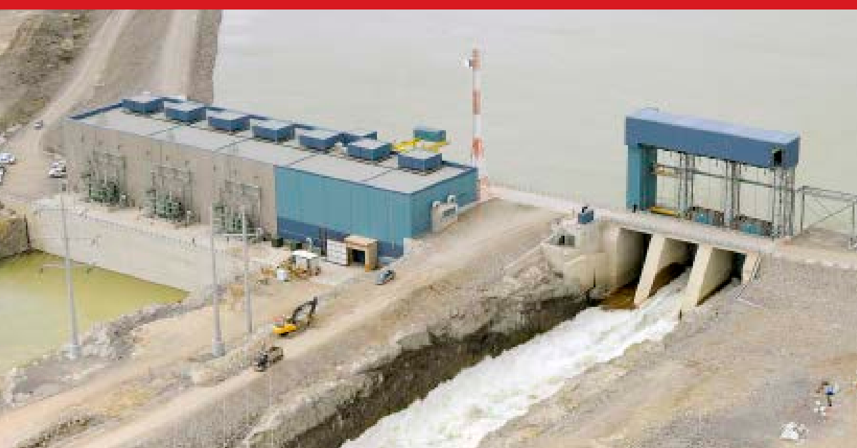
NISICHAWAYASIHK CREE NATION

MAY 2015

Simple Snapshot

PDA SUPPLEMENT AGREEMENT 2

Prepared For Nisichawayasihk Cree Nation Citizens



NEGOTIATING THE PDA SUPPLEMENT 2 AGREEMENT

NCN Citizens are aware the Wuskwatim Project is a business arrangement, and similar to the Mystery Lake Hotel the revenues are influenced by a number of market factors. In the case of the Wuskwatim Project, Chief and Council and our advisors have reminded us that some of these critical factors are:

- Increased capital costs to build the Project (which are now fixed)
- Interest rate fluctuations (which are also now fixed)
- Fluctuations in the Canadian dollar (which are continuing)
- Changes in the global energy market (which are also continuing)
- Increased operation and maintenance costs

In addition to these factors, the impacts of the global recession in 2008 continue to result in weakness in the US and Canadian economies which has an impact on the need for energy. A further factor that came to light late last year were changes in water flows within Manitoba which resulted in increased generation of the Nelson River hydro plants and reduced generation at Wuskwatim.

NCN Citizens Continued Direction to Chief and Council

From 2006 when the Wuskwatim PDA was approved by a majority of our Citizens, the clear direction to Chief and Council has been to protect our investment in the Wuskwatim Project to ensure there will be benefits now and in the future. There have been many discussions about maintaining our ownership interest at 33% or at some lesser amount. The community also wanted us to ensure at some point the loans would be paid off or that we could walk away from the Project and not have our other assets impacted. We have honoured these key principles with the signing of PDA Supplement No. 2.

Meet and Greets Scheduled May 19-28

Community meetings will be held from May 19 to 28 to discuss the recently finalized PDA Supplement No. 2, preliminary plans to improve community housing and infrastructure and moving forward to conclude our own NCN Constitution.

For more details please view the back page or visit ncncree.com

[For complete details please refer to the full Project Development Agreement, Supplement Agreement and related documents.]

COMPARING THE AGREEMENTS

At-a-Glance

CURRENT STATUS – PROGRESSION OF NCN AND MANITOBA HYDRO DISCUSSIONS

Over the course of the last number of years, there have been economic and regulatory challenges that have impacted the financial outlook for the Project. This has resulted in escalating capital expenditures and reduced expected revenues for the Project. This is evidenced below through the progression of the terms of the investment decision:

	Original PDA (2006)	PDA Supplement No. 1 (2010)	PDA Supplement No. 2 (2015)
Cash requirement	$38 Million	$29 Million	$21.178 Million which includes the credit of $750,000 for the mobitel and trailer
Equity loans	4x Leverage	6x Leverage	Leverage to 33% (No further cash call loans made available)
Capital costs	$1.027 Billion	$1.375 Billion	$1.410 Billion
Rights	25 year and 50 year put rights	25 year and 50 year put rights	25 year and 50 year put rights
Ending loan balances	$0	$22,389 Million	$0
Types of cash flow	Dividend loans, distributions from export prices and water rental rebates	Dividend loans, annuity, distributions from export prices and water rental rebates	Dividend loans, annuity, distributions from export and domestic prices and water rental rebates
WPLP Revenue projections (First 25 years in '000's)	$3,502,621	$3,519,028 (IFF11)	$3,169,185 plus spill energy revenue adjustment
GP Board Representation	Representation proportionate to TPC equity interest	Representation proportionate to TPC equity interest	NCN maintains 33% of votes on GP Board regardless of dilution
Annuity	No annuity	Less than $2M per annum for 10 years	$2.5M per annum for 20 years
Debt Ratio	75:25 except in first 10 years of operation when it could go to 85:15 at the discretion of the GP Board	75:25 except in years 1 to 10 when it could go to 85:15 at the discretion of the GP Board	Elimination of the fixed Debt Ratio
Spill Energy Revenue Adjustment	N/A	N/A	WPLP will be paid for lost energy production when operational decisions are made not to use the CRD as anticipated during the Original PDA negotiations
Nisichawayasihk Trust Hydro Bonds	Part of the 1996 NFA Implementation Agreement - Bonds matured June 30, 2013	Reinvested for $10 M Bonds which can be reinvested for the life of the Wuskwatim Project	

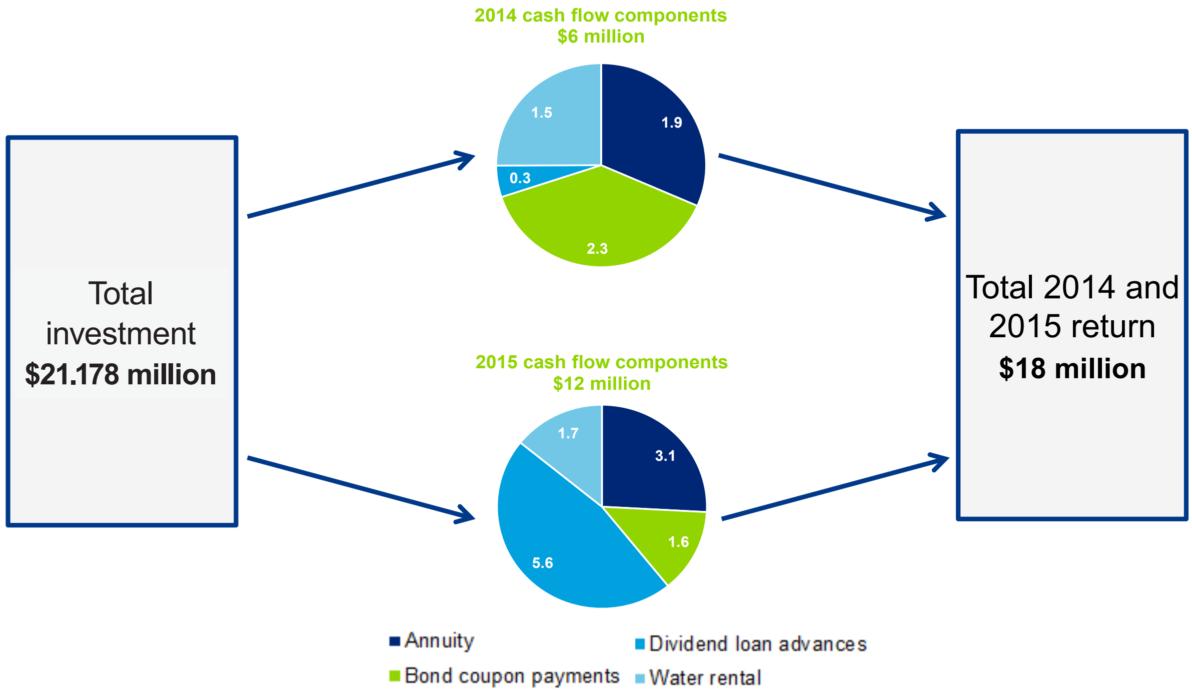
This document uses simple terms rather than technical ones. For example, it may say "NCN and Hydro" or "the partnership" rather than "the Wuskwatim Power Limited Partnership," or "NCN" rather than the "Taskinigahp Power Corporation," or "shares" instead of "partnership units," or "profits" instead of "distributions on partnership units." Please consult the PDA directly for precise legal drafting.

NCN's Cash Investment

REDUCED CASH REQUIRED TO MAINTAIN 33% OWNERSHIP

We have struggled to find enough moneys to invest in the Project. Under the terms of the Original PDA, NCN would have been required to invest about $38 Million. We had many discussions with NCN Citizens about whether we should use the moneys in Nisichawayasihk Trust and Taskinigahp Trust to invest in the Wuskwatim Project. Under PDA Supplement 1 the loan leverage was increased so that our cash investment would be decreased to $29 Million based on the projected capital costs in 2010.

The final Project costs were higher and we could not easily find an additional $13 Million. Although two years in a row, NCN Citizens approved seeking amendments to Taskinigahp Trust so moneys from that trust could be invested in Wuskwatim, now a vote to amend the Taskinigahp Trust is not required to obtain funds for investment in Wuskwatim. Under PDA Supplement No. 2 we have negotiated a final investment amount of $21.178 Million to retain our 33% of the units in the Wuskwatim Project.



NCN Citizens know we received five trailers and were to receive a further trailer and mobitel from the Wuskwatim site according to the terms of the One Year Agreement signed in 2013. The price for these assets was set at $750,000. We were able to obtain credit for them towards our cash investment which further reduced the actual cash we had to invest. By December 31, 2014, NCN invested a total of $20.428 Million of our own moneys (including the grant received from the federal government) which combined with the asset credit resulted in a total investment of $21.178 Million as of January 1, 2015. This cash investment allows us to retain 33% of the units in Wuskwatim Power Limited Partnership (WPLP).

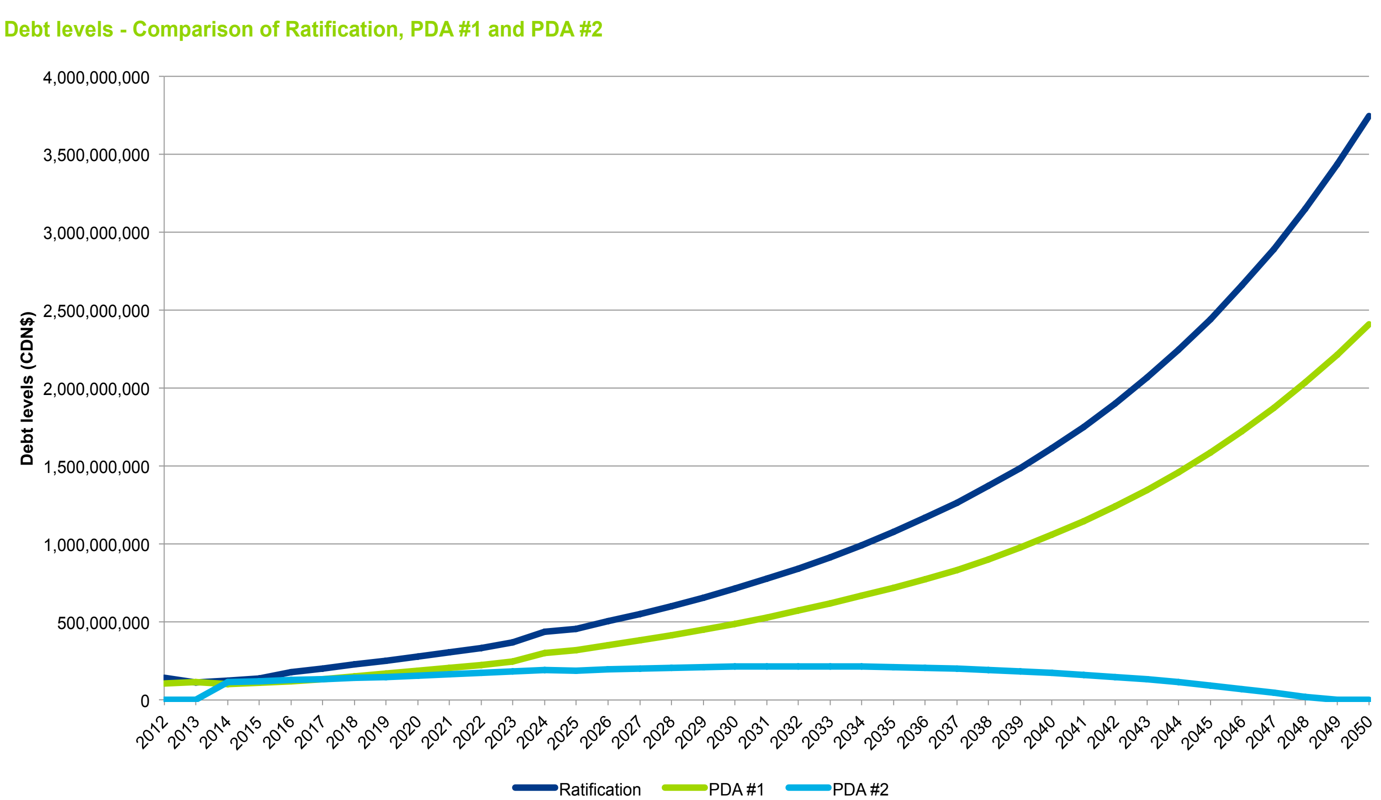
Critical Points

By the end of 2015, NCN will have received $18 Million from the PDA Supplement 2 arrangements which is almost what we have invested. By the end of 2016, we will have recouped our investment through the arrangements. NCN (via TPC) retains its right to give the units back at years 25 and 50 if the Project is not doing well and get all of this cash we have invested back without interest.

TPC also retains its one time only right to give the units back and walk away from the Project but we will not get our cash investment back if we exercise this option.

Comparison of Loan Balances

The chart below shows that the debt under the terms of the Original PDA and PDA Supplement No. 1 continued to escalate as a result of the increased capital costs and particularly the cash call loans that would be required to maintain the debt ratios in the Original PDA which continued in effect with PDA Supplement 1. As a result of the changing global factors, it was anticipated there was a very good chance, NCN would lose its units in Wuskwatim at some point prior to being able to exercise its 25 Year Put Option.

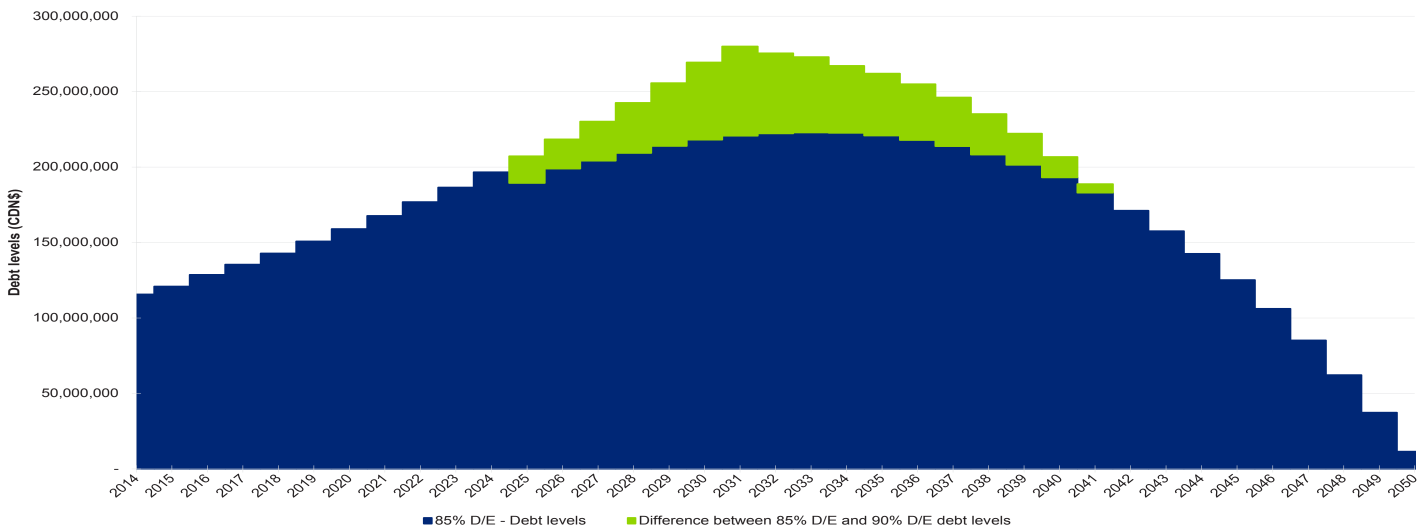


Significant Changes Made

DEBT RATIO

The Original PDA had a debt to equity ratio of 75:25. During the first ten years of operations (2012 and 2022), the Debt Ratio was allowed to increase to 85:15. At any time it went over this ratio, there would be a cash call on the partnership to invest more money. By October 2014, the Debt Ratio had been exceeded so without the PDA Supplement 2 a cash call would have been triggered and NCN would have borrowed money using the Cash Call Loan Facility under the terms of the Original PDA. There would have been continuing need to use this facility which combined with the Equity Loans is why the loans would have escalated so high. To address this problem, the Fixed Debt Ratio was eliminated. The chart below compares the Debt Ratio of 85:15, which was to have been in effect for the first 10 years after Final Closing, with a higher Debt Ratio of 90:10.

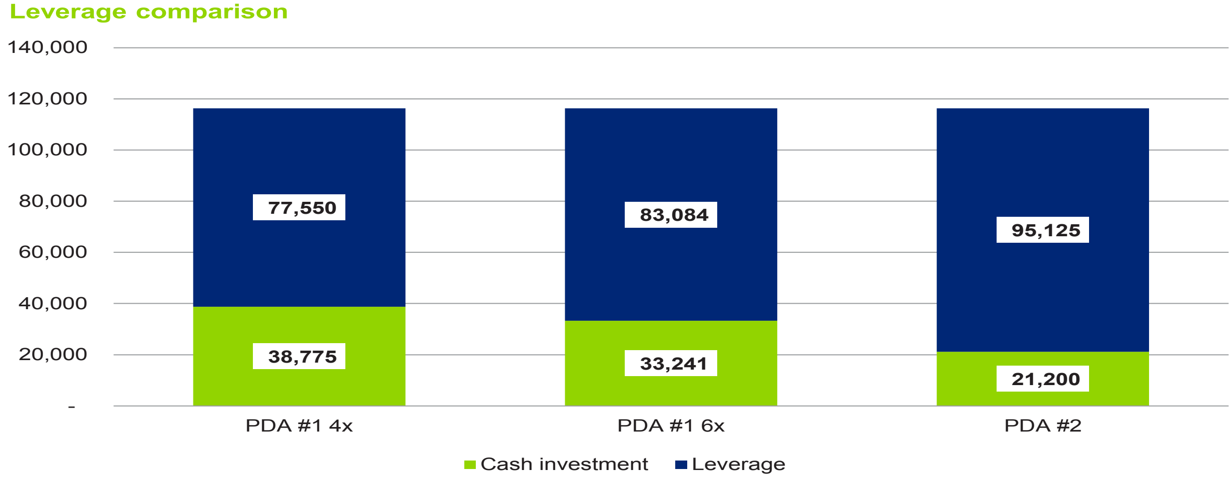
Comparison of debt levels at 90% D/E and 85% D/E



Increased Loan Leverage

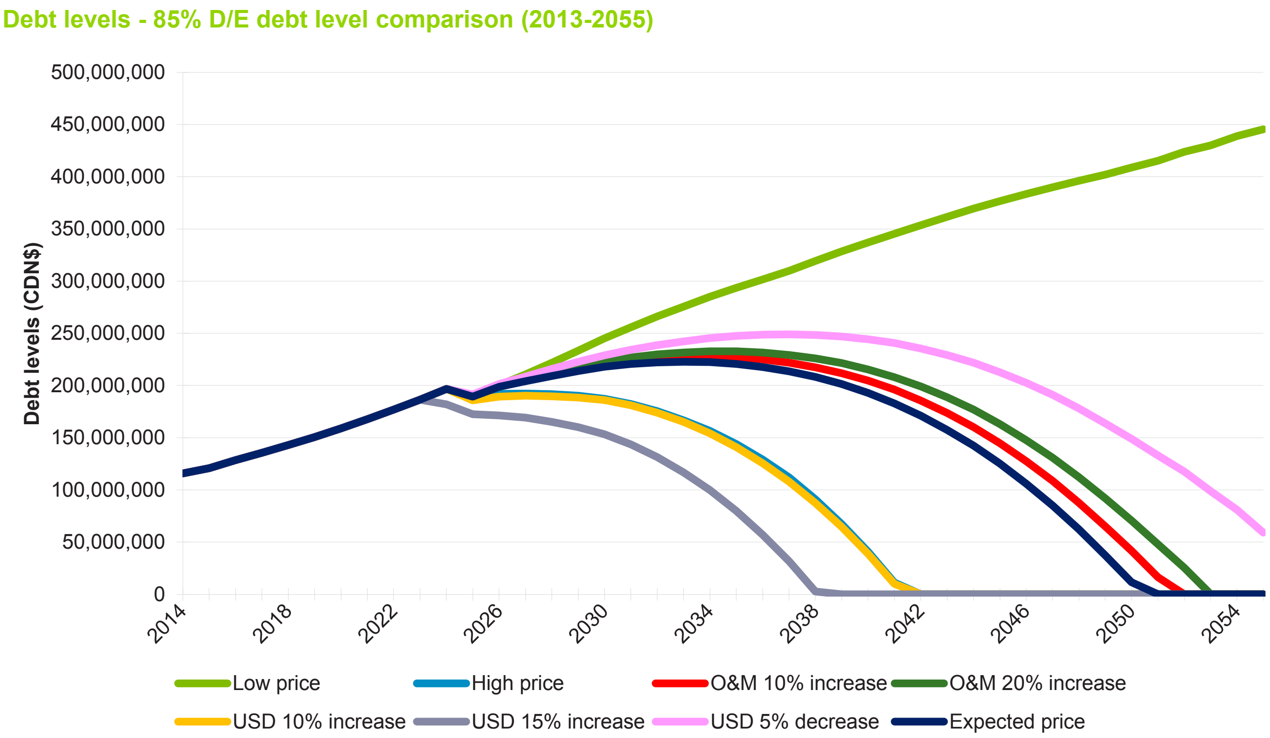
Under the Original PDA, NCN could only borrow 4x our cash investment up to a maximum of 22% of the aggregate of the capital contributions of the Limited Partners. This was changed in the PDA Supplement 1 to 6x our cash investment to a maximum of 23.57% of the aggregate of the capital contributions of the Limited Partners. Under the Original PDA and PDA Supplement No. 1, the number of Loan Units was to be calculated using the leverage multiplier (4x or 6x) and the leverage cap factor (22% or 23.57%). To reduce our cash investment to $21.178 Million for the same number of units, the leverage was increased by removing the cap based on the final actual loan amounts. The chart below shows the differences.

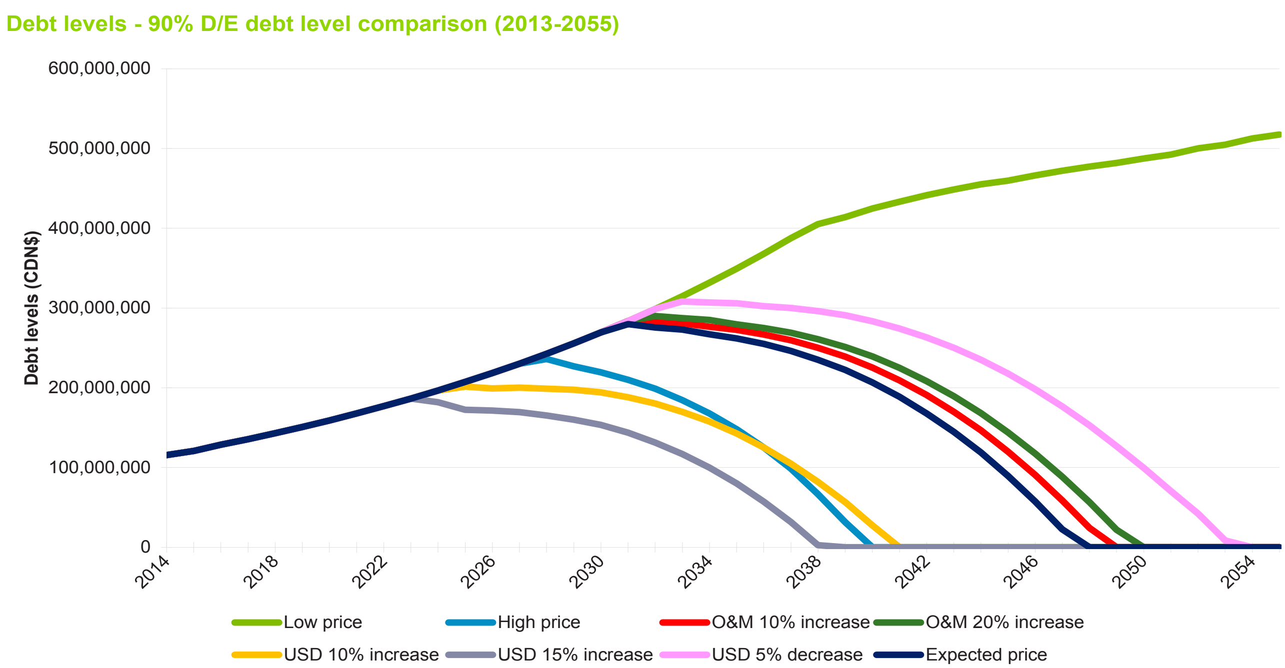
Leverage comparison



Updated Sensitivities

As explained previously there are a number of factors that will impact the potential revenues received by WPLP. The charts below show the impact of exchange rates, O & M costs and export prices using different Debt Ratios.

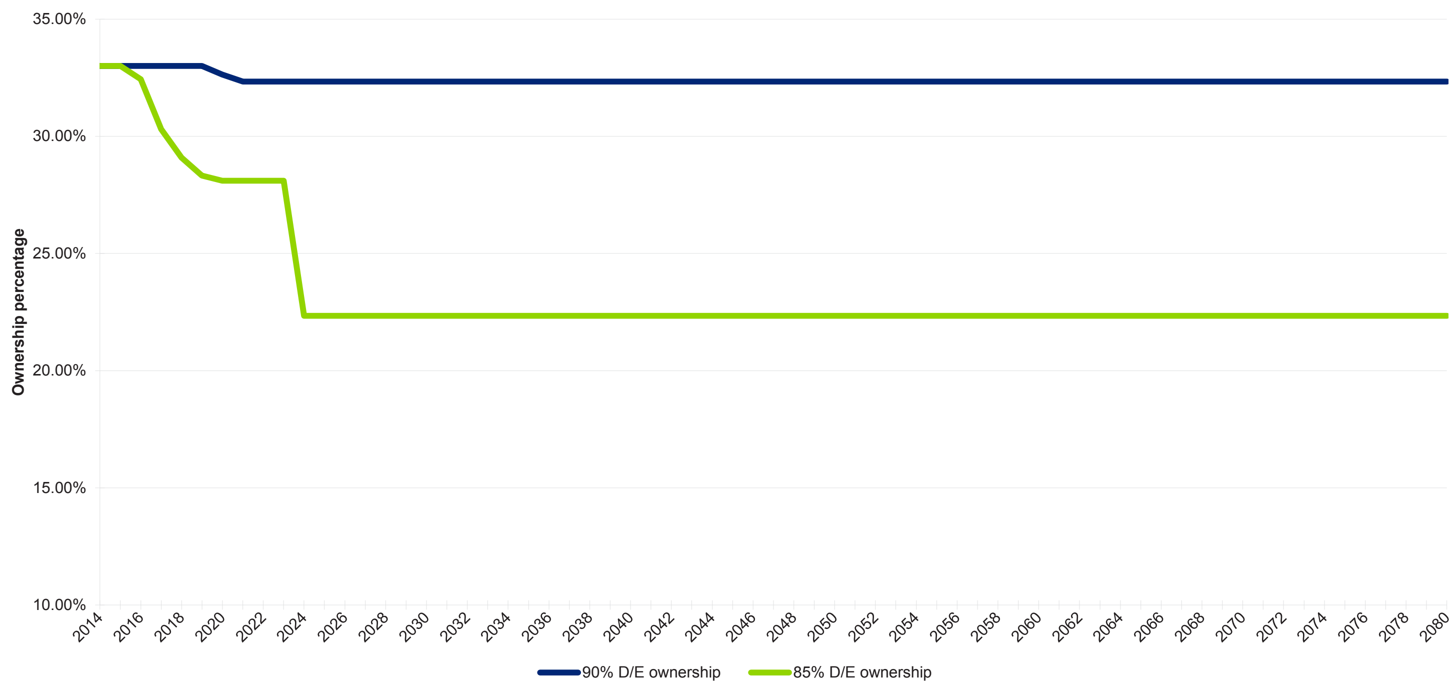




Dilution Risk Minimized

This amendment helps to minimize the likelihood that TPC will lose its units although there is some potential for a dilution (reduction) in TPCs's ownership interest, depending on future revenues. Based on the current assumptions for the Base Case using a 90:10 Debt Ratio, the dilution projection is that NCN could eventually end up with 32.3% of the units instead of 33%. While there is some risk of the GP Board reducing the debt ratio which could result in dilution of TPC's units, it is anticipated the risk is fairly low as Hydro would need to come up with large sums of cash to not only fund its cash call but also the cash required to make up TPC's contribution.

Dilution of ownership - Expected price scenario 85% D/E versus 90% D/E



Cash Flows and Debt Levels

The impact of the changes can be seen in the following charts which show the comparison of the debt levels and cash flows under the different Debt Ratios of 85:15 or 90:10. The key under the PDA Supplement 2 arrangements is that if the Debt Ratio goes higher, the impact for NCN will be a slightly longer period to repay the loans.

Additional Amendment to Limited Partnership Agreement

The Partnership Agreement has been amended so the General Partnership Board must act honestly, in good faith and reasonably when considering the impact of changing the Debt Ratio, including the impact on TPC. Regardless of the number of units TPC has, it will retain 33% of the positions on the GP Board.

Cash Call Loan Facility Eliminated

The Cash Call Loan Facility is no longer available to TPC. So if there is a Cash Call on the partners, NCN will need to come up with the cash from other resources or TPC's ownership interest will be diluted. Based on the most current projections, if a Debt Ratio of 90:10 is maintained, TPC would lose about 1% of its ownership interest depending on project revenues and the other factors. Under this scenario, TPC's ownership level would be 32.33% instead of 33%. As part of the CAP-CIP financial planning process, NCN Citizens can decide what plans they may wish to put in place to minimize any impact by saving moneys in the Seven Generations Account which is similar to the Investment and Heritage Account.

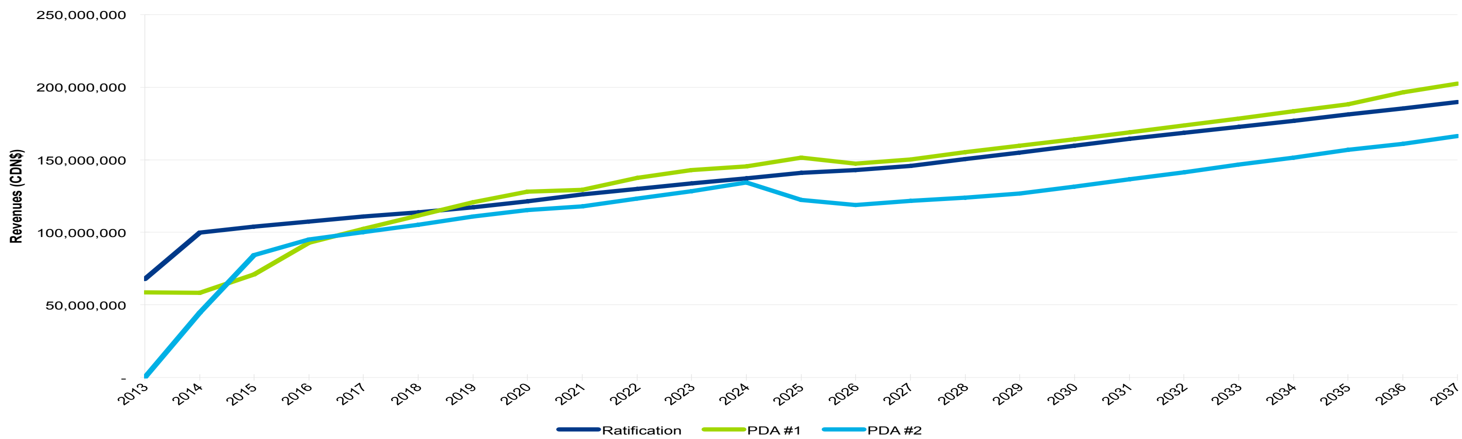
If a low revenue scenario should arise, then NCN will still be able to rely upon its Put Options to get out of the Project without any further obligation to repay the Equity Loans or the Dividend Loans and it will get its investment back at Years 25 or 50.

In the meantime, NCN will receive the cash flow from the various components of the arrangements.

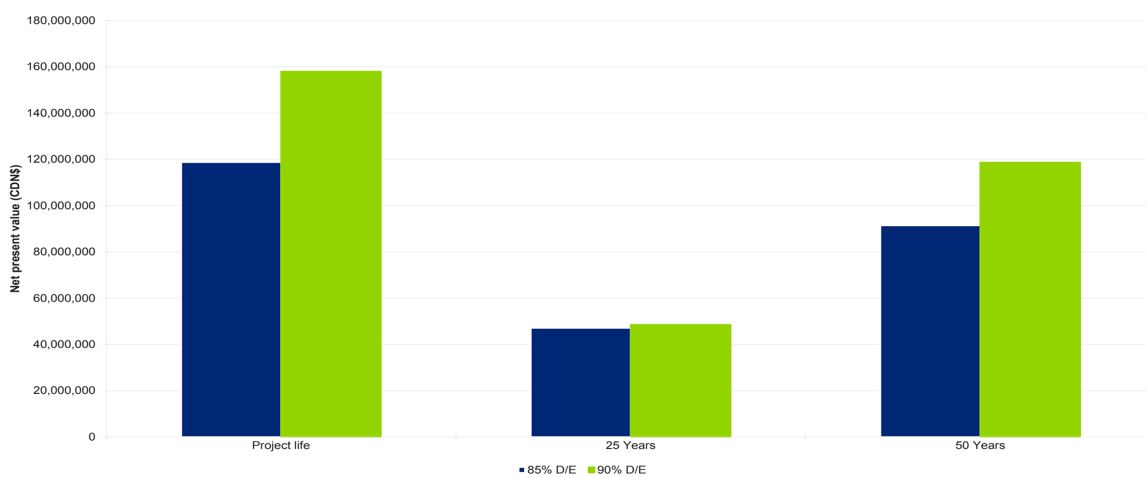
Comparison of Cash Flows

While changing global events have impacted the Wuskwatim Project, NCN is still projected to receive significant benefits now and in the future. Financial models were used to develop a mechanism for NCN to retain its units, invest less cash, and obtain cash flow while the loans were being repaid.

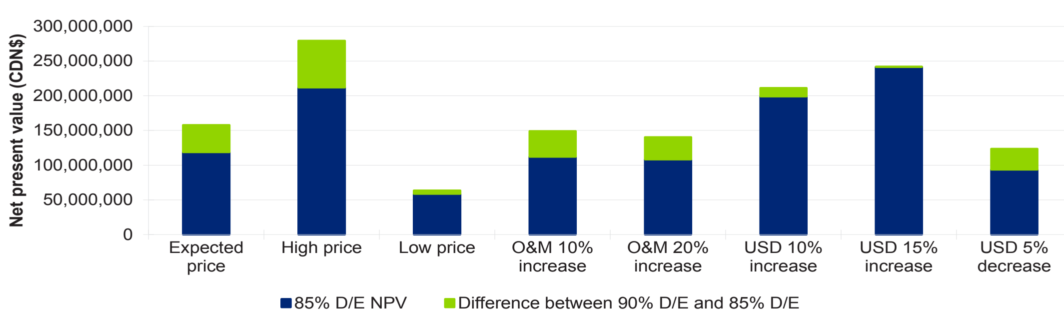
Comparison of revenues generated under Ratification, PDA #1 and PDA #2



Comparison of expected price NPVs at 85% D/E and 90% D/E



Comparison of NPVs at 85% D/E and 90% D/E



The financial model was calibrated to the 2013 Integrated Financial Forecast (IFF) based on a negotiated agreement for the net present value of future cash flows. As explained to NCN Citizens previously, the negotiated NPV was set at $130 Million. By eliminating the Fixed Debt Ratio, the NPV of the cash flows is anticipated to be higher.

Under the terms of the Original PDA, TPC was required to pay a number of fees to Manitoba Hydro (Equity and Dividend Loan mark-ups and Marketing Fees). All of those fees are being eliminated until the loans are repaid. Once that occurs, to pay for the "fee holiday," TPCs revenue share will be reduced by 36%. Moving some of the cash flows to the early years will result in NCN Citizens living now obtaining some of the benefits from the sacrifices needed to save moneys to invest in the Project over the past few years but it will also ensure that approximately $1 Million is put in the Seven Generations Growth Account annually for future generations in addition to other moneys we will be able to use once the loans are repaid.

Internal Rate of Return (IRR)

Financial Analysts use IRR as one tool to determine whether an investment makes sense. NCN's financial advisors have considered the IRR for the Wuskwatim Project based on the terms of the PDA Supplement No. 2. The IRR is affected by the Debt Ratios so for comparison purposes to test different scenarios, the IRR at different times with different Debt Ratios was considered. Under the PDA Supplement No. 1 projections the IRR was 16.48% at 33% and 18.97% at 27.5%. The IRR's for various scenarios were calculated with and without the inclusion of the Nisichawayasihk Trust Hydro Bonds. The IRRs are lower when the rate of return on the $40 M Hydro Bonds is included.

IRR WITHOUT HYDRO BONDS

	25 years	50 years	Project life
85% D/E			
Expected	30.30%	30.35%	30.35%
High price	30.67%	30.81%	30.81%
Low price	30.13%	30.15%	30.15%
O&M 10% increase	30.22%	30.27%	30.27%
O&M 20% increase	30.14%	30.19%	30.19%
USD 10% increase	31.06%	31.18%	31.18%
USD 15% increase	31.39%	31.58%	31.58%
USD 5% decrease	30.01%	30.06%	30.06%
90% D/E			
Expected	30.77%	30.85%	30.85%
High price	31.07%	31.26%	31.26%
Low price	30.67%	30.68%	30.68%
O&M 10% increase	30.73%	30.80%	30.80%
O&M 20% increase	30.66%	30.73%	30.73%
USD 10% increase	31.15%	31.27%	31.27%
USD 15% increase	31.39%	31.58%	31.58%
USD 5% decrease	30.56%	30.62%	30.62%

IRR WITH HYDRO BONDS

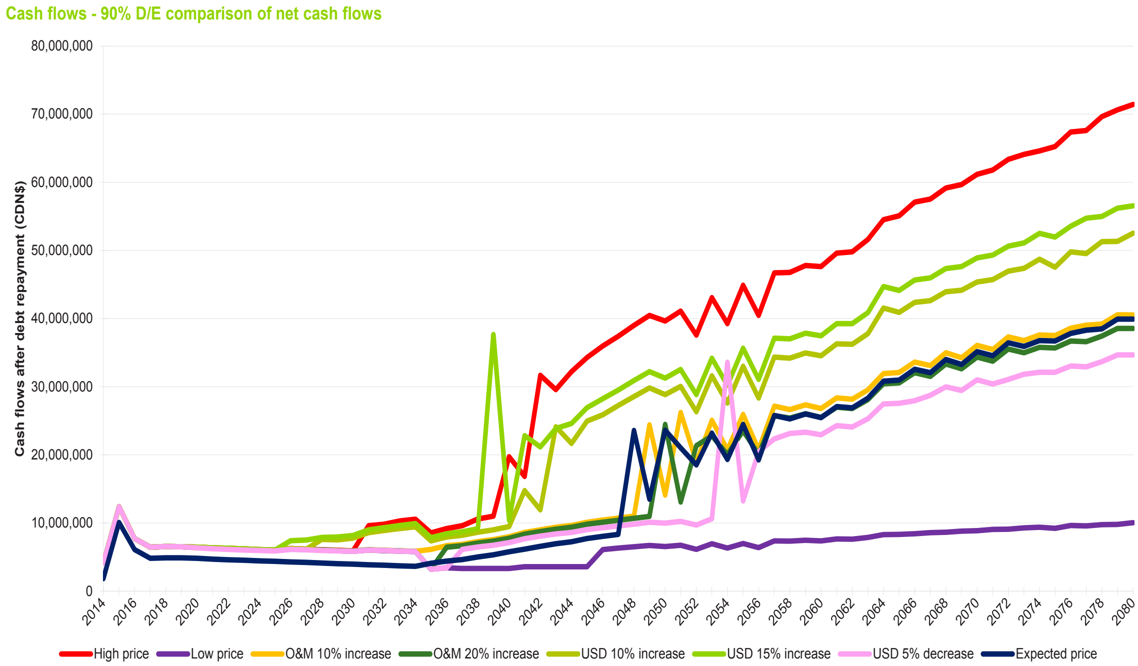
	25 years	50 years	Project life
85% D/E			
Expected	12.26%	13.48%	13.57%
High price	13.00%	14.87%	14.95%
Low price	11.78%	12.57%	12.62%
O&M 10% increase	12.19%	13.36%	13.46%
O&M 20% increase	12.11%	13.27%	13.37%
USD 10% increase	13.22%	14.92%	14.99%
USD 15% increase	13.66%	15.63%	15.69%
USD 5% decrease	11.95%	13.00%	13.10%
90% D/E			
Expected	12.50%	14.02%	14.12%
High price	13.33%	15.52%	15.60%
Low price	12.09%	12.82%	12.87%
O&M 10% increase	12.45%	13.90%	14.00%
O&M 20% increase	12.31%	13.74%	13.85%
USD 10% increase	13.33%	15.04%	15.11%
USD 15% increase	13.66%	15.63%	15.69%
USD 5% decrease	12.15%	13.47%	13.58%

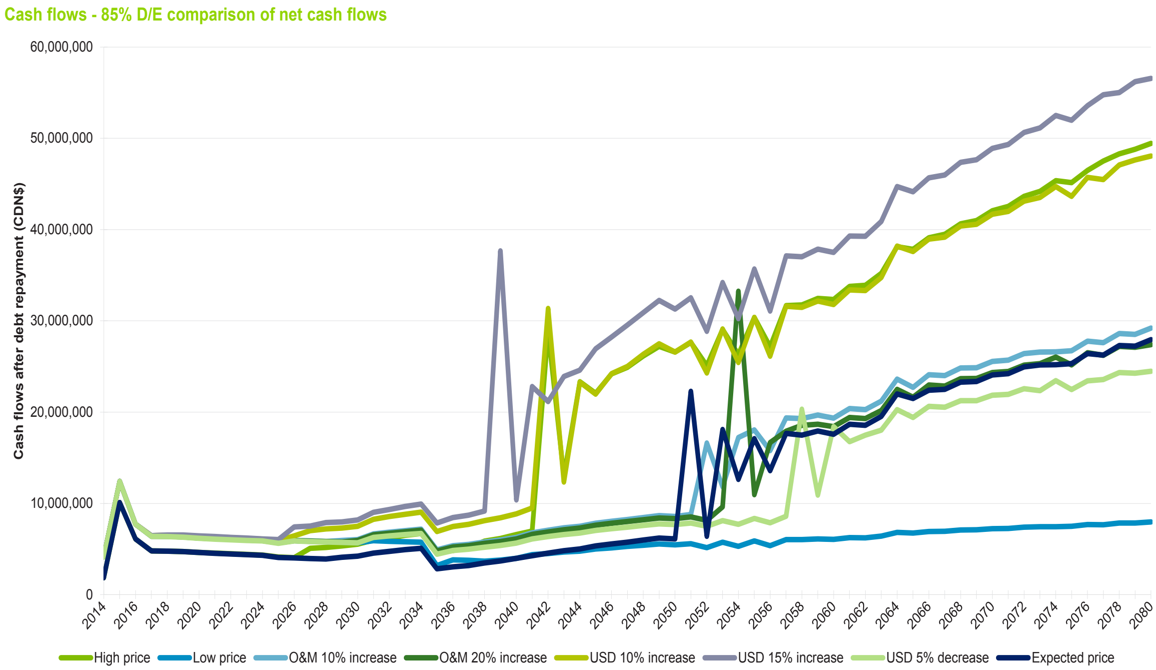
Changes to the Power Purchase Agreement

Domestic Price Added for 10 Years

The Power Purchase Agreement which is a schedule to the Original PDA has been amended to include two additional sources of revenue: (1) Domestic Energy Prices; and (2) Spill Energy. When the financial model was recalibrated based on IFF 2013, one of the mechanisms used was to include the price of domestic energy for the first 10 years of operation to help achieve the agreed upon NPV of the cash flows based on those assumptions.

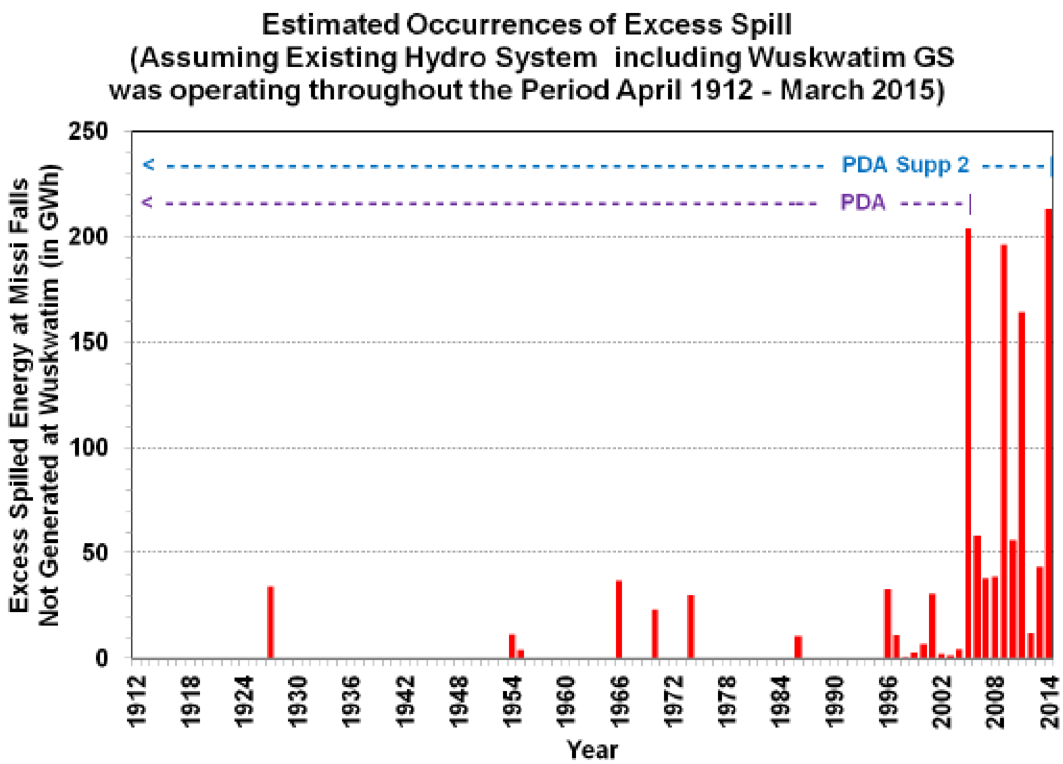
Under the Original PDA, only export prices were included as it was assumed prior to the global recession and expansion of fracking in the US that export rates would be higher than is currently assumed for the first 10 years. After 2022, the price mechanism will again be based on export prices. There is some risk to NCN that export prices will remain lower than anticipated. The sensitivity charts demonstrate the potential impact. However, NCN still has the Put Options negotiated in the Original PDA to help minimize such risks. The charts at the side show the expected cash flows using Debt Ratios of 85:15 and 90:10 under various scenarios based on the PPA amendment.





Spill Energy Revenue Adjustment

An additional change to the PPA is called the Spill Energy Revenue Adjustment. The chart below shows that there were very few times between 1912 and 2005 when water was spilled or would have been spilled at Missi Falls if the CRD was in operation. This was the historical record known to NCN and Manitoba Hydro at the time of the negotiation of the Original PDA including the Power Purchase Agreement. Since 2005 there has been significantly more water in the overall hydro system which has resulted in a number of fairly large spills at Missi Falls as shown by the red lines in the chart.



Last fall NCN realized there was a major impact on the Wuskwatim revenues from this excess water issue. It is currently unknown if this is happening because of climate change or for some other reason but NCN was able to negotiate a provision that helps to protect partnership revenues if decisions are made not to produce power using the CRD. As this concept is new to both parties, it will be subject to a review mechanism similar to energy and transaction rate reviews with NCN having the right to request a review at least once every five years.

The combined effect of adding domestic prices and the spill energy adjustment to the actual revenues in the 2014/15 Financial Year resulted in almost doubling the actual revenues for the year compared to the projected revenues. As explained to NCN Citizens previously, new hydro plants tend to show losses in the early years of operation while loans are being repaid. WPLP's losses for 2014/15 will be reduced by approximately $43 Million due to these changes.

Reinvestment of Hydro Bonds

The Hydro Bonds held in Nisichawayasihk Trust can be reinvested in Hydro Bonds for the life of the Wuskwatim Project as long as they are reinvested each time they mature. Based on advice from three financial institutions, the $40 Million was reinvested in four bonds each worth $10 Million. Each has a differing maturity date ranging from 10 to 25 years. The interest rates on these bonds are 3.723%, 4.049%, 4.245% and 4.311%. The formula for establishing the rate was the middle of three quotes received by Manitoba Hydro plus the amount of the guarantee fee paid by Hydro to the Province of Manitoba. This same formula will be used in the future for reinvestment purposes. If NCN decides at any time it does not want to continue investing in Hydro Bonds, then at maturity the bond can be reinvested in another authorized investment. The bonds cannot be redeemed or sold during their term. If NCN decides not to reinvest a bond at the time of maturity, then the right of investment in hydro bonds will be reduced in perpetuity (forever) by that amount. For example, if in 2024 NCN does not want to reinvest the $10 Million that comes due at that time, the future right of reinvestment will only be available for the remaining $30Million. NCN can then invest the $10 Million that matures in something else or roll the bond over into another hydro bond at then market rates plus the then guarantee fee.

Overview of Terms Used

PPA – Power Purchase Agreement, a schedule to the Wuskwatim PDA, which provides the rules for how revenues are calculated and paid to WPLP

IFF – Integrated Financial Forecast, a Manitoba Hydro financial planning tool used to estimate future financial outcomes based on a variety of factors in the energy market.

Dilution – if a cash call occurs and NCN does not have the additional funds to invest, additional units will be issued to Manitoba Hydro but not to TPC so the percentage TPC holds of the total units will change. This will result in the percentage of unit earnings being decreased or diluted.

Sensitivities – The magnitude of an investment's financial reaction to changes in underlying factors. Investments such as stocks, bonds and partnership units are constantly impacted by many factors. Sensitivity analysis examines the various factors that impact an investment either negatively or positively to try to learn how much a certain factor will impact the overall investment.

Tranches – A piece, portion or slice of a deal or structured financing. "Tranche" is the French word for "slice."

Annuity – a form of insurance or investment entitling the investor to a series of annual sums for a certain period of time.

IRR – Internal rate of return, or IRR, is one of the most popular methods of evaluating potential projects. The future cash flows of the project are estimated and discounted into present value amounts using a discount rate that represents the project's cost of capital and its risk. Next, all of the investment's future positive cash flows are reduced into one present value number. Subtracting this number from the initial cash outlay required for the investment provides the net present value (NPV) of the investment.

NPV – Net Present Value – Determining the value of future cash flows assists in deciding whether to proceed with a project or investment. Because of the time value of money, a dollar earned in the future won't be worth as much as one earned today. The discount rate in the NPV formula helps to account for this.

Discount Rate – The discount rate refers to the interest rate used in discounted cash flow (DCF) analysis to determine the present value of future cash flows. The discount rate in DCF analysis takes into account not just the time value of money, but also the risk or uncertainty of future cash flows; the greater the uncertainty of future cash flows, the higher the discount rate.

Distributions – The income that is generated from an investment is given to investors through monthly, quarterly or annual distributions.

Dividends – distribution of a portion of a company's earnings to a class of its shareholders or unit holders as determined by the board of directors. The dividend is most often quoted in terms of the dollar amount each share or unit receives (dividends per share/unit). It can also be quoted in terms of a percent of the current market price, referred to as dividend yield.

Dividend Loan Facility – The NCN Financing Agreement makes loans available to NCN to provide cash flow in the years before the Equity Loans are paid off. A loan for cash calls will no longer be available.

WRR – Water Rental Rebate – A portion of the water rental payments made by the LP to MB are rebated back to Taskinigahp Trust to provide cash flow in the early years of the Project.

Leverage – the ratio of a company's loan capital (debt) to the value of its common stock (equity). The original PDA terms allowed TPC to leverage 4 times its cash investment up to a maximum of 22%. This was changed in PDA Supplement 1 to 6 times to a maximum of 23.57%. The leverage has again been increased under PDA Supplement 2 to allow NCN to reduce its cash investment in order to maintain ownership of 33% of the units.

MEET & GREET

- PDA SUPPLEMENT 2
- NCN CONSTITUTION
- HOUSING AND INFRASTRUCTURE

ALL NCN CITIZENS ARE URGED TO ATTEND

NCN Citizens are invited to attend this meeting to discuss the Supplemental Agreement to the Wuskwatim Project Development Agreement (PDA). We will also provide citizens with an update on housing and infrastructure and plans to finalize the NCN Constitution and laws.

• TUESDAY, MAY 19, 2015

Nisichawayasihk Cree Nation United Church	1:00 p.m. – 6:00 p.m.

• WEDNESDAY, MAY 20, 2015

Leaf Rapids, The "A" Room, Leaf Rapids Education Authority	11:00 a.m. – 2:00 p.m.
Thompson, MMF, 171 Cree Road	5:00 p.m. – 10:00 p.m.

• TUESDAY, MAY 26, 2015

Brandon, 3550 Victoria Inn Brandon	5:00 p.m. – 10:00 p.m.

• THURSDAY, MAY 28, 2015

Winnipeg, Holiday Inn Airport 1740 Ellice Avenue	5:00 p.m. – 10:00 p.m.

** Meeting dates subject to change as required.*

A light traditional lunch will be provided in Leaf Rapids and a supper provided at all other event locations.

FOR FURTHER INFORMATION OR TO ARRANGE TRANSPORTATION PLEASE CALL THE IMPLEMENTATION OFFICE IN NELSON HOUSE AT (204) 484-2414

NISICHAWAYASIHK CREE NATION