy Equipment Industry for many years, my dream of owning my own construction company became a reality thanks to First Peoples Economic Growth Fund (FPEGF).

I began working on a business plan, and through my consultant, became aware of FPEGF and their loan programs.

Left to right. Ian Cramer, Kristel Schunemann, Dale Plewak

FPEGF assisted in the development of the business plan, and upon completion, assisted in the financing of my business. I worked with Dale Plewak who was instrumental in ensuring the business plan was properly completed prior to securing any loans. Once approvals came from FPEGF, Dale continued assisting Gazee Construction in obtaining other term loans required to commence operations.

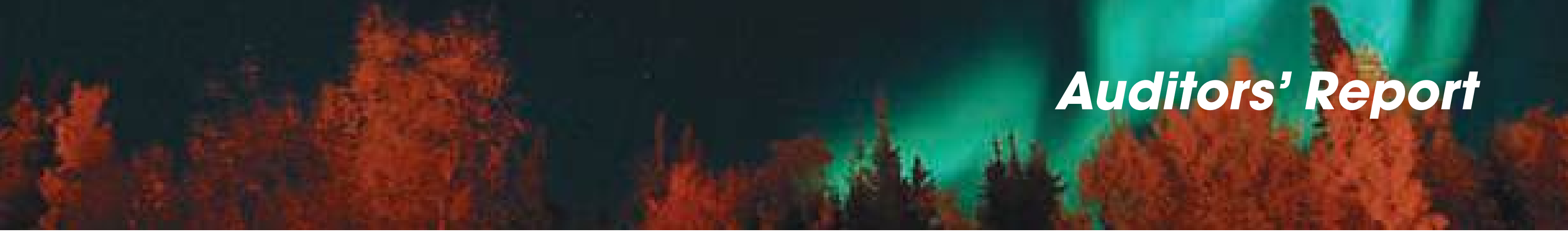
Equipment was purchased prior to the November 1, 2010, deadline to secure the contracts and work commenced shortly thereafter. Gazee had secured contracts for the equipment, and the transition to work was made easy.

If not for the time and effort of Dale Plewak and FPEGF, I would never have met the deadlines required to have the equipment in ownership in order to secure the winter contracts. It has been a great year, with a very successful winter behind us and the spring and summer seasons in front of us continuing successfully.

I couldn't thank Mr. Plewak as well as FPEGF enough for their assistance, both financially and for their advice.

FIRST PEOPLES
economic growth fund

Audited Financial Statements



INDEPENDENT AUDITORS' REPORT

To the Directors of First Peoples Economic Growth Fund Inc.

We have audited the accompanying financial statements of First Peoples Economic Growth Fund Inc., which comprise the statement of financial position as at March 31, 2011, and the statements of revenues and expenditures and cash flows 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 generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 financial statements present fairly, in all material respects, the financial position of First Peoples Economic Growth Fund Inc. as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
July 5, 2011

100-123 Bannatyne Ave., Winnipeg, MB R3B 0R3
Telephone: (204) 943-4584 Fax: (204) 957-5195
Toll Free: 1-866-EXG-0303
E-mail: info@exg.ca Website: www.exg.ca

Statement of Financial Position

As at March 31, 2011

	General Business Assistance Program	Resource and Energy Investment Program	2011	2010
ASSETS				
CURRENT				
Cash and cash equivalent	6,134,163	**$ -**	$ 6,134,163	$ 3,722,589
Short-term investments	2,750,496	**5,250,000**	8,000,496	9,850,000
Accrued interest and other receivables	35,254	**52,632**	87,886	121,001
Prepaid expenses	6,669	**-**	6,669	7,915
Interfund balance	78,458	**(78,458)**	-	-
	9,005,040	**5,224,174**	14,229,214	13,701,505
PROPERTY AND EQUIPMENT *(Note 7)*	53,630	**2,902**	56,532	87,733
LOANS RECEIVABLE *(Note 5)*	3,099,896	**-**	3,099,896	890,763
	$ 12,158,566	**$ 5,227,076**	$ 17,385,642	$ 14,680,001
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$ 54,248	**$ -**	$ 54,248	$ 44,840
Deferred revenue	43,545	**-**	43,545	14,147
	97,793	**-**	97,793	58,987
NET ASSETS				
Contributed surplus *(Note 2)*	-	**3,750,000**	3,750,000	3,750,000
Net assets	12,060,773	**1,477,076**	13,537,849	10,871,014
	12,060,773	**5,227,076**	17,287,849	14,621,014
	$ 12,158,566	**$ 5,227,076**	$ 17,385,642	$ 14,680,001

RESTRICTIONS AND COMMITMENTS *(Note 10)*

Statement of Revenues and Expenditures

For the year ended March 31, 2011

	General Business Assistance Program	Resource and Energy Investment Program	2011	2010
REVENUE				
Contributions				
Province of Manitoba				
Annual	$ 3,791,200	**$ -**	$ 3,791,200	$ 4,571,700
Miscellaneous	150	**-**	150	-
Interest on short-term investments	170,400	**113,614**	284,014	213,401
Interest on loans receivable	109,639	**-**	109,639	42,646
Loan fees	2,273	**-**	2,273	735
	4,073,662	**113,614**	4,187,276	4,828,482
ASSISTANCE COSTS	761,972	**-**	761,972	352,645
Excess of revenue over expenses before administrative costs	3,311,690	**113,614**	3,425,304	4,475,837
EXPENSES				
Advertising and promotion	21,963	**6,350**	28,313	17,560
Amortization of property and equipment	33,779	**2,035**	35,814	38,262
Bank charges	207	**2**	209	42
Equipment expense	4,172	**455**	4,627	5,301
Insurance	2,510	**837**	3,347	3,264
Office expense	30,089	**7,967**	38,056	39,035
Professional fees	85,729	**81,022**	166,751	61,049
Recruiting	-	**-**	-	4,296
Rent	30,130	**10,043**	40,173	38,068
Salaries and benefits	375,174	**46,263**	421,437	375,170
Travel and conferences	16,992	**2,750**	19,742	20,866
	600,745	**157,724**	758,469	602,913
EXCESS OF REVENUE OVER EXPENSES	2,710,945	**(44,110)**	2,666,835	3,872,924
NET ASSETS - BEGINNING OF YEAR	9,349,828	**1,521,186**	10,871,014	6,998,090
NET ASSETS - END OF YEAR	$ 12,060,773	**$ 1,477,076**	$ 13,537,849	$ 10,871,014

Statement of Cash Flows

For the year ended March 31, 2011

	2011	2010
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ 2,666,834**	$ 3,872,924
Items not affecting cash:		
Amortization of property and equipment	**35,814**	38,262
Non-cash interest income	**(106,376)**	(42,646)
Non-cash program expenses	**640,983**	291,801
	3,237,255	4,160,341
Changes in non-cash working capital:		
Accrued interest and other receivables	**33,118**	(26,059)
Accounts payable and accrued liabilities	**9,408**	(6,249)
Deferred revenue	**29,398**	9,385
Prepaid expenses	**1,246**	(1,153)
	73,170	(24,076)
Cash flow from operating activities	**3,310,425**	4,136,265
INVESTING ACTIVITIES		
Loans granted	**(2,999,795)**	(850,870)
Loan repayments	**256,053**	74,925
Purchase of property and equipment	**(4,613)**	(10,348)
Purchase of short-term investments	**(8,000,516)**	(9,850,000)
Sale of short term investments	**9,850,020**	-
Cash flow used by investing activities	**(898,851)**	(10,636,293)
FINANCING ACTIVITY		
Contributed surplus	**-**	3,750,000
INCREASE (DECREASE) IN CASH	**2,411,574**	(2,750,028)
CASH - BEGINNING OF YEAR	**3,722,589**	6,472,617
CASH - END OF YEAR	**$ 6,134,163**	$ 3,722,589
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	**$ 313,640**	$ 145,925

1. INCORPORATION

First Peoples Economic Growth Fund Inc. ("the Corporation") was incorporated as a corporation without share capital under the Corporation Act (Manitoba) on October 3, 2007. The Province of Manitoba, as represented by the Minister of Aboriginal and Northern Affairs ("the Province"), and the Assembly of Manitoba Chiefs Secretariat Inc. ("AMC") are the sole voting members of the Corporation.

2. DESCRIPTION OF BUSINESS

General Business Assistance Program

On October 3, 2007, the Province and AMC entered into a Unanimous Members Agreement that sets out the Program Principles and Program Outlines under which the Corporation will operate. The Program principles include:

Supporting those projects that are economically viable and provide a positive return on investment to First Nations entrepreneurs, communities, the Corporation and its sponsors;

Leveraging investments in First Nations enterprise and giving priority to those projects that can act as a catalyst for further economic development;

Enabling First Nations' human capital, infrastructure or community capacity;

Creating jobs, particularly long-term and sustainable employment opportunities in communities where there is high unemployment; and

Meeting or exceeding prevailing environmental and health standards as set out by legislation, regulation and/or municipal codes.

Furthermore, while considering projects of high economic return, the Corporation will also consider the relative needs of the applicants. In general, applications of exceptional merit and the greatest need will receive the highest priority. Furthermore, a portion of the Corporation's programs and activities will be reserved for projects originating in rural and northern Manitoba.

While the Program Outlines may from time to time be amended by the Corporation's Board of Directors, the Corporation will offer the following programs:

Financing Programs
- Joint Venture Program
- Community Economic Expansion Program
- Entrepreneur Loan Program

Support Programs
- Business Plan Assistance Program
- Aftercare Program
- Skills Devclopment Program

2. DESCRIPTION OF BUSINESS *(continued)*

Resource and Energy Investment Program

On March 25, 2009, the Corporation and the Department of Indian Affairs and Northern Development ("INAC") entered into an agreement to create the Resource and Energy Investment Program ("REIP"). The REIP will be funded as follows: INAC $3,000,000, the Corporation $1,500,000 and Manitoba Hydro $750,000. The programs and goals of the REIP will focus on the following:

A self sustaining, revolving capital pool that will grow and ultimately create sustainable First Nation economic development in the resource and energy sector of Manitoba.

Leverage private industry partner investment financing from financial institutions or other non-governmental services, and other equity investments.

The Program and goals of the REIP will be administered through two types of investments - sub-debt and equity financing. The REIP is an investment fund - there will be expectations of a return, however it will consider requirements for "patient capital", where returns may be deferred during a development period. Sub-debt will typically include medium term loans that would take a subordinate security position to bank financing, typically for a higher rate of interest. Equity financing may take several forms such as partnership units, common equity or preferred shares with fixed dividend provisions or returns based on available profits. The shares may also be redeemable or convertible in defined circumstances.

Administrative activities of the REIP have commenced during the year. Investing and lending activities have not yet commenced. Conditional approvals have occurred but no dispersals of funds have occurred yet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and guaranteed investment certificates that can be redeemed at the request of the Corporation with original terms to maturity less than 90 days.

Short term investments

Short term investments consist of guaranteed investment certificates with original terms to maturity of greater than 90 days.

Loans receivable

At the time loans are advanced, they are recognized at fair value and then subsequently recorded at amortized cost using the effective interest method of amortization. Loans are stated net of an allowance for loan losses which is established to recognize estimated and probable losses. Loans are written off when there is no realistic prospect of recovering the loan in full. Recoveries on loans previously written off are taken into income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impaired loans and allowance for loan impairment

The corporation maintains an allowance for loan impairment which reduces the carrying value of these loans to their estimated realizable amounts. The loan is considered impaired if the Corporation no longer has reasonable assurance that the full amount of the principal and interest, if any, will be collected in accordance with the terms of the loan agreement. Estimated realizable amounts are determined by estimating the fair value of security underlying the loans and deducting costs of realization, or by discounting the expected future cash flows at the effective interest rate. Changes in the estimated realizable amounts arising subsequent to initial impairment recognition are recorded as a charge or credit in the statement of operations and net assets.

Revenue recognition

Amounts received or receivable pursuant to the agreement with the Province are recognized as revenue if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest revenue on loans receivable is recorded as income using the effective interest rate method except for loans which are considered impaired. Recognition of income ceases when it becomes apparent that the loan is impaired.

Interest on short-term investments is recognized as income when earned.

Loan fees are recognized over the term of the respective loan.

Amounts received that do not meet these revenue recognition criteria are reflected as deferred revenue.

Property and Equipment

Property and equipment are stated at cost less accumulated amortization. Normal repair and maintenance costs are expensed as incurred. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Leasehold improvements	Term of leasehold plus one renewal period	
Office furniture	20%	straight-line method
Computer equipment	50%	straight-line method
Website development	20%	straight-line ethod

Income taxes

The Corporation is a not-for-profit organization and accordingly, is not subject to income taxes under provisions of the Income Tax Act.

Financial instruments

The corporation has elected to apply CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation in place of CICA Handbook Sections 3862 and 3863.

The corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. The corporation's accounting policy for each category is as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents	Held for trading
Short-term investments	Loans and receivables
Accrued interest and other receivables	Loans and receivables
Contributions receivable	Loans and receivables
Loans receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

Assets held-for-trading

Financial instruments classified as assets held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in excess (deficiency) of revenue over expenses in the period during which the change occurs. Transaction costs are expensed when incurred.

In these financial statements, cash and cash equivalents have been classified as held-for-trading.

Available-for-sale investments

Financial instruments classified as available-for-sale are reported at fair value at each balance sheet date, and any change in fair value is recognized in net assets in the period in which the change occurs. All transactions related to marketable securities are recorded on a settlement date basis.

In these financial statements, no items have been classified as available-for-sale.

Held-to-maturity investments

Financial instruments classified as held-to-maturity are financial assets with fixed or determinable payments and fixed maturities that the corporation's management has the positive intention and ability to hold to maturity. These assets are initially recorded at fair value and subsequently carried at amortized cost, using the effective interest rate method. Transaction costs are included in the amount initially recognized.

In these financial statements, no assets have been classified as held-to-maturity.

Loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are expensed when incurred.

In these financial statements, short-term investments, accrued interest and other receivables, contributions receivable, and loans receivable have been classified as loans and receivables. Accounts payable and accrued liabilities have been classified as other financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Future changes in significant accounting policies

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants (CICA) but are not yet effective for the corporation. The corporation is currently evaluating the effect of adopting these standards, which it expects to do in fiscal year 2012 .

The Accounting Standards Board will be implementing Part III of the CICA Handbook Accounting Standards for Not-for-Profit Organizations effective January 1, 2012. The corporation will be assessing the impact of the new standards on its financial statements over the next year.

4. FINANCIAL INSTRUMENTS

Credit Risk

Credit risk arises from the potential that a counter-party will fail to perform its obligations. The Corporation is exposed to credit risk from individuals and businesses to whom funds have been loaned. In order to reduce its credit risk, the Corporation has adopted credit policies which include the analysis of the borrower's net worth, credit rating, financial viability of the business, personal guarantees and subordinate positions as collateral.

Fair Value

The Corporation's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The fair value of loans receivable match the carrying value. All loans are discounted using the amortized cost method of accounting for loans and receivables. Details regarding the discounting of these loans is described in Note 6.

5. LOANS RECEIVABLE

Loans are classified as follows:

	2011	2010
Entrepreneurship Loans	**$ 1,598,154**	$ 513,318
Community Expansion Loans	**539,067**	377,445
Joint Venture Loans	**962,675**	-
	$ 3,099,896	$ 890,763

6. RECONCILIATION OF LOANS RECEIVABLE

Changes in loans receivable activity for the year are as follows:

	2011		2010	
Loans receivable - beginning of year	$ -	$ 890,763	$ -	$ 363,973
Gross loans granted	2,999,795	-	850,870	-
Provision for forgiveness [1]	(150,000)	-	(126,755)	-
Interest rate discount to fair value [2]	(490,985)	2,358,810	(165,046)	559,069
Interest accretion	-	106,376	-	42,646
Less: Loan repayments received	-	(256,053)	-	(74,925)
		$ 3,099,896		$ 890,763

[1] At the Corporation's option, up to 25% of the gross loans under the Community Expansion program can be forgiven if the lender's repayment experience is favourable. At the time the loans are disbursed, the Corporation established a reserve in the amount of $150,000 (2010 - $126,755) for the full amount that can be forgiven.

[2] The loans receivable contains an interest rate of 0% and are recognized at inception at the discounted fair value using a discount rate of 8%. Therefore, loans having a face value of $2,999,795 (2010 - $850,870) (before the provision for forgiveness noted above) were discounted by $490,895 (2010 - $165,046)

As a result, loans granted in the year having a face value of $2,999,795 (2010 - $850,870), were discounted to fair value of $2,358,900 (2010 - $559,069). The Corporation recorded the provision for forgiveness and the interest rate discount to fair value totaling $640,985 (2010 - $291,801) as program expenses, which are included in assistance costs.

Interest income accretes on the loans receivable at a rate equal to the discount rate used at inception. Interest accretion in the amount of $106,376 (2010 - $42,646) was recorded as interest on loan receivable.

The Corporation has determined that an allowance for loan losses is not required at March 31, 2011.

7. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	**2011 Net book value**	2010 Net book value
Leasehold improvements	$ 26,143	$ 19,548	**$ 6,595**	$ 13,131
Office furniture	97,325	56,220	**41,105**	60,570
Computer equipment	25,579	23,773	**1,806**	9,048
Website development	12,853	5,827	**7,026**	4,984
	$ 161,900	$ 105,368	**$ 56,532**	$ 87,733

8. PENSION PLAN

The company has a defined contribution pension plan for its employees. The employees are responsible for paying half of the contributions into the plan, and the Company matches these contributions. The Company's expenses related to this plan for the current year were $18,973 (2010 - $14,578).

9. FUNDING COMMITMENT

On April 1, 2008, pursuant to the Unanimous Members Agreement, the Province and the Corporation entered into a five year funding agreement that will see the Corporation receive annual contributions from the Province in varying amounts based on the net income of the Manitoba Lotteries Corporation. Minimum contributions under this arrangement were originally as follows:

Fiscal year ending	March 31, 2012	$5,200,000

Under the terms of the funding agreement, the parties also agreed to negotiate a new funding agreement for periods after March 31, 2012.

During the year ended March 31, 2010, the Corporation received a letter from the Province requesting an amendment to the existing funding agreement. The proposed amendment provides for the following fixed contributions:

Fiscal year ending	March 31, 2012	$3,791,200
	March 31, 2013	$3,791,200

10. RESTRICTIONS AND COMMITMENTS

a) The Corporation has approved, but not yet disbursed, the following assistance related to business plans and loans receivable:

Loans receivable	$ 3,237,119
Business plan assistance	170,381
	$ 3,407,500

These transactions have not been reflected in the financial statements. Commitments will be disbursed and recorded once all the terms and conditions under the lending agreements have been complied with by the party seeking the funds from the Corporation.

b) Operating lease

The Corporation has entered into an operating lease agreement for office space and various equipment. The aggregate minimum annual cash rental payment under lease agreements are as follows:

March 31, 2012	46,494
2013	10,920
2014	2,730

10. RESTRICTIONS AND COMMITMENTS *(continued)*

c) The Corporation's disbursements are limited to "eligible assistance cost" for the purpose described in note 2 and "eligible administrative costs" which include wages and benefits, general office overhead, insurance and professional fees as defined in the funding agreement referred to in note 9.

d) Indemnification of directors and officers

The Corporation has agreed to indemnify its directors to the extent permitted by law against any and all charges, costs, expenses and amounts paid in settlement and damages incurred by them as a result of any lawsuit or any other judicial administrative or investigative proceeding in which they are sued as a result of their service.

11. ALLOCATED EXPENSES

During the year, with the commencement of the REIP, certain expenditures are being allocated amongst the two funds. The expenditures are allocated based on time spent by employees and the percentage use of supplies and equipment throughout the office.

12. CAPITAL DISCLOSURE

The Corporation's key capital objective is to maintain sufficient levels of capital so as to be able to provide for the long-term sustainability of the Corporation. Capital is largely made up of the contributions described in notes 2, 9 and 10.

Under the terms of its Unanimous Members Agreement, the Corporation cannot borrow or enter into any form of indebtedness.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation. Prior

year figures were audited by another firm of chartered accountants.