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SENT BY COURIER

Toronto, April 16, 2010

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, Suite 2700
P.O. Box 2319
Toronto, ON M4P 1E4

Dear Ms. Walli:

RE: Five Nations Energy Inc.
Transmission Rates Application (EB-2009-0387)
Audited Financial Statements for 2009

Please find enclosed five (5) copies of FNEI's recently approved 2009 audited financial statements. These will supersede FNEI's 2009 unaudited financial statements found at Exhibit 1, Tab 3, Schedule 1 of FNEI's pre-filed evidence in the above-noted matter.

Please contact me should you have any questions.

Yours very truly,

Richard King

RK/dt
Encl.

cc: Joe Gaboury, FNEI
Rod Reimer, FNEI
Maia Chase, IESO
Carl Burrell, IESO
David MacIntosh, Energy Probe
Olena Loskutova, Energy Probe
Peter T. Faye, B&S

FIVE NATIONS ENERGY INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 & 2008

Ross, Pope & Company LLP
Chartered Accountants
101 Cedar Street South
Timmins, Ontario
P4N 2G7

Partners with Aboriginals

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AUDITORS' REPORT

To the Members of Five Nations Energy Inc.

We have audited the balance sheet of Five Nations Energy Inc. as at December 31, 2009 and the statements of income and utility equity and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2009 and the results of its operations and its cash flows for year then ended in accordance with Canadian generally accepted accounting principles.

Ross, Pope & Company LLP

Ross, Pope & Company LLP
Chartered Accountants
Licensed Public Accountants

February 24, 2010
Timmins, Ontario

FIVE NATIONS ENERGY INC.

BALANCE SHEET

AS AT DECEMBER 31

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash	$ -	$ 508,145
Accounts receivable (Note 5)	1,035,871	793,524
Prepaid expenses	144,223	150,000
	1,180,094	1,451,669
RESTRICTED DEPOSITS (Note 8)	4,000,000	4,000,000
CAPITAL ASSETS (Notes 1, 3, 13)	28,607,299	27,070,485
	$ 33,787,393	$ 32,522,154
LIABILITIES AND UTILITY EQUITY		
CURRENT LIABILITIES		
Bank indebtedness (Note 4)	$ 607,577	$ -
Accounts payable and accrued liabilities (Note 5)	1,065,620	1,131,184
Current portion of long-term debt (Note 6)	324,176	1,229,097
	1,997,373	2,360,281
LONG-TERM DEBT (Note 6)	13,550,386	13,649,506
	15,547,759	16,009,787
UTILITY EQUITY		
DEFICIT IN OPERATING FUND (Notes 1, 7)	(493,103)	-
EQUITY IN INSURANCE RESERVE FUND (Note 8)	4,000,000	4,000,000
EQUITY IN CAPITAL RESERVE (Note 9)	-	320,485
EQUITY IN CAPITAL FUND (Note 10, 13)	14,732,737	12,191,882
	18,239,634	16,512,367
	$ 33,787,393	$ 32,522,154

Commitments and contingencies (Note 12)
Comparative figures (Note 13)

Approved by:

President

Treasurer

See accompanying notes.

FIVE NATIONS ENERGY INC.

STATEMENT OF INCOME AND UTILITY EQUITY

YEARS ENDED DECEMBER 31

	2009	2008
REVENUE		
Transmission services	**$ 5,023,982**	$ 5,226,555
Miscellaneous services	**189,130**	74,734
Interest income	**25,128**	228,265
	5,238,240	5,529,554
EXPENSES		
Amortization	**771,171**	645,179
Bad debt (recovery)	**34,224**	(46,189)
Board of directors	**344,345**	214,455
Insurance	**229,521**	229,916
Interest on long-term debt	**583,927**	560,469
Maintenance	**846,792**	650,952
Office and other	**203,913**	240,185
Outside services	**663,231**	659,310
Salaries and benefits	**295,799**	193,024
Travel	**118,312**	109,238
	4,091,235	3,456,539
INCOME BEFORE UNDERNOTED	**1,147,005**	2,073,015
INTEREST CAPITALIZED AT OEB PRESCRIBED RATE (Note 13)	**580,262**	449,753
NET INCOME FROM OPERATIONS	**1,727,267**	2,522,768
UTILITY EQUITY, beginning of year	**16,512,367**	13,989,599
UTILITY EQUITY, end of year	**$ 18,239,634**	$ 16,512,367

See accompanying notes.

FIVE NATIONS ENERGY INC.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31

	2009	2008
OPERATING ACTIVITIES		
NET INCOME FROM OPERATIONS	$ 1,727,267	$ 2,522,768
ADD ITEMS NOT REQUIRING A CASH OUTLAY:		
Amortization	771,171	645,179
DECREASE (INCREASE) IN:		
Accounts receivable	(242,348)	73,300
Prepaid expenses	5,777	505
INCREASE (DECREASE) IN:		
Accounts payable	(65,563)	(672,368)
Holdback payable	-	(236,062)
CASH PROVIDED BY OPERATING ACTIVITIES	2,196,304	2,333,322
FINANCING ACTIVITIES		
Proceeds of long-term debt	-	7,002,400
Repayment of long-term debt	(1,004,041)	(776,397)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(1,004,041)	6,226,003
INVESTING ACTIVITIES		
Additions to capital assets	(2,307,985)	(9,870,318)
CASH USED IN INVESTING ACTIVITIES	(2,307,985)	(9,870,318)
CHANGE IN CASH	(1,115,722)	(1,310,993)
CASH, beginning of year	508,145	1,819,138
CASH (BANK INDEBTEDNESS), end of year	$ (607,577)	$ 508,145
CASH FLOW SUPPLEMENTARY INFORMATION		
Interest paid	$ 583,927	$ 560,469

See accompanying notes.

NATURE OF BUSINESS

The corporation owns and operates a 190 km electricity transmission line running from 80 km north of Moosonee to the three First Nation communities of Attawapiskat, Kashechewan and Fort Albany, Ontario. The corporation is a non-profit corporation without share capital with its head office located in Moose Factory, Ontario. The board of directors is controlled by representatives of the participating First Nation communities.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the accounting principles set forth for utility companies by the Ontario Energy Board's "Accounting Procedures Handbook", which conform with Canadian generally accepted accounting principles. The accrual basis of accounting is followed for all revenues and expenses.

(b) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the year. Actual results could differ from these estimates.

(c) REVENUE RECOGNITION

The corporation recognizes revenue from transmission services when they are received by the customer, as determined by the Independent Electricity System Operator, a not-for-profit entity established by the Government of Ontario.

(d) CAPITAL ASSETS, CONTRIBUTIONS IN AID OF CONSTRUCTION AND AMORTIZATION

All capital assets are recorded at cost. Funding received specifically for the construction of assets is credited to capital assets in accordance with Canadian generally accepted accounting principles for utilities. Amortization is charged to operations over the estimated service life of the assets on a straight-line basis as follows:

Station equipment	40 years
Poles and fixtures	25 years
Overhead conductors and devices	25 years
Buildings, automotive and other equipment	2 to 25 years
Contributions in aid of construction	25 to 40 years

(e) FUND ACCOUNTING

The corporation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. Funds are maintained as follows:

OPERATING FUND - reports on the general transmission activities of the corporation.

INSURANCE RESERVE FUND - reports on the appropriated retained earnings set aside for damages to poles, fixtures, overhead conductors and devices.

CAPITAL RESERVE - reports on the appropriated retained earnings set aside for future capital improvements. The corporation's policy is to appropriate all operating profits to the capital reserve on an annual basis.

CAPITAL FUND - reports on the capital assets of the corporation, together with related financing.

1. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The corporation is expected to adopt International Financial Reporting Standards effective for the year beginning January 1, 2011. The corporation is currently evaluating the effect of adopting these standards on their financial statements.

2. FINANCIAL INSTRUMENTS

The corporation's financial instruments consist of restricted deposits, accounts receivable, bank indebtedness, accounts payable and accrued liabilities and long-term debt. Unless otherwise noted, it is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Credit risk arises from the potential that a counter party will fail to perform its obligations. The corporation is exposed to credit risk from customers. The corporation's only revenue generating customer is the Independent Electricity System Operator, and , accordingly, the corporation does not have significant exposure.

The corporation's carrying value of restricted cash, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximates its fair value due to the immediate or short term maturity of these instruments.

The carrying value of the long-term debt issued by Pacific & Western Bank of Canada and Manulife Financial Corp. approximates the fair value as the interest rates are consistent with the current rates offered to the corporation for debt with similar terms.

The carrying value of the long-term debt issued by Northern Ontario Heritage Fund exceeds the fair value of the debt since the prevailing interest rate exceeds the rate being charged. The fair market value of the debt assuming a prevailing interest rate of 5.5% per annum is approximately $3,229,000.

3. CAPITAL ASSETS AND AMORTIZATION

	COST	ACCUMULATED AMORTIZATION	NET 2009	NET 2008
Station equipment	$ 22,500,176	$ 2,836,880	**$ 19,663,296**	$ 18,494,581
Poles and fixtures	30,248,868	7,525,587	**22,723,281**	23,522,983
Overhead conductors and devices	13,473,939	2,481,067	**10,992,872**	11,074,131
Buildings, automotive and other equipment	1,067,635	504,641	**562,994**	548,674
	67,290,618	13,348,175	**53,942,443**	53,640,369
Less: Contributions in aid of construction	34,285,460	8,950,316	**25,335,144**	26,569,884
	$ 33,005,158	$ 4,397,859	**$ 28,607,299**	$ 27,070,485

Overhead conductors and devices includes $5,332,653, poles and fixtures includes $4,766,451 and station equipment includes $1,814,127 relating to a fibre optic line construction project. Effective December 1, 2009 these assets were reclassified as ready for use at which point amortization commenced.

Contributions in aid of construction consists of Indian and Northern Affairs Canada (INAC) funding received for the acquisition and construction of station equipment, poles and fixtures and overhead conductors and devices.

Pursuant to an agreement between De Beers Canada Inc. (De Beers) and the corporation, De Beers constructed a transmission line between Moosonee and Kashechewan, Ontario which was completed in December 2009. Upon completing various legal requirements, the line will be transferred to the corporation. Legal transfer of the line is expected to occur by June 30, 2010. The cost of the asset, borne by De Beers, is approximately $37,300,000. De Beers will reimburse the corporation annually for incremental costs of operating the line during the life of the Victor mine near Attawapiskat, Ontario. The life of the Victor mine is currently anticipated to be 15 years.

4. BANK INDEBTEDNESS

The corporation has an authorized operating facility of $500,000 with the Pacific & Western Bank of Canada bearing interest at bank prime plus 2.5% which was fully utilized at December 31, 2009. The facility expires May 15, 2010.

The corporation has an authorized operating facility of $500,000 with the Bank of Montreal bearing interest at bank prime of which $107,577 was utilized at December 31, 2009.

5. RELATED PARTY TRANSACTIONS

The corporation is related to the individual First Nations and their respective power corporations by virtue of significant influence. Accounts receivable includes the following amounts due for services in the regular course of business:

		2009		2008
Attawapiskat Power Corporation	**$**	**14,002**	$	-
Fort Albany First Nation		**23,535**		29,051
Fort Albany Power Corporation		**-**		486
Kashechewan First Nation		**10,170**		10,170
Kashechewan Power Authority		**80,893**		83,975
		128,600		123,682
Less: Allowance for doubtful accounts		**114,598**		80,374
	$	**14,002**	$	43,308

Accounts payable and accrued liabilities include the following amounts due for services in the regular course of business:

		2009		2008
Attawapiskat Power Corporation	**$**	**12,886**	$	1,910
Fort Albany First Nation (Note 12)		**8,333**		83,333
Fort Albany Power Corporation		**29,905**		13,588
Kashechewan First Nation (Note 12)		**46,932**		21,932
Kashechewan Power Corporation		**38,672**		4,298
	$	**136,728**	$	125,061

The corporation purchases goods and services from the member power corporations in the normal course of operations including the following:

		2009		2008
Electricity	**$**	**28,400**	$	27,172
Weekly station checks	**$**	**30,000**	$	30,000
Vehicle standby charges	**$**	**10,000**	$	10,000

6. LONG-TERM DEBT

	2009	2008
Pacific & Western Bank of Canada and Manulife Financial Corp. loan payable bearing interest at 5.5%, secured by a general security agreement, repayable in blended monthly payments of $75,246, maturing February 2028.	**$ 10,384,562**	$ 10,713,603
Northern Ontario Heritage Fund loan payable, secured by a promissory note, non-interest bearing until October 2010 at which time interest commences at 4% per annum. Monthly payments have been postponed until January 2011 at which time repayment recommences with blended monthly payments of $79,327, maturing December 2014.	**3,490,000**	4,165,000
	13,874,562	14,878,603
Less: Current portion	**324,176**	1,229,097
	$ 13,550,386	$ 13,649,506

Principal payments due within the next five years and thereafter are approximately as follows:

2010	$ 324,176
2011	1,193,209
2012	1,247,306
2013	1,303,914
2014	1,363,148
Thereafter	8,442,809
	$ 13,874,562

7. DEFICIT IN OPERATING FUND

	2009	2008
Balance, beginning of period	$ -	$ -
Net income from operations	1,727,267	2,522,768
Appropriation to capital reserve	(2,220,370)	(2,522,768)
Balance, end of period	$ (493,103)	$ -

8. EQUITY IN INSURANCE RESERVE FUND

Under the terms of the Pacific & Western Bank of Canada and Manulife Financial Corp. loan payable, the corporation must establish and maintain an insurance reserve fund of $4,000,000.

9. EQUITY IN CAPITAL RESERVE

	2009	2008
Balance, beginning of period	$ 320,485	$ 796,853
Appropriation to capital fund	(2,540,855)	(2,999,136)
Appropriation from operating fund	2,220,370	2,522,768
Balance, end of period	$ -	$ 320,485

10. EQUITY IN CAPITAL FUND

	2009	2008
Balance, beginning of period	$ 12,191,882	$ 9,192,746
Appropriations from (to) capital reserve for:		
Capital asset additions	2,307,985	9,870,318
Amortization	(771,171)	(645,179)
Repayment (proceeds) of long-term debt	1,004,041	(6,226,003)
Balance, end of period	$ 14,732,737	$ 12,191,882

11. CAPITAL MANAGEMENT

Capital is comprised of the corporation's utility equity and long-term debt. As at December 31, 2009, the corporation's utility equity is $18,239,634 and it's outstanding long-term debt is $13,874,562. The corporation's objectives when managing capital are to continue as a going concern to protect its ability to meet its on-going liabilities and to minimize expenditures over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum debt covenant levels and internally determined capital guidelines based on risk management policies.

The long-term debt is subject to loan covenants which require the corporation to maintain a minimum debt service ratio of 1.20:1 and a debt to equity ratio of 1.50:1 For the purposes of the debt to equity ratio, equity is calculated as utility equity plus 30% of contribution in aid as disclosed in note 3.

The corporation was in compliance with these covenants at December 31, 2009.

12. COMMITMENTS AND CONTINGENCIES

The corporation has agreed to pay $50,000 per year ($25,000 to each of Fort Albany First Nation and Kashechewan First Nation) in respect to the transmission line's right of way across the Albany 67 reserve lands near the communities of Kashechewan and Fort Albany, Ontario. Pursuant to the agreement the rates require renegotiation in 2010.

The corporation has entered into an Operating Services Agreement with Hydro One Networks Inc. expiring September 2011. Under the agreement, the corporation is obligated to make minimum annual payments of $227,954 of which $54,572 is recoverable from De Beers pursuant to a connection and cost recovery agreement.

The corporation is involved in claims and litigation arising in the normal course of business. Any settlements or awards will be reflected in the period in which they become determinable. It is managements opinion that no amounts will be payable by the corporation as a result of these claims and litigation.

13. COMPARATIVE FIGURES

Comparative figures have been retroactively restated to capitalize the cost of capital on the fibre optic project capital assets during the period of construction. The amount to be capitalized was determined using the Ontario Energy Board prescribed rate for construction work in progress which approximates the corporation's actual cost of capital. As a result of the adjustment, 2008 opening capital assets and equity in capital fund have increased by $196,648, 2008 ending capital assets and equity in capital fund have increased by $646,401 and 2008 net income increased by $449,753.