2011 ANNUAL REPORT
FOR THE YEAR ENDED
MARCH 31, 2011
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Again this past spring, the Red River Floodway protected Winnipeg from major flooding. It is estimated that this year’s Red River flood was comparable to the devastating 1950 flood and without the floodway and the related flood control works, water levels in downtown Winnipeg would have been approximately eleven feet higher, placing much of Winnipeg underwater.

Recognizing the importance of the floodway to Winnipeg’s long-term well-being, the Governments of Canada and Manitoba chose to jointly invest in the Red River Floodway Expansion Project. With a budget of $665 million, the expansion protection has increased Winnipeg’s flood protection from 1-in-90 to 1-in-700 year, providing greater flood protection of 450,000 residents, 140,000 homes, and over 8,000 businesses. As a result, Winnipeg is today better protected than ever before, and will be well into the future.

Although the expansion project has achieved its 1-in-700 flood protection objective, work is still underway including improvements to the Inlet Control Structure. This work, which is scheduled to occur during the winter months to allow the floodway to be operated, if required, during the spring and summer, will improve the operation and extend the life of the structure. At the same time, additional work is also underway on a multi-year landscaping and recreational development plan for the expanded floodway. This plan includes the public use of a floodway service access road as a recreational trail for pedestrian and non-motorized activities as well as pedestrian overpass bridge over PTH 59 Highway that will provide safe access from the floodway to Birds Hill Provincial Park. Once completed, the public will be able to walk, hike or bike for 48 kilometres from the Inlet Control Structure to Lockport or to the more than 100 km of trails within Birds Hill Provincial Park.

As the floodway project nears completion, the Government of Manitoba is also moving forward with the East Side Transportation Initiative - one of the largest public infrastructure projects in the province’s history. This multi-year project will result in a 1000 km all-season road network that will link the remote and isolated communities on the east side of Lake Winnipeg with the rest of the province. At the same time, by following as much of the winter road routes as possible, the project will eventually reduce the overall road footprint in the region by approximately 300 km.

Although relatively early in the project, a significant amount of work has already taken place including the environmental licensing process for the 156 km all-season road from PR 304 to Berens River First Nation, the Large Area Transportation Network Study, and entering into Community Benefits Agreements with east side First Nations that will ensure that local residents benefits from jobs, training and economic development opportunities associated with the project.

As plans and preparations for the construction of the all-season road proceed, we look forward to working with local residents to ensure that they participate in, and benefit from, the project as we strive to improve transportation in the region.

Sincerely,

Ernie Gilroy
Chief Executive Officer
LEGISLATION

In October 2003, the Province of Manitoba initially established the Manitoba Floodway Expansion Authority (MFEA) as an incorporated interim agency to prepare for the expansion of the existing Red River Floodway. In March 2004, Manitoba introduced the Floodway Authority Act to establish the Manitoba Floodway Authority (MFA) to act as an independent crown agency and to assume the operations of the MFEA. The Floodway Authority Act received Royal Proclamation on November 1, 2004.

The role of the MFA is to act as a separate, independent, publicly accountable agency to manage the design, construction, and maintenance of the expansion project. Specific responsibilities of the MFA include ongoing project design and engineering, environmental assessment and licensing and identification of potential economic and recreational possibilities that may result from the project.

In the November 2008 Throne Speech, the Government of Manitoba announced its intention to build an all-season road on the east side of Lake Winnipeg. To move forward with this initiative and to build on the success of the floodway’s Aboriginal Set-Aside Initiative, the province announced that the MFA’s mandate would be expanded to manage the construction of the road. Pending formal legislation to expand its mandate, an interim agency, called the East Side Road Authority Inc. was established to proceed with the East Side Transportation Initiative.

On April 30, 2009, the Government of Manitoba introduced Bill 31, the Manitoba Floodway Authority Amendment Act, to officially expand the mandate of the MFA to assume responsibility for the East Side Road Authority Inc. and the construction and maintenance of the all-season road on the east side of Lake Winnipeg. On December 1, 2009, Bill 31 was officially proclaimed establishing the Manitoba Floodway and East Side Road Authority (MFESRA).

GOVERNANCE

On November 1, 2004, a Board of Directors was established consisting of senior civil servants including Secretary of the Community Economic Development Committee (CEDC), the Secretary to Treasury Board, the Deputy Ministers of Intergovernmental Affairs and Trade, Finance, Infrastructure and Transportation, Competitiveness Training and Trade, and Water Stewardship. The role of the Board is to oversee the operations of the MFA as it manages the floodway expansion project. The Deputy Minister of Aboriginal and Northern Affairs and the Secretary to the Aboriginal Issues Committee of Cabinet have been added to the Board in support of the East Side Transportation Initiative.
THE MANITOBA FLOODWAY AND EAST SIDE ROAD AUTHORITY ACT

The Act officially expands the mandate of the Manitoba Floodway Authority (MFA) and establishes the Manitoba Floodway and East Side Road Authority (MFESRA) to expand and maintain the floodway and to construct and maintain the east side road.

MANDATE

As stipulated in the Manitoba Floodway and East Side Road Authority Act:

5(1) The authority’s mandate is to:
   a) expand the capacity of the floodway and maintain the land and structures that make up the floodway;
   b) construct and maintain the east side road;
   c) ensure that the expansion of the floodway and the construction of the east side road are carried out in a manner that provides increased benefits; and
   d) maximize the benefits the floodway and east side road will provide.

The Act also outlines the responsibilities of the MFESRA in fulfilling its mandate:

5(2) In carrying out its mandate, the MFESRA is to:
   a) obtain all approvals required for expansion of the floodway and the construction of the east side road;
   b) retain the services of persons to perform work on the expansion of the floodway and the construction of the east side road, and support training for those workers;
   c) co-ordinate and supervise work on the expansion of the floodway and the construction of the east side road; and
   d) establish arrangements with the Department of Water Stewardship to co-ordinate the floodway expansion with the department’s ongoing operation of the floodway.

MISSION STATEMENT

MANITOBA FLOODWAY AND EAST SIDE ROAD AUTHORITY

- To provide the maximum flood protection to the most people while respecting our neighbours and the environment.

- To provide excellence in project management by demonstrating sound financial management, achieving project guidelines, following an inclusive people management philosophy, encouraging innovation and maximizing economic benefits.
To set a world class example of how large infrastructure projects can respect Aboriginal people and the environment that is worthy of UNESCO recognition.

To manage construction of the proposed all-weather road along the east side of Lake Winnipeg in a manner which maximizes the economic development potential for existing communities and their residents, generating sustainable and recognizable improvements in their economic standard of living.

VISION STATEMENT

A global leader in engineering and project management through people, innovation, integrity, and quality.

VALUES

Trust, respect, ingenuity, integrity and participation are the core values that will guide corporate behaviour to achieve global leadership in engineering and project management.
PART A - THE RED RIVER FLOODWAY EXPANSION PROJECT

HISTORY

Over the years, Manitobans, especially residents of the Red River Valley and the City of Winnipeg, have experienced the devastation of spring floods first hand. Significant Red River flooding in 1950, 1956, 1966, 1979, 1996 and, in particular 1997 – when the Floodway came within inches of its limit – reinforced this reality and the need to prepare for larger floods in the future.

Construction of the original floodway started on October 6th, 1962 and was completed in March, 1968 at a cost of $63 million. At the time, the project was the second largest earthmoving project in the world – larger than the Suez Canal and next only to the Panama Canal. Since its construction, the floodway has operated approximately 29 times and has prevented over $32 billion in flood damages, as well as the significant social and environmental costs that accompany major floods.

In 1997 Manitoba experienced the “Flood of the Century” which stretched the floodway’s capacity to its limit. After the flood, extensive studies and consultations were conducted to identify and evaluate alternatives to improve flood protection for the Winnipeg area. The International Joint Commission (IJC) reviewed flood protection and concluded that the “risk of failure of Winnipeg’s existing flood protection infrastructure is high under flow conditions similar to or greater than those experienced in 1997.” In the IJC’s final report, Living with the Red, the IJC called for the highest flood protection that can be economically justified or at least sufficient protection to deal with an event similar to the 1826 flood. At the same time, Canada and Manitoba invested $110 million to improve flood protection in communities in rural Manitoba.

After reviewing all the facts and options, the federal and provincial governments chose the expansion of the current floodway as the most cost-effective and viable solution. As a result, the Government of Canada has recognized the project as a national priority and has partnered with the Province of Manitoba to expand the floodway to protect against a 1-in-700 year flood.

On April 3, 2003, the governments of Canada and Manitoba announced $80 million each towards the Red River Floodway expansion project. In August 2003, the Government of Canada declared the expansion of the floodway as a national priority project under the Canada Strategic Infrastructure Fund. At the same time, Canada and Manitoba increased their commitments to the project by $40 million each. On July 6, 2006, Canada and Manitoba announced an additional $84 million, bringing total project funding to $324 million. Subsequently, on February 23, 2007, both governments announced $341 million in funding for the remainder of the project, bringing total joint investments for the project to $665 million.

Since its inception, the MFA has worked on project design and securing environmental approvals for the project. In July, 2005, MFA received environmental approval and federal authorization to allow the project to proceed. Subsequently, construction on the project officially began in September. Since that time, the MFA has been managing and coordinating construction on all of the components of the project.
THE PROJECT

The Red River Floodway Expansion Project has provided increased flood protection for residents of the City of Winnipeg, East St. Paul and West St. Paul. By providing 1-in-700 year flood protection, the project will protect more than 450,000 Manitobans, over 140,000 homes, over 8,000 businesses, and prevent more than $12 billion in damages to the provincial economy.

The floodway operates by diverting a portion of the Red River floodwaters around Winnipeg through the floodway channel immediately south of Winnipeg back to the Red River near Lockport. Prior to the start of the project, the floodway provided a 1-in-90 year flood protection while the expanded floodway has increased this level of protection to 1-in-700. It is estimated that the risk of Winnipeg flooding with the original floodway is 37 percent over the next fifty years and with an expanded floodway this risk is reduced to 7 percent.

On September 23, 2005, construction of the Red River Floodway Expansion Project was officially kicked off by then Manitoba Premier Gary Doer and former Premier Duff Roblin at a historic groundbreaking ceremony along the floodway near Grand Pointe, Manitoba. On April 5, 2007, the governments of Canada and Manitoba announced that the floodway project had already delivered a 1-in-300 year level of flood protection, or equivalent to the greatest flood on record in Manitoba history – the flood of 1826. Further progress was achieved in the spring of 2009 when excavation of the floodway channel was completed and the project achieved 1-in-700 year flood protection.

PROJECT COMPONENTS

The Floodway Expansion Project involves a major expansion of the existing flood protection system including excavation of the floodway channel; the replacement and upgrading of highway and rail bridges that cross the floodway; modifications to the inlet and outlet structures; utilities and services; and improvements to the West Dike. Floodway expansion has more than doubled the amount of water diverted around Winnipeg by increasing the capacity of the floodway channel from 1,700 cubic metres (60,000 cubic feet) of water per second to 4,000 cubic metres (140,000 cubic feet) per second.

The floodway expansion budget includes the following proposed and approved Project Components that have and continue to be undertaken over the life of the project:

- **Project Design and Environmental Assessment (PDEA)** – Preliminary design studies were required to be completed that were refined to define the project in detail and assess the environmental impacts. This component has included an environmental licensing process including public consultation, establishment of an Environmental Impact Statement (EIS) and financial support for the licensing process, including provision for the Clean Environment Commission public hearings, and participant assistance funding.

- **Final Design** – Final design engineering was undertaken based on the PDEA process to define and identify the detailed design of the project and to incorporate environmental mitigation measures identified during the PDEA stage.

- **Administration** – Ongoing administration costs for the MFA including operations, insurance, establishment of site office, etc.

- **Excavation** – The floodway channel was enlarged by widening in varying amounts along its 48 kilometre (30 mile) length. The total volume of excavation is estimated to be 21 million cubic metres (27 million cubic yards). The outlet channel was expanded and reshaped to permit the increased floodway flow to re-enter the Red River with minimum impact on the riverbanks. As required, drainage structures, transmission lines, miscellaneous crossings...
(including pipelines) and the City of Winnipeg Aqueduct under the floodway, were extended, adjusted and replaced.

- **Outlet Structure** – The retaining walls of the existing structure were demolished, and the Outlet Structure was widened approximately 52 meters (170 feet) towards the east. Side walls were constructed in the channel to prevent erosion, and chute and baffle blocks were constructed on the downstream end of the outlet to further reduce the speed of water re-entering the Red River. These improvements will help to ensure that the speed of water passing through the outlet remains largely unchanged from the pre-expansion condition.

- **Inlet Control Structure** – The improvements required include: the selective placement of additional riprap on the downstream slopes and upstream face of embankments adjacent to the concrete structure to protect them from erosive damage; installation of a fire protection system; addition of redundant emergency backup electrical and mechanical systems; replacement of the hydraulic gate cylinders; and refurbishment of the Gate Control servo motors.

- **Road and Rail Bridges** – Four highway bridges over the floodway channel were replaced with new structures configured to minimize hydraulic interference. Four Railway Bridges were also raised and rehabilitated.

- **Expansion of the West Dike** – The freeboard of the existing West Dike, which extends over 45 kilometres (28 miles) from the Floodway Inlet Control Structure and ties into high ground at the west side of the Red River Valley, was increased and the length of the Dike was extended. The dike was increased in height in varying amounts up to 1.5 metres (6 feet), and extended beyond the current location at the west end by between 10 kilometres (6 miles) and 15 kilometres (9 miles) in length. Almost completed, the West Dike is capable of protecting against 1-in-100 year wind storm which could occur concurrently with a 1-in-700 year Red River Flood.

To date, progress on the project consists of the following:

**Completed Construction Components**

1) Channel excavation resulting in the widening of the 48 kilometre channel;
2) Expansion of the Outlet Control Structure;
3) Excavation of the Floodway Embankment Gap East of Grande Pointe;
4) Replacement and upgrade of the Trans-Canada Highway #1 East Bridge;
5) Replacement and upgrade of the PTH 59 South Bridge;
6) Replacement and upgrade of the CN Sprague Railway Bridge;
7) Replacement and upgrade of the CN Redditt Railway Bridge;
8) Replacement and upgrade of the CP Keewatin Railway Bridge;
9) Replacement and upgrade of the CP Emerson Railway Bridge;
10) Prairie Grove Road Culvert Replacement;
11) Erosion Protection of the West Bank of the Red River across from Outlet;
12) Relocation of the City of Winnipeg Aqueduct;
13) Seine River Siphon Improvements;
14) Erosion protection at various bridge sites;
15) Replacement and upgrade of the PTH 15 Highway Bridge; and
16) Replacement and upgrade of the PTH 44 Highway Bridge.
Ongoing Construction Components
1) Improvements to the Inlet Control Structure;
2) Improvements to the West Dike;
3) Improvements to the East Dike;
4) Road improvements related to PTH 15 Highway Bridge; and
5) Construction of a service access road along the expanded floodway.

Over the course of the project over 3000 people and over 150 companies have worked on the floodway project.

PROJECT ACTIVITIES
On an ongoing basis, MFESRA will continue to focus on the following activities related to both the floodway expansion and all-season road projects:

- **Public Outreach and Consultation** – MFESRA is committed to ongoing engagement with local municipalities, First Nations and Métis communities, non-government organizations, labour and the construction industry as the projects proceed.
- **Communications** – MFESRA is committed to ongoing communications throughout the life of both projects to raise public awareness, promote the project, recognize the partnership and contribution of both levels of government, and maximize the level of visibility and importance of the program for all Manitobans.

FUNDING

The $665 million Red River Floodway Expansion Project is 50/50 cost-shared between the Governments of Canada and Manitoba.
2010/11 PRIORITIES

For 2010/11, the MFESRA identified the following strategic core and emerging priorities:

THE RED RIVER FLOODWAY EXPANSION PROJECT
- **Final Design** – Complete the on-going Final Design engineering in 2010/11.
- **Aboriginal Set-Aside Initiative** – Complete the final construction season on the Aboriginal Set-Aside Initiative
- **Recreation and Economic Development** – Continue to move forward with recreation and economic development opportunities on the expanded floodway.

CONSTRUCTION
- Maintain the construction schedule on work already underway:
  - Complete the replacement and upgrade of the PTH 15 Highway Bridge;
  - Complete the replacement and upgrade of the PTH 44 Highway Bridge;
  - Complete East dike construction along Courchaine Road;
  - Complete the planned improvements to the Seine River Siphon;
  - Complete the remainder of the West Dike;
  - Continue the planned improvements to the Inlet Control Structure; and
  - Continue with the landscaping and recreational development.

ENVIRONMENTAL LICENSING
- **Ongoing Environmental Commitment** – Ensuring ongoing compliance with conditions outlined in the Manitoba Environment Act License and Federal Government authorizations.

PUBLIC CONSULTATION
- **Ongoing public consultation** – Continue to raise public awareness regarding the project.
2010/11 MILESTONES AND ACCOMPLISHMENTS

THE RED RIVER FLOODWAY EXPANSION PROJECT
- Final Design - Completed the final design engineering on project components to be constructed in 2010/11.
- Aboriginal Set-Aside – Completed majority of the 2010/11 West Dike works as an Aboriginal Set-Aside. Minor works remain to be completed in 2011/12.
- Recreation and Economic Development – Undertake work on the recreation and economic development opportunities on the expanded floodway.

CONSTRUCTION
- Maintained the construction schedule of on-going works including:
  - Completed the replacement of the PTH 15 Highway Bridge;
  - Completed the replacement of the PTH 44 Highway Bridge;
  - Completed the planned improvements to the Seine River Siphon;
  - Ongoing construction of the West Dike works;
  - Ongoing construction of the East Dike works;
  - Ongoing landscaping and recreational development;
  - Ongoing construction of the Inlet Control Structure; and
  - Completed the erosion protection work at various bridge sites.

ENVIRONMENTAL LICENSING
- Continue to comply with all environmental requirements outlined in the Environment Act License and Federal Government authorizations.

PUBLIC CONSULTATION
- Continue to meet with local governments, special interest groups and other interested parties regarding the project;
- Distributed 8 editions (240,000 copies) of the MFA newsletters on the project to date; and
- Updated the Manitoba Floodway Authority Website (www.floodwayauthority.mb.ca).
2010/11 COMMUNICATION ACTIVITIES

RED RIVER FLOODWAY EXPANSION PROJECT

May 5, 2010        Groundwater and Surface Water Monitoring Reports Released
May 20, 2010       SAFE Roads Campaign Launched
June 11, 2010      Red River Floodway and Expansion Project Recognized as a National Civil Engineering Site by the National Historic Civil Engineering Society
June 18, 2010      Public, ATV and Off-Road Vehicle Users Warned to Stay Off Floodway
September 1, 2010  PTH 15 and PTH 44 Bridge Open to Traffic
September 7, 2010  Traffic Advisory: Courchaine Road to be Closed to Traffic

On June 11, 2010, Premier Greg Selinger (left) and Gordon Jin, President of the Canadian Society for Civil Engineering, unveiled a commemorative plaque near the Inlet Control Structure recognizing the Red River Floodway as a National Historic Civil Engineering Site.
2011/12 PRIORITIES

For 2011/12, the MFESRA has identified the following strategic core and emerging priorities:

THE RED RIVER FLOODWAY EXPANSION PROJECT

- **Final Design** – Complete the on-going Final Design engineering in 2011/12.
- **Recreation and Economic Development** – Continue to move forward with recreation and economic development opportunities on the expanded floodway.
- **Aboriginal Set-Aside** – Complete the West Dike project.

CONSTRUCTION

- Maintain the construction schedule on work already underway:
  - Continue the planned improvements to the Inlet Control Structure;
  - Complete the roadworks related to the PTH 15 Highway Bridge project;
  - Complete the West Dike;
  - Complete the East Dike; and
  - Continue with the landscaping and recreational development.

ENVIRONMENTAL LICENSING

- **Ongoing Environmental Commitment** – Ensuring ongoing compliance with conditions outlined in the Manitoba Environment Act License and Federal Government authorizations.

PUBLIC ENGAGEMENT

- **Ongoing Public Engagement** – Continue to raise public awareness regarding the project.
PART B - THE EAST SIDE TRANSPORTATION INITIATIVE

HISTORY

The east side of Lake Winnipeg is a unique region of Manitoba that contains vast stands of boreal forests, an abundance of fish and wildlife and a vibrant traditional Aboriginal culture, all of which combine to make the East Side a truly remarkable provincial jewel. The east side region covers approximately 83,000 square kilometers and contains one of the largest stands of intact boreal forests in North America. Over 30 communities with approximately 36,000 residents call the region their home.

Currently, there is no permanent all-season road on the east side of Lake Winnipeg. Transportation throughout the region is severely limited, leaving many of the communities isolated throughout much of the year. During a short window of time, typically between eight and twelve weeks, communities rely on winter roads for transportation. It is during this time that many remote communities bring fuel, food, construction and other supplies into their communities since road transportation is generally cheaper than air transportation. It is estimated that approximately 2,500 shipments of staple items such as fuel, groceries, construction materials and general freight are transported each year by commercial trucks on the province’s 2,200 km winter road system.
In recent years, the challenge of climate change has impacted the reliability of the winter road system. For example, the winter of 2010 saw one of the shortest winter road seasons since 1998. As a result of the early thaw, over 130 local residents and truckers were stranded on the melting winter roads, many First Nation communities were unable to bring in much needed supplies, and many communities were forced to declare states of emergencies. In this regard, the unreliability of the winter road system provides great hardship for the local residents.

For many years, the First Nation people living on the east side of Lake Winnipeg have envisioned an all-season road linking the east side communities to each other and the rest of province. Such a road would improve the quality of life for residents in the region by providing better access, lowering transportation costs, enhancing services, providing greater linkages amongst communities, and providing opportunities for tourism, recreation and economic development. Specific benefits include:

- Greater reliability of the transportation network;
- Reduced transportation costs for good and services;
- Enhanced access to emergency, health and social services;
- Improved linkages between isolated and remote communities;
- Greater mobility and transportation options for local residents;
- Construction employment, training and economic opportunities for local people; and
- Enhanced opportunities for sustainable economic development including recreation and tourism and resource development;

In the November 20, 2008, Speech from the Throne, the Government of Manitoba announced that the Manitoba Floodway Authority would be given the mandate for the construction of an all-season road on the east side of Lake Winnipeg. Subsequently, on April 30, 2009, the Government of Manitoba introduced Bill 31, the Manitoba Floodway Authority Amendment Act, to officially expand the mandate of the MFA to assume responsibility for the construction and maintenance of an all-season road on the east side of Lake Winnipeg. On December 1, 2009, Bill 31 was officially proclaimed establishing the Manitoba Floodway and East Side Road Authority.

**THE PROJECT**

The Government of Manitoba established the East Side Transportation Initiative (ESTI) to provide improved, safe and more reliable transportation service between the communities on the east side of Lake Winnipeg and the rest of the province. ESTI includes:

1) The construction of a 156 kilometre, all-season road from PR 304 near Manigotagan to Bloodvein First Nation and through to Berens River First Nation. Pre-construction, upgrading, maintenance and work authorized by the Provincial Environmental License is currently underway while Federal Environmental Approvals are anticipated in the summer of 2011.

2) The East Side Large Area Transportation Network Study is designed to examine transportation improvements for the remainder of the east side region. The study is nearing completion and will recommend an all-season road network for the east side of Lake Winnipeg.

3) Ensuring that east side communities and local residents participate in, and benefit from community economic development related to the project including jobs, training and economic opportunities.
PROJECT COMPONENTS
The East Side Transportation Initiative will provide all-season road access to 23 communities located on the east side of Lake Winnipeg.

The all-season road project budget includes the following proposed components:

- **All-Season Road from PR 304 to Berens River First Nation** – This project involves the construction of a 156 kilometre, all-season gravel road from Provincial Road 304 to Berens River First Nation. The project will include construction of gravel road and various water crossings (i.e. bridges and culverts). An Environmental Impact Assessment (EIA) for the all-season road was filed in November 2009 and the project received a Provincial Environmental License in August of 2010. Federal environmental approvals are anticipated in the summer of 2011. In the interim, pre-construction and construction work authorized by the provincial environmental license is underway.

- **East Side Large Area Transportation Network Study (LATNS)** - SNC Lavalin, on behalf of ESRA, is undertaking the LATNS to examine various route options for an all-season road in the remainder of the east side of Lake Winnipeg region. The study includes a technical process and a community input process. The study will make recommendations for an all-season road route and is anticipated to be completed in Spring of 2011.

- **Community Benefits & Aboriginal Engagement Strategy** – A major focus of the ESTI is to ensure that local residents, particularly First Nation people living on the east side of Lake Winnipeg, benefit from the construction of the all-season road. Through Community Benefits Agreements, MFESRA will work with First Nation communities to generate jobs, training and economic opportunities related to pre-construction and construction of the all-season road.

- **Project Design and Environmental Assessment (PDEA)** – Preliminary design studies are required to be completed that will be refined to define the project in detail and assess the environmental impacts. This component has included an environmental licensing process including public engagement, establishment of an Environmental Impact Statement (EIS) and financial support for the environmental licensing process.

- **Final Design** – Final design engineering will be undertaken based on the PDEA process to define and identify the detailed design of the project and to incorporate environmental mitigation measures identified during the PDEA stage.

- **Administration** – Ongoing administration costs for the Manitoba Floodway and East Side Road Authority (MFESRA) including operations, communications, insurance, transportation etc.

As of March 31, 2011, progress on the project consists of the following:

- First and Second Rounds of Community Meetings on the East Side Large Area Transportation Study (Spring, 2009/ Spring 2010)
- Filing of an Environmental Impact Assessment on the all-season road from PR 304 to Berens River Project (November, 2009).
- Proclamation of Bill 31 to establish the Manitoba Floodway and East Side Road Authority (December, 2009).
- Government of Manitoba has committed $110 million to the all-season road project (March, 2011).
- Community Benefits Agreements have been signed with the following First Nations:
  - $11.25 Million CBA with Berens River First Nation (August 19, 2009)
  - $7.75 Million CBA with Bloodvein First Nation (January 4, 2010)
• $2.25 Million CBA with Wasagamack First Nation (December 4, 2009)
• $2.25 Million CBA with Red Sucker Lake First Nation (March 15, 2009)
• $2.25 Million CBA with St. Theresa Point First Nation (March 16, 2009)
• $7.75 Million CBA with Hollow Water First Nation (May 13, 2010)
• $2.25 Million CBA with Manto Sipi First Nation (June 18, 2010)
• $2.25 Million CBA with Bunibonibee Cree Nation (July 16, 2010)
• $2.25 Million CBA with Pauingassi First Nation (August 11, 2010)
• $2.25 Million CBA with Poplar River First Nation (September 13, 2010)
• $2.25 Million CBA with Garden Hill First Nation (October 19, 2010)
• $2.25 Million CBA with Little Grand Rapids (February 9, 2011)

Approximately 500 local residents have registered for employment and training.
Approximately 100 people have received training under the CBAs.

PROJECT ACTIVITIES
On an ongoing basis, MFESRA will continue to focus on the following activities related to both the floodway expansion and all-season road projects:

• **Public Outreach and Consultation** – MFESRA is committed to ongoing engagement with local municipalities, First Nations and Métis communities, non-government organizations, labour and the construction industry as the projects proceed.

• **Communications** – MFESRA is committed to ongoing communications throughout the life of both projects to raise public awareness, promote the project, recognize the partnership and contribution of both levels of government and maximize the level of visibility and importance of the program for all Manitobans.

FUNDING
To date, the Government of Manitoba has committed $110 million to the East Side Transportation Initiative. Discussions between Manitoba and Canada have begun regarding the prospect of federal funding.
**2010/11 PRIORITIES**

For 2010/11, the MFESRA identified the following strategic core and emerging priorities:

**THE EAST SIDE TRANSPORTATION INITIATIVE**
- Begin construction of the all-season road from PR 304 to Berens River in 2010/11
- Complete the East Side Large Area Transportation Network Study in 2010/11
- Continue to secure Community Benefits Agreements with First Nation communities on the east side of Lake Winnipeg
- Develop an Aboriginal Inclusion Strategy for the construction of the all-season road
- Continue the ongoing engineering for the all-season road from PR 304 to Berens River First Nation in 2010/11

**CONSTRUCTION**
- Establish the construction schedule for the all-season road from PR 304 to Berens River First Nation for the 2010/11 works
- Establish and implement the Aboriginal Inclusion Strategy in the construction of the all-season road from PR 304 to Berens River First Nation

**ENVIRONMENTAL LICENSING**
- Secure federal and provincial environmental authorizations and approvals for the all-season road for PR 304 to Berens River First Nation
- Pending completion of East Side Large Area Transportation Network Study, initiate the background preparations for the environmental licensing process for a proposed all-season road route alignment for the remainder of the region

**PUBLIC ENGAGEMENT**
- Complete Round One and Two Community Meetings for the East Side Large Area Transportation Network Study
- Ongoing public engagement regarding the project

**COMMUNICATIONS**
- Distribute updated newsletters to local residents
- Maintain the project website (www.eastsideroadauthority.mb.ca)
- Continue to raise public awareness regarding the project.
2010/11 MILESTONES AND ACCOMPLISHMENTS

THE EAST SIDE TRANSPORTATION INITIATIVE

- Began construction of sections of the PR 304 to Berens River All-Season Road, authorized by the Provincial Environment Act Licence
- Continue to manage the East Side Large Area Transportation Network Study
- Building on the Aboriginal Inclusion Strategy, developed a Community Benefits and Tendering Strategy for the project
- Signed Community Benefits Agreements with seven First Nation communities and initiated discussions with the remaining east side community
- Initiated discussions with the Federal Government regarding the prospect of funding for the project.

CONSTRUCTION

- Complete the construction of the temporary bridge detour across the Wanipigow River
- Tender construction components according to project’s construction schedule

ENVIRONMENTAL LICENSING

- Obtained a Provincial Environment Act License for the all-season road from PR 304 to Berens River First Nation.
- Continue to work with Federal Regulatory Authorities to obtain Federal Authorizations for the all-season road project from PR 304 to Berens River First Nation.

PUBLIC ENGAGEMENT

- Undertook and completed two rounds of Community Meetings with local communities on the East Side Large Area Transportation Initiative
- Ongoing engagement with local communities and other interested parties regarding the project
- Hosted a Construction Business Networking Session for local communities and construction contractors

COMMUNICATIONS

- Distributed the second edition of the ESRA newsletters (4,500 copies) to local residents
- Distributed the 2011 East Side Road Authority Calendars to the public
- Update the project website (www.eastsideroadauthority.mb.ca)

The Wanipigow Temporary Bridge Structure
2010/11 COMMUNICATION ACTIVITIES

EAST SIDE TRANSPORTATION INITIATIVE

May 13, 2010 ESRA signs a $7.75 Million CBA with Hollow Water First Nation
June 18, 2010 ESRA signs a $2.25 Million CBA with Manto Sipi Cree Nation
July 16, 2010 ESRA signs a $2.25 Million CBA with Bunibonibee Cree Nation
August 11, 2010 ESRA signs a $2.25 Million CBA with Pauingassi First Nation
September 14, 2010 ESRA announces a $2.25 Million CBA with Poplar River First Nation
October 19, 2010 ESRA announces a $2.25 Million CBA with Garden Hill First Nation
October 26, 2010 ESRA announces the establishment of $2.4 Million Wildlife Monitoring Program
November 9, 2010 ESRA announces its recommendation for an East-West All-Season Road Route
January 10, 2011 ESRA, in collaboration with Manitoba Search and Rescue and Native Communications Inc., unveils its Winter Road Safety Public Awareness Campaign
January 14, 2011 ESRA announces that two new Acrow Panel bridges will be installed to lengthen the winter road season
February 9, 2011 ESRA signs a $2.25 Million CBA with Little Grand Rapids First Nation
February 24, 2011 ESRA announces the completion of the Temporary Bridge over the Wanipigow River
March 9, 2011 ESRA hosts a Construction Business Networking Session for First Nations and construction companies

On July 16, 2010, ESRA signed a $2.25 Million CBA with Bunibonibee Cree Nation
2011/12 PRIORITIES

For 2011/12, the MFESRA has identified the following strategic core and emerging priorities:

THE EAST SIDE TRANSPORTATION INITIATIVE
- Continue construction of the All-Season Road from PR 304 to Berens River First Nation
- Complete the East Side Large Area Transportation Network Study
- Sign a CBA with the outstanding First Nation communities and establish pre-construction contracts under existing CBAs with the remaining First Nation communities.
- Move forward with the Community Benefits and Tendering Strategy for the project including discussions with east side First Nations regarding phase 2 of the CBAs
- Continue the ongoing engineering for the all-season road from PR 304 to Berens River First Nation
- Secure federal government participation in the project

CONSTRUCTION
- Refine the construction schedule for the all-season road from PR 304 to Berens River First Nation for the 2011/12 works
- Maintain schedule of works of projects already underway

ENVIRONMENTAL LICENSING
- Secure federal environmental authorizations and approvals for the all-season road for PR 304 to Berens River First Nation
- Pending completion of East Side Large Area Transportation Study, initiate the background preparations for the environmental licensing process for a proposed all-season road route alignment for the remainder of the region

PUBLIC ENGAGEMENT
- Ongoing public engagement regarding the project including community meetings and meetings with Chiefs and Councils

COMMUNICATIONS
- Distribute updated newsletters to local residents
- Maintain the project website (www.eastsideroadauthority.mb.ca)
- Continue to raise public awareness regarding the project.
THE PUBLIC INTEREST DISCLOSURE ACT

The Public Interest Disclosure (Whistleblower Protection) Act came into effect in April 2007. The purpose of this Act is to:

a) facilitate the disclosure and investigation of significant and serious matters (wrongdoings) in or relating to the public service, that are potentially unlawful, dangerous to the public, or injurious to the public interest; and

b) protect persons who make those disclosures.

The Act builds on protections for employees in the Manitoba public service already in place under other statutes, as well as public service rights, policies, practices and processes.

Wrongdoing under the Act may be an act or omission that constitutes an offence under federal or provincial legislation; an act or omission that endangers public safety, public health or the environment; gross mismanagement, including public funds or assets; or, knowingly directing or counseling a person to commit a wrongdoing. The Act is not intended to deal with routine operational or administrative matters.

A disclosure under the Act is considered to be a disclosure made by an employee in good faith and with reasonable belief that wrongdoing has been or is about to be committed. Under Section 18 of the Act, any disclosures of wrongdoing must be reported in the annual report.

In accordance with Subsection 18(2) of the Act, the following is a summary of disclosures received by the Manitoba Floodway and East Side Road Authority for the fiscal year 2010/11.

<table>
<thead>
<tr>
<th>Information Required Annually</th>
<th>Fiscal Year 2010/2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) The number of disclosures received.</td>
<td>NIL</td>
</tr>
<tr>
<td>The number of disclosures acted on.</td>
<td>NIL</td>
</tr>
<tr>
<td>The number of disclosures not acted on.</td>
<td>NIL</td>
</tr>
<tr>
<td>(b) The number of investigations commenced as a result of a disclosure.</td>
<td>NIL</td>
</tr>
<tr>
<td>(c) The number investigations that resulted in a finding of wrongdoing, and in the case of an</td>
<td>NIL</td>
</tr>
<tr>
<td>investigation that resulted in a finding of wrongdoing, a description of the wrongdoing and</td>
<td></td>
</tr>
<tr>
<td>any recommendations or corrective actions taken in relation to the wrongdoing, or the reasons</td>
<td></td>
</tr>
<tr>
<td>why no corrective action was taken.</td>
<td></td>
</tr>
</tbody>
</table>
AUDITOR'S REPORT

INDEPENDENT AUDITORS' REPORT

To the Minister of Finance of the Province of Manitoba and Directors of the Manitoba Floodway and East Side Road Authority

We have audited the accompanying financial statements of the Manitoba Floodway and East Side Road Authority, which comprise the balance sheet as at March 31, 2011, and the statements of operations 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 auditors consider 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 the Manitoba Floodway and East Side Road Authority 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.

Winnipeg, Canada,
June 27, 2011.

Ernst & Young LLP
Chartered Accountants

ERNST & YOUNG

A member firm of Ernst & Young Global Limited
Manitoba Floodway and East Side Road Authority  
Balance Sheet  
As at March 31

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds on deposit with Minister of Finance</td>
<td>$21,736,710</td>
<td>$28,317,835</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$21,736,710</td>
<td>$28,317,835</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$8,381,329</td>
<td>$11,784,138</td>
</tr>
<tr>
<td>Interest payable</td>
<td>1,290,403</td>
<td>1,180,611</td>
</tr>
<tr>
<td>Due to the Province of Manitoba (Note 3)</td>
<td>$12,064,978</td>
<td>$15,353,086</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$21,736,710</td>
<td>$28,317,835</td>
</tr>
</tbody>
</table>

Contractual Obligations and Contingencies (Notes 6 and 9)

(see accompanying notes and schedules to the financial statements)

On behalf of the Board:

[Signatures]
**Manitoba Floodway and East Side Road Authority**
**Statement of Operations**
**Year ended March 31**

<table>
<thead>
<tr>
<th>Expenses</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Benefits</td>
<td>$3,945,535</td>
<td>$3,126,888</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>565,813</td>
<td>366,088</td>
</tr>
<tr>
<td>Communications</td>
<td>184,295</td>
<td>276,939</td>
</tr>
<tr>
<td>Supplies and Services</td>
<td>1,279,978</td>
<td>1,129,376</td>
</tr>
<tr>
<td>Minor Capital</td>
<td>963,607</td>
<td>813,136</td>
</tr>
<tr>
<td>Other Operating</td>
<td>1,086,632</td>
<td>433,966</td>
</tr>
<tr>
<td></td>
<td>4,080,325</td>
<td>3,019,505</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>8,025,860</td>
<td>6,146,393</td>
</tr>
</tbody>
</table>

**Recoveries**

- Capital Assets under Construction on behalf of the Province (Schedule 1)
  - Floodway Expansion            | 1,776,336 | 3,400,286 |
  - East Side Transportation Initiative | 5,492,049 | 1,812,585 |
  - Operating Grants (Note 5)      | 757,475   | 933,522   |
  **Total Recoveries**             | 8,025,860 | 6,146,393 |

**Net Operating Results**

<table>
<thead>
<tr>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

(see accompanying notes and schedules to the financial statements)
Manitoba Floodway and East Side Road Authority  
Statement of Cash Flows  
Year ended March 31

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating transactions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating results</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Net changes in non-cash working capital balances related to operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to the Province of Manitoba</td>
<td>148,377</td>
<td>13,411</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>(44,795)</td>
<td>(3,028)</td>
</tr>
<tr>
<td>Cash provided by operating transactions</td>
<td>103,582</td>
<td>10,383</td>
</tr>
<tr>
<td><strong>Financing transactions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to the Province of Manitoba</td>
<td>(3,436,485)</td>
<td>13,212,631</td>
</tr>
<tr>
<td><strong>Capital transactions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets constructed on behalf of the Province</td>
<td>(59,377,342)</td>
<td>(86,913,536)</td>
</tr>
<tr>
<td>Net changes in non-cash working capital balances related to capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>(3,358,014)</td>
<td>(6,565,048)</td>
</tr>
<tr>
<td>Interest payable</td>
<td>109,792</td>
<td>588,869</td>
</tr>
<tr>
<td>Contributions related to capital assets</td>
<td>59,377,342</td>
<td>86,913,536</td>
</tr>
<tr>
<td>Cash used in capital transactions</td>
<td>(3,248,222)</td>
<td>(5,976,179)</td>
</tr>
<tr>
<td><strong>Increase (decrease) in funds on deposit with Minister of Finance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6,581,125)</td>
<td>7,246,835</td>
<td></td>
</tr>
<tr>
<td><strong>Funds on deposit with Minister of Finance, beginning of year</strong></td>
<td>28,317,835</td>
<td>21,071,000</td>
</tr>
<tr>
<td><strong>Funds on deposit with Minister of Finance, end of year</strong></td>
<td>$ 21,736,710</td>
<td>$ 28,317,835</td>
</tr>
</tbody>
</table>

(see accompanying notes and schedules to the financial statements)
Manitoba Floodway and East Side Road Authority  
Schedule of Capital Assets Constructed on Behalf of the Province of Manitoba  
Year ended March 31

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding from the Province of Manitoba (Note 4)</td>
<td>$ 59,377,342</td>
<td>$ 86,913,536</td>
</tr>
<tr>
<td>Capital Expenditures (Note 4):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floodway Expansion</td>
<td>35,448,120</td>
<td>74,649,855</td>
</tr>
<tr>
<td>East Side Transportation Initiative</td>
<td>23,929,222</td>
<td>12,263,681</td>
</tr>
<tr>
<td><strong>Net Expenditures</strong></td>
<td><strong>59,377,342</strong></td>
<td><strong>86,913,536</strong></td>
</tr>
</tbody>
</table>

(see accompanying notes and schedules to the financial statements)
<table>
<thead>
<tr>
<th>Asset Description</th>
<th>Cost</th>
<th>Federal Contributions</th>
<th>Cost net of Federal Contributions</th>
<th>Accumulated Amortization</th>
<th>2011 Net Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$6,975,528</td>
<td>$</td>
<td>$6,975,528</td>
<td>$</td>
<td>$6,975,528</td>
</tr>
<tr>
<td>Floodway Infrastructure - 1969</td>
<td>49,905,100</td>
<td>28,804,900</td>
<td>21,100,200</td>
<td>18,990,180</td>
<td>2,110,020</td>
</tr>
<tr>
<td>Floodway Infrastructure - Improvements - 2001</td>
<td>1,943,000</td>
<td>-</td>
<td>1,943,000</td>
<td>97,150</td>
<td>1,845,850</td>
</tr>
<tr>
<td>Improvements - 2000</td>
<td>3,348,116</td>
<td>2,338,951</td>
<td>1,009,165</td>
<td>75,687</td>
<td>933,478</td>
</tr>
<tr>
<td>Improvements - 1997</td>
<td>1,830,607</td>
<td>915,304</td>
<td>915,303</td>
<td>137,295</td>
<td>778,008</td>
</tr>
<tr>
<td>Floodway Infrastructure - Assets Under Construction - 2004</td>
<td>64,002,351</td>
<td>32,059,155</td>
<td>31,943,196</td>
<td>19,300,312</td>
<td>12,642,864</td>
</tr>
<tr>
<td>Assets Transferred from the Province March 31, 2004</td>
<td>850,424</td>
<td>-</td>
<td>850,424</td>
<td>-</td>
<td>850,424</td>
</tr>
<tr>
<td>Manitoba Floodway Authority - Capital Assets at March 31, 2004</td>
<td>64,852,775</td>
<td>32,059,155</td>
<td>32,793,620</td>
<td>19,300,312</td>
<td>13,493,308</td>
</tr>
<tr>
<td>Assets Transferred to the Province April 1, 2004</td>
<td>69,101,390</td>
<td>34,164,897</td>
<td>34,936,493</td>
<td>19,300,312</td>
<td>15,636,181</td>
</tr>
<tr>
<td>Capital Assets at March 31, 2005</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>-</td>
</tr>
<tr>
<td>Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2005</td>
<td>$9,854,699</td>
<td>$4,658,228</td>
<td>$5,196,671</td>
<td>-</td>
<td>$5,196,671</td>
</tr>
<tr>
<td>Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2006</td>
<td>$58,274,527</td>
<td>$28,842,008</td>
<td>$29,432,519</td>
<td>-</td>
<td>$29,432,519</td>
</tr>
</tbody>
</table>
### Schedule of Capital Assets

**Manitoba Floodway and East Side Road Authority**

As at March 31

<table>
<thead>
<tr>
<th>Description</th>
<th>2011 Net Book Value</th>
<th>2011 Accumulated Amortization</th>
<th>2011 Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2007</td>
<td>$149,844,474</td>
<td>$149,844,474</td>
<td>$149,844,474</td>
</tr>
<tr>
<td>Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2008</td>
<td>$113,751,625</td>
<td>$113,751,625</td>
<td>$113,751,625</td>
</tr>
<tr>
<td>Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2009</td>
<td>$943,206</td>
<td>$943,206</td>
<td>$943,206</td>
</tr>
<tr>
<td>Floodway Expansion</td>
<td>$74,849,655</td>
<td>$74,849,655</td>
<td>$74,849,655</td>
</tr>
<tr>
<td>Floodway Expansion</td>
<td>$12,263,681</td>
<td>$12,263,681</td>
<td>$12,263,681</td>
</tr>
<tr>
<td>Floodway Expansion</td>
<td>$35,448,120</td>
<td>$35,448,120</td>
<td>$35,448,120</td>
</tr>
<tr>
<td>Floodway Expansion</td>
<td>$23,929,222</td>
<td>$23,929,222</td>
<td>$23,929,222</td>
</tr>
</tbody>
</table>

Note: Due to changes in public sector accounting standards in 2007, applied on a prospective basis. Federal contributions are no longer netted against the cost of the assets.
Note 1 - Nature of Operations and Basis of Presentation

The Manitoba Floodway Authority Act was proclaimed into effect on November 1, 2004. The Act established a crown corporation, the Manitoba Floodway Authority (MFA) and dissolved the Manitoba Floodway Expansion Authority Inc. (MFEA) which had been incorporated October 3, 2003. The one outstanding share of the MFEA was redeemed upon dissolution for $1. The purpose of the Authority is to assume the existing operations of the MFEA and to act as the agent of the Manitoba Government in the construction and maintenance of the Red River Floodway.

On December 1, 2009, Bill 31, the Manitoba Floodway Authority Amendment Act was officially proclaimed establishing the Manitoba Floodway and East Side Road Authority (the Authority). The expanded mandate includes constructing and maintaining an all-season road on the east side of Lake Winnipeg, ensuring that the expansion of the floodway and east side road construction are carried out in a manner that provides increased benefits, and maximizes the benefits provided.

The creation of the Authority reflects the merger of the MFA and the East Side Road Authority. The merger was accounted for using the continuity of interests basis of accounting. The financial statements reflect the assets, liabilities, operations and cash flows of the MFA and the East Side Road Authority at their carrying values as if they had always been combined on a historical basis.

Note 2 - Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Purchased capital assets in excess of $10,000 are recorded at cost and are amortized on a straight line basis according to their estimated useful life. Purchases under $10,000 are expensed in the year of purchase. The Authority follows the same capital asset policy as the Province of Manitoba.

Pension Plan

In accordance with the provisions of The Civil Service Superannuation Act (Act), employees of the Authority are eligible for pension benefits in accordance with the Civil Service Superannuation Act. Plan members are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Authority is required to make contributions equal to the amounts contributed to the Fund by the employees. Under this Act, the Authority has no further pension liability. Contributions during the year amounted to $155,421 (2010 - $121,876).

Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenditures recorded in the period, and
Manitoba Floodway and East Side Road Authority  
Notes to the Financial Statements  
For the year ended March 31, 2011

the disclosure of contingencies at the date of the financial statements. Actual results could differ from those estimates.

Financial Instruments

Financial instruments include funds on deposit with the Minister of Finance, amounts due to/from the Province of Manitoba, accounts payable and accrued liabilities. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Authority's financial assets and liabilities approximates their fair value.

Note 3 - Due to the Province of Manitoba

The Authority receives interest bearing advances of approved funding from the Province of Manitoba at rates established by the Minister of Finance. At March 31, 2011, $12,064,978 was payable to the Province of Manitoba (2010 - $15,353,086).

Note 4 - Capital Assets Constructed on behalf of the Province of Manitoba

As an agent of the Province of Manitoba, capital expenditures incurred and transferred to the Province of Manitoba during 2011 and 2010 for the floodway expansion are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>$1,776,336</td>
<td>$3,400,286</td>
</tr>
<tr>
<td>Contract Administration and Final Design</td>
<td>4,614,178</td>
<td>5,768,605</td>
</tr>
<tr>
<td>Environmental Mitigation</td>
<td>1,834,508</td>
<td>5,892,007</td>
</tr>
<tr>
<td>Floodway Channel</td>
<td>6,499,411</td>
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</tr>
<tr>
<td>Inlet Structure</td>
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<td>5,417,593</td>
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<tr>
<td>Insurance</td>
<td>30,007</td>
<td>830,472</td>
</tr>
<tr>
<td>Interest</td>
<td>891,115</td>
<td>929,540</td>
</tr>
<tr>
<td>Land</td>
<td>71,588</td>
<td>1,878,783</td>
</tr>
<tr>
<td>Outlet Structure</td>
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<td>2,140,576</td>
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<tr>
<td>Pedestrian Bridge</td>
<td>1,056,516</td>
<td>-</td>
</tr>
<tr>
<td>Railway Bridges</td>
<td>522,582</td>
<td>13,797,865</td>
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<tr>
<td>Roadway Bridges</td>
<td>15,060,229</td>
<td>17,874,536</td>
</tr>
<tr>
<td>Seine River Siphon</td>
<td>66,916</td>
<td>2,150,621</td>
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<tr>
<td>Utility Relocations</td>
<td>430,752</td>
<td>835,385</td>
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<tr>
<td>West Dike</td>
<td>1,354,450</td>
<td>8,651,911</td>
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<td><strong>Total</strong></td>
<td><strong>$35,448,120</strong></td>
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Manitoba Floodway and East Side Road Authority
Notes to the Financial Statements
For the year ended March 31, 2011

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Manitoba Floodway and East Side Road Authority
Notes to the Financial Statements
For the year ended March 31, 2011

Note 8 - Public Sector Compensation Disclosure

For the purpose of the Public Sector Compensation Disclosure Act, all compensation for employees is disclosed in a separate audited statement available on request.

Note 9 - Contingencies

Three individual accident claims are pending filing against the Authority. As the outcomes of these matters are not determinable and amounts cannot be reasonably estimated at this time, liabilities have not been recorded in the financial statements.