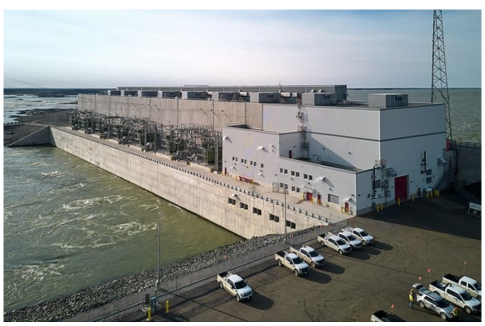
Updated and Restated Joint Keeyask Development Agreement

August 2024

Tataskweyak Cree Nation and War Lake First Nation, Fox Lake Cree Nation, York Factory First Nation, referred to as the Keeyask Cree Nations (KCNs), and Manitoba Hydro (MH) negotiated the Joint Keeyask Development Agreement (JKDA). This agreement set out the terms for building and operating Keeyask through a partnership (the Keeyask Hydropower Limited Partnership or KHLP). All four communities voted to go ahead with the agreement, which was signed in May 2009. In July 2023, the KCNs and MH agreed to update the financial terms of the JKDA.

Why was the JKDA updated?

The JKDA included a range of benefits for the KCNs, including an opportunity to invest in the Keeyask Generation Station and to receive distributions (payments) from this investment each year for the life of the Project. By the time Keeyask became operational in 2022, the forecasted payments to the KCNs from their potential investment in the Project had dropped considerably. This was because of falling prices in the electricity export market and higher construction costs for Keeyask.



To address concerns about the declines in forecasted distributions and improve certainty of returns, the Partners agreed to update the financial terms of the JKDA. On July 31st, 2023, the KCNs and MH signed the amended and restated JKDA and the KCNs collectively opted to invest the maximum $25M in "preferred units" at Final Close.*

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KEEYASK
Hydropower Limited Partnership

Key benefits of the revised agreement ("at a glance")

	Original JKDA (2009)	Revised JKDA (2023)
Preferred Distributions *These are annual payments based on a formula. The update to the JKDA restored the value of these payments.*	In 2009 preferred distributions were forecast to be between $5M and $11M per year.** By 2022, this forecast had declined to between $2M and $3M per year.	The updated formula provides distribution payments forecast to be in the range of $8 to $10 million per year.** The formula for preferred distributions is now based on 2.5% of adjusted gross revenues and a revised purchase price formula.
Minimum Preferred Distributions *The lowest possible payment to the KCNs in any given year is now higher.*	Minimum annual distributions in 2022 were forecast to be slightly less than $1M.	The minimum preferred distribution has been increased to $5 million per year (adjusted annually for inflation).
Power Purchase Price *This change in the power purchase formula benefits the KCNs.*	All power produced by Keeyask is sold by the KHLP and purchased by MH. The price for Keeyask power was originally based only on export prices. Falling export prices reduced the forecast distributions to the KCNs.	The purchase price for Keeyask power is now a blend of domestic and export prices which better reflects how Keeyask power is sold on the market. This results in increased annual Partnership revenues and higher distributions to the KCNs.
Final Closing Preferred Payment *A Final Closing Preferred Payment replaced the Final Closing Preferred Credit*	The KCNs would have received a Final Closing Preferred Credit to "top-up" the percentage of their equity ownership in Keeyask. This credit was for power produced during the commissioning of Keeyask, before distributions were paid. The credit would have increased distributions under the original preferred distribution formula.	Rather than an equity credit, the Final Closing Preferred Credit was converted to a one-time payment of $12 million (divided among the KCNs) at Final Close. This payment enabled the KCNs to fully repay funds advanced to them during project planning and construction, and to fund their participation in the KHLP until the first distribution payment in August 2024.
Final Closing Cash Credit Facility *The KCNs gained an additional option to finance their investment.*	Each of the KCNs had to finance its own investment at Final Close.	Each of the KCNs had the option to borrow money from MH at MH's cost of borrowing to finance their investment at Final Close. Repayment of this loan is through an annual deduction from the preferred distribution payment.
Ability to Sell Units *The KCNs gained an additional option to sell units among the Partners*	Originally, the KCNs could only sell their units in the KHLP back to MH.	The KCNs can now sell their units to each other or to MH at any time. If they choose this option, they must sell all their units and leave the Partnership.

* Final Close refers to completion of the legal transactions confirming final investment after construction of Keeyask was done.

** All annual distribution amounts stated above are gross annual totals to be divided among the KCNs based on a 60/20/20 split. Forecasts were for the first 25 years of station operation.

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