



Canada Development
Investment Corporation

La corporation de développement
des investissements du Canada

CANADA DEVELOPMENT INVESTMENT CORPORATION

**SUMMARY OF AMENDMENT TO THE 2021 to 2025
CORPORATE PLAN**

and

SUMMARY OF AMENDED 2021 CAPITAL BUDGET

December 2021

The Canada Development Investment Corporation (CDEV) 2021-2025 Corporate Plan was amended in November 2021. The Summary of the amended 2021-2025 Corporate Plan was prepared in accordance with section 125 of the *Financial Administration Act* (“FAA”), in order to provide information on the business activities and decisions of a Crown corporation and its subsidiaries. Information that may be commercially detrimental to CDEV’s operations have not been included within this Summary, pursuant to section 153(1) of the FAA.

At that time, the Trans Mountain Corporation (TMC) did not have a full assessment of the impact that major floods in British Columbia in late 2021 would have on Trans Mountain Expansion Project construction costs beyond the 2021 capital plan. The TMC Board of Directors has subsequently confirmed that the floods will result in \$500 million in incremental project costs, bringing total expected costs to \$21.4 billion, and a delay of the project’s completion. CDEV is providing this explanatory note to ensure the public has the most up-to-date information on project cost and schedule, consistent with TMC’s public announcement in February 2022. These updates will be presented to the Government of Canada as part of the process to obtain the necessary approvals of CDEV’s 2022-2026 Corporate Plan.

AMENDED CDEV CORPORATE PLAN SUMMARY
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1.0 EXECUTIVE SUMMARY AND CORPORATE PROFILE

The purpose of the 2021 Corporate Plan Amendment is to outline key developments regarding Trans Mountain Corporation's ("TMC") development project, the Trans Mountain Expansion Project ("TMEP"), since the finalization of the 2021 Corporate Plan. Specifically, as detailed in TMC's 2021-2025 Corporate Plan Amendment Summary (Appendix B), TMC's expected total cost of TMEP has increased from the \$12.6 billion estimate which was the basis of the 2020 and 2021 Corporate Plans. TMC's revised plan and cost estimate for TMEP is now \$20.9 billion. This Corporate Plan Amendment outlines revised 2021 capital expenditures aligned with that revised estimate as well as new leases to be entered into by TMC.

TMEP Status

As outlined in the amended 2021-2025 TMC Corporate Plan, TMEP construction in 2021 faced many headwinds including among other factors, a voluntary safety stand-down, COVID-19, wildfires in British Columbia, labor market challenges and contractor changes. TMC also decided to change the main TMEP contractors for three project spreads in 2021. These factors give rise to delays and cost increases for TMEP relative to those outlined in the 2021 Corporate Plan. These factors have changed the project completion timing as follows. The changes are detailed in section 5.1.

	Original 2021 Plan	Amended 2021 Plan
Mechanical Completion *	September 30, 2022	June 30, 2023
First Revenue	January 1, 2023	September 30, 2023
* Mechanical completion is the date when all construction is complete and the project then awaits a Leave to Open that will allow the pipeline to operate as approved by the CER.		

Revised TMEP Cost Estimate

The 2020 and 2021 Corporate Plans outlined a cost estimate for TMEP of \$12.6 billion, including financing costs. In September 2021, TMC finalized a revised cost estimate of \$20.9 billion. Excluding financing costs, the cost estimate has increased by 62 per cent. The reasons for the increase in costs are included in Appendix B.

Capital Budget

The 2021 Corporate Plan set TMC's 2021 capital budget at \$4.2 billion. This Amended Corporate Plan sets the 2021 capital budget at \$5.2 billion in alignment with the higher TMEP cost estimate. The non-TMEP (maintenance) capital expenditure budget is \$73 million which compares to the original 2021 Plan of \$70 million.

Construction Facility

This amendment increases the Construction facility from \$9.14 billion in 2021 to \$10.34 billion and at the start of 2022 the limit increases to \$12 billion until the 2022 Plan is approved with the required financing for the rest of 2022.

Conclusion and Recommendation

Given the continued returns for the project based on reasonable assumptions, CDEV recommends approval of the revised capital budget and requests the appropriate funding to accomplish this.

Given the continued returns for TMEP, CDEV plans to continue to pursue completion of TMEP as outlined in this Amended Corporate Plan.

2.0 MANDATE AND BUSINESS OVERVIEW

CDEV's mandate remains unchanged from that described in the approved 2021-2025 Corporate Plan.

CDEV's main focus over the past year and through the next year is to assist TMC in completing its TMEP project and identify opportunities to de-risk and/or sell or refinance a part or all of the TMC investment at the appropriate time to maximize its financial return while recognizing the objective to allow for meaningful Indigenous participation in the project.

3.0 CORPORATE GOVERNANCE AND OPERATING ENVIRONMENT

CDEV's governance remains unchanged from that described in the approved 2021-2025 Corporate Plan.

4.0 CORPORATE PERFORMANCE (RELATED TO TMC)

4.1 Assessment of Preliminary 2021 Results

Our actual performance to date in 2021 as compared to the objectives outlined in our 2021-2025 Corporate Plan is as follows:

2021 Objectives	2021 Preliminary Results
Oversee, monitor and provide strategic support of TMC	Continued strong working relationship with TMC management; participated in strategic planning and review sessions. Engaged contractors to work with TMEP management team
TMP Finance to provide financing to TMC	<p>TMP Finance worked with TMC management to determine the required funding for TMEP through 2021 and to the end of the project in 2023. CDEV worked closely with TMC to ensure appropriate materials are prepared for an amended funding plan to ensure continued construction while preserving value.</p> <p>The attached financial projections assume that 100% of the financing of TMEP will be in the form of loans from the Canada Account.</p>

Trans Mountain Corporation

From the time TMC was acquired, through to the end of 2021, TMC will have spent \$5.2 billion in 2021 plus \$4.3 billion through to the end of 2020 (excluding carrying costs) on TMEP. In 2021, efforts were focused on restarting construction activity after a safety shutdown and included construction activity along the entire route plus facilities. At the time of writing, pipeline construction activity was at approximately 41% complete and total execution in excess of 50% complete.

The outstanding loans with Canada Account at December 31, 2021 are forecast at \$4.7 billion for the Acquisition Facility and \$10 billion on the Construction Facility (see Schedule 2 and Appendix A-2).

5.0 CDEV - OBJECTIVES AND STRATEGIES FOR THE PERIOD 2021 TO 2025

No changes in the objectives of CDEV or other subsidiaries are being proposed in this Plan Amendment.

5.1 Trans Mountain Corporation

Please see the attached Appendix B for detailed information on the 2021-2025 Amendment to the TMC Corporate Plan.

TMEP

TMC Management has proposed a project plan and cost estimate referred to as the Project Baseline. This plan includes cost estimates to complete the project with mechanical completion at June 30, 2023. It has identified risks that may impact costs and schedule and set aside contingencies to pay for these potential outcomes.

\$ Billion	Approved 2021 Plan	Amended 2021 Plan
Project Construction Costs	\$10.4	\$16.8
Contingencies *	\$0.5	\$0.8
Project Costs including Contingencies	\$10.9	\$17.6
Financing (debt and equity)	\$1.7	\$3.3
Total Installed Cost	\$12.6	\$20.9
Mechanical Completion	September 30, 2022	June 30, 2023
In-service date (revenue generating)	January 1, 2023	September 30, 2023
Construction Costs in 2021	\$3.9	\$5.2
Construction Costs in 2022	\$1.5	\$5.0
Construction Costs in 2023	\$0.1	\$2.2

* Contingencies are managed by the company to pay for increased costs due to the realization of identified risks. It is difficult to forecast in what year these funds may or may not be used but we request borrowing authority in 2022 to potentially pay for the impact of these risks if they arise.

5.2 Canada TMP Finance Ltd.

TMP Finance requires increased funding to finance the increase in TMC's 2021 and 2022 capital expenditure plan detailed in Appendix B – TMC Amendment to the 2021 - 2025 Corporate Plan. This is proposed through an increase in the limit of the Construction Facility with the Canada Account managed by Export Development Canada. Some of the increased limit is required to pay interest expense on the loans from EDC.

TMP Finance is seeking the ability to borrow up to \$12.0 billion until March 31, 2022 (\$2.4 billion greater than the current authorities of \$9.6 billion). This will ensure that TMP Finance can continue funding the project until the approval of the 2022-2026 Corporate Plan.

6.0 FINANCIAL SECTION

6.1 Financial Overview for 2021

The attached proforma financial statements are based on the 2021 consolidated financial statements (excluding CEEFC) adjusted for the revised TMC operating and capital budgets for 2021 through 2025. We note that we have used actual consolidated 2020 financial figures in forecasting the 2021 Plan figures, noting also that the 2021 Amended Plan “2021” columns are also the same as the 2021 forecast figures.

See the Appendix for the pro-forma financial projections (December year-end) (On the following Schedules, numbers may not add due to rounding):

- Schedule 1 - Consolidated Statements of Financial Position
- Schedule 2 - Consolidated Statements of Cash Flows
- Schedule 3 - Consolidated Statements of Changes in Shareholder’s Equity
- Schedule 4 - Consolidated Statements of Comprehensive Income

6.4 Capital Budget

Revised Capital Budget

\$ million	2021 Original	2021 Revised	2022 Revised	2023 Revised	2024 Revised	2025 Revised
TMC – TMEP	3,923	5,158	4,953	2,047	0	0
TMP – Capitalized interest	210	393	651	845	0	0
TMC - maintenance	70	73	95	52	41	43
CHHC (no change)	11	11	19	28	26	27
CDEV Office and ancillary leases (no change)	1	1				
CDEV consolidated	4,215	5,636	5,718	2,972	67	70

6.5 Operating budget

No material change is proposed for the TMC 2021 Operating Budget. Please see Appendix B for financial projections.

Appendix A-1 – CDEV Consolidated Pro-Forma Financial Statements 2020 – 2025

Note: Column “Amended 2021 Plan” is also the Forecast 2021 TMC figures and the unchanged CHHC and CDEV figures from the 2021 Plan.

Schedule 1 - Proforma Consolidated Statements of Financial Position

\$ millions (Dec 31)

	2020 Actual	2021 Plan	Amended 2021 Plan	Amended 2022 Plan	Amended 2023 Plan	Amended 2024 Plan	Amended 2025 Plan
Assets							
Currents assets:							
Cash and cash equivalents	311.7	465.2	363.2	374.5	239.4	332.8	321.4
Restricted cash	-	2.5	5.0	5.0	5.0	5.0	5.0
Trade and other receivables	114.2	66.1	66.1	44.1	170.3	191.8	197.7
Other current assets	26.8	21.5	8.3	9.5	6.8	6.5	6.4
	452.7	555.3	442.7	433.1	421.5	536.2	530.5
Non current assets:							
Property, plant and equipment (note 1)	9,169.8	13,335.1	14,847.6	20,510.2	23,330.1	22,713.0	22,083.2
Goodwill	1,015.9	1,015.8	1,015.9	1,015.9	1,015.9	1,015.9	1,015.9
Investments held for future obligations	172.6	178.6	178.6	188.1	196.6	207.7	218.7
Restricted cash	84.2	70.8	80.3	80.3	80.3	80.3	80.3
Restricted investments	94.0	101.4	101.4	116.4	143.0	170.2	198.0
Other assets	382.1	213.9	213.6	244.9	161.8	137.3	112.9
	10,918.5	14,915.7	16,437.5	22,155.8	24,927.7	24,324.4	23,708.9
	11,371.3	15,470.9	16,880.1	22,588.9	25,349.1	24,860.6	24,239.4
Liabilities and Shareholder's Equity							
Current liabilities							
Trade and other payables	557.9	731.3	640.6	635.7	747.7	66.3	65.1
Income tax payable	-	(4.2)	(4.3)	(4.2)	(4.2)	(4.2)	(4.2)
Other current liabilities	211.5	67.0	134.7	99.7	23.6	23.3	23.2
	769.4	794.1	771.0	731.2	767.0	85.4	84.1
Non-current liabilities							
Loans payable	9,055.0	13,213.0	14,625.0	20,355.0	22,747.0	22,937.0	22,257.0
Deferred income taxes	514.6	498.8	510.3	529.3	581.5	696.3	832.2
Provision for decommissioning obligation	621.2	632.8	630.3	639.3	648.6	658.0	667.7
Provision for site restoration	4.7	3.3	3.3	0.3	-	-	-
Defined benefit obligation	100.7	88.6	101.9	101.3	101.2	101.1	100.6
Other non-current liabilities (note 1)	128.1	133.4	145.1	145.0	172.9	196.5	220.7
	10,424.3	14,569.8	16,015.9	21,770.1	24,251.2	24,588.9	24,078.2
Shareholder's equity							
Share capital	-	-	-	-	-	-	-
Contributed surplus	603.3	603.3	603.3	603.3	603.3	603.3	603.3
Net Profits Interest reserve	11.8	1.5	11.8	11.8	11.8	11.8	11.8
Accumulated deficit	(414.4)	(487.2)	(498.8)	(504.4)	(261.0)	(405.7)	(514.8)
Accumulated other comprehensive income	(23.2)	(10.6)	(23.2)	(23.2)	(23.2)	(23.2)	(23.2)
	177.6	107.0	93.2	87.5	331.0	186.2	77.1
	11,371.3	15,470.9	16,880.1	22,588.9	25,349.1	24,860.5	24,239.4

Note 1 - Right to use assets are included in PP& E; lease liabilities are included in other non-current liabilities

Note 2 - see Appendices B for TMC Financial Statement.

Schedule 2 - Proforma Consolidated Statements of Cashflow

\$ millions (Dec 31)

	2020 Actual	2021 Plan	Amended 2021 Plan	Amended 2022 Plan	Amended 2023 Plan	Amended 2024 Plan	Amended 2025 Plan
Cash provided by (used in):							
Operating activities:							
Net income (loss)	(58.4)	(45.2)	(37.4)	48.3	266.5	(101.7)	(55.1)
Adjustments for:							
Depletion and depreciation	153.9	157.5	161.1	154.7	286.1	694.3	698.5
Loss on derecognition	8.6	21.7	-	-	-	-	-
Income tax expense	24.2	(0.9)	21.7	16.5	18.9	23.0	27.5
Interest income	(8.3)	8.9	(0.9)	(0.9)	(1.0)	(1.1)	(1.2)
Unwind of discount on provisions	7.8	(0.1)	8.9	9.0	9.3	9.5	9.7
Net change in defined benefits	2.3	-	(0.1)	(0.1)	0.0	0.0	0.0
Lease interest expense	1.8	-	-	-	-	-	-
Change in provision	(0.3)	(6.0)	(1.9)	(1.8)	(3.0)	(0.3)	-
Deferred income taxes	-	-	(4.3)	19.0	52.2	114.8	135.9
Interest received	8.3	1.2	1.2	1.1	1.2	1.3	1.3
Provisions settled	(4.1)	-	-	(1.2)	(3.2)	(1.8)	(2.6)
Income taxes paid	(12.8)	(21.7)	(21.7)	(18.5)	(18.9)	(23.0)	(27.5)
	123.0	113.5	126.7	226.1	608.1	714.9	786.5
Change in non-cash working capital	(85.4)	70.3	135.3	12.1	33.3	(659.2)	48.3
	37.6	183.8	261.9	238.2	641.4	55.7	834.7
Financing activities:							
Proceeds from loan issuance	3,000.0	4,213.0	5,570.0	5,730.0	2,392.0	190.0	-
NPI Received	104.6	110.0	110.0	87.1	85.2	117.2	157.8
Repayment of debt	-	-	-	-	-	-	(680.0)
Payment of lease liabilities	(27.2)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)	(3.8)
Payment to owners	-	-	(39.0)	-	-	-	-
Dividends paid	(123.6)	(152.0)	(157.0)	(141.1)	(108.2)	(160.2)	(211.8)
	2,953.8	4,167.2	5,480.2	5,672.2	2,365.2	143.2	(737.8)
Investing activities:							
Withdrawal from CRF	-	5.0	5.0	-	5.0	-	-
Purchase of property, plant and equipment	(3,212.0)	(4,214.7)	(5,675.8)	(5,873.5)	(3,109.3)	(67.5)	(69.7)
Internal use software expenditures	(12.1)	-	-	-	-	-	-
Sale (purchase) of short term investments	-	(1.8)	(1.8)	-	-	-	-
Purchase of restricted investment	(16.3)	(14.7)	(7.5)	(15.0)	(26.6)	(27.2)	(27.8)
Purchase of investments held for future obligation	(11.5)	(10.6)	(10.6)	(10.7)	(10.8)	(10.8)	(10.9)
Change in restricted cash	(12.7)	-	-	-	-	-	-
Change in non-cash working capital	-	0.1	0.1	0.0	-	-	-
	(3,264.6)	(4,236.7)	(5,690.6)	(5,899.1)	(3,141.6)	(105.5)	(108.4)
Effects of FX translation on cash	(2.3)						
Increase (decrease) in cash & cash equivalents	(275.5)	114.3	51.5	11.3	(135.1)	93.4	(11.5)
Cash and cash equivalents, beginning of year	587.1	350.9	311.7	363.2	374.5	239.4	332.8
Cash and cash equivalents, end of year	311.7	465.2	363.2	374.5	239.4	332.8	321.4

Schedule 3 - Proforma Consolidated Statements of Changes in Shareholder's Equity

\$ millions (Dec 31)

	2020 Actual	2021 Plan	Amended 2021 Plan	Amended 2022 Plan	Amended 2023 Plan	Amended 2024 Plan	Amended 2025 Plan
Share Capital							
Balance, beginning and end of year	-		-	-	-	-	-
Contributed Surplus							
Balance, beginning and end of year	603.3	603.3	603.3	603.3	603.3	603.3	603.3
NPI Reserve							
Balance, beginning of year	(34.2)	1.5	11.8	11.8	11.8	11.8	11.8
Provision	(4.0)		-	-	-	-	-
NPI receipts	104.6	110.0	110.0	87.1	85.2	117.2	157.8
Dividends paid	(54.6)	(110.0)	(110.0)	(87.1)	(85.2)	(117.2)	(157.8)
Balance, end of year	11.8	1.5	11.8	11.8	11.8	11.8	11.8
Accumulated deficit							
Balance, beginning of year	(287.0)	(400.0)	(414.3)	(498.8)	(504.4)	(261.0)	(405.7)
Net income (loss)	(58.4)	(45.2)	(37.4)	48.3	266.5	(101.7)	(55.1)
Dividends paid	(69.0)	(42.0)	(47.0)	(54.0)	(23.0)	(43.0)	(54.0)
Balance, end of year	(414.3)	(487.2)	(498.8)	(504.4)	(261.0)	(405.7)	(514.8)
Accumulated other comprehensive income							
Balance, beginning of year	(10.6)	(10.6)	(23.2)	(23.2)	(23.2)	(23.2)	(23.2)
Other comprehensive income	(12.6)	-	-	-	-	-	-
Balance, end of year	(23.2)	(10.6)	(23.2)	(23.2)	(23.2)	(23.2)	(23.2)
Total shareholder's equity	177.6	107.0	93.2	87.5	331.0	186.2	77.1

Schedule 4 - Proforma Consolidated Statements of Comprehensive Income

\$ millions (Dec 31)

	2020 Actual	2021 Plan	Amended 2021 Plan	Amended 2022 Plan	Amended 2023 Plan	Amended 2024 Plan	Amended 2025 Plan
Revenue:							
Transportation revenue	374.8	398.2	411.7	550.3	966.8	2,179.7	2,251.0
Net crude oil revenue	120.6	129.7	129.7	116.5	118.7	143.5	158.7
Lease revenue	63.6	63.5	63.6	65.5	63.2	53.6	53.4
Other revenue	8.7	3.1	3.5	3.7	2.9	2.9	2.9
	567.7	594.6	608.6	736.1	1,151.5	2,379.8	2,465.9
Expenses:							
Depletion and depreciation	153.9	157.5	161.1	154.7	286.1	694.3	698.5
Pipeline operating expenses	162.7	130.0	143.0	153.0	174.4	318.0	332.7
Crude oil operating, transportation and marketing	23.2	26.1	26.1	27.1	23.9	27.3	26.1
Salaries and benefits	77.9	77.8	80.1	87.9	89.4	119.1	123.5
Professional fees	7.0	5.2	5.2	4.9	5.2	4.9	5.6
Loss on derecognition	8.6	-	-	-	-	-	-
Other expenses	3.8	8.8	42.6	46.9	59.8	99.0	101.5
	437.0	405.5	458.2	474.6	638.8	1,262.6	1,288.0
Finance expenses:							
Interest expense	165.3	175.4	163.5	170.6	167.9	1,073.8	1,062.3
Interest income	(8.3)	(2.0)	(2.0)	(1.9)	(2.0)	(2.1)	(2.3)
Unwind of discounts	7.8	8.9	8.9	9.1	9.3	9.5	9.7
	164.9	182.3	170.4	177.7	175.1	1,081.1	1,069.7
Net income (loss) before income taxes	(34.1)	6.8	(20.0)	83.8	337.6	36.1	108.3
Income taxes:							
Current	14.7	58.1	21.7	16.5	18.9	23.0	27.5
Deferred	9.5	(6.0)	(4.3)	19.0	52.2	114.8	135.9
	24.2	52.1	17.5	35.4	71.1	137.8	163.4
Net income (loss)	(58.4)	(45.3)	(37.4)	48.3	266.5	(101.7)	(55.1)
Other comprehensive income (loss):							
Currency translation adjustment	(6.3)	-	-	-	-	-	-
Remeasurement of defined benefit obligations	(6.3)	-	-	-	-	-	-
Total other comprehensive income	(12.6)	-	-	-	-	-	-
	-	-	-	-	-	-	-
Comprehensive income (loss)	(71.0)	(45.3)	(37.4)	48.3	266.5	(101.7)	(55.1)

APPENDIX B



TRANS MOUNTAIN CORPORATION

A wholly owned subsidiary of

Canada Development Investment Corporation

SUMMARY of the AMENDMENT to the
2021 to 2025 CORPORATE PLAN



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2021 – 2025 Corporate Plan Amendment

Trans Mountain Corporation (TMC or Trans Mountain) is a Crown corporation subject to the requirements of the *Financial Administration Act* (FAA). Part X, 122(1)-(4) of the FAA specifies that Crown corporations are required to prepare an annual plan. The annual plan specifies the budget authorities requested for the coming year including capital, operating, funding (financing), lease obligations and other aspects of running a Crown business.

TMC requests herewith an amendment to its 2021-2025 Corporate Plan (2021 Plan) to address (1) increased 2021 capital budget funding for its approved expansion project; (2) related specific 2021 funding authority; and (3) an increase in authorized right of use lease obligations (see generally, FAA Part X, 124(6)).

Background

TMC is completing an expansion of its pipeline system from Edmonton, Alberta to Burnaby, British Columbia, the Trans Mountain Expansion Project (TMEP or project). TMEP will increase the capacity of the pipeline from approximately 300,000 barrels per day (bpd) to 890,000 bpd. Construction of the pipeline commenced in 2017, halted in September 2018 and resumed following revised regulatory approvals in late 2019. As of the end of August 2021, the overall project, including pre-construction activities, is more than 50% complete. Construction specific progress (a subset of overall project completion) stands at roughly 33%, as at the end of August 2021. Construction progress should advance to nearly 50% complete by end of 2021 with peak construction expected in late 2021 and 2022.



Financial Information

This Amendment highlights near term capital spending and funding requirements that are necessary in order to continue key construction activities through a peak construction period over the next six to nine months. The pro-forma financial information illustrates that, despite the increase in capital spending to complete the project, the cash flow generated after the commencement of service in 2023 is significant and will be more than adequate to commence repayment of debt and return capital to its owner. TMC's existing pipeline operations routinely generates over \$180 million of annual Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) and TMC expects this will continue through to the commencement of service of TMEP. Once TMEP enters service EBITDA will grow to more than \$1.7 billion per year. TMC is and will continue to be a wholly commercially viable business in-line with its stated Mandate.

The amended financial statements for 2021 – 2025 have been provided in Appendix 1.

Capital Budget Amendment

TMC's 2021 Corporate Plan included TMEP related capital spending of \$4.4 billion. This budget amount includes a financial carrying cost known as "allowance for funds used during construction" (AFUDC) of \$0.4 billion. AFUDC is comprised of the costs of equity and debt funding necessary to finance TMEP. The \$4.4 billion of authorized spending was a component of the then estimated \$12.6 billion all-in cost of the project. In this Amendment the future year's spending has been included on a pro-forma basis for 2022 and 2023. The corresponding mechanical completion date has been revised to June 30, 2023 (from September 30, 2022) and the commencement of commercial service has been revised to September 30, 2023 (from January 1, 2023).

Since the submission of TMC's 2021 Plan, TMEP has come under substantial cost and schedule pressures that will increase spending required in 2021. Spending inclusive of AFUDC is expected to approximate \$5.8 billion in 2021. It is anticipated that the 2021 Budget authority of \$4.4 billion will be fully utilized early in the fourth quarter of 2021. The \$1.4 billion proposed increase in 2021 capital spending is attributable to several factors including:

- Less productive construction execution activities than expected.
- Significant delays in receiving the required permits to execute construction in an efficient manner as planned.
- Project execution decisions that enhanced pipeline safety, lessened the environmental impact of TMEP, and protected cultural resources at an increased cost.
- An approximate 3-month safety stand-down on the project that was necessary to ensure the safe execution of TMEP by the general construction contractors (GCC) engaged on the project.
- Replacement of a GCC on three major construction spreads.



- The breakup and replacement of a GCC partnership on a challenging pipeline construction spread in a mountainous region of BC.
- Increased quantities of work, work hours, and activities (e.g., earthwork, unknown execution and environmental conditions).
- Challenging external environmental conditions due to a severe wildfire season in British Columbia.
- Necessary project execution and labour deployment decisions.
- Impacts of COVID-19 measures on direct and indirect costs of TMEP.

The Amendment to the capital budget is provided in Appendix 2.



Funding Amendment

At present TMC has a funding agreement with Canada TMP Finance Ltd. Funding provided under this agreement is treated as 55% debt funding and 45% equity funding. Debt incurs an interest rate of 5%.

Combined equity and debt funding for TMEP capital expenditures in the approved 2021 Plan was anticipated to total \$4.1 billion. In addition, a \$0.5 billion increase in the funding facility on January 1, 2022 was intended to bridge the approval of TMC's 2022 Plan in the normal course. The overall funding authority under the current funding agreement with TMP Finance is \$8.7 billion in 2021 and increases to \$9.2 billion on January 1, 2022.

Ongoing and uninterrupted execution of TMEP is required to minimize cost and protect project returns and economics to Canada. 2021 amended funding for TMEP of \$5.3 billion, including an allowance of \$0.5 billion, will need to be financed through draws on the funding agreements including funds to pay its semi-annual interest payments through the end of 2021. As a result, a funding amendment is being requested to increase the \$8.7 billion Maximum Funding Limit by \$1.3 billion to \$10.0 billion. The \$0.5 billion allowance is intended to address potential cost acceleration and unexpected project risks that might be realized and are not included in the proposed 2021 TMEP amended capital budget.

To provide for uninterrupted execution in the first quarter of 2022, an incremental funding increase of \$1.7 billion effective January 1, 2022 is also being requested which includes a \$0.5 billion allowance pending consideration of TMC's 2022 – 2026 Corporate Plan.

This Amendment to the 2021 Plan assumes normal course amendments to the funding agreements will be completed on a timely basis.



Lease Amendment

To support the accommodation of workers along the pipeline construction route the project planned to enter contracts with service providers to establish camp locations at key locations along the pipeline route. At the time of preparation of the 2021 Plan funding for the camp services was provided for as part of the capital budget for TMEP. TMC had not identified that certain aspects of the camp service arrangements would be viewed as embedded leases inherent within the camp service arrangements. As a result, the lease obligation table provided in the 2021 Plan was understated and is being amended here to address the identification of the embedded leases within the camp service arrangements.

The Amendment to the borrowing plan to incorporate these leases is provided in Appendix 3



Appendix 1: Financial Statements

Trans Mountain Corporation
Proforma Consolidated Statements of Financial Position (Amended)
December 31, 2021 to 2025
Cdn\$ thousands

	2021	2021	2022	2023	2024	2025
	Plan	Amended	Amended	Amended	Amended	Amended
Assets						
Current Assets						
Cash and cash equivalents	313,439	196,508	205,675	74,583	168,481	154,433
Restricted cash	-	-	-	-	-	-
Accounts receivable	35,774	35,774	38,594	164,717	186,252	192,173
Other current assets	19,511	19,511	19,511	19,511	19,511	19,511
	368,724	251,793	263,780	258,811	374,244	366,117
Property, plant and equipment	13,302,666	14,710,629	20,678,304	23,595,167	23,058,528	22,522,346
Right-of-use asset	67,659	137,979	79,406	67,659	67,659	67,659
Regulatory assets	99,079	99,079	130,315	146,705	122,263	97,821
Goodwill	888,098	888,098	888,098	888,098	888,098	888,098
Restricted investments	101,448	101,448	116,446	143,016	170,205	198,027
Restricted cash	63,015	75,009	75,009	75,009	75,009	75,009
Deferred amounts and other assets	120,619	120,619	120,619	21,129	21,129	21,129
Total Assets	15,011,309	16,384,654	22,351,976	25,195,593	24,777,134	24,236,205
Liabilities and Equity						
Current Liabilities						
Accounts payable	712,960	630,602	627,564	740,077	51,102	53,120
Regulatory liabilities	51,000	51,000	61,690	-	-	-
Other current liabilities	23,180	81,753	34,927	23,180	23,180	23,180
	787,140	763,355	724,181	763,257	74,282	76,300
Loans from parent	7,074,100	7,750,600	10,709,600	11,787,600	11,487,600	10,287,600
Deferred income taxes	681,156	721,482	874,922	1,075,734	1,209,121	1,363,597
Regulatory liabilities	104,654	104,654	119,652	146,222	173,411	201,233
Pension and post-employment benefits	87,297	100,649	100,649	100,649	100,649	100,649
Lease liability	51,955	63,702	51,955	51,955	51,955	51,955
Other deferred credits	12,748	12,748	12,748	12,748	12,748	12,748
Total Liabilities	8,799,050	9,517,190	12,593,707	13,938,164	13,109,765	12,094,081
Equity	6,212,259	6,867,464	9,758,269	11,257,429	11,667,368	12,142,123
Total Liabilities and Equity	15,011,309	16,384,654	22,351,976	25,195,593	24,777,134	24,236,205



Trans Mountain Corporation
2021 to 2025 Corporate Plan Summary Amendment

Trans Mountain Corporation
Proforma Consolidated Statements of Income and Comprehensive Income (Amended)
For the years ended December 31, 2021 to 2025
Cdn\$ thousands

	2021	2021	2022	2023	2024	2025
	Plan	Amended	Amended	Amended	Amended	Amended
Revenues						
Transportation revenue	363,986	377,834	395,208	828,610	2,179,749	2,251,028
Lease revenue	63,537	63,619	65,538	63,152	53,614	53,358
Other revenue	1,768	2,165	2,381	1,628	1,660	1,693
	429,291	443,618	463,126	893,390	2,235,023	2,306,079
Expenses						
Pipeline operating costs	129,999	142,970	153,038	174,367	318,001	332,683
Depreciation and amortization	99,135	102,793	106,803	225,226	578,111	578,758
Salaries and benefits	73,585	75,883	83,616	85,033	114,624	118,987
Taxes, other than income taxes	36,368	34,051	37,458	48,254	79,588	81,975
Administration	7,586	8,193	8,124	10,221	18,069	18,641
	346,673	363,890	389,039	543,101	1,108,393	1,131,044
Operating income	82,618	79,728	74,087	350,289	1,126,630	1,175,034
Equity AFUDC	277,880	383,494	650,212	660,567	-	-
Interest expense, net of capitalized	(138,190)	(99,189)	(100,876)	(192,884)	(583,303)	(545,803)
Accretion						
Other, net	15	873	(178)	-	-	-
Foreign exchange (loss) gain	-	189	-	-	-	-
Tax recovery (expense)	(54,252)	(89,607)	(153,440)	(200,812)	(133,387)	(154,476)
Net income	168,071	275,488	469,805	617,159	409,940	474,755
Adjusted EBITDA	181,753	182,521	180,890	575,515	1,704,741	1,753,792



Trans Mountain Corporation
2021 to 2025 Corporate Plan Summary Amendment

Trans Mountain Corporation
Proforma Consolidated Statements of Cash Flow (Amended)
For the years ended December 31, 2021 to 2025
Cdn\$ thousands

	2021	2021	2022	2023	2024	2025
	Plan	Amended	Amended	Amended	Amended	Amended
Operating activities						
Net income (loss) for the year	168,071	275,488	469,805	617,159	409,940	474,755
Items not affecting cash						
Depreciation and amortization	99,135	102,793	106,803	225,226	578,111	578,758
Equity allowance for funds used during construction	(277,880)	(383,494)	(650,212)	(660,567)	-	-
Deferred income taxes	54,252	89,607	153,440	200,812	133,387	154,476
Changes in non-cash working capital items	77,573	152,458	(11,406)	34,370	(658,878)	48,361
	121,151	236,852	68,430	417,001	462,559	1,256,350
Investing activities						
Capital expenditures	(4,153,990)	(5,453,064)	(5,424,265)	(2,481,522)	(41,472)	(42,576)
Purchase Restricted Investments	(14,657)	(7,462)	(14,998)	(26,570)	(27,189)	(27,822)
	(4,168,646)	(5,460,526)	(5,439,263)	(2,508,092)	(68,661)	(70,398)
Financing activities						
Issuance (repayment) of loans from parent	2,288,000	2,923,250	2,959,000	1,078,000	(300,000)	(1,200,000)
Capital contributions	1,872,000	2,391,750	2,421,000	882,000	-	-
Dividends	-	-	-	-	-	-
	4,160,000	5,315,000	5,380,000	1,960,000	(300,000)	(1,200,000)
Net increase (decrease) in Cash and Restricted cash	112,504	91,326	9,167	(131,092)	93,898	(14,049)
Cash and Restricted cash, beginning of period	263,950	180,191	271,517	280,684	149,592	243,490
Cash and Restricted cash, end of period	376,454	271,517	280,684	149,592	243,490	229,442
Cash, beginning of period	200,935	104,454	196,508	205,675	74,583	168,481
Restricted cash, beginning of period	63,015	75,737	75,009	75,009	75,009	75,009
Cash and Restricted cash, beginning of period	263,950	180,191	271,517	280,684	149,592	243,490
Cash, end of period	313,439	196,508	205,675	74,583	168,481	154,433
Restricted cash, end of period	63,015	75,009	75,009	75,009	75,009	75,009
Cash and Restricted cash, end of period	376,454	271,517	280,684	149,592	243,490	229,442

Appendix 2: Amended Capital Budget for 2021

The following table presents the Amended Capital Spending. The TMEP Capital Budget for 2021 has increased by \$1.4 billion to \$5.8 billion including AFUDC. The TMEP Capital Budget for 2021 excluding AFUDC, a proxy for cash basis spending, has increased by \$1.3 billion. The 2022 and 2023 capital spending has been amended to provide a holistic view of the TMEP funding requirements.

Trans Mountain Corporation 2021-2025 Capital Spending (Cdn millions)

	2021 Plan	2021 Amended	2022 Amended	2023 Amended	2024 Amended	2025 Amended
TMEP before AFUDC	3,923	5,158	4,953	2,047	-	-
AFUDC	439	605	1,027	1,043	-	-
TMEP after AFUDC	4,362	5,764	5,980	3,090	-	-
Non-TMEP capital	70	73	95	52	41	43
Total capital spending	4,432	5,837	6,074	3,142	41	43

Trans Mountain Corporation 2021-2025 Capital Spending Cash basis (excludes Equity AFUDC) (Cdn millions)

	2021	2021	2022	2023	2024	2025
TMEP before capitalized interest	3,923	5,158	4,953	2,047	-	-
Capitalized Interest	161	222	376	382	-	-
TMEP	4,084	5,380	5,330	2,430	-	-
Non-TMEP capital	70	73	95	52	41	43
Total capital spending	4,154	5,453	5,424	2,482	41	43

Trans Mountain Corporation 2021-2025 Capital Spending Accrual vs Cash reconciliation (Cdn millions)

	2021	2021	2022	2023	Total	Total
Capital spending - accrual basis	4,432	5,837	6,074	3,142	41	43
Less equity AFUDC (non-cash)	(278)	(383)	(650)	(661)	-	-
Capital spending - cash basis	4,154	5,453	5,424	2,482	41	43



Appendix 3: Borrowing Plan

Leases

TMC has committed to leases that will continue through 2021. TMC also enter additional leases in 2021 for camp service arrangements and temporary workspace to receive, store and work on materials and equipment along the planned construction route.

This Amendment incorporates an increase of \$114.4 million for equipment required as part of the camp service arrangements which were not identified at the time of the preparation of the 2021 Plan. The financial commitments of rental/lease agreements in respect of TMEP are included in the borrowing requirements for TMEP.

Year:	2021	2021	2021 (at Dec 31)	2022 (at Dec 31)	2023 (at Dec 31)	2024 (at Dec 31)	2025 (at Dec 31)
	Plan	Amended	Projected	Projected	Projected	Projected	Projected
Right-of-use asset class: Land (Workspace, warehouse, laydown space, pumping stations)							
Space to receive, store, and work on materials and equipment along the pipeline							
Total liability (\$ million)	5,144,000	5,144,000	3,594,000	682,000	-	-	-
Expected number of years remaining	3.00	3.00	1.44	0.54	-	-	-
Right-of-use asset class: Buildings (Office space etc.)							
Primarily Office space - Various Locations							
Total liability (\$ million)	19,586,000	19,586,000	17,550,000	14,218,000	10,886,000	8,850,000	7,295,000
Expected number of years remaining	10.00	10.00	7.36	6.36	5.36	4.49	2.98
Right-of-use asset class: Equipment (Fleet Lease, camps, office equipment etc.)							
Various equipment including Vehicles leased in Canada and the USA, Office equipment such as printers and equipment related to pipeline construction							
Total liability (\$ million)	4,327,000	118,775,000	74,117,000	14,679,000	2,067,000	1,202,000	337,000
Expected number of years remaining	5.00	5.00	2.74	1.77	1.19	0.69	0.19