

Consolidated Financial Statements of

PIIKANI NATION

Year ended March 31, 2012

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the Piikani Nation is responsible for the integrity of the accompanying consolidated financial statements. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

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

To assist in meeting its responsibility, management maintains accounting, budget and other internal controls including written policies, directives and procedures. These controls provide reasonable assurance that transactions are appropriately authorized and accurately recorded, and that assets are properly accounted for and safeguarded.

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

The consolidated financial statements have been audited by the independent firm of KPMG LLP, Chartered Accountants. Their report to the Members of Piikani Nation, stating the scope of their examination and opinion on the consolidated financial statements, follows.

July 24, 2012



KPMG LLP
Chartered Accountants
500 Lethbridge Centre Tower
400 - 4th Avenue South
Lethbridge AB T1J 4E1
Canada

Telephone (403) 380-5700
Fax (403) 380-5760
Internet www.kpmg.ca

Independent Auditors' Report

To the Members of the Piikani Nation

We were engaged to audit the accompanying consolidated financial statements of Piikani Nation (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2012, the consolidated statements of operations and accumulated surplus, change in net financial assets (debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on conducting the audit in accordance with Canadian generally accepted auditing standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide the basis for an audit opinion.

Basis for Disclaimer of Opinion

There are serious deficiencies in the accounting records related to the lack of financial information for the Piikani Investment Corporation, an entity controlled by the Nation, and its subsidiary corporations. Further, the Nation has not included the net assets and results of operations of the Settlement Fund in these consolidated financial statements. As these entities are controlled by the Nation and are components of the government reporting entity, Canadian public sector accounting standards require that the net assets, results of operations and cash flows be reported in the consolidated financial statements. It is impractical to provide this information in the auditors' report.

Further, the Nation's interest in the Oldman River Hydro Joint Venture, accounted for using the equity method, is carried at \$7,344,998 on the statement of financial position as at March 31, 2012 and the Entity's share of earnings of \$1,502,821 is included in the excess (deficiency) of revenue over expenses reported on the statement of operations and the components of net cash flow from operations reported in the statement of cash flows for the year ended March 31, 2012. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Entity's interest in the joint venture as at March 31, 2012 and the Entity's share of earnings for the year then ended as the underlying information generated by the Joint Venture Operator was not subject to independent audit. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.



Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements.

KPMG LLP

Chartered Accountants

July 24, 2012
Lethbridge, Canada

PIIKANI NATION


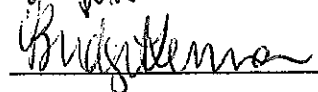
Consolidated Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	2012	2011
Financial assets:		
Cash	\$ 6,930,113	\$ 5,479,876
Restricted cash	488,323	358,943
Investments (note 4)	7,536,465	8,250,460
Accounts receivable (note 5)	2,190,725	3,968,945
Trust funds (note 6)	2,627,179	3,000,700
Other	222,472	177,986
Inventory	1,343,681	1,805,349
Notes receivable	697,640	241,973
	22,036,598	23,284,232
Financial liabilities:		
Cheques issued in excess of funds on deposit	63,002	365,054
Bank indebtedness (note 10)	263,792	180,000
Accounts payable and accrued liabilities	4,983,223	4,132,895
Deferred revenue (note 8)	3,989,467	4,430,316
Long-term debt (note 11)	10,362,175	10,552,624
Advances from settlement trust (note 9)	3,241,811	3,242,512
	22,903,470	22,903,401
Net financial assets (debt)	(866,872)	380,831
Non-financial assets:		
Tangible capital assets (note 7)	42,682,731	41,548,704
Prepaid expenses	183,595	415,555
Inventory under development	—	12,041
Alberta Electrical Connection Operator's License	53,000	53,000
	42,919,326	42,029,300
Economic dependence (note 13)		
Contingent liabilities (note 17)		
Commitments (note 20)		
Accumulated surplus (note 12)	\$ 42,052,454	\$ 42,410,131

See accompanying notes to consolidated financial statements.

On behalf of the Nation:

PIIKANI NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2012, with comparative figures for 2011

	Budget (unaudited - note 18)	2012	2011
Revenue:			
Aboriginal Affairs and Northern Development Canada (note 14):			
Base funding	\$ 15,687,149	\$ 16,460,021	\$ 17,655,003
Canadian Economic Action Plan funding	--	--	2,618,250
Revenue on trust funds	350,000	328,410	4,189,059
Other	12,437,176	16,075,869	17,568,710
	28,474,325	32,864,300	42,031,022
Deferred revenue, beginning of year	1,408,706	4,430,316	3,624,199
Deferred revenue, end of year	--	(3,989,467)	(4,430,316)
	1,408,706	440,849	(806,117)
	29,883,031	33,305,149	41,224,905
Expenses:			
Salaries, wages and benefits	8,925,207	9,231,270	9,185,169
Chief and council honourariums and travel (note 16)	737,778	746,120	653,232
Energy purchases	120,000	252,917	239,308
Per capita distribution	--	168,451	1,351,888
Interest on long-term debt	456,288	733,927	823,362
Insurance	181,692	246,458	316,128
Social assistance	2,680,011	2,751,022	2,692,094
Professional fees	741,180	834,832	1,007,294
Utilities and telephone	222,100	410,768	303,998
Travel, meetings and conferences	523,935	715,290	795,656
Projects and programs	9,831,972	7,577,028	8,287,138
Office and administration	1,825,306	2,134,518	963,485
Interest and bank charges	26,353	39,892	57,094
Committee expenses	56,424	125,836	88,810
Repairs and maintenance	718,108	1,159,080	1,539,586
Settlement fund distribution	--	896,250	1,218,218
Other	1,788,483	3,097,547	3,284,460
Amortization	--	2,541,893	2,383,624
	28,834,837	33,662,826	35,190,544
Excess (deficiency) of revenue over expenses	1,048,194	(357,677)	6,034,361
Accumulated surplus, beginning of year	42,410,131	42,410,131	36,375,770
Accumulated surplus, end of year	\$ 43,458,325	\$ 42,052,424	\$ 42,410,131

See accompanying notes to consolidated financial statements.

PIIKANI NATION

Consolidated Statement of Change in Net Financial Assets (Debt)

Year ended March 31, 2012, with comparative figures for 2011

	Budget (unaudited - note 18)	2012	2011
Excess (deficiency) of revenue over expenses	\$ 1,048,194	\$ (357,677)	\$ 6,034,361
Acquisition of tangible capital assets	--	(4,565,830)	(5,653,470)
Amortization of tangible capital assets	--	2,541,893	2,383,624
Loss on disposal of tangible capital assets	--	683,305	30,761
Proceeds on sale of tangible capital assets	--	206,605	136,899
Purchase of Alberta Electrical Connection Operator's License	--	--	(53,000)
Change in inventory for development	--	12,041	(12,041)
Transfer of tangible capital assets to inventory	--	--	827,571
Write down of tangible capital assets	--	--	26,196
Change in prepaid expenses	--	231,960	(286,658)
	--	(890,026)	(2,600,118)
Change in net financial assets (debt)	1,048,194	(1,247,703)	3,434,243
Net financial assets (debt), beginning of year	380,831	380,831	(3,053,412)
Net financial assets (debt), end of year	\$ 1,429,025	\$ (866,872)	\$ 380,831

See accompanying notes to consolidated financial statements.

PIIKANI NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in)		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (357,677)	\$ 6,034,361
Items not involving cash:		
Amortization	2,541,893	2,383,624
Loss on disposal of tangible capital assets	683,305	30,761
Gross revenue earned on trust funds	(328,410)	(4,189,059)
Equity earnings in Oldman River Hydro Joint Venture	(1,502,821)	(1,040,856)
Write down on tangible capital assets	--	26,196
Change in non-cash operating assets and liabilities:		
Inventory	461,668	(1,028,112)
Accounts receivable	1,772,827	(552,282)
Notes receivable	(455,667)	(244,064)
Accounts payable and accrued liabilities	850,328	(139,685)
Deferred revenue	(440,849)	806,117
Inventory under development	12,041	(12,041)
Other	(44,486)	(46,362)
Prepaid expenses	231,960	(286,658)
	3,424,112	1,741,940
Capital activities:		
Acquisition of tangible assets	(4,565,830)	(5,653,470)
Transfer of tangible capital assets to inventory for resale	--	827,571
Proceeds on long-term debt	57,519	142,812
Payments on long-term debt	(247,968)	(4,319,506)
Proceeds on disposal of tangible capital assets	206,605	136,899
Acquisition of Alberta Electrical Connection Operator's License	--	(53,000)
Increase in restricted funds	(129,380)	(153,187)
	(4,679,054)	(9,071,881)
Investing activities:		
(Increase) decrease in investments	639,749	(100,971)
Due to (from) other Piikani entities	4,692	2,613,598
Trust funds disbursed	701,931	4,402,619
Distributions - Oldman River Hydro Joint Venture	1,577,067	1,346,909
	2,923,439	8,262,155
Increase in cash	1,668,497	932,214
Cash, beginning of year	4,934,822	4,002,608
Cash, end of year	\$ 6,603,319	\$ 4,934,822
Cash consists of the following:		
Cash and cash equivalents	\$ 6,930,113	\$ 5,479,876
Cheques issued in excess of funds on deposit	(63,002)	(365,054)
Bank indebtedness	(263,792)	(180,000)
	\$ 6,603,319	\$ 4,934,822

See accompanying notes to consolidated financial statements.

PIIKANI NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2012

Piikani Nation is an aboriginal organization that represents Piikani Members in Southern Alberta.

1. Significant accounting policies:

The financial statements of Piikani Nation (the "Nation") are prepared by management in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Nation are as follows:

(a) Reporting Entity:

The Piikani Nation reporting Nation includes the Piikani Nation government and all related entities that are accountable to the First Nation and are either owned or controlled by the Piikani Nation.

The consolidated financial statements include the assets, liabilities and results of operations for the following entities:

Piikani Nation - Government
Ky-Naak-Ku-Kan Housing Corporation
Peigan Board of Education
Piikani Resource Development Ltd.
1559725 Alberta Ltd.

Piikani Social Development
Peigan Indian Rural Electrification Association
Oldman Irrigation Ltd.
Piikani Child and Family Services

Information related to Piikani Investment Corporation and its related controlled entities, was not available and accordingly is not included in these consolidated financial statements.

(b) Basis of accounting:

The Nation follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

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Notes to Consolidated Financial Statements

Year ended March 31, 2012

1. Significant accounting policies (continued):

(c) Revenue recognition:

Government transfers:

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or are the result of a direct financial return.

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return and requirements, and reasonable estimates of the amounts can be determined.

Aboriginal Affairs and Northern Development Canada ("AAND"):

Program revenue received from AAND is recognized as it becomes receivable under the terms of the applicable funds transfer agreements. Funding received under funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue on the statement of financial position in the year of receipt.

Canada Mortgage and Housing Corporation ("CMHC"):

CMHC revenue is recognized as it becomes receivable under the terms of the applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the statement of financial position in the year of receipt.

Residential Rehabilitation Assistance Program ("RRAP"):

RRAP provides five year, non-interest bearing, and forgivable loans for low-income homeowners whose homes require major renovations. All funds received during the fiscal year are recorded as revenue earned in that year. Any funds, which must be repaid because the homeowner did not comply with the terms of the assistance program, is recognized as an expense in the year funds are repaid.

Treaty 7 Economic Development Corporation ("Treaty 7"):

Treaty 7 provides funding for specific purposes. Funds allocated to a specific purpose, which have not been expended for that purpose by the fiscal year end of the entity, are recorded as deferred revenue and appear as a liability on the statement of financial position. These funds are reported as revenues in the year the specific expenditures are incurred.

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Notes to Consolidated Financial Statements

Year ended March 31, 2012

1. Significant accounting policies (continued):

(d) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

(e) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(f) Employee future benefits:

The Nation and its employees participate in a multi-employer defined benefit pension plan. The contributions are expensed as incurred.

(g) Investments:

Investments include a 25% interest in the Oldman River Hydro Joint Venture and are recorded on the equity basis. All other investments are recorded at cost.

(h) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

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Notes to Consolidated Financial Statements

Year ended March 31, 2012

1. Significant accounting policies (continued):

(h) Non-financial assets (continued):

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Residential buildings	20-40
Buildings and improvements	20
Infrastructure, distribution systems and engineering structures	20-33
Automotive, machinery and equipment	3-5
Furniture and equipment	5
Computer equipment	3

Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(iv) Interest capitalization

The Nation does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(v) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

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Notes to Consolidated Financial Statements

Year ended March 31, 2012

1. Significant accounting policies (continued):

(i) Inventory held for resale:

Housing inventory is measured at the lower of cost or net realizable value using the specific item basis. Costs consist of the cost of raw materials and other costs that bring the housing units to marketable condition.

Inventories of agricultural product and biological assets are valued at the lower of cost and estimated net realizable value.

The actual amount that will be realized for the inventories may be more or less than this value.

When circumstances exist where the estimated amounts that will be realized from the inventory is less than cost it is written down to the estimated net realizable value. When circumstances which previously resulted in inventories to be written down no longer exist the previous impairment is reversed.

(j) Asset retirement obligation:

The Nation is subject to regulations requiring the repair, removal and disposal of friable asbestos. The obligation, under these regulations meets the definition of a conditional asset retirement obligation.

As a result of the longevity of the Nation's facilities, due in part to the Nation's maintenance procedures, and the fact that the Nation does not have plans for major changes that would require the removal of asbestos, the timing of the removal of asbestos in the Nation's facilities is indeterminable at year end. As a result, the Nation is currently unable to estimate the fair value of its asbestos removal and disposal obligation. Therefore, expenditures are recorded in accounts as they are incurred.

(k) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period.

Actual results could differ from these estimates.

(l) Cash and cash equivalents:

Cash and cash equivalents, cash on hand and deposits with original maturities of less than 90 days.

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Notes to Consolidated Financial Statements

Year ended March 31, 2012

2. Recast of prior period information:

The prior period financial statements have been recast to reflect the errors identified subsequent to the completion of the March 31, 2011 financial statements. The errors identified were the result of the Nation recording amortization in excess of cost of tangible capital assets which were not recorded in the financial statements, and the reversal of outstanding cheques what were inappropriately recorded at March 31, 2011.

The effect of the recast on the financial information is based on the errors noted.

	2011 (As previously reported)	Change	Recast 2011
Cash and cash equivalents	\$ 5,512,713	\$ 12,904	\$ 5,525,617
Accounts receivable	3,966,854	2,091	3,968,945
Accounts payable	4,093,530	(39,365)	4,132,895
Net financial assets	405,201	(24,370)	380,831
Capital assets	41,457,398	91,306	41,548,704
Accumulated surplus	42,343,195	66,936	42,410,131
Other revenue	17,568,708	2	17,563,710
Total revenue	41,224,903	2	41,224,905
Amortization expense	2,433,651	(50,027)	2,383,624
Projects and programs expense	8,304,045	(16,907)	8,287,138
Total expenses	35,257,478	(66,934)	35,190,544
Excess of revenue over expenses	\$ 5,967,425	\$ 66,936	\$ 6,034,361

The errors are not material to consolidated financial statements for the year ended March 31, 2011.

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Notes to Consolidated Financial Statements

Year ended March 31, 2012

3. Recent accounting pronouncements:

The Public Sector Accounting Board recently announced the following accounting pronouncements:

i) Liability for contaminated sites:

This accounting pronouncement establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. It is effective for fiscal years beginning on or after April 1, 2014, with early adoption encouraged.

ii) Government transfers:

This accounting pronouncement establishes standards on how to account for and report government transfers to individuals, organizations, and other governments from both a transferring government and a recipient government perspective. It is effective for Fiscal years beginning on or after April 1, 2012, with early adoption encouraged.

iii) Financial instruments:

This accounting pronouncement establishes standards on how to account and report all types of financial instruments including derivatives. Financial instruments include primary instruments and derivative instruments. It is effective for fiscal years beginning on or after April 1, 2015 for governments and for fiscal years beginning on or after April 1, 2012 for government organizations, with early adoption encouraged.

iv) Foreign currency translation:

This accounting pronouncement establishes standards on how to account and report transactions that are denominated in a foreign currency in government financial statements. It is effective for fiscal years beginning on or after April 1, 2015 for governments and for fiscal years beginning on or after April 1, 2012 for government organizations, with early adoption encouraged.

Management has indicated that the impact of the adoption of these standards is being evaluated and it not known or reasonably estimable at this time.

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Notes to Consolidated Financial Statements

Year ended March 31, 2012

4. Investments:

Investments comprise of the following:

	2012		2011	
	Cost	Market	Cost	Market
Investment in Oldman River Hydro Joint Venture	\$7,344,998	\$ --	\$ 7,415,556	\$ --
Piikani Child and Family Investment portfolio:				
Bank of Montreal	143,302	155,801	464,284	461,341
Children's Special Allowance	77	77	203,100	203,100
Bond portfolio	34	34	135,778	143,069
Other	48,054	48,054	31,742	31,742
	\$7,536,465	\$ 203,966	\$ 8,250,460	\$ 839,252

The Piikani Child and Family Investment portfolio consist of fixed income investments.

The market value of the investment in Oldman River Hydro Joint Venture is not readily available and is not disclosed in the financial statements.

Investment in Oldman River Hydro Joint Venture:

Piikani Nation holds a 25% interest in the Oldman River Hydro Joint Venture. Information specifically related to this interest is as follows:

	2012	2011
Investment in Oldman River Hydro Joint Venture	\$ 7,444,968	\$ 7,444,968
Advances for operating costs	50,000	50,000
Share of earnings (cumulative)	5,500,030	4,070,588
Cash distributions (cumulative)	(5,650,000)	(4,150,000)
	\$ 7,344,998	\$ 7,415,556

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Notes to Consolidated Financial Statements

Year ended March 31, 2012

4. Investments (continued):

The following summarized information extracted from the Oldman River Hydro Joint Venture unaudited financial statements representing 25% interest.

	2012	2011
Financial assets	\$ 1,295,729	\$ 773,741
Financial liabilities	923,217	301,007
Net financial assets	372,512	472,734
Non-financial assets	6,972,486	6,941,946
Share of equity	\$ 7,344,998	\$ 7,414,680
	2012	2011
Revenue	\$ 2,489,590	\$ 1,454,658
Costs of sales	601,895	181,822
Operating expenses	385,582	460,616
	1,502,113	812,220
Other income	708	228,636
Share of earnings	\$ 1,502,821	\$ 1,040,856

5. Accounts receivable:

	2012	2011
Aboriginal Affairs and Northern Development Canada	\$ 620,563	\$ 2,324,967
Treaty 7	35,650	87,901
Canada Housing and Mortgage Corporation	3,200	105,453
First Nations Development Foundation	239,973	223,213
Other	1,291,339	1,227,411
	\$ 2,190,725	\$ 3,968,945

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Notes to Consolidated Financial Statements

Year ended March 31, 2012

6. Trust funds:

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the consolidated revenue fund of the Government of Canada. The management of these funds is primarily governed by Section 63 and Section 69 of the Indian Act. These funds can be accessed by the Piikani Nation with the approval of Aboriginal Affairs and Northern Development Canada. The trust funds include the following:

	2012	2011
Capital fund	\$ 5,813	\$ 275,391
Land replacement – capital account	2,115,000	2,115,000
Land replacement – revenue account	290,859	210,490
Per capita account	14,912	14,414
Revenue fund account	200,595	385,405
	\$ 2,627,179	\$ 3,000,700

7. Tangible capital assets:

Cost	2011	Additions	Disposals	Transfers	2012
Land	\$ 952,499	\$ --	\$ --	\$ --	\$ 952,499
Buildings and improvements	44,008,898	2,973,466	1,544,956	772,740	46,210,148
Distribution systems	11,780,787	412,732	25,604	--	12,167,915
Engineering structures	3,111,592	37,370	--	--	3,148,962
Furniture and equipment	2,549,137	51,027	--	--	2,600,164
Computer equipment	522,377	50,250	--	--	572,627
Automotive, machinery and equipment	5,400,809	561,580	526,728	--	5,435,661
Assets under construction	772,740	479,405	--	(772,740)	479,405
	\$69,098,839	\$ 4,565,830	\$ 2,097,288	\$ --	\$ 71,567,381

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Notes to Consolidated Financial Statements

Year ended March 31, 2012

7. Tangible capital assets (continued):

Accumulated amortization	2011	Amortization expense	Disposals	2012
Buildings and improvements	\$ 16,992,184	\$ 1,472,517	\$ 810,204	\$ 17,654,497
Distributions systems	3,768,121	362,369	--	4,130,490
Engineering structures	1,351,605	101,448	--	1,453,053
Furniture and equipment	2,317,836	85,569	--	2,403,405
Computer equipment	438,029	41,139	--	479,168
Automotive, machinery and equipment	2,682,360	478,851	397,174	2,764,037
Total	\$ 27,550,135	\$ 2,541,893	\$ (1,207,378)	\$ 28,884,650

Net book value	2012	2011
Land	\$ 952,499	\$ 952,499
Buildings and improvements	28,555,651	27,016,714
Distribution systems	8,037,425	8,012,666
Engineering structures	1,695,909	1,759,987
Furniture and equipment	196,759	231,301
Computer equipment	93,459	84,348
Automotive, machinery and equipment	2,671,624	2,718,449
Assets under construction	478,405	772,740
	\$ 42,681,731	\$ 41,548,704

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Notes to Consolidated Financial Statements

Year ended March 31, 2012

8. Deferred revenue:

	2012	2011
Piikani Administration	\$ 1,073,598	\$ 1,245,919
Piikani Child and Family Services	1,446,401	1,179,927
Piikani Human Resource Development and Employment Services	1,007,449	837,851
Piikani Public Works	119,760	263,822
Piikani Social Development	27,675	65,144
Piikani Housing Authority and Rentals	--	716,603
Peigan Board of Education	167,234	--
Piikani Resource Development Ltd.	26,300	--
Oldman Irrigation Ltd.	121,050	121,050
	<u>\$ 3,989,467</u>	<u>\$ 4,430,316</u>

9. Advances from Settlement Trust:

The amounts advanced from the Settlement Trust are unsecured, non-interest bearing and repayable on demand.

10. Bank indebtedness:

At March 31, 2012, the Nation had an operating line of credit totaling \$300,000 of which \$263,792 (2011 - \$180,000) was drawn. This line of credit is collateralized by a general security agreement. This line of credit bears interest at prime plus 1.75% and revolves in increments of \$10,000. Interest is payable monthly. Prime rate as at March 31, 2012 is 3.00% (2011 - 3.00%).

PIIKANI NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2012

11. Long-term debt:

	2012	2011
Piikani Housing Authority and Rentals:		
Housing loans payable to various financial institutions in monthly instalments of \$82,641 including interest at rates from 2.86% to 8.90%, secured by postponements and guarantees by parties within the reporting entity, an assignment of settlement trust interest revenues and specific assets owned by the Nation. Maturing at various dates to December, 2013	\$ 3,875,613	\$ 4,057,765
Piikani Administration:		
Loans payable in monthly instalments of \$11,400, including interest at 8%, secured by a demand promissory note for \$1,463,000, a Band Council Resolution authorizing the borrowing, assignment of lease payments of the related building and an assignment of insurance, matures February, 2017	1,176,228	1,213,298
CNH Equipment loans payable in annual installments of \$20,140 including interest at rates from 0% to 6.99%, secured by specific equipment maturing at various dates to February, 2016	67,038	67,053
BMO equipment loan with interest rates at prime plus 2%, payable in monthly installments of \$783 plus interest, secured by specific equipment and due on demand	36,033	45,432
Piikani Administration and Piikani Resource Development Ltd. 8% loan to Piikani Settlement Fund, the terms of this loan are discussed below	5,169,076	5,169,076
Finance contract with interest at 6.75%, payable in monthly installments at \$999, secured by specific equipment, maturing July, 2016	38,187	--
	<u>\$ 10,362,175</u>	<u>\$ 10,552,624</u>

The loan to Piikani Settlement fund is payable to Piikani Energy Corporation but ultimately to the Settlement fund of the Piikani Nation through the Piikani Oldman Hydro Limited Partnership.

The loan was arranged under the guidance of the Trust Agreement created by the Settlement Agreement signed between the Piikani Nation, the Government of Canada and the Province of Alberta. The Settlement Agreement is the result of ongoing negotiations to settle claims and disputes relating to the Oldman River, The Lethbridge Northern Irrigation Headworks and the Oldman River Dam between the Federal Government of Canada and the Provincial Government of Alberta. Through the Settlement Agreement, the Piikani Nation has resolved land and water claim issues as well as has access to financial resources in the development of the Piikani Nation for the benefit of its members.

During the year, the Nation failed to make regular scheduled payments on certain mortgages, as well the Nation did not properly renew certain mortgages with the respective financial institutions. As a result certain mortgages are in default.

PIIKANI NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2012

12. Accumulated surplus:

	Operating	Trust funds	CMHC Reserve	Capital	Total 2012	Total 2011
Balance, beginning of year	\$ 2,544,440	\$ 3,000,700	\$ 791,140	\$36,073,851	\$42,410,131	\$ 36,375,770
Excess (deficiency) of revenue over expenses	(357,677)	--	--	--	(357,677)	6,034,361
Amortization of tangible capital assets	2,541,893	--	--	(2,541,893)	--	--
Acquisition of tangible capital assets	(4,565,830)	--	--	4,565,830	--	--
Net book value of assets disposed	889,910	--	--	(889,910)	--	--
Transfer from CMHC reserve	190,550	--	(190,550)	--	--	--
Gross revenue earned on trust funds	(328,410)	328,410	--	--	--	--
Trust funds disbursed	701,931	(701,931)	--	--	--	--
Principal payments on long-term debt related to capital assets	(247,968)	--	--	247,968	--	--
Funds borrowed to purchase tangible capital assets	57,519	--	--	(57,519)	--	--
	\$ 1,426,358	\$ 2,627,179	\$ 600,590	\$37,398,327	\$42,052,454	\$42,410,131

PIIKANI NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2012

13. Economic dependence:

Piikani Nation receives a significant portion of its revenue pursuant to a funding agreement with Aboriginal Affairs and Northern Development Canada, Health Canada and other Federal and Provincial government departments.

14. Aboriginal Affairs and Northern Development Canada:

	2012	2011
Base:		
Piikani Administration	\$ 6,137,852	\$ 5,907,533
Piikani Child and Family Services	2,781,011	2,901,165
Piikani Human Resource Development and Employment Services	31,175	142,977
Piikani Housing Authority and Rentals	472,142	555,100
Piikani Public Works	2,343,374	3,533,947
Peigan Board of Education	4,694,467	4,603,496
Piikani Social Development adjustment to 2009/2011 funding	--	10,785
	16,460,021	17,655,003
Canadian Economic Action Plan:		
Piikani Housing Authority and Rentals	--	2,618,250
	\$ 16,460,021	\$ 20,273,253

15. Financial instruments:

It is management's opinion that the Entity is not exposed to significant currency or credit risk arising from its financial instruments.

Unless otherwise noted, the fair values of financial assets and liabilities approximate their carrying values due to the relatively short periods to maturity of the instruments.

PIIKANI NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2012

16. Honouraria, salaries and benefits disclosures:

Honourarium and travel expense paid to elected officials:

	Months	Honourarium	Travel	Total 2012	Total 2011
Chief Gayle Strikes					
With A Gun	12	\$ 55,475	\$ 10,652	\$ 66,127	\$ 16,267
Andrew Provost	12	48,525	7,292	55,817	12,684
Angela Grier	12	48,525	5,303	53,828	12,684
Casey Scott	12	48,525	7,877	56,402	13,143
Clayton Small Legs	12	48,525	6,674	55,199	12,496
Eloise Provost	12	48,525	6,967	55,492	12,265
Fabian North Peigan	12	48,525	14,019	62,544	12,960
Rebecca Weasel Traveler	12	48,525	10,180	58,705	13,229
Kyle Grier	12	48,525	7,728	56,253	12,684
Maurice Little Wolf	12	48,525	8,240	56,765	12,684
Wesley Provost	12	48,525	5,856	54,381	12,684
Willard Yellow Face	12	48,525	7,790	56,315	12,684
Doane Crowshoe	12	48,525	9,767	58,292	66,501
Chief Reg Crowshoe	--	--	--	--	54,046
Adam North Peigan	--	--	--	--	48,500
Kevin Provost	--	--	--	--	48,474
Charles Yellow Face	--	--	--	--	23,881
Charles Red Young Man	--	--	--	--	45,766
Herman Many Guns	--	--	--	--	48,885
Jordan No Chief	--	--	--	--	48,723
Patsy English	--	--	--	--	48,503
Erwin Bastien	--	--	--	--	48,558
Lance Yellow Face	--	--	--	--	9,332
Alvin Prairie Chicken	--	--	--	--	5,599
		\$ 637,775	\$ 108,345	\$ 746,120	\$ 653,232

Salary and benefits of designated officers:

	Months	Salary and benefits	Travel	Total 2012	Total 2011
Chief Executive Officer, current	5	\$ 35,690	\$ 6,820	\$ 42,510	\$ --
Chief Executive Officer, past	1	17,555	--	17,555	95,079
Chief Executive Officer, past	3	22,738	2,857	25,595	--
Other managers	12	802,094	127,136	929,230	904,182
		\$ 878,077	\$ 136,813	\$ 1,014,890	\$ 999,261

PIIKANI NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2012

17. Contingent liabilities:

- a) The Nation has been named a defendant in various legal actions. Management is of the opinion that there is a strong defense against these claims. Accordingly, no provisions for losses have been reflected in the accounts.
- b) The Nation has not recognized a liability for certain legal obligations, primarily special handling for the removal and disposal of encapsulated asbestos from facilities and equipment. The fair value of these liabilities cannot be reasonably determined as the settlement dates are not known.

18. Budget information:

The unaudited budget information presented in these financial statements is based upon the 2012 operating and capital budgets approved by the Board.

19. Comparative information:

Certain 2011 comparative information has been reclassified to conform with the financial statement presentation adopted per the current year.

20. Commitments:

The Nation has the following commitments:

- a) In the normal course of business, the Nation enters into commitments for both capital and operational leases. The estimated minimum aggregate annual payments are approximately \$65,000. These commitments have been budgeted for and are approved by Chief and Council.
- b) The Nation has entered into agreements with Zynxx (Utility Net) to assist in managing their electricity portfolio and back end processing including support and managing meter assets, power pool purchases, wire rate billing and management of customer accounts. The Nation pays \$4 per new member service and \$9 per member monthly.

21. Segmented disclosure:

The Entity discloses information on its segments in the following schedule. The Entity provides a range of services to the Nation Members, for each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments is consistent with those adopted by the Entity as a whole.

PIIKANI NATION

Consolidated Schedule of Segmented Disclosures

Year ended March 31, 2012, with comparative figures for 2011

	2012			2011		
	Revenues	Expenses	Excess (deficiency)	Revenues	Expenses	Excess (deficiency)
Piikani Administration	\$13,117,566	\$12,587,551	\$ 530,015	\$17,198,058	\$15,604,780	\$ 1,593,278
Piikani Social Development	4,179,093	4,238,834	(59,741)	4,485,298	4,163,056	322,242
Piikani Housing Authority and Rentals	2,674,365	3,191,671	(517,306)	6,183,984	3,842,853	2,341,131
KY NAAK KU-KAN Housing Corporation	1,505,534	938,745	566,789	2,108,246	1,515,535	592,711
Piikani Human Resource Development and Employment Services	1,350,593	1,348,128	2,465	1,605,344	1,585,594	19,750
Piikani Public Works	2,529,755	2,739,405	(209,650)	3,674,829	2,742,570	932,259
Peigan Board of Education	5,456,846	5,967,697	(510,851)	5,322,535	5,750,470	(427,935)
Piikani Child and Family Services	3,003,028	3,280,485	(277,457)	3,385,938	3,411,164	(25,226)
Piikani Resource Development Ltd.	500,365	539,314	(38,949)	96,659	197,983	(101,324)
Peigan Indian Rural Electrification Association	838,513	681,505	157,008	533,015	689,158	(156,143)
Oldman Irrigation Ltd.	240	240	--	--	1,382	(1,382)
15597125 Alberta Ltd.	1,568	1,568	--	945,000	--	945,000
	35,157,466	35,515,143	(357,677)	45,538,906	39,504,545	6,034,361
Net inter-departmental elimination	(1,852,317)	(1,852,317)	--	(4,314,001)	(4,314,001)	--
	\$33,505,149	\$33,662,826	\$ (357,677)	\$41,224,905	\$35,190,544	\$ 6,034,361

Pikani Nation

Statement of Receipt and Expenditure of Indian Monies
Capital Trust Monies (Audited)
For the Year-ended March 31, 2012
Pikani Nation

Revenue Trust Money

Band Council Resolution:		Receipt and Expenditure of Funds:			
Date and Number of BCR:	Date Funds Released to First Nation:	Purpose for Release of Funds per BCR:	Unexpended Prior Years Withdrawals from Trust Funds - beginning of year	Amount Received from Trust Funds	Unexpended Withdrawals from Trust Funds - End of Year
05-12-07	8-Jun-11	Chief and Council Honorarium and Travel	--	\$519,578	--
05-12-07	8-Jun-11	Various Expenditures	--	\$80,422	--
1031-01-2011/2012	18-Jan-12	Chief and Council Honorarium Case Manager (Legal Cases)	--	\$80,000 \$100,000	-- --
2010-1117-01	1-Dec-10	Per Capita Distribution supplemental	\$153,984	--	--
2010-1117-02	December 9, 2012	Governance	\$250,000	--	--

Capital Trust Money

2010-0608-02	1-Sep-10	Chief and Council Governance	\$350,000	--	--
0302-04	26-Mar-12	Chief and Council Honorariums	--	\$191,931	\$191,931

Piikani Nation

Schedule of Federal Government Funding
For The Year Ended March 31, 2012

Federally Funded Programs and Service Directly / Indirectly Funded by the Government of Canada	Federal Funding Received	Unexpended Federal Funding, Beginning of Year	Adjustments/ Transfers	Total Federal Funding Available	Federal Funding Expended	Unexpended Federal Funding, End of Year
Aboriginal Affairs and Northern Development						
Canada	\$	\$	\$	\$	\$	\$
- Education	4,694,467	-	-	4,694,467	4,694,467	-
- Child and Family	2,781,011	488,733	-	3,269,744	1,850,939	1,418,805
- Public Works	2,343,374	188,822	-	2,532,196	2,412,436	119,760
- Administration	1,461,734	-	-	1,461,734	1,461,734	-
- Social Development	4,268,046	65,144	-	4,333,190	4,305,515	27,675
- Human Resources and Development	31,175	-	-	31,175	31,175	-
- Day Care	273,500	-	-	273,500	250,709	-
- Land Management	134,572	-	-	134,572	134,572	-
- Housing	472,142	716,603	-	1,188,745	1,188,745	-
Health Canada						
- Aboriginal Diabetes Initiative	187,462	-	-	187,462	187,462	-
- Brighter Futures	202,221	-	-	202,221	202,221	-
- Mental Health	305,237	-	-	305,237	305,237	-
- Youth Suicide Prevention	70,000	-	-	70,000	70,000	-
- Solvent Abuse	32,782	-	-	32,782	32,782	-
- Alcohol and Drug Abuse	236,182	-	-	236,182	236,182	-
- Head Start On-Reserve	173,517	-	-	173,517	173,517	-
- Maternal Child Health	85,000	-	-	85,000	85,000	-
- Prenatal Nutrition Programs	51,836	-	-	51,836	51,836	-
- Health Governance	899,312	-	-	899,312	899,312	-
- Communicable Diseases	5,000	-	-	5,000	5,000	-
- Drinking Water	10,300	-	-	10,300	10,300	-
- Medical Transportation (non-insurable benefits)	201,988	-	-	201,988	201,988	-
Home and Community Care	479,000	-	-	479,000	479,000	-
Canadian Mortgage and Housing Corporation						
- Youth Internship	12,800	-	-	12,800	12,800	-
- Rent Subsidy	422,189	-	-	422,189	422,189	-
Other						
- Children Special Allowance	95,349	375,744	-	471,093	471,093	-
- Agristability	64,375	-	-	64,375	64,375	-