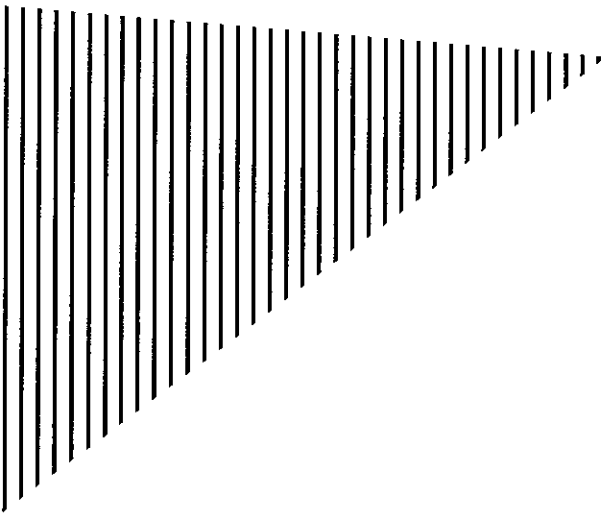


Financial Statements

Wuskwatim Power Limited Partnership

March 31, 2009



AUDITORS' REPORT

To the Unitholders of
Wuskwatim Power Limited Partnership

We have audited the balance sheet of **Wuskwatim Power Limited Partnership** as at March 31, 2009 and the statements of partners' capital and cash flows for the year then ended. These financial statements are the responsibility of the Partnership'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 Partnership as at March 31, 2009 and the changes in its partners' capital and 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

WUSKWATIM POWER LIMITED PARTNERSHIP

BALANCE SHEET

As at March 31

	Notes	2009	2008
<i>thousands of dollars</i>			
Assets			
Property, Plant and Equipment			
Construction in progress - generating station	4	507 919	339 176
Construction in Progress - Transmission Line	5	172 507	97 625
Current Assets			
Cash and cash equivalents	6	57	56
Term investment	7	2 714	1 412
Accounts receivable	8	453	787
Prepays	9	15 111	1 273
		18 335	3 528
		698 761	440 329
Liabilities and Equity			
Current Liabilities			
Accounts payable		32 210	43 782
Interest payable	10	4 384	3 320
		36 594	47 102
Long-Term Debt	11	542 917	319 394
Equity	13	119 250	73 833
		698 761	440 329

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

Approved on behalf of the Board:



Ken R. F. Adams, P.Eng.
Chairman of the general partner of WPLP
(5022649 Manitoba Ltd.)



Vince A. Warden, CMA, FCMA
Treasurer and Chair of the Audit Committee

WUSKWATIM POWER LIMITED PARTNERSHIP
STATEMENT OF PARTNERS' CAPITAL

	Units as at March 31, 2008	Capital as at March 31, 2008 (\$ 000's)	Net activity for the period Net			Units as at March 31, 2009	Capital as at March 31, 2009 (\$ 000's)
			Contributions (\$ 000's)	Income (\$ 000's)	Dividends (\$ 000's)		
General Partner (5022649 Manitoba Ltd.)	7.383	7	5	-	-	11.925	12
Manitoba Hydro	49 460.950	49 461	30 425	-	-	79 885.575	79 886
Taskinigahp Power Company	24 365.000	24 365	14 987	-	-	39 352.500	39 352
	73 833.333	73 833	45 417	-	-	119 250.000	119 250

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

WUSKWATIM POWER LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS

For the year ended March 31

	2009	2008
	<i>thousands of dollars</i>	
Financing Activities		
Proceeds from issue of units of WPLP	45 417	29 500
Net proceeds from long-term debt	223 523	148 645
Cash provided by financing activities	268 940	178 145
Investing Activities		
Construction in progress - generating station	(181 887)	(117 504)
Construction in progress - transmission line	(86 278)	(59 765)
Term investment	(1 304)	(760)
Accounts receivable	530	(114)
Cash used for investing activities	(268 939)	(178 143)
Net increase in cash and cash equivalents	1	2
Cash and cash equivalents at beginning of year	56	54
Cash and cash equivalents at end of year	57	56

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

WUSKWATIM POWER LIMITED PARTNERSHIP

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2009

NOTE 1 NATURE OF THE ORGANIZATION

Wuskwatim Power Limited Partnership (WPLP or Partnership) was formed on December 9, 2004 under the laws of Manitoba to carry on the business of developing, owning and operating the Wuskwatim hydroelectric generating station (the Project) and related works excluding the transmission facilities but including all dams, dikes, channels, excavations and roads to be located at Taskinigahp Falls near Wuskwatim Lake.

An agreement was reached between Manitoba Hydro and Nisichawayasihk Cree Nation (NCN) on the development of the Project pursuant to a Project Development Agreement (the PDA) and the execution of the PDA was carried out on June 26, 2006. Initial Closing, as defined under the PDA, occurred on June 28 and 29, 2006. Manitoba Hydro and Taskinigahp Power Corporation (owned beneficially by NCN) are limited partners of WPLP. The General Partner, which is a wholly owned subsidiary of Manitoba Hydro, also owns a nominal interest in WPLP. Taskinigahp Power Corporation became a limited partner on June 28, 2006.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

a) Property, Plant and Equipment

Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at WPLP's average cost of debt. Finance expense is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, finance expense allocated to construction will cease, and depreciation and finance expense charged to operations will commence.

b) 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 are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities.

Financial instruments classified as loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Held-for-trading financial instruments are measured at fair value.

c) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results may differ from those estimates, but differences are not expected to be material.

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2009

NOTE 3 ACCOUNTING CHANGES

Accounting Changes

Financial Instruments - Disclosure and Presentation

Canadian Institute of Chartered Accountants (CICA) Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation* became effective April 1, 2008. 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 WPLP is exposed. These disclosures are provided in Note 12.

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. This additional disclosure is presented in Note 15.

Future Accounting Changes

Goodwill and Intangible Assets

Effective April 1, 2009, WPLP will adopt CICA Section 3064, *Goodwill and Intangible Assets* which converges Canadian GAAP for goodwill and intangible assets with International Financial Reporting Standards (IFRS). The new standard provides more comprehensive guidance on intangible assets, particularly for internally developed intangible assets. The impact of this new standard on WPLP's financial statements is currently being assessed.

International Financial Reporting Standards

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

NOTE 4 CONSTRUCTION IN PROGRESS - GENERATING STATION

This item refers to amounts incurred to develop the Wuskwatim generating station. Manitoba Hydro is building the Project in accordance with the Construction Agreement.

Depreciation will commence when the first generator is in-service (on or around 2012) and will be calculated on a straight-line remaining life basis. The range of estimated service life for a hydraulic

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2009

generating station and its components is 45-100 years. For the year ended March 31, 2009, \$14 361 thousand (2008 - \$9 176 thousand) in interest charges have been allocated to the generating station.

NOTE 5 CONSTRUCTION IN PROGRESS – TRANSMISSION LINE

This balance represents amounts accrued or paid to Manitoba Hydro to develop the transmission facilities required to connect the Wuskwatim generating station to Manitoba Hydro's transmission system as specified in the Interconnection and Operating Agreement (IOA). Ownership of these facilities will remain with Manitoba Hydro.

Amortization will commence when the first generator is in-service (on or around 2012) and will be calculated on a straight-line remaining life basis. The range of estimated service life is 40-85 years for transmission lines and 20-53 years for stations. For the year ended March 31, 2009, \$7 309 thousand (2008 - \$3 340 thousand) in interest charges have been allocated to this asset.

Contributions are made by WPLP to Manitoba Hydro according to a schedule included in the IOA. As at March 31, 2009, the excess of scheduled contributions over actual expenditures was recorded as a prepaid asset.

NOTE 6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand as well as \$50 thousand in funds segregated by the bank in a cashable Guaranteed Investment Certificate for a one-year term to fund a Letter of Credit issued on WPLP's behalf.

NOTE 7 TERM INVESTMENT

This balance represents an investment of \$2 714 thousand (2008 - \$1 412 thousand) in surplus cash plus accrued interest that Manitoba Hydro has invested on behalf of the Partnership. This investment is redeemable within two business days on demand and interest earned is based on the average interest rate earned by Manitoba Hydro on its trust investments over the same period, or the average of the overnight investment rates as quoted by the Province of Manitoba over the term of the investment. The effective interest rate as at March 31, 2009 was 0.4% (2008 - 3.4%).

NOTE 8 ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts recoverable from the federal government for Goods and Services Tax (GST) paid which will be received in approximately the following month.

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2009

NOTE 9 PREPAIDS

This balance represents the excess of scheduled contributions over actual expenditures of \$13 616 thousand (2008 - \$1 273 thousand) by WPLP to Manitoba Hydro for the construction of the transmission facilities and an advance of \$1 495 thousand (2008 – nil) provided to the general civil contractor. Contributions for the transmission facilities are based on the Interconnection and Operating Agreement, which differs from actual expenditures.

NOTE 10 INTEREST PAYABLE

Interest payable represents interest owing on the credit facilities and is comprised of the following:

	2009	2008
	<i>thousands of dollars</i>	
Non-Revolver Credit Facility	1 661	1 531
Revolving Credit Facility	8	20
Interconnection Credit Facility	2 715	1 769
	4 384	3 320

NOTE 11 LONG-TERM DEBT

Manitoba Hydro will provide all debt financing for the Project through credit facilities to WPLP. The debt incurred by WPLP through these credit facilities matures 50 years after the in-service date of the first generator in the Project and bears interest at rates specified in the Project Financing Agreement. This debt is secured by the assets owned beneficially by WPLP up to a maximum of \$1.3 billion as per the Demand Debenture executed on June 28, 2006 by the General Partner.

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2009

Long-term debt is comprised of the following:

	2009	2008
	<i>thousands of dollars</i>	
Non-Revolving Credit Facility	351 000	216 500
Revolving Credit Facility	6 750	5 000
Interconnection Credit Facility	185 167	97 894
	542 917	319 394

The Non-Revolving and Revolving Credit Facilities consist of Manitoba Hydro advances received by WPLP to fund a portion of the total capital cost related to the Wuskwatim generating station. Non-revolving advances are limited to an amount that cannot exceed 75% of the total capital cost less any advances received through revolving advances, except for the first ten years following the final closing date when the amount may increase to 85% of the total capital cost less any advances made under the Revolving Credit Facility. The interest rates on Non-Revolving and Revolving Credit Facility advances are based on Manitoba Hydro's short-term borrowing cost or the one-month Bankers' Acceptance rate plus a 1% Provincial Guarantee Fee which was equal to 1.5% as at March 31, 2009 (2008 - 4.6%). The effective interest rate for fiscal 2009 was 4.9% (2008 - 5.2%) for the Non-Revolving Credit Facility and 3.0% (2008 - 5.1%) for the Revolving Credit Facility.

Once the principal amount of the advances under the Non-Revolving Credit Facility exceed \$200 million, the interest rate is converted to a fixed rate equal to the Canadian Thirty Year Rate in effect on the conversion date. The first conversion date was February 13, 2008, at which time the Canadian Thirty Year Rate was 5.9%.

The Interconnection Credit Facility consists of Manitoba Hydro advances received by the Partnership to fund the total capital cost to construct and install transmission facilities and interconnection system upgrades pursuant to the Interconnection and Operating Agreement with Manitoba Hydro. The interest rate on the first \$40 million advanced is based on Manitoba Hydro's short-term borrowing cost or the one-month Bankers' Acceptance rate plus a 1% Provincial Guarantee Fee which was equal to 1.5% as at March 31, 2009 (2008 - 4.6%). The effective interest rate for fiscal 2009 was 5.4% (2008 - 5.1%).

Once the principal amount of the advances under the Interconnection Credit Facility exceed \$40 million, the interest rate is converted to a fixed rate equal to the Canadian Thirty Year Rate in effect on the conversion date. The first conversion date was April 2, 2007, and the second conversion date was January 2, 2008. On both dates the Canadian Thirty Year Rate was 5.7%. The third conversion date was August 1, 2008 with a Canadian Thirty Year Rate of 5.8%. The fourth conversion date was January 2, 2009 with a Canadian Thirty Year Rate of 6.0%.

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2009

Principal payments on these loans are as follows:

	Total
	<i>thousands of dollars</i>
2009	-
2010	-
2011	-
2012	-
2013	-
2014-2062	542 917
	542 917

NOTE 12 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Financial Instrument	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	<i>thousands of dollars</i>			
Held-for-Trading				
Cash and cash equivalents	57	57	56	56
Term investment	2 714	2 714	1 412	1 412
Loans and Receivables				
Accounts receivable	453	453	787	787
Other Financial Liabilities				
Accounts payable	32 210	32 210	43 782	43 782
Interest payable	4 384	4 384	3 320	3 320
Long-term debt	542 917	535 125	319 394	327 242

The fair value of WPLP's long-term debt is based on market yields at close of business on the balance sheet date for similar instruments available in the capital markets.

WPLP's operations expose the Partnership to interest rate risk on short-term borrowings net of temporary investments. The Partnership is not exposed to significant credit, liquidity or market risks.

WUSKWATIM POWER LIMITED PARTNERSHIP NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2009

NOTE 13 PARTNERS' CAPITAL

Authorized: Unlimited number of limited partnership units at \$1 000 each.

Issued: 119 250.000 limited partnership units at \$1 000 each.

As at March 31, equity had been issued as follows:

	2009	2008
	<i>thousands of dollars</i>	
Manitoba Hydro	79 886	49 461
Taskinigahp Power Corporation	39 352	24 365
General Partner (5022649 Manitoba Ltd.)	12	7
	119 250	73 833

During the year ended March 31, 2009, WPLP issued 45 416.567 limited partnership units. These units have no preference, exchange, pre-emptive or redemption rights.

NOTE 14 RELATED PARTY TRANSACTIONS

WPLP separately identifies within its records all transactions with Manitoba Hydro at the exchange amount determined by various agreements. Amounts due to Manitoba Hydro consist of \$542 917 thousand (2008 - \$319 394 thousand) included in long-term debt, \$32 210 thousand (2008 - \$43 782 thousand) in accounts payable and \$4 384 thousand (2008 - \$3 320 thousand) included in interest payable. Amounts paid to Manitoba Hydro consisted of \$180 361 thousand (2008 - \$117 520 thousand) relating to the generating station, \$72 667 thousand (2008 - \$59 772 thousand) included in the intangible asset, and \$12 756 thousand (2008 - \$9 580 thousand) in GST that was recovered from the Canada Revenue Agency with the exception of \$453 thousand (2008 - \$787 thousand) included in accounts receivable at month end (see Note 8). Amounts received from Manitoba Hydro consisted of \$30 429 thousand (2008 - \$19 765 thousand) in equity contributions from both Manitoba Hydro and its wholly owned subsidiary the General Partner, and \$26 thousand (2008 - \$25 thousand) in interest earned on investments. Amounts due from Manitoba Hydro consist of \$2 714 thousand (2008 - \$1 412 thousand) and are included in term investment.

WPLP has also entered into various agreements with Manitoba Hydro to provide services to the Partnership as follows:

- a) the Construction Agreement, whereby Manitoba Hydro will construct the Wuskwatim generating station and related works;
- b) the Project Financing Agreement, whereby Manitoba Hydro will provide debt financing to WPLP;
- c) the Management Agreement, whereby Manitoba Hydro will provide administrative and management functions to WPLP;

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2009

- d) the Maintenance and Operations Agreement, whereby Manitoba Hydro will provide all maintenance and on-site operations for the Wuskwatim generating station;
- e) the Interconnection and Operating Agreement, whereby Manitoba Hydro will connect the Wuskwatim generating station to Manitoba Hydro's integrated power system;
- f) the Systems Operation and Dispatch Agreement, whereby Manitoba Hydro will operate and dispatch the Wuskwatim generating station in an integrated fashion with Manitoba Hydro's integrated power system; and
- g) the Power Purchase Agreement, whereby Manitoba Hydro will purchase from WPLP all of the power generated by the Wuskwatim generating station. WPLP is economically dependant on Manitoba Hydro as the sole purchaser of the power from Wuskwatim.

Amounts paid to Manitoba Hydro under the Management Agreement for the year ended March 31, 2009 totalled \$2 703 thousand (2008 - \$3 548 thousand).

NOTE 15 CAPITAL MANAGEMENT

Under the terms of the Wuskwatim Project Development Agreement, WPLP maintains a 75:25 debt/equity ratio except for the first ten years following the final closing date when the amount may increase to 85% of the total capital cost less any advances made under the Revolving Credit Facility. Long-term debt financing is provided by Manitoba Hydro on an as-required basis. Manitoba Hydro also provides a \$50 million revolving credit facility and a separate credit facility to finance the contributions to Manitoba Hydro for the construction of the transmission interconnection facilities necessary to connect the Wuskwatim generating station to the Manitoba Hydro system. The outstanding balance of this Interconnection Credit Facility is excluded from the calculation of the debt/equity ratio.

WUSKWATIM POWER LIMITED PARTNERSHIP
NOTES TO THE FINANCIAL STATEMENTS
For the year ended March 31, 2009

WPLP's debt ratio as at March 31 was as follows:

	2009	2008
	<i>thousands of dollars</i>	
Long-term debt	357 750	221 500
Less: Cash and cash equivalents and term investment	(2 771)	(1 468)
Net debt	354 979	220 032
Equity	119 250	73 833
Debt ratio	75%	75%

In 2009, WPLP's capital management objectives were unchanged from those in 2008.

NOTE 16 COMPARATIVE FIGURES

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