

BUILDING FOR THE FUTURE

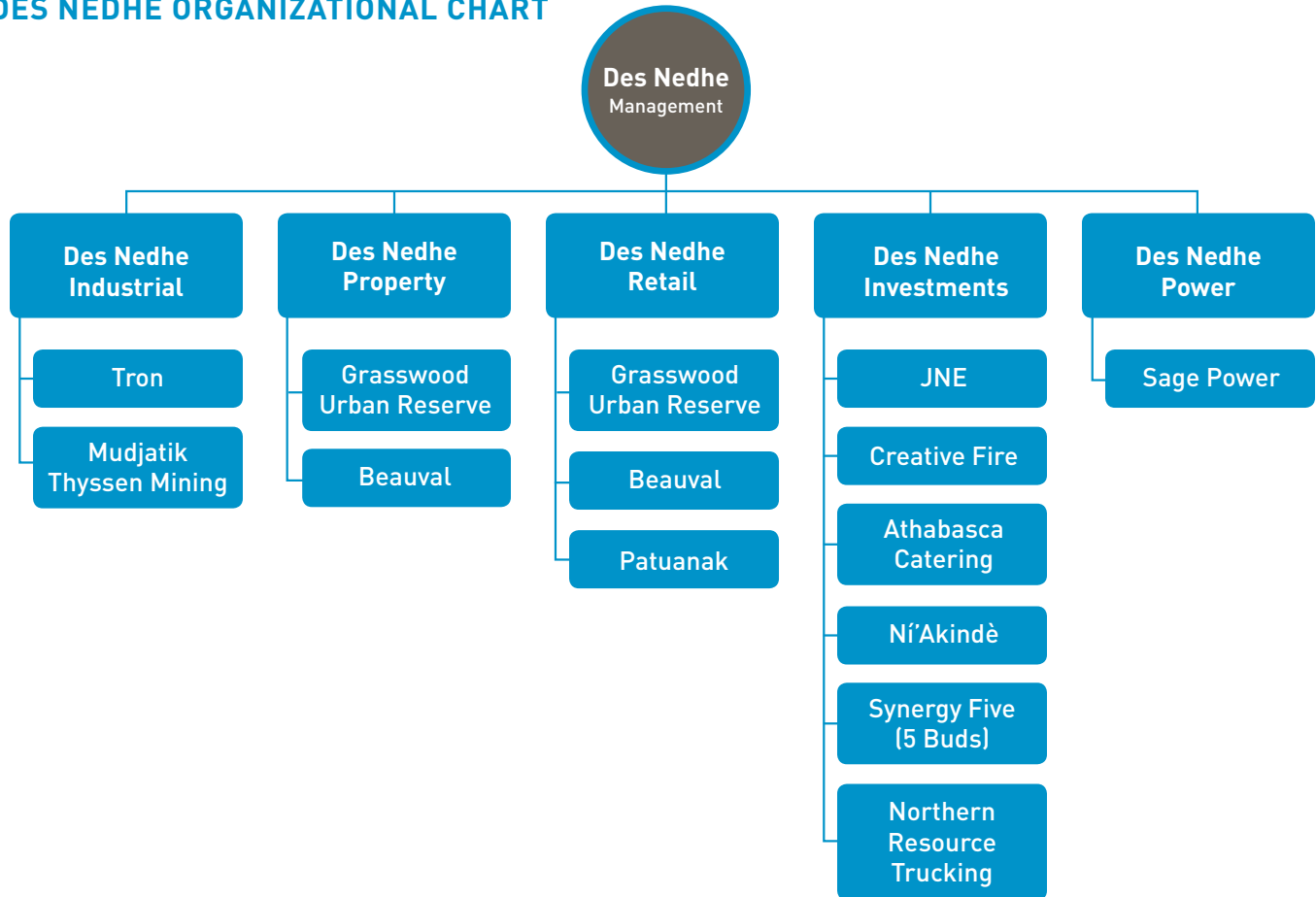
Des Nedhe Group
2018 Annual Report to the Community



Des Nedhe Group
An English River First Nation Enterprise

CORPORATE STRUCTURE

DES NEDHE ORGANIZATIONAL CHART



JOINT VENTURES

Des Nedhe’s path to growth includes recently completed strategic partnerships between Tron and industry-leading partners to expand our service offering and geographic reach.

Iron Trail Industrial

This JV between Tron and Prairie Machine is providing repair and maintenance work on large-scale mining equipment to the potash industry. The expansion into a new industry is giving band members the chance to develop new skills with the potential for long-term employment.

Makwa-Tron

Tron formed a JV with Makwa Development Corp., which is owned by members of Nawash First Nation, to provide services to Bruce Power in Ontario.

Tron-Allied Track

Allied Track is a leading provider of rail construction services. Tron’s experience in constructing infrastructure will enable the JV, which was formalized in May 2019, to service rail expansions from coast to coast to coast.

Canadian UAVs

Des Nedhe entered a strategic partnership with Canadian UAVs, a leader in the unmanned aerial vehicle (drone) industry. The agreement is a step toward delivering technologies and services that will have a significant impact on industries like mining in the future.

YEAR AT A GLANCE

WE PLAN. WE ACT. WE BUILD.



In 2018, Des Nedhe Group took significant steps toward becoming the company English River First Nation needs for its future.

We looked inside. We assessed our strengths and weaknesses and took a hard look at our costs and operations.

We looked at our customers. We determined which parts of our business are growing and which are declining.

We looked ahead. We studied the opportunities in Saskatchewan and further afield. We talked with partners who can help us grow.

We took action. We cut costs. We built new relationships. We landed new work and invested in new businesses.

As a result, we built a framework to support long-term success. We are happy to share that story with our communities.

MESSAGE FROM THE CHAIR

DES NEDHE: IT'S YOUR BUSINESS

Isadore Campbell doesn't pull any punches. When he told us the community's expectations for Des Nedhe under the new Business Charter, he was direct: "You need to improve transparency by a thousand percent!"

That's a pretty simple message. And Des Nedhe's Board and management team heard it loud and clear.

We understand that the people of English River First Nation want to know how their business is doing and where it is headed.

To help answer those questions, we are beginning the process of regular reports to the community to ensure you are aware of Des Nedhe's performance and plans.

Understanding the Business Charter

The signing of the new Business Charter in late 2018 was an important step for Des Nedhe.

The Charter:

- clearly defines Des Nedhe's operating requirements and responsibilities to the community;
- establishes a Board of Directors that includes community members and subject-matter experts; and
- provides Des Nedhe's management with the necessary independence to move quickly and decisively on business opportunities.

We all know the challenges facing the uranium industry in the North and other industries across the province. Des Nedhe is operating in an extremely competitive market environment.

The Business Charter improves Des Nedhe's ability to compete – by allowing decisive action and by giving business partners, customers and employees greater comfort about a long-term vision based on sound business principles.

We understand that the people of English River First Nation want to know how their business is doing and where it is headed.

**Reporting to the Community**

In simple terms, the Business Charter is Chief and Council's approval to have us focus on the business of Des Nedhe. In return, our promise is to keep you informed of Des Nedhe's activities.

This annual report is the first step in our plan to keep the community informed throughout the year. Our plan is to provide quarterly updates as we move forward.

On behalf of our board and management, we are grateful for your support and trust.

Paul Martin
Board Chair

MESSAGE FROM THE CEO

TAKING CONTROL OF OUR FUTURE



Almost three decades ago, the people of English River First Nation formed the Des Nedhe Group to create sustainable jobs and money for the community. It was a bold and visionary step that put in place the foundation for business development.

But the world has changed – and Des Nedhe is changing with it.

Since the tidal wave that struck Fukushima in 2011, the nuclear industry has faced extreme hardship. Our work and revenue from uranium mines has declined or stopped as Cameco has suspended operations at three of its four main facilities. That is reflected in our financial performance over the past three years.

We had two options: do nothing and wait for better times or take charge and reshape Des Nedhe. Thanks to the leadership of Chief and Council, with input from the community, we made fundamental changes to our structure, culture and operations to create a company with more

opportunity and national profile and reach.

It has been a long and challenging transition, but today Des Nedhe has:

- more sources of revenue and is no longer reliant on a single industry;
- an expanded geographic presence that takes us beyond ERFN’s traditional territory with opportunities across Saskatchewan and Canada;
- new partnerships – many with other First Nations – that leverage our experience and skills;
- a Business Charter and board of directors that will hold our management and people accountable for our performance; and
- most importantly, a new attitude that has us prepared to compete anywhere – based on our skills, efficiency, safety record and, above all, the drive and determination of our people.

While it will take time to create the level of profitability and dividends we want, our changes had an immediate impact in 2018 and Des Nedhe is ready for long-term and sustainable success.

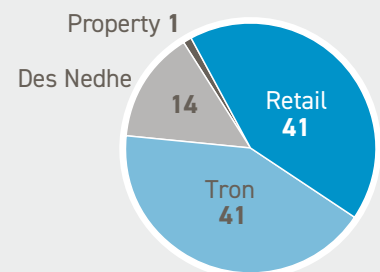


ERFN MEMBERS AT WORK

One of Des Nedhe’s priorities is to create opportunities for English River members to pursue careers while staying connected to the community.

In 2018, we had 97 band members earn paycheques from Des Nedhe. We anticipate larger numbers of jobs as new contracts are initiated and spring and summer construction begins.

Band Member Employees:



MESSAGE FROM THE CEO (CONTINUED)



The New Des Nedhe

The signing of our Business Charter is an important first step toward enabling Des Nedhe to grow – in ERFN's traditional territory and further afield.

We entered the year with a number of priorities:

- after a \$7.7 million loss in 2017, we had to stop the bleeding;
- we had to change our internal culture to be a more competitive company; and
- we needed to identify new sources of revenue to be strong even when our partners in the uranium industry are facing tough times.

I can report that we made significant progress in each area.

Des Nedhe recorded a loss of \$586,333 in 2018. We will never look at a loss as a positive result, but are pleased by our progress. After substantial losses in the prior two years, profitability was within reach. We opted to make the right decisions for the future, investing in businesses, severances and internal changes that will make Des Nedhe a stronger company.

(Above) Tron signed a joint-venture agreement with Makwa Development Corp. that will provide new opportunities working with another First Nation in Ontario.

Our first step was to build a team that recognizes the demands of a competitive marketplace. Historically, we worked with traditional partners in the North who were compelled to use our services. To be successful in other parts of Saskatchewan or Canada, we have to be the best qualified, most efficient and safest company available – among First Nation and non-First Nation businesses.

Our people embraced the challenge, preparing us to tackle new opportunities in new regions.

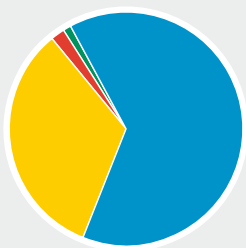
In 2018, Des Nedhe led the development of the Ní'Ákindè Indigenous Business Consortium and built partnerships with First Nations in other parts of Canada. This is resulting in new opportunities outside ERFN's traditional land and will give us access to larger projects over a broader geographic region.

We also pursued multiple new areas of opportunity – from assembly and maintenance of mining equipment to cannabis retailing to railroad construction. It's part of our plan to



(Above) Des Nedhe and Tron are working with industry leaders like Prairie Machine to pursue new revenue in the potash industry.

2018 Gross Revenue:



- Retail (64%)
- Construction and Mining (33%)
- Property rental (2%)
- Investments (1%)
- Equipment rental (0%)

pursue profitable business to deliver returns to English River First Nation.

The Next Steps

The hard work and progress of 2018 laid the foundation for the future. In the first three months of 2019, we signed agreements and completed partnership deals that led to immediate new opportunities.

In 2019, we are seeing the rewards for our work over the past two years. It is evident through additional work in Ontario and a growing list of opportunities with new

customers and partners in Saskatchewan. As we had planned, it is leading to new revenue from new sources, giving Des Nedhe a more stable foundation for the future.

We will continue to look for ways to maximize the value of English River’s land at Grasswood, on the outskirts of Saskatoon. We are creating a diverse, long-term development plan that we anticipate will provide short-term employment opportunities and create sustainable revenue streams.

Every decision we make is based on doing the right things for the future of English River First Nation. We look forward to telling you more about our progress as the year unfolds.

Sean Willy
President & Chief Executive Officer

TRON

A YEAR OF BUILDING

Our priority in 2018 was to restructure Tron to be ready for the opportunities ahead.

Seeing limited opportunities in the uranium sector in the immediate future, we took steps to control our costs and identify other ways to utilize the skills and experience of our people. We built partnerships and relationships that will help us secure work outside of northern Saskatchewan – creating jobs for

our people and earnings for English River.

The steps we took required a significant investment of time and money, but were necessary to create a more diverse company with greater future potential. The benefits are already becoming clear with Tron – and ERFN members – active in a number of our new ventures and areas of service.

Through our growing list of partnerships – including Allied Track, Makwa Development Corp., and Prairie Machine – we will be able to diversify our business to bring growth and stability in the years ahead.

Anthony Clark

President and CEO, Tron

TRON SNAPSHOT**WORK HOURS WITHOUT A LOST-TIME INJURY**

1,201,625 HOURS

The safety of our people is the highest priority at Tron. We are proud to report that we had no recordable incidents during the year and surpassed 1 million hours without a lost-time injury.

TOTAL REVENUE

\$16.1 MILLION

With less work at northern mines, Tron's revenue declined from \$19.7 million in 2017.

NET INCOME

\$0.17 MILLION

The decisive action of 2018 allowed Tron to return to profitability – a considerable improvement over the previous year.



THE NEW HORIZON



Tron invested significant time and resources participating in the Early Contractor Involvement Process at Cameco's facility in Port Hope, Ontario. The work resulted in a new contract in a new market – giving Tron an opportunity to expand our reach in the search for new work.

SUCCESS STORIES: COMMUNITY AND COMPANY



Clayton Paul, Journeyman Welder, Tron, and his daughter, Annalise.

Creating opportunities for English River members is a priority. By expanding Tron's reach into Ontario, we're building long-term jobs for our people.

Tron's contract at Port Hope, Ontario, is creating new work for English River band members like Clayton Paul.

Clayton began working with Tron as a labourer in 2002, earned his journeyman welder's ticket in 2005, and is also working toward his pipefitter's ticket. He says working with mentors and band members helped him build his career.

"I had a couple of older guys who showed me how to do things," says Paul. "I try to do that. I like what I do and I tell the young guys, work your butt off, ask questions, listen. You learn, take it in, pass it down."

In between his two-week shifts at Port Hope, Clayton returns to Saskatchewan to be with his wife, Coralie, and two-year-old daughter, Annalise Catherine Paul – named after his grandmother, Catherine Paul.

"My grandmother was an inspiration to me," says Clayton. "I have a lot of respect for her hard work and the way my grandparents lived off the land. No handouts, just love for family and well-being."

Clayton's parents, Mike and Marjorie, live in Patuanak and he still values the lessons learned in the community.

"I'm like my Dad," he says. "I like working with my hands."

RETAIL

OUR PLAN: FILL 'ER UP

Des Nedhe's retail and property operations are a source of sustainable revenue today, with the potential to grow over time.

The Grasswood property, on the outskirts of Saskatoon, is an important asset for both retail and property. In 2018, we sold record gas volumes at Grasswood because of a strike at a competing fuel station. The increased fuel volumes don't directly result in higher returns, as we also face higher costs in the fuel business, but it led to more tobacco and convenience items being sold. The increased business at Grasswood helps offset the higher costs of our northern locations. Our team, led by Jason Allen, has done an exceptional job in managing the performance of our retail business.

The increased business at Grasswood helps offset the higher costs of our northern locations.

INCREASE IN RETAIL PROFITABILITY

\$315,915

Retail profitability increased by \$315,915 in 2018, with our Grasswood location reporting the highest sales volumes among our retail operations. The profitability of Grasswood allows us to operate our northern retail stores as a service to the community.

PROPERTY



Our property group, led by Lorne Wolfe, is working on a long-term land development plan to fully capitalize on the value of our Grasswood asset. We hired Jeff Balon, who brings more than two decades of land development expertise in Saskatoon, to oversee our planning process. With strong direction from Lorne and Jeff, we are assembling a development plan with corporate and commercial areas that can turn empty acres into a source of continuing revenue and profit for English River.



OCCUPANCY AT GRASSWOOD OFFICE COMPLEX (2019)

100 PERCENT

The closure of MineTec and a decrease in lease revenues at the Grasswood Travel Centre resulted in a \$204,000 drop in property revenue in 2018. However, in early 2019, we achieved 100 percent occupancy at the Grasswood complex and began negotiating with potential partners to begin work on additional buildings at the site.

NÍ'AKINDÈ

FIRST NATIONS FIRST

ní'akindè
national business consortium



Understanding the importance of respect and recognition for traditional First Nation territories, Des Nedhe reached out to potential First Nation partners to explore opportunities in new regions.

Our approach led to the formation of Ní'akindè – a national Indigenous business consortium – with Tlichó Development Corporation in the Northwest Territories and the Mississaugas of the New Credit First Nation Development Corporation in southern Ontario. Des Nedhe CEO Sean Willy

was chosen to chair Ní'akindè's board of directors and continues to assess other Indigenous enterprises that share the Consortium's vision.

By working together, we leverage the strength of partner First Nations, expand our geographic reach and have the ability to bid on national projects initiated by the Federal Government. The structure established for Ní'akindè allows us to admit additional First Nations who share our desire to build economic independence by working together.

INVESTCOS

THE POWER OF PARTNERS

Throughout its history, Des Nedhe has invested in companies that provide the potential to build our value. Entering these relationships diversifies our operations and knowledge base and extends our reach to new industries.



Synergy 5 – Des Nedhe entered a partnership with Athabasca Basin Developments LP, Peter Ballantyne Developments LP and Prince Albert Development Corporation to pursue the new retail opportunity in cannabis. Our partnership was awarded licences in North Battleford, Warman and Yorkton and is now operating retail locations that are expected to generate revenue and profitability in 2019.

JNE Welding – In 2018, Des Nedhe finalized the land purchase that was included in our initial investment – another building block in our long-term plan. As we have done in other areas, we made the decision that this was the right time to invest and exercised our option on the land that was included in our initial agreement. We applied a \$103,791 dividend generated by JNE toward the purchase and now have an additional asset with long-term value.

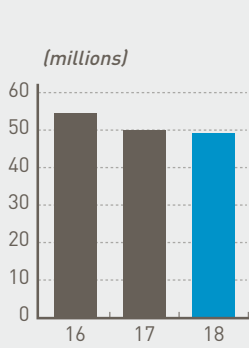
Creative Fire – Our investment in Creative Fire has helped reshape Des Nedhe's brand development and marketing efforts, as well as support the launch of new initiatives like NíAkindè. The company, which operates with a June 30 year end, reported a 52 percent increase in revenue for its most recent fiscal year and is showing additional opportunities for growth in revenue and earnings moving forward.

FINANCIAL SUMMARY

DES NEDHE GROUP: BY THE NUMBERS

LOOKING BACK...

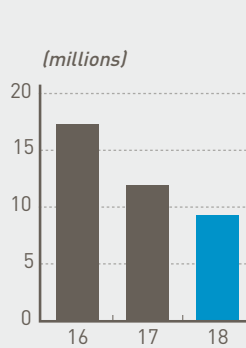
TOTAL REVENUE:



\$49.14 MILLION

Des Nedhe's 2018 revenue of \$49.14 million was 1.5 percent below the previous year. A \$3.6 million increase in retail sales offset a \$3.6 million decline in work for Tron, but the difficult condition for the uranium industry highlighted the importance of diversifying our revenue sources.

OPERATING OVERHEAD COSTS:

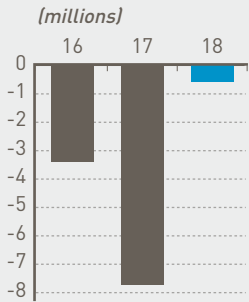


REDUCED 22.2%

Talk is easy; change is hard. Even as we built a framework for future growth, we cut our operating overhead to \$9.3 million – a reduction of \$2.6 million dollars from the previous year and almost 50 percent from two years ago. The biggest component is \$6.1 million

directed to wages, salaries and management costs. We're leaner yet have the right people in place for the future.

NET INCOME:



-\$586,333

One of our goals for 2018 was to turn the ship around. After two years of struggles in the North and significant losses, we made necessary changes that improved our performance by \$7.2 million from last year and brought us close to a breakeven point. We kept our focus on the long term,

accepting a small loss while spending where necessary to create more revenue streams in the years ahead.

...AND LOOKING AHEAD.

INVESTING IN THE FUTURE:

\$1.5 MILLION

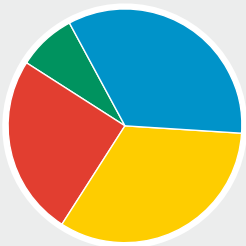
A business doesn't grow by cutting. It needs to invest – and invest smartly. Even as we managed through tough times, we invested where we saw opportunities to create new sources of revenue.

Our 5 Buds cannabis operation gave us a rare opportunity to profit from the introduction of an entirely new retail industry with limited competition. Our partnerships through Ní'Ákindè and other businesses opened doors to work in new regions. And our continuing discussions with leaders and suppliers in the potash industry set us up to tackle new lines of work.

We also made necessary investment in leadership, including \$108,523 to initiate and compensate our Board of Directors. We attracted highly qualified people who will ensure Des Nedhe operates efficiently and in the interests of English River First Nation.

We look forward to the years ahead and demonstrating the impact of our current performance.

2018 Operating Overhead Expenses:



- Corporate Administration (34%)
- Retail (33%)
- Construction and Mining (25%)
- Property rental (8%)
- Equipment rental (0%)

Des Nedhe now has an even stronger foundation – not built on a single pillar but with greater balance across a number of business opportunities.

DES NEDHE LEADERSHIP

DES NEDHE MANAGEMENT

Des Nedhe

Sean Willy

President and Chief Executive Officer

Jamie Dickson

Vice President, Law, Property and Retail

Preston Kalyniuk

Senior Director of Finance; Controller

Trent Campbell

Manager, Community and Client Engagement

Tron

Anthony Clark

President and Chief Executive Officer, Tron Construction and Mining

Mikhail Hanna

Vice President, Ontario

Jordan Baptiste

Director, Business Development

Retail/Property

Lorne Wolfe

Director, Property Management

Jeff Balon

Manager, Land Development

Jason Allen

Director, Retail

DES NEDHE BOARD OF DIRECTORS



Des Nedhe's Board of Directors was selected based on the skills, experience and insights needed to ensure the company's long-term success.

Melvina Aubichon – ERFN member, B. Comm. from the University of Saskatchewan, former ERFN Band Manager.

Alfred Dawatsare – past Chief of English River First Nation, former President and Chief Executive Officer of Des Nedhe Development.

Blair Davidson – Chartered Professional Accountant (CPA), extensive corporate, accounting and board experience, member of the Institute of Corporate Directors (ICD).

Heather Forbes – President and Chief Executive Officer of Rite Way, extensive experience in corporate finance and agriculture.

Paul Martin (Board Chair) – extensive experience in business leadership; coach/mentor to executives and CEOs, partner in Martin Charlton Communications.



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