2013 ANNUAL REPORT
FOR THE YEAR ENDED
MARCH 31, 2013
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LETTER OF TRANSMITTAL

September 30, 2013

The Honourable Steve Ashton
Minister responsible for the Manitoba Floodway Authority
203 - 450 Broadway
Winnipeg, Manitoba R3C 0V8

The Honourable Eric Robinson
Minister responsible for the East Side Road Authority
344 - 450 Broadway Avenue
Winnipeg, Manitoba R3C 0V8

Dear Ministers Ashton and Robinson:

On behalf of the Manitoba Floodway and East Side Road Authority (MFESRA), I am pleased to present the Annual Report for the fiscal year ended March 31, 2013.

This past year has been a significant year for the MFESRA, from undertaking major upgrades to the Inlet Control Structure and nearing completion on the floodway expansion project to opening three new bridges on the all-season road from PR 304 to Berens River. While 1-in-700 year flood protection was achieved in the spring of 2009, this year saw the completion of the hydraulic and mechanical upgrades to the Inlet Control Structure. With this work completed, crews are now focusing their efforts on upgrading the control room and corrosion protection of the gates. With the project nearing completion, I am pleased to report the project will be delivered on budget.

Building upon Duff Roblin’s vision for recreational opportunities along the floodway, we were pleased to officially open the Duff Roblin Parkway Trail earlier this year. Utilizing the newly constructed floodway service access road, this new trail links Duff Roblin Provincial Park near St. Norbert to Birds Hill Provincial Park and the Trans-Canada Trail. With the trail now constructed and officially open, we are now turning our attention to developing a floodway interpretative program to educate visitors about the floodway.

At the same time, we have been moving forward with the construction of an all-season road network on the east side of Lake Winnipeg. Already, three new bridges and twenty four kilometers of road construction, have been constructed along the all-season road from PR 304 to Berens River. Farther north, three new Acrow panel bridges are being installed that will help extend the length of time local residents and commercial truckers can use the all-season road network. In March, we were pleased to officially open the first of these three bridges over the Red Sucker River.

To ensure local residents participate in and benefit from the all-season road project, we are continuing to work with local communities through Community Benefits Agreements. These agreements provide jobs, training and economic development opportunities for local communities by undertaking pre-construction activities such as gravel crushing, blasting, exploratory and right-of-way clearing and the installation of Acrow panel bridges. Already nine communities have begun work on pre-construction contracts while four communities are in the process of establishing construction companies to undertake future work. As the project proceeds, we look forward to building upon these successes and providing more opportunities for east side residents, while improving transportation in the region.

Sincerely,

Ernie Gilroy
Chief Executive Officer
Le 30 septembre 2013

Monsieur Steve Ashton
Ministre responsable de la Commission du canal de dérivation du Manitoba
450, Broadway, bureau 203
Winnipeg (Manitoba) R3C 0V8

Monsieur Eric Robinson
Ministre responsable de la Commission d’aménagement de la route située du côté est
450, Broadway, bureau 344
Winnipeg (Manitoba) R3C 0V8

Messieurs les Ministres,

Au nom de la Commission manitobaine d’aménagement du canal de dérivation et de la route située du côté est, je suis heureux de vous présenter le rapport annuel pour l’exercice qui s’est terminé le 31 mars 2013.

Le dernier exercice a été important pour la Commission puisqu’il a correspondu au début de l’exécution des travaux majeurs d’amélioration de l’ouvrage régulateur d’entrée, au quasi-achèvement du projet d’agrandissement du canal de dérivation, et à l’ouverture de trois ponts sur la route toutes saisons située entre la route provinciale secondaire 304 et Berens River. Même si le niveau de protection contre les inondations à récurrence de 700 ans avait été atteint au printemps 2009, c’est au cours du présent exercice que nous avons vu l’achèvement des améliorations hydrauliques et mécaniques de l’ouvrage régulateur d’entrée. Maintenant que ces améliorations sont en place, les équipes concentrent leurs efforts sur la modernisation de la salle de contrôle et la protection anticorrosion des vannes. Le projet étant presque terminé, je suis heureux de vous annoncer qu’il respectera le budget alloué.

Concrétisant le souhait de Duff Roblin de voir s’installer des activités récréatives le long du canal de dérivation, nous avons eu le plaisir d’inaugurer le sentier paysager Duff-Roblin plus tôt cette année. Situé sur la voie de desserte nouvellement construite du canal de dérivation, le sentier relie le parc provincial Duff-Roblin, près de Saint-Norbert, au parc provincial de Birds Hill et au Sentier transcanadien. Maintenant que le sentier est construit et officiellement ouvert, nous nous consacrons à l’élaboration d’un programme d’interprétation sur le canal de dérivation pour renseigner les visiteurs.

En même temps, nous allons de l’avant en ce qui concerne la construction d’un réseau de routes toutes saisons sur la rive est du lac Winnipeg. Déjà, trois ponts et 24 kilomètres de route ont été construits entre la route provinciale secondaire 304 et Berens River. Plus au nord, trois ponts en sections Acrow sont en cours d’installation et aideront à prolonger la période d’utilisation du réseau de routes toutes saisons par les résidents locaux et les transporteurs routiers. En mars, nous avons eu le plaisir d’inaugurer le premier de ces trois ponts qui enjambe la rivière Red Sucker.

Pour faire en sorte que les résidents locaux participent au projet de route toutes saisons et en tirent profit, nous continuons à travailler avec les collectivités locales dans le cadre d’ententes sur les avantages pour la collectivité. Ces ententes offrent des emplois ainsi que des occasions de formation et de développement économique pour les communautés locales, cela dans le cadre d’activités de préparation à la construction comme le concassage de gravier, le dynamitage, le nettoyage exploratoire et le nettoyage de l’emprise. Neuf collectivités ont déjà commencé à mettre en œuvre des contrats de préparation à la construction tandis que quatre collectivités sont en train de déterminer les entreprises de construction à qui seront confiés les futurs travaux. À mesure que le projet avance, nous espérons nous appuyer sur nos réussites et offrir davantage d’occasions intéressantes aux résidents de la rive est, tout en améliorant les transports dans la région.

Je vous prie d’agréer, Messieurs les Ministres, l’expression de ma considération respectueuse.

Le directeur général,
Ernie Gilroy
**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, construction and maintenance 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 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**

The legislation requires a Board of Directors be appointed. The Board consists of eight senior civil servants. The role of the Board is to oversee the operations of MFESRA as it undertakes the Floodway Expansion Project and 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;
ensure the expansion of the floodway and the construction of the east side road are carried out in a manner that provides increased benefits; and

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

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

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, which was 40% more flood water than the 1997 flood. At the same time, Canada and Manitoba invested $110 million to improve flood protection in communities in rural Manitoba.

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.

THE PROJECT

The Red River Floodway Expansion Project provides 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 was estimated the risk of Winnipeg flooding with the original floodway was 37 percent over the next fifty years and with an expanded floodway this risk is reduced to 7 percent.
PROJECT COMPONENTS

The Floodway Expansion Project involved 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 included the following Project Components:

- **Project Design and Environmental Assessment (PDEA) and Licensing** – Preliminary design studies were required to be completed that were refined to define the project in detail and assess the environmental impacts. This component 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 and Contract Administration** – 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 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 by approximately 42 meters (138 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 ensure the speed of water passing through the outlet remains largely unchanged from the pre-expansion condition.

- **Inlet Control Structure** – The improvements required included: 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; replacement of the hydraulic gate cylinders; refurbishment of the Gate Control servomotors; replacement of trunnion pins, the provision of additional trunnion anchors, control room refurbishment and gate corrosion protection.

- **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 West Dike, extending 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. These improvements will ensure 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.

PROGRESS

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 associated road improvements;
16) Replacement and upgrade of the PTH 44 Highway Bridge;
17) PTH 59 Pedestrian Overpass Bridge;
18) Improvements to the East Dike;
19) Improvements to the West Dike;
20) Hydraulic and mechanical improvements and upgrades to the Inlet Control Structure;
21) Construction of a service access road along the expanded floodway;

Ongoing Construction Components

1) Improvements to the Inlet Control Structure Control Room;
2) Environmental mitigation riparian area plantings; and
3) Floodway repair and clean up.

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

COMMITMENT TO SUSTAINABLE DEVELOPMENT

MFESRA is committed to sustainable development as it proceeds with the completion of the floodway expansion project. Some of the initiatives undertaken to promote sustainable development as part of the project include:

- **No Deepening of the Floodway** – To protect groundwater resources, the floodway channel was not deepened but was widened as part of the expansion project.
- **Re-Use of a Temporary Detour Bridge** – To ensure the continuance of railway traffic during railway bridge construction, a temporary detour railway bridge, dubbed a "Lego Bridge" was
set up beside the bridge being reconstructed. When the project was completed, the Lego Bridge was moved on to the next site. The re-use of the structure meant the detour structure was not demolished after every project, which also helped save time and money.

- **Re-use of Bridge Piers** – Bridge piers from the old PTH 15 and 44 Bridges and asphalt from highway projects across Manitoba were collected, pulverized and used to construct the base of the service access road that runs along the length of the floodway. Similarly, limestone collected from temporary access roads was collected and used to surface the floodway service access road.

- **Native Prairie Re-vegetation Initiative** – A native and naturalized re-vegetation initiative is being undertaken near Garvin Road and in the vicinity of the PTH 59 Pedestrian Overpass bridge.

- **Peregrine Falcon Recovery Initiative** – During construction of the West Dike, special arrangements were made to mitigate the impact on peregrine falcons at the Parkland Mews Peregrine Falcon Recovery Centre.

- **Fish Habitat Enhancement** – A Fish Habitat Enhancement Program was developed for the floodway that included:
  - Construction of five fish spawning shoals at locations along the Seine River
  - The planting of 13,000 trees and 22,000 shrubs along waterways that help to shade the water, keep it cool and well oxygenated for fish.

- **Trees for Tomorrow** – Approximately 70,000 saplings were planted on the floodway right-of-way through Manitoba Conservation’s Trees for Tomorrow Program.

- **Tree Transplantings** – To mitigate the loss of a number of trees that had to be removed from the floodway, MFESRA undertook a tree transplanting initiative that resulted in approximately 500 trees being transplanted at various locations throughout Winnipeg and southern Manitoba. Some of the trees that were not transplanted were salvaged for timber for use in Birds Hill Provincial Park.

**PROJECT ACTIVITIES**

MFESRA continues to focus on the following activities related to the floodway expansion project:

- **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 the project 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 project for all Manitobans.
FUNDING

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

Outlet Control Structure

Left - prior to upgrades
Right - new Inlet Control Structure

- The retaining walls of the old structure were demolished, and the Outlet Structure was widened by approximately 42 meters (138 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.
For 2012/13, the MFESRA identified the following strategic core and emerging priorities:

- **Project Completion** – Completion of major components of the Red River Floodway Expansion Project by March 31, 2013
- **Final Design** – Complete the on-going Final Design engineering in 2012/13.
- **Recreation and Economic Development** – Continue to move forward with the recreation and economic development opportunities on the expanded floodway.

**CONSTRUCTION**

- Maintain the construction schedule on work already underway:
  - Continue the planned improvements to the Inlet Control Structure; and
  - Continue with the landscaping and recreational development, including the construction of the service access road, low flow floating bridge and interpretative program.

**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.
2012/13 MILESTONES AND ACCOMPLISHMENTS

- Project Completion - major upgrades to the Inlet Control Structure were completed. Upgrades to the Control Room, corrosion protection of the gates and environmental mitigation riparian area plantings were started and will be completed in 2013/14.

- Final Design - Completed the final design engineering on project components to be constructed in 2012/13.

- Recreation and Economic Development – Duff Roblin Parkway Trail was officially opened. Work continued on the recreation and economic development opportunities on the expanded floodway.

CONSTRUCTION

- Maintained the construction schedule of on-going works including:
  - Ongoing improvements and upgrades of the Inlet Control Structure;
    - Mechanical and hydraulic improvements
    - Four new cylinders that raise and lower the floodway gates were installed.
  - Completed the construction of the floodway service access road;
  - Riparian area plantings continue;
  - Ongoing floodway repair and clean-up work; and
  - Installation of new low flow floating bridge.

ENVIRONMENTAL LICENSING

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

Mechanical and hydraulic improvements to the Inlet Control Structure were completed in 2012/13. Upgrades to the Inlet Control Structure Control Room are scheduled for the summer of 2013.

Four new cylinders that raise and lower the floodway gates were installed in the Inlet Control Structures.
PUBLIC CONSULTATION

- Continue to meet with local governments, special interest groups and other interested parties regarding the project;
- Updated the Manitoba Floodway Authority Website (www.floodwayauthority.mb.ca).
**2012/13 COMMUNICATION ACTIVITIES**

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<td>SAFE Roads Campaign Launched</td>
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<td>July 3, 2012</td>
<td>Premier Selinger Officially Open the New Duff Roblin Parkway Trail</td>
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<td>July 9, 2012</td>
<td>Traffic Advisory: Courchaine Road to be Closed to Traffic</td>
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<td>July 9, 2012</td>
<td>Boating Advisory: Boaters Advised to Use Caution When Navigating Near the Inlet Control Structure on the Red River</td>
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<td>June 15, 2012</td>
<td>Groundwater and Surface Water Monitoring Reports Released</td>
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<td>August 24, 2012</td>
<td>Public Safety Advisory: Unauthorized Motorized Vehicles Prohibited on the Floodway</td>
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<td>October 19, 2012</td>
<td>Public Advised that Low Flow Floating Bridge is Closed for the Season</td>
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<td>December 14, 2012</td>
<td>Public Safety Advisory: Snowmobiling Prohibited on the Floodway, Except on Authorized SNOMAN Trail</td>
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(Right) A new low flow floating bridge provides safe crossing for pedestrians across the channel.
For 2013/14, the MFESRA has identified the following strategic core and emerging priorities:

PROJECT COMPLETION
- Completion of the Red River Floodway Expansion Project with ongoing implementation of environmental licensing requirements and maintenance program.

CONSTRUCTION
- Maintain the construction schedule on work already underway including:
  - Completion of the upgrades to the Inlet Control Structure Control Room and gates.
  - Completion of the signage and interpretative plan for the Duff Roblin Parkway Trail on the expanded floodway.

ENVIRONMENTAL LICENSING

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

HISTORY

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 goods 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 recent years, the challenge of climate change has reduced 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.

A good example of the improvements to the reliability of the winter road system includes the installation of three Acrow Panel Bridge projects in the Island Lake region which will help to extend the length of time local residents are able to use the winter road network. The Red Sucker River Bridge was opened to traffic in 2013 while the Mainland and Feather Rapids bridges are scheduled to open in 2014.
THE PROJECT
The East Side Transportation Initiative (ESTI) will provide all-season road access to 13 First Nation communities located on the east side of Lake Winnipeg and includes:

1) A 1,028 kilometer all-season road for the east side of Lake Winnipeg recommended in The East Side Large Area Transportation Network Study final report.
   o 156 kilometre all-season road from PR 304 to Berens River First Nation;
   o 93 kilometre extension north to Poplar River from the all-season road from PR 304 to Berens River all-season road;
   o 131 kilometre all-season road linking Little Grand Rapids and Pauingassi First Nations to a midway point along the all-season road from PR 304 to Berens River; and
   o 648 kilometre east-west route linking the northern Cree and Island Lake communities to PR 373.
2) Ensuring 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 all-season road project includes the following 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, including various water crossing (i.e. bridges and culverts) from Provincial Road 304 to Berens River First Nation. The project includes construction of a gravel road and various water crossings.
- **East Side Large Area Transportation Network Study (LATNS)** - SNC Lavalin, on behalf of MFESRA, undertook 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 included a technical and a community input process. The final report of the study was completed in June 2011.
- **Community Benefits & Aboriginal Engagement Strategy** – A major focus of the ESTI is to ensure 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 (CBAs), 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.

- **Pre-Design Engineering** - Preliminary design studies are required to be completed and refined to define the project in detail.

- **Environmental Assessment and Public Engagement** - Based on the pre-design, environmental assessment is required to be undertaken to assess the environmental impacts of the project and to identify appropriate mitigation measures. This component includes public engagement, establishment of the Environmental Impact Assessment and the environmental licensing process.

- **Final Design and Contract Administration** – Based on the environmental assessment process, final design and detailed design engineering will be undertaken to minimize any potential impacts related to the project.

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

**PROGRESS**

The overall construction strategy is to undertake construction in a staged approach, gradually improving the winter road system and extending the length of time local residents and commercial truckers can use the winter roads.

ESRA is moving forward with planning, design, and environmental assessment for the all-season road network

As of March 31, 2013, progress on the project consists of the following:

1) **All-Season Road from PR 304 to Berens River**

- **Construction**: The following construction work has been undertaken on the all-season road from PR 304 to Berens River:
  
  - Temporary Detour Bridge Structure of the Wanipigow River
  - Construction of the new Wanipigow River Bridge at kilometer 1
  - Road construction from kilometer #48 to #55
  - Road construction from kilometer #55 to #67
  - Road construction from kilometer #88 to #90
  - Road base construction of a 3km camp to quarry road
  - Construction of the Loon Creek Bridge at kilometer #84
  - Construction of the Long Body Creek Bridge at kilometer #53
  - Bloodvein River Backwater Channel Preload project at kilometer #77.

- **Environmental Licensing**: An Environmental Impact Assessment (EIA) for the all-season road was filed on November 2009 and the project received Provincial Environment Act License No. 2929, which identified the project as a Class 2 Development under *The Manitoba Environment Act* on August 16, 2010. The project was also reviewed under the federal environment impact assessment process under the Canadian Environmental Assessment Act (CEAA). As part of this process, the Government of Canada issued a Comprehensive Study Report on the project for public review. Based on the Comprehensive Study and public comments filed, the federal Minister of Environment concluded “the project, taking into account the mitigation measures described in the Comprehensive Study Report, is not likely to cause significant adverse environmental effects.”
2) **Community Benefits & Aboriginal Engagement:** Community Benefits Agreements (CBA), inclusive of pre-construction work and training, have been signed with the following First Nations:

- Berens River First Nation (August 19, 2009)
- Bloodvein First Nation (January 4, 2010), (2\textsuperscript{nd} CBA on May 24, 2012)
- Wasagamack First Nation (December 4, 2009)
- Red Sucker Lake First Nation (March 15, 2010)
- St. Theresa Point First Nation (March 16, 2010)
- Hollow Water First Nation (May 13, 2010)
- Bunibonibee Cree Nation (July 16, 2010)
- Pauingassi First Nation (August 11, 2010)
- Poplar River First Nation (September 13, 2010)
- Garden Hill First Nation (October 19, 2010)
- Little Grand Rapids (February 9, 2011)
- Manto Sipi First Nation (May 12, 2011)
- God’s Lake First Nation (May 13, 2011)

Left - The Final Report of the LATNS was completed in June 2011 and recommended a 1,028 kilometre all-season road network, providing year round access to thirteen remote and isolated east side communities.
COMMITMENT TO SUSTAINABLE DEVELOPMENT

MFESRA is committed to sustainable development as it proceeds with the completion of the all-season road project. Some of the initiatives previously undertaken to promote sustainable development as part of the project include:

- **Aligning Of All-Season And Winter Road Routes** – in an effort to mitigate the impact on the environment and limit the area of new rights-of-ways required, efforts are being undertaken to follow existing winter road routes as much as possible.
- **Traditional Knowledge Studies** – To reduce the impact on trappers and resource users, MFESRA is undertaking Traditional Knowledge Studies that involve workshops with trappers, elders and other resource users. These studies will help to mitigate the impact of the project on traditional land uses in the region.
- **Native Grass Revegetation Program** – A native grass revegetation program has been initiated to help restore native plants in areas affected by construction. A key component of the program is involving local residents in the capture and collection of the native grass species.
- **Wildlife Monitoring** – To mitigate the impact on wildlife, MFESRA has undertaken a three-year wildlife monitoring study that is providing valuable information on caribou, wolves, moose, furbearers, small animals and bird species.
- **Fish Compensation Projects** – A Fish Habitat Compensation Program has been initiated to create new fish habitat and help to restore habitat impacted by the project.

PROJECT ACTIVITIES

MFESRA continues to focus on the following activities related to the all-season road projects:

- **Public Outreach and Consultation** – MFESRA is committed to ongoing engagement with First Nations and Métis communities, federal and provincial governments, non-government organizations, labour and the construction industry as the projects proceed.
- **Communications** – MFESRA is committed to ongoing communications throughout the life of the project especially raising public awareness and soliciting input from local residents, including elders, trappers and resource users, regarding the proposed project. MFESRA is also committed to promoting the project, maximizing the level of visibility and importance of the project, and recognizing the Province of Manitoba’s contribution and leadership to the project.

FUNDING

The Government of Manitoba has committed $75 million per year over fifteen years, or $1.125 billion, toward the East Side Transportation Initiative. To date, no federal commitment has been made to the project but discussions are underway between Manitoba and Canada regarding the prospect of federal funding for strategic improvements to winter roads, access roads and a general contribution to the East Side Large Area Transportation Network (ESLATN).
For 2012/13, the MFESRA identified the following strategic core and emerging priorities:

- Sign pre-construction contracts under the existing CBAs with the remaining First Nations;
- Move forward with the Community Benefits Strategy, including discussions with east side First Nations regarding future CBAs;
- Continue the ongoing detailed design for the all-season road from PR 304 to Berens River First Nation;
- Develop a long-term implementation strategy for the East Side Large Area Transportation Network; and
- Secure federal government participation in the project.

CONSTRUCTION
- Continue construction of the all-season road from PR 304 to Berens River First Nation;
- Complete Longbody and Loon Creek Bridges prior to the winter road season opening in January, 2013;
- Complete Red Sucker River temporary Acrow panel bridge prior to the winter road season opening in January, 2013;
- Complete the 26th kilometer of road construction;
- Refine the construction schedule for the all-season road from PR 304 to Berens River First Nation for the 2012/13 works; and
- Develop the tender schedule for the 2013/14 construction contracts.

ENVIRONMENTAL LICENSING
- Secure federal environmental authorizations and approvals for the all-season road for PR 304 to Berens River First Nation; and
- 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;
- Undertake the 2013 Winter Road Safety Public Awareness Campaign;
- Maintain the project website (www.eastsideroadauthority.mb.ca); and
- Continue to raise public awareness regarding the project.
2012/13 MILESTONES AND ACCOMPLISHMENTS

- Sign pre-construction contracts under the existing CBAs with the remaining First Nations;
- Implemented the second CBA with Bloodvein First Nation and initiated discussions regarding the second CBA with Berens River and Hollow Water First Nations;
- Continued ongoing detailed design for the all-season road from PR 304 to Berens River First Nation; and
- Developed a long-term implementation strategy for the East Side Large Area Transportation Network.

CONSTRUCTION

- Completed construction of 24 kms of all-season road from PR 304 to Berens River
- Officially opened the new Bloodvein Access Road on June 29, 2012;
- Opened the new Loon Creek Bridge along the all-season road from PR 304 to Berens River for the opening of the 2013 Winter Road Season;
- Opened the new Longbody Creek Bridge along the all-season road from PR 304 to Berens River for the opening of the 2013 Winter Road Season;
- Opened the new Red Sucker River Bridge for the opening of the 2013 Winter Road Season;
- Tendered construction components according to project’s construction schedule;
- Began installation of the Mainland River and Feather Rapids Acrow panel bridges; and
- Initiated pre-construction work in nine out of thirteen east side First Nation communities.

ENVIRONMENTAL LICENSING

- Obtained approvals for the construction contracts awarded for all-season road from PR 304 to Berens River First Nation;
- Continued to work with Federal Regulatory Authorities to obtain Federal Authorizations for the all-season road contracts from PR 304 to Berens River First Nation; and
- Initiated background preparations for the environmental licensing processes for the proposed all-season road alignment for the remainder of the region within the ESLATN.

PUBLIC ENGAGEMENT

- Ongoing engagement with local communities and other interested parties regarding the project.

COMMUNICATIONS

- Distributed the fourth edition of the ESRA newsletters (4,500 copies) to local residents;
- Distributed the 2012 East Side Road Authority Calendars to the public;
- Undertook the 2013 Winter Road Public Safety Awareness Campaign;
- Update the project website (www.eastsideroadauthority.mb.ca).
2012/13 COMMUNICATION ACTIVITIES

June 29, 2012  Canada and Manitoba Announce the Official Opening of the Bloodvein Access Road

June 30, 2012  Distributes the 2012 ESRA Newsletter

January, 2012  Public Safety Advisory – Winter Road Safety Campaign Launched

March 7, 2013  Official Opening of the Red Sucker River Acrow Panel Bridge

On June 29, 2012, Canada, Manitoba and Bloodvein First Nation officially opened the new Bloodvein Access Road.

On March 7, 2013, Manitoba and Red Sucker Lake First Nation officially opened the new Red Sucker River Bridge.
2013/14 PRIORITIES

For 2013/14, the MFESRA has identified the following strategic core and emerging priorities:

- Sign pre-construction contracts under the existing CBAs with the remaining First Nations;
- Move forward with the Community Benefits Strategy, including implementation and discussions with east side First Nations regarding the second round of CBAs;
- Continue the ongoing detailed design for the all season road from PR304 to Berens River First Nation;
- Negotiate possible transfer of responsibilities for winter roads from Manitoba Infrastructure and Transportation to MFESRA;
- Make strategic improvements to the winter road network;
- Develop and prioritize phases for the implementation strategy for the East Side Large Area Transportation Network; and
- Negotiate to obtain federal funding for strategic improvements to the winter roads, access roads and a general contribution to the ESLATN.

CONSTRUCTION

- Continue construction of the All-Season Road from PR 304 to Berens River First Nation;
- Begin construction of the Bloodvein River Bridge;
- Complete construction of the 17 kms of road construction on the all-season road from PR 304 to Berens River;
- Open the Mainland River and Stevenson River Acrow panel bridges during the 2014 Winter Road
- Refine the construction schedule for the all-season road from PR 304 to Berens River First Nation for the 2013/14 works; and
- Develop the tender schedule for the 2014/2015 construction contracts.

ENVIRONMENTAL LICENSING

- Secure federal environmental authorizations and approvals as required for the all-season road for PR 304 to Berens River First Nation; and
- Continue 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);
- Undertake the 2014 Winter Road Safety Public Awareness Campaign;
- 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 2011 / 12.

<table>
<thead>
<tr>
<th>Information Required Annually</th>
<th>Fiscal Year 2011/2012</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 investigation that resulted in a finding of wrongdoing, a description of the wrongdoing and any recommendations or corrective actions taken in relation to the wrongdoing, or the reasons why no corrective action was taken.</td>
<td>NIL</td>
</tr>
</tbody>
</table>
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 statement of financial position as at
March 31, 2013, 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 public sector accounting standards, 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 in our audit 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, 2013,
and the results of its operations and its cash flows for the year then ended in accordance with
Canadian public sector accounting standards.

Winnipeg, Canada,
October 18, 2013.

Ernst & Young LLP
Chartered Accountants
Manitoba Floodway and East Side Road Authority

**STATEMENT OF FINANCIAL POSITION**

As at March 31

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funds on deposit with Minister of Finance</td>
<td>8,894,350</td>
<td>16,174,076</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>5,593,024</td>
<td>7,126,092</td>
</tr>
<tr>
<td>Interest payable</td>
<td>1,838,092</td>
<td>2,229,596</td>
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<tr>
<td>Due to the Province of Manitoba [note 4]</td>
<td>1,463,234</td>
<td>6,818,388</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td>8,894,350</td>
<td>16,174,076</td>
</tr>
<tr>
<td>Contractual obligations and contingencies [notes 6 and 9]</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net financial assets and accumulated surplus</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

See accompanying notes

On behalf of the Board:

Director

[Signatures of Directors]
 Manitoba Floodway and East Side Road Authority

STATEMENT OF OPERATIONS

Year ended March 31

<table>
<thead>
<tr>
<th></th>
<th>Budget [unaudited]</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floodway expansion</td>
<td>2,112,547</td>
<td>1,409,909</td>
<td>1,931,693</td>
</tr>
<tr>
<td>East Side transportation initiative</td>
<td>8,071,457</td>
<td>6,326,771</td>
<td>5,795,824</td>
</tr>
<tr>
<td>Operating grants</td>
<td>1,651,000</td>
<td>1,271,823</td>
<td>1,374,461</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>11,835,004</td>
<td>9,008,503</td>
<td>9,101,978</td>
</tr>
</tbody>
</table>

| **EXPENSES**         |                    |        |        |
| Salaries and benefits| 7,582,864          | 5,409,756 | 5,094,075 |
| Other operating expenses |                |        |        |
| Transportation       | 766,200            | 861,159  | 849,379 |
| Communications       | 202,120            | 206,335  | 237,181 |
| Supplies and services| 1,550,000          | 1,465,649 | 1,145,354 |
| Minor capital        | 400,000            | 15,145   | 224,375 |
| Other operating      | 1,333,820          | 1,050,459 | 1,551,614 |
| **Total Expenses**   | 4,252,140          | 3,598,747 | 4,007,903 |
| **Annual operating surplus for the year** | 11,835,004 | 9,008,503 | 9,101,978 |

See accompanying notes
Manitoba Floodway and East Side Road Authority

STATEMENT OF CASH FLOWS

Year ended March 31

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual operating surplus for the year</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Net change in non-cash working capital balances related to operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>488,059</td>
<td>18,796</td>
</tr>
<tr>
<td>Cash provided by operating activities</td>
<td>488,059</td>
<td>18,796</td>
</tr>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets constructed on behalf of the Province of Manitoba</td>
<td>(80,877,350)</td>
<td>(88,565,201)</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>(2,202,658)</td>
<td>(1,317,773)</td>
</tr>
<tr>
<td>Interest payable</td>
<td>(391,504)</td>
<td>939,193</td>
</tr>
<tr>
<td>Contributions related to capital assets</td>
<td>80,877,350</td>
<td>88,565,201</td>
</tr>
<tr>
<td>Cash used in investing activities</td>
<td>(2,594,162)</td>
<td>(378,580)</td>
</tr>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to the Province of Manitoba</td>
<td>(5,173,623)</td>
<td>(5,202,817)</td>
</tr>
<tr>
<td>Cash used in financing activities</td>
<td>(5,173,623)</td>
<td>(5,202,817)</td>
</tr>
<tr>
<td>Net decrease in funds on deposit with the Minister of Finance during the year</td>
<td>(7,279,726)</td>
<td>(5,562,601)</td>
</tr>
<tr>
<td>Funds on deposit with the Minister of Finance, beginning of year</td>
<td>16,174,109</td>
<td>21,736,710</td>
</tr>
<tr>
<td>Funds on deposit with the Minister of Finance, end of year</td>
<td>8,894,383</td>
<td>16,174,109</td>
</tr>
</tbody>
</table>

See accompanying notes

Ernst & Young
A member firm of Ernst & Young Global Limited

Statement of Cash Flows
30
Manitoba Floodway and East Side Road Authority

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

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 Manitoba Floodway and East Side Road Authority is exempt from income taxes under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles as established by the Canadian Public Sector Accounting Board.

Tangible capital assets

Tangible 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.

Employee future benefits

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

[Signature]

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Manitoba Floodway and East Side Road Authority

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

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 $229,915 [2012 - $194,649].

Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value or [ii] cost or amortized cost. The Authority determines the classification of its financial instruments at initial recognition.

The Authority’s financial instruments include funds on deposit with the Minister of Finance, amounts due to the Province of Manitoba, account payable and accrued liabilities and interest payable. These financial instruments are initially recorded at fair value and subsequently measured at cost, net of any provisions for impairment. 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 due to the short-term nature of the balances.

Revenue

Revenue from government grants from the Province of Manitoba are recognized in the period in which the transactions or events occurred that gave rise to the revenue. Revenue from government transfers are recognized when the transfer is authorized and any eligibility criteria are met.

Expenses

Expenses are recorded on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingencies as at the date of the financial statements and reported amounts of revenue and expenditures recorded in the period. Actual results could differ from those estimates.
Manitoba Floodway and East Side Road Authority

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

3. CHANGE IN ACCOUNTING POLICIES

The Public Sector Accounting Board [“PSAB”] approved the following new public sector accounting standards which were adopted by the Authority effective April 1, 2012:

PS 1201 – Financial Statement Presentation [replacing PS 1200, Financial Statement Presentation]
PS 2601 – Foreign Currency Translation [replacing PS 2600, Foreign Currency Translation]
PS 3041 – Portfolio Investments [replacing PS 3040, Portfolio Investments]
PS 3450 – Financial Instruments

Adoption of these standards was required to take place in the same fiscal period. In accordance with the requirements of these standards, prospective application of the recognition, derecognition and measurement policies are presented beginning April 1, 2012. Accordingly, financial statements of prior periods, including comparative information, have not been restated.

The adoption of these standards did not have an impact on the Authority’s financial statements.

4. 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, 2013, $1,463,234 was payable to the Province of Manitoba [2012 - $6,818,388].

5. TRANSACTIONS RELATED TO OPERATIONS AND CAPITAL

The Province of Manitoba has a shared cost agreement with the Government of Canada for both capital and operating expenditures related to the Red River floodway expansion project. All eligible costs are shared equally. The Authority receives its funding from the Province of Manitoba. Claims under the shared cost agreement are submitted by the Authority on behalf of the Province of Manitoba with funds received from the Government of Canada recorded in the Operating Fund of the Province of Manitoba.

Government transfers from the Government of Canada under this shared cost agreement in the amount of $5,510,754 [2012 - $7,613,015] are recorded as revenue in the Operating Fund of the Province of Manitoba.

Grants from the Province of Manitoba of $1,271,823 [2012 - $1,374,461] related to operating expenses were reflected in the operations of the Authority. The Authority also received funding from the Province of Manitoba for operating expenses related to the floodway expansion project of
Manitoba Floodway and East Side Road Authority

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

$1,409,909 [2012 - $1,931,693] and $6,326,771 [2012 - $5,795,824] related to the east side road transportation initiative.

6. TANGIBLE CAPITAL ASSETS CONSTRUCTED ON BEHALF OF THE PROVINCE OF MANITOBA

During the year, the Authority received $80,877,350 [2012 - $83,032,265] of funding from the Province of Manitoba for the construction of tangible capital assets on behalf of the Province of Manitoba. The funding was utilized for the construction of the floodway expansion and the east side road transportation initiative as outlined below.

As an agent of the Province of Manitoba, capital expenditures incurred and transferred to the Province of Manitoba during 2013 and 2012 for the floodway expansion are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>1,409,909</td>
<td>1,931,693</td>
</tr>
<tr>
<td>Contract administration and final design</td>
<td>2,684,192</td>
<td>2,273,262</td>
</tr>
<tr>
<td>Environmental mitigation</td>
<td>328,928</td>
<td>761,888</td>
</tr>
<tr>
<td>Floodway channel</td>
<td>1,258,214</td>
<td>4,130,993</td>
</tr>
<tr>
<td>Inlet structure</td>
<td>5,769,592</td>
<td>10,265,073</td>
</tr>
<tr>
<td>Insurance</td>
<td>100,276</td>
<td>772,885</td>
</tr>
<tr>
<td>Interest</td>
<td>572,005</td>
<td>581,356</td>
</tr>
<tr>
<td>Land</td>
<td>62,541</td>
<td>399,537</td>
</tr>
<tr>
<td>Pedestrian bridge</td>
<td>94,383</td>
<td>386,799</td>
</tr>
<tr>
<td>Railway bridge</td>
<td>—</td>
<td>34,467</td>
</tr>
<tr>
<td>Roadway bridge</td>
<td>99,207</td>
<td>786,862</td>
</tr>
<tr>
<td>West dike</td>
<td>—</td>
<td>286,092</td>
</tr>
<tr>
<td></td>
<td><strong>12,379,247</strong></td>
<td><strong>22,610,907</strong></td>
</tr>
</tbody>
</table>

4

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Notes to Financial Statements 34
NOTES TO FINANCIAL STATEMENTS

March 31, 2013

Capital expenditures incurred and transferred to the Province of Manitoba during 2013 and 2012 for the east side road transportation initiative are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration</td>
<td>6,326,771</td>
<td>5,795,824</td>
</tr>
<tr>
<td>Contract administration</td>
<td>5,271,262</td>
<td>2,597,767</td>
</tr>
<tr>
<td>Environmental assessment and licensing</td>
<td>1,533,169</td>
<td>3,266,169</td>
</tr>
<tr>
<td>Engineering design</td>
<td>3,985,210</td>
<td>4,115,023</td>
</tr>
<tr>
<td>Interest</td>
<td>1,266,087</td>
<td>1,648,240</td>
</tr>
<tr>
<td>Preconstruction activities</td>
<td>7,037,671</td>
<td>26,898,958</td>
</tr>
<tr>
<td>Preliminary design and studies</td>
<td>—</td>
<td>107,444</td>
</tr>
<tr>
<td>Roads</td>
<td>21,880,318</td>
<td>4,714,892</td>
</tr>
<tr>
<td>Bridges</td>
<td>21,097,615</td>
<td>16,809,977</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>68,398,103</strong></td>
<td><strong>65,954,294</strong></td>
</tr>
</tbody>
</table>

Since the inception of the Authority on November 1, 2004, the cost of tangible capital assets constructed on behalf of the Province of Manitoba total $622,578,865 [2012 - $610,199,616] for the floodway expansion and $171,488,506 [2012 - $103,090,403] for the east side road transportation initiative.

During the year ended March 31, 2012, the Authority entered into a cost sharing agreement with the Government of Canada and the Bloodvein First Nation to construct the Bloodvein Community Access Road. The construction of this project was completed by the Authority on behalf of the Province of Manitoba in 2013 at a total cost of $3,551,938. These amounts are not included in the balance above as the road was not constructed on Provincial Crown Lands and are considered an operating expenditure of the Province of Manitoba. Under the cost sharing agreement, $2,585,580 of funding received from the Government of Canada, $377,286 from Bloodvein First Nation and $589,072 was funded by the Province of Manitoba. The net impact of the Authority for this project was nil.

7. CONTRACTUAL OBLIGATIONS

As an agent of the Province of Manitoba, the Authority has entered into various contracts in all phases of the projects. Contractual obligations relating to the projects totaled $98,960,529 at March 31, 2013 [2012 - $121,817,605].
NOTES TO FINANCIAL STATEMENTS

March 31, 2013

Contractual obligations for the lease of office space from the Province of Manitoba Department of Transportation and Government Services for the next year are as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>282,332</td>
</tr>
</tbody>
</table>

8. ECONOMIC DEPENDENCE

The Authority is economically dependent on funding received from the Province of Manitoba.

9. 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.

10. CONTINGENCIES

Various 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.

11. BUDGET FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Treasury Board and the Legislature.

12. COMPARATIVE FIGURES

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