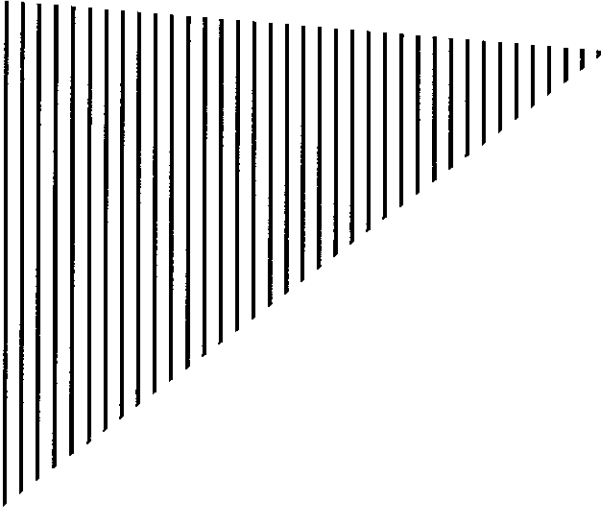


Financial Statements

Minell Pipelines Ltd.

March 31, 2009



AUDITORS' REPORT

To the Shareholder of
Minell Pipelines Ltd.

We have audited the balance sheet of **Minell Pipelines Ltd.** as at March 31, 2009 and the statements of income (loss) and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company'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, the financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada,
May 29, 2009.

Ernst & Young LLP

Chartered Accountants

MINELL PIPELINES LTD.
STATEMENT OF INCOME (LOSS) AND RETAINED EARNINGS
For the year ended March 31

	Notes	2009	2008
<i>thousand of dollars</i>			
Revenues			
Rental of gas transmission facilities	8	198	198
Expenses			
Operating and administrative	8	18	49
Finance expense	4	34	44
Depreciation and amortization		35	35
Capital and other taxes		99	97
		186	225
Net Income (Loss)		12	(27)
Retained earnings, beginning of year		92	119
Retained Earnings, end of year		104	92

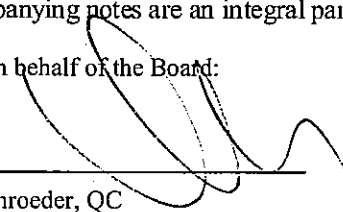
The accompanying notes are an integral part of the financial statements.

MINELL PIPELINES LTD.
BALANCE SHEET
As at March 31


	Notes	2009	2008
<i>thousands of dollars</i>			
Assets			
Property, Plant and Equipment			
In service	5	1 678	1 675
Less accumulated depreciation	5	707	671
		971	1 004
Construction in progress	5	199	71
		1 170	1 075
Current Asset			
Prepaid expenses		2	2
Other Assets			
Deferred charges	6	400	420
		1 572	1 497
Liabilities and Shareholder's Equity			
Current Liabilities			
Due to parent	7	1 145	1 081
Accounts payable and accrued liabilities		19	19
		1 164	1 100
Contributions in Aid of Construction		19	20
Shareholder's Equity			
Share capital	10	285	285
Retained earnings		104	92
		389	377
		1 572	1 497

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:



Victor H. Schroeder, QC
Chairman of the Board



William Fraser, FCA
Chair of the Audit Committee

MINELL PIPELINES LTD.
STATEMENT OF CASH FLOWS
For the year ended March 31

	2009	2008
	<i>thousands of dollars</i>	
Operating Activities		
Cash receipts from customers	198	198
Cash paid to suppliers	(97)	(127)
Interest paid	(34)	(44)
Cash provided by operating activities	67	27
Financing Activities		
Advance from parent company	64	44
Cash provided by financing activities	64	44
Investing Activities		
Additions to capital assets, net of contributions	(131)	(71)
Cash used for investing activities	(131)	(71)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of year	-	-
Cash and cash equivalents at end of year	-	-

The accompanying notes are an integral part of the financial statements.

MINELL PIPELINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2009

NOTE 1 NATURE OF THE ORGANIZATION

Minell Pipelines Ltd. (Minell) operates a pipeline transmission system extending from Moosomin, Saskatchewan to Russell, Manitoba. This transmission system is used solely for the transportation of natural gas on behalf of Centra Gas Manitoba Inc.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Rate Regulated Accounting - The rental charged for gas transmission facilities is subject to regulation by The National Energy Board. The rate-setting process ensures that rates charged to customers recover all costs incurred in providing service. Accordingly, Minell applies various accounting policies that differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise be included in the determination of net income in the year that the cost or credit is incurred. Minell refers to such deferred costs or credits as regulated assets or liabilities which are comprised of the following:

- Deferred taxes - As a result of the change in ownership in 1999, Minell became non-taxable and in so doing, incurred a non-recurring tax expense. This non-recurring tax expense has been deferred and is being amortized over a period of 30 years.

Minell's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**

Natural gas transmission systems and buildings and equipment are recorded at cost, which includes interest and overhead amounts capitalized during the construction period. Once the transfer to in-service property, plant and equipment is made, finance expense allocated to construction ceases and depreciation and finance expense charged to operations commences.

Depreciation is calculated on a straight-line basis at rates varying from 2.0% to 2.5% based on the estimated useful lives of the assets.

b) **Contributions in Aid of Construction**

Contributions in aid of construction are non-refundable contributions from customers in support of specific transmission facilities. These amounts are amortized to income at rates that correspond with the depreciation rates of the related assets.

c) **Revenue**

Revenue for the use of transmission facilities is from a related party and is recognized on a monthly basis.

MINELL PIPELINES LTD.
NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2009

- d) **Financial Instruments**
All financial instruments are measured at fair value on initial recognition as of the trade date. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments classified as other financial liabilities are measured at amortized cost using the effective interest method of amortization.
- e) **Comprehensive Income**
Comprehensive income consists of net income and other comprehensive income (OCI). As Minell has no items related to OCI, comprehensive income for the year is equivalent to net income.
- f) **Use of Estimates**
The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates, but differences are not expected to be material.

NOTE 3 ACCOUNTING CHANGES

Financial Instruments - Disclosure and Presentation

Effective April 1, 2008, Minell adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*. These sections replace Section 3861, *Financial Instruments – Disclosure and Presentation* and require disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which Minell is exposed. These additional disclosures are provided in Note 9.

Capital Disclosures

CICA Section 1535, *Capital Disclosures* became effective April 1, 2008. The section establishes standards for disclosing information that enables users of financial statements to evaluate how an entity manages its capital structure (i.e. debt, equity) and its objectives, policies and processes for managing capital. These disclosures are provided in Note 11.

Future Accounting Changes

Regulated Activities

On January 1, 2009, the temporary exemption provided for in CICA Section 1100, *Generally Accepted Accounting Principles*, which allows the recognition and measurement of regulatory assets and liabilities, was withdrawn. Pursuant to a practice allowed by Canadian GAAP, Minell will, however, rely on Statement of Financial Accounting Standard No. 71, *Accounting for the Effects of Certain Types of Regulation*,

MINELL PIPELINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2009

issued by the U.S. Financial Accounting Standards Board, to maintain the current accounting treatment for regulatory assets and liabilities. Consequently, the withdrawal of the exemption should not have any impact on Minell's financial statements.

International Financial Reporting Standards (IFRS)

The CICA's Accounting Standards Board announced that Canadian publicly accountable enterprises will adopt IFRS as issued by the International Accounting Standards Board effective for fiscal years beginning on or after January 1, 2011. The transition date for Minell of April 1, 2011 will require the restatement, for comparative purposes, of the April 1, 2010 balance sheet and of the amounts reported by Minell for its year ended March 31, 2011. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting standards are expected. Minell is currently assessing the impact of those differences.

NOTE 4 FINANCE EXPENSE

	2009	2008
	<i>thousands of dollars</i>	
Interest on amount due to parent	34	44

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

	2009	2008
	<i>thousands of dollars</i>	
Land, buildings and equipment	54	54
Gas transmission	1 624	1 621
	1 678	1 675
Accumulated depreciation	707	671
	971	1 004
Construction in progress	199	71
	1 170	1 075

MINELL PIPELINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2009

NOTE 6 DEFERRED CHARGES

	2009	2008
	<i>thousands of dollars</i>	
Regulated assets:		
Deferred taxes	400	420
	400	420

If Minell were not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the period that they were incurred and net income for 2009 would have increased by \$20 thousand (2008 - net loss decreased by \$20 thousand).

NOTE 7 DUE TO PARENT

	2009	2008
	<i>thousands of dollars</i>	
Amount due to parent	1 145	1 081

The amount due to the parent company bears interest at the average one-month Bankers' Acceptance rate plus a 1% Provincial Guarantee Fee on the outstanding balance and has no fixed terms of repayment. The effective rate for the fiscal year 2009 was 2.4% (2008 - 4.5%).

NOTE 8 RELATED PARTY TRANSACTIONS

Rental of transmission facilities is to Centra Gas Manitoba Inc., a company under common control.

In addition to related party transactions disclosed elsewhere in the financial statements, operating and administrative expense includes \$18 thousand (2008 - \$49 thousand) for administrative and other services performed by Centra Gas. Related party transactions are recorded at the exchange amount.

MINELL PIPELINES LTD.
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2009

NOTE 9 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying amounts and fair values of Minell's financial instruments at March 31 are as follows:

Financial Instruments	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	<i>thousands of dollars</i>			
Other Financial Liabilities				
Accounts payable and accrued liabilities	19	19	19	19
Due to parent	1 145	1 145	1 081	1 081

Minell is exposed to interest rate risk associated with amounts due to the parent company.

NOTE 10 SHARE CAPITAL

	2009	2008
	<i>thousands of dollars</i>	
Share capital		
Authorized		
Unlimited number of shares of one class		
Issued		
285 000 shares	285	285

NOTE 11 CAPITAL MANAGEMENT

Minell meets its capital requirements through cash provided by operating activities and advances from its parent, Manitoba Hydro.

NOTE 12 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2008 have been reclassified in order to conform to the presentation adopted in 2009.

