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Canada Development  
Investment Corporation

La Corporation de développement  
des investissements du Canada

First Quarter Report  
March 31, 2022



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Investment Corporation

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## Statement of Management Responsibility by Senior Officials

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Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with *IAS 34, Interim Financial Reporting* and for such internal controls as management determines are necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement. Management is also responsible for ensuring all other information in this quarterly financial report is consistent, where appropriate, with the interim condensed consolidated financial statements.

Based on my knowledge, these unaudited interim condensed consolidated financial statements present fairly, in all material respects, the financial position, the financial performance and cash flows of the Corporation, as at the date of and for the periods presented in the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 19, 2022.



Elizabeth A. Wademan  
President & Chief Executive Officer



Andrew G. Stafl, CPA, CA  
Chief Financial Officer

Toronto, Ontario  
May 19, 2022

## **Management Discussion and Analysis of Results – for the period ended March 31, 2022**

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The public communications of Canada Development Investment Corporation (“CDEV”), including this quarterly report, may include forward-looking statements that reflect management’s expectations regarding CDEV’s objectives, strategies, outlooks, plans, anticipations, estimates and intentions.

By their nature, forward-looking statements involve numerous factors and assumptions, and they are subject to inherent risks and uncertainties, both general and specific. In particular, any predictions, forecasts, projections or other elements of forward-looking statements may not be achieved. A number of risks, uncertainties and other factors could cause actual results to differ materially from what we currently expect.

This Management Discussion and Analysis of Results is as of March 31, 2022 and should be read in conjunction with CDEV’s unaudited interim condensed consolidated financial statements for the period ended March 31, 2022 and CDEV’s Annual Report for the year ended December 31, 2021.

### **Corporate Overview**

CDEV, a federal Crown corporation, was incorporated in 1982 to provide a commercial vehicle for Government equity investment and to manage commercial holdings of the Government. CDEV’s primary objective is to carry out its activities in the best interests of Canada, operating in a commercial manner. In addition to certain activities of our own, we have four consolidated wholly owned subsidiaries for which we are responsible: Canada Hibernia Holding Corporation (“CHHC”), Canada Eldor Inc. (“CEI”), Canada TMP Finance Limited (“TMP Finance”) and its subsidiary Trans Mountain Corporation (“TMC”). CHHC owns and manages the federal government’s interests in the Hibernia Development Project (“Hibernia”). CEI has no operations, but has responsibility for servicing liabilities, chiefly arising from an agreement of purchase and sale with Cameco Inc. entered into in 1988. TMP Finance’s primary responsibility is to provide financing to TMC. TMC has a mandate to operate the existing Trans Mountain Pipeline and to complete the Trans Mountain Expansion Project (“TMEP”) in a timely and commercially viable manner. As of August 2020, CDEV receives and is responsible for Net Profits Interest (“NPI”) payments from the Hibernia Project Owners after it signed a Memorandum of Understanding with Natural Resources Canada.

On May 11, 2020 CDEV incorporated a new subsidiary, Canada Enterprise Emergency Funding Corporation (“CEEFC”), to help implement the Large Employer Emergency Financing Facility (“LEEFF”) program designed to provide bridge financing to Canada’s largest employers. The financial results for CEEFC have not been included in CDEV’s consolidated results as discussed in note 4c) of the consolidated financial statements for December 31, 2021. For CEEFC’s financial report for the period ending March 31, 2022 please see [www.ceefc-cfuec.ca](http://www.ceefc-cfuec.ca).

### **Canada Development Investment Corporation**

CDEV management is working closely with the board and management of TMC to further the development of the TMEP. This includes setting up procedures to monitor progress of TMEP, arranging necessary financing for TMC and producing meaningful financial information.

In the period ended March 31, 2022, CDEV received \$63 million in NPI payments from the Hibernia Project Owners, \$4 million of which was received from CHHC and eliminated upon consolidation. The receipts are recorded as an increase in the NPI reserve of \$59 million before a dividend payment of \$50 million in March 2022.

## **Management Discussion and Analysis of Results – for the period ended March 31, 2022 (continued)**

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We paid dividends of \$80 million in the first quarter of 2022. These dividends were funded by dividends received from CHHC of \$15 million, \$15 million related to NPI paid by CHHC, and NPI receipts of \$50 million. We retain suitable levels of cash and cash equivalents and short-term investments to remain prepared to undertake future activities and to fund potential contingencies.

### **Trans Mountain Corporation**

In the quarter ended March 31, 2022 TMC generated \$145 million in revenue and \$81 million in earnings before interest, taxes, and depreciation (“EBITDA”). In the comparative period TMC generated \$100 million in revenue and \$37 million in EBITDA. We note that under TMC’s continuing use of US GAAP, revenue and EBITDA were \$107 million and \$42 million respectively compared to \$107 million and \$44 million in the comparative period. For details see note 19 of the interim condensed consolidated financial statements.

In the current three-month period TMC spent approximately \$1.9 billion on the TMEP, excluding financing costs, in addition to the \$9.3 billion spent through to December 2021 under CDEV ownership. Capital expenditures for the three-month period ended March 31, 2022 increased significantly over the comparative period, due to a higher level of construction activity on the TMEP. Project construction reached approximately 53% completion, with facilities approximately 80% complete and over 450 km of pipe length in the ground at the end of the first quarter.

The overall performance of the system was impacted by the widespread flooding in British Columbia and Washington State that occurred in the fourth quarter of 2021. As a precaution, the pipeline was shut down on November 14, 2021, with operations safely restarting at reduced capacity on December 5, 2021. . The mainline remained at reduced capacity until January 14, 2022 when full capacity was restored. TMC’s flood response activities continued in 2022, with approximately \$22 million in additional sustaining capital costs incurred. TMC expects flood related activities to continue in future periods. The majority of costs related to TMC’s flood response activities for existing operations are anticipated to be recoverable from shippers, insurance or third parties.

For further details please see the TMC Q1 2022 financial report at [www.transmountain.com](http://www.transmountain.com).

### **Canada TMP Finance Limited**

TMP Finance is the parent of TMC and its entities. Until April 2022, TMP Finance provided funding to TMC at a ratio of 45% equity and 55% debt. To finance these advances, TMP Finance borrowed from the Canada Account administered by Export Development Canada. Certain financial requirements of TMC are provided by TMP Finance to TMC through an undrawn credit facility with the Canada Account. At March 31, 2022, the available limit on the Construction Facility was \$13.5 billion and the outstanding amount on the Construction Facility was \$11.6 billion.

In February 2022, TMC and CDEV began a process to secure external financing to fund construction costs in 2022 through to project completion. On April 25, 2022, TMC’s status changed to a non-agent Crown corporation to allow for borrowings from parties other than its parent, TMP Finance. On April 29, 2022, TMC entered into a one year senior unsecured revolving facility for \$10.0 billion with a syndicate of lenders (the “Syndicated Facility”). The Syndicated Facility contains a six month extension option, and a guarantee provided by the Government of Canada. In accordance with changes to the Corporation’s Construction Credit Facility Agreement with the Canada Account administered by EDC, upon receipt of external financing, the Corporation repaid all amounts advanced by EDC to TMP after February 18, 2022 of \$1,595,000 plus interest, totaling approximately \$1.6 billion on May 2, 2022. \$875,000 was drawn between February 18, 2022 and March 31, 2022, while the remaining \$720,000 was drawn after March 31, subsequent to this reporting period. After an amendment to the credit facilities, there are no other required payments on the borrowings until maturity.

## **Management Discussion and Analysis of Results – for the period ended March 31, 2022 (continued)**

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In the first quarter of 2022 gross loan interest expense was \$178 million, of which \$139 million was capitalized and added to the capital cost of the project and will be depreciated over the useful life of the pipeline.

### **Canada Hibernia Holding Corporation**

CHHC's after-tax income of \$28 million in the three months ended March 31, 2022 was higher than \$14 million recorded in the comparative quarter due mainly to higher net crude oil revenue and lower depletion and depreciation expenses, partially offset by higher income taxes.

Net crude oil revenue, calculated as crude oil sales less royalties and net profits interest ("NPI"), increased by 40% to \$48 million in the three months ended March 31, 2022 from \$34 million in the comparative period, driven by an 84% increase in CAD crude oil sales price, partially offset by an increase in royalty and NPI expense and lower sales volumes. (On consolidation, Net crude oil revenue for the first quarter of 2022 was \$54 million (2021-\$33 million) due to the elimination of NPI payments made to CDEV.)

Sales volumes decreased by 8% to 0.57 million barrels of oil in Q1 2022 from 0.62 million barrels in Q1 2021, due to a 13% decrease in CHHC's daily average production volumes partially offset by a draw of inventory associated with the timing of cargo sales. Average gross field production volumes of 91,588 barrels per day in Q1 2022 were 17% lower than Q1 2021, primarily due to natural production declines, as no new wells have been drilled since June 2020.

CHHC sells its oil based on the Dated Brent benchmark price for crude oil, in US dollars. The price of Dated Brent crude increased by 67% to average US \$101.51 per barrel in Q1 2022 from US \$60.85 per barrel in Q1 2021. On a Canadian dollar basis, CHHC's average realized oil price increased by 84% to \$135.04 per barrel from \$73.59 per barrel in Q1 2021, due to the increase in Dated Brent combined with improved price differentials to average Dated Brent. There was no significant change in the average USD/CAD exchange rate at approximately 1.27 in both periods.

Drilling and facilities capital expenditures in Q1 2022 were minimal, comprised of drilling rig upgrades and drilling remobilization costs.

### **Canada Eldor Inc.**

There was no significant change in the management of CEI's liabilities. CEI continues to pay for costs relating to the decommissioning of former mine site properties in Saskatchewan and for retiree benefits of certain former employees. A plan is in place that should allow for the transfer of the remaining mine site properties to the Institutional Control Program within three years. During the first three months of 2022, expenditures were \$0.5 million for site restoration efforts and there was no significant change in the estimated cost for site restoration in the period. CEI holds cash and cash equivalents plus funds within the Consolidated Revenue Fund totaling \$13 million to pay for CEI's total estimated liabilities of \$7 million.

### **Canada Enterprise Emergency Funding Corporation**

Since March 2020, management of CDEV has assisted in implementing the LEEFF program on behalf of the government through CEEFC, including the retention of financial and legal advisors. Please refer to the CEEFC 2021 Annual Report and 2022 Q1 report for more details on CEEFC at [www.ceefc-cfuec.ca](http://www.ceefc-cfuec.ca).

CEEFC has not been consolidated within CDEV as CDEV is not deemed to have control over CEEFC based on the criteria outlined in IFRS 10. CEEFC prepares its financial statements using Public Sector Accounting Standards. Costs incurred by CDEV related to the development of LEEFF have been recovered from CEEFC. For details on the financial and operating results of CEEFC please see the CEEFC Annual Report at [www.ceefc-cfuec.ca](http://www.ceefc-cfuec.ca).

## Management Discussion and Analysis of Results – for the period ended March 31, 2022 (continued)

Select financial results for CEEFC are shown below:

| (\$ Millions)                     | 2020 | 2021  | Q1 2022 | Total to<br>March 31, 2022 |
|-----------------------------------|------|-------|---------|----------------------------|
| Loan commitments made             | 320  | 7,108 | 43      | 7,471                      |
| Loans funded                      | 110  | 2,588 | 250     | 2,948                      |
| Equity Investments <sup>(1)</sup> | -    | 500   | -       | 500                        |
| Loan Principal Repayments         | -    | 380   | 11      | 391                        |
| Preferred shares issued           | 200  | 2,890 | -       | 3,090                      |

<sup>(1)</sup> As part of a financing agreement with Air Canada, CEEFC purchased \$500 million worth of Air Canada Class B Voting shares.

### Analysis of External Business Environment

The ongoing management of our holdings will depend on overall market and economic conditions as well as factors specific to the underlying company or investment. No material changes have been identified since December 31, 2021 as described in the 2021 Annual Report. There remains a level of uncertainty related to the changing economic conditions as a result of the global outbreak of COVID-19 and the Russian invasion of Ukraine.

### Risks and Contingencies

Given the nature of TMC's operations, it is not anticipated that the COVID-19 outbreak will have a material impact on TMC's financial results. Russia's invasion of Ukraine has resulted in considerable volatility in crude oil benchmark prices.

TMP Finance is a borrower of over \$14 billion dollars which creates financial risk for CDEV. As the loans are from the Government, this risk is assessed as low. At year end 2021, there was a refinancing risk as TMC did not have financing in place as the TMEP began a very busy construction period. . As noted in the interim condensed consolidated financial statements for the period ended March 31, 2022, TMC secured the necessary external financing after quarter end. Completion of the TMEP will require significant capital expenditures, and TMC will require the continued availability of financing in order to complete the TMEP. TMC's ability to service existing and future debt required may depend on a number of factors, including future financial and operating performance, project execution on the TMEP, overall economic conditions, and financial, regulatory, and other factors, many of which are beyond TMC's direct control. Once the TMEP is in-service, TMC's operating cash flow will improve as will its ability to service its debt.

While CEEFC is subject to significant credit risk through potential credit losses on the loans it issues to borrowers, the maximum exposure to CDEV is its common share investment in CEEFC of \$1.

The other risks and contingencies described in the 2021 Annual Report remain unchanged.

### Financial Statements for the Period Ended March 31, 2022

The interim condensed consolidated financial statements for the three months ended March 31, 2022 with comparative figures for Q1 2021, have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to interim periods, including IAS 34, *Interim Financial Reporting*. As described in note 2 of the consolidated financial statements at December 31, 2021 there was significant doubt as to the Corporation's ability to continue as a going concern. The going concern issue was removed

## Management Discussion and Analysis of Results – for the period ended March 31, 2022 (continued)

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for the Q1 2022 interim condensed consolidated financial statements since TMC obtained external financing to allow the Corporation to service its existing debt and fund future capital expenditures to complete the TMEP.

TMC prepares its financial statements in accordance with US GAAP. To read the US GAAP Q1 2022 TMC financial statements please go to [www.transmountain.com](http://www.transmountain.com). Note 19 in CDEV's consolidated financial statements presents TMC financial results in US GAAP, adjustments made to the statements to convert these results to IFRS and the TMC financial results in IFRS as consolidated into CDEV. The most significant differences in accounting treatment are described in note 19.

Consolidated revenue for the three months ended March 31, 2022 was \$203 million, compared to revenue of \$133 million in the comparative period. The increase is largely due to a \$43 million increase in transportation revenue and a \$21 million increase in net crude oil revenue. The increase in transportation revenue is mainly due to recontracted Firm 50 contracts which included higher premiums for firm capacity. Additionally, there were overall higher tariffs compared to prior year as well as increased Westridge deliveries which are generally heavier crude and attract a higher tariff. This was slightly offset by lower throughput on the Puget pipeline. Net crude oil revenue increased to \$54 million from \$33 million in the comparative period due to an 84% increase in realized oil price partially offset by an 8% decrease in sales volumes and higher royalty expenses.

Total expenses for the three-month period, excluding finance costs, were \$108 million, compared to \$106 million in the comparative period. The increase is primarily due an \$4 million increase in salaries and benefits and \$2 million in professional fees offset by a decline in pipeline operating expenses of \$1 million and lower depreciation expense of \$3 million.

Interest expense of \$42 million in the three-month period ended March 31, 2022 decreased from \$44 million in the prior year period. While gross interest expense increased for the period, this was offset by a similar increase in capitalized interest.

We recorded a net income of before income taxes for the three-month period ended March 31, 2022 of \$54 million, compared to loss before tax of \$17 million in the comparative period primarily due to a \$70 million increase in operating income from TMC and CHHC.

Income taxes for the three months ended March 31, 2022 of \$21 million increased by \$12 million relative to the comparative period due to higher earnings.

Cash and cash equivalents as at March 31, 2022 increased to \$626 million compared to \$331 million at December 31, 2021 mainly due to the increase in borrowing from the Canada account of \$1,099 million in the period and operating cash flow \$127 million, primarily generated by CHHC and TMC, offset by capital expenditures on property, plant and equipment of \$1,047 million largely related to TMEP and dividends paid of \$80 million.

Accounts receivable of \$132 million increased by \$26 million as at March 31, 2022 from year end, largely due to higher crude oil sales receivable.

Property, plant, and equipment of \$16,504 million increased by \$1,989 million since year end primarily due to \$2,032 million in capital expenditures including capitalized interest largely related to TMEP, net of depletion and depreciation of \$32 million.

Other non-current assets of \$309 million increased \$16 million as at March 31, 2022 from year end primarily due to collections of the TMEP Bulk oil cargo fee which is paid quarterly to Western Canada Marine Response Corporation and recoverable from TMEP shippers upon in service and as well as an increase in pension assets.



**Management Discussion and Analysis of Results – for the period ended March 31, 2022  
(continued)**

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Trade and other payables of \$1,198 million increased by \$292 million from December 31, 2021 primarily due to increased TMC capital accruals of \$84 million offset by reduction in construction holdbacks \$23 million primarily related to the TMEP. Also, there was an increase in property tax payable of \$9 million due to timing and other trade payables and accruals increased \$35 million.

Other non-current liabilities of \$48 million decreased by \$8 million due to decrease in deferred revenue related to pipeline abandonment surcharges based on unrealized loss on trust investment performance offset by to surcharges collected.

Loans payable increased to \$16,270 million from \$14,246 million at year end due to \$2,024 million in draws on the Construction Facility. The amount of \$875 thousand was shown as a current liability as this amount was repaid including interest as per changes in the loan amendments with EDC acting as agent for the Canada Account.

Interim Condensed Consolidated Financial Statements of

**CANADA DEVELOPMENT INVESTMENT  
CORPORATION**

Three months ended March 31, 2022

(Unaudited)

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Interim Condensed Consolidated Statement of Financial Position (Unaudited)  
(Thousands of Canadian Dollars)

|   | March 31,<br>2022 | December 31,<br>2021 |
|---|-------------------|----------------------|
| <b>Assets</b>   |                   |                      |
| Current assets:   |                   |                      |
| Cash and cash equivalents   | \$ 626,162        | \$ 330,545           |
| Trade and other receivables (note 17)   | 131,500           | 105,549              |
| Other current assets  | 23,286            | 23,993               |
| Investments held for future obligations                                       | 2,357             | 2,006                |
|   | 783,305           | 462,093              |
| Non-current assets:   |                   |                      |
| Property, plant and equipment (note 5)  | 16,504,243        | 14,515,029           |
| Goodwill (note 7)   | 1,015,862         | 1,015,862            |
| Investments held for future obligations                                       | 146,322           | 146,519              |
| Restricted cash (note 4)  | 78,031            | 81,261               |
| Restricted investments  | 91,248            | 96,263               |
| Right-of-use assets (note 6)  | 110,622           | 124,582              |
| Other assets  | 309,205           | 292,942              |
|   | 18,255,533        | 16,272,458           |
|   | \$ 19,038,838     | \$ 16,734,551        |
| <b>Liabilities and Shareholder's Equity</b>                                   |                   |                      |
| Current liabilities:  |                   |                      |
| Trade and other payables  | \$ 1,198,205      | \$ 906,235           |
| Current portion of loans payable (note 10)                                    | 875,000           | -                    |
| Current portion of lease liabilities (note 6)                                 | 59,929            | 66,803               |
| Income taxes payable  | 4,260             | 1,276                |
| Current portion of provision for decommissioning obligations (note 9(a), (b)) | 1,708             | 1,285                |
| Current portion of provision for site restoration (note 9(c))                 | 1,728             | 1,879                |
| Other current liabilities (note 8)  | 75,911            | 90,334               |
|   | 2,216,741         | 1,067,812            |
| Non-current liabilities:  |                   |                      |
| Loans payable (note 10)   | 15,395,000        | 14,246,000           |
| Deferred income taxes   | 560,091           | 540,619              |
| Provision for decommissioning obligations (note 9(a), (b))                    | 588,285           | 596,552              |
| Lease liabilities (note 6)  | 66,405            | 71,637               |
| Provision for site restoration (note 9(c))                                    | 3,654             | 4,208                |
| Defined benefit obligation  | 53,981            | 75,405               |
| Other non-current liabilities   | 47,716            | 56,449               |
|   | 16,715,132        | 15,590,870           |
| Shareholder's equity:   |                   |                      |
| Share capital   | 1                 | 1                    |
| Contributed surplus   | 603,294           | 603,294              |
| NPI reserve (note 11)   | 28,084            | 19,455               |
| Accumulated deficit   | (546,192)         | (549,733)            |
| Accumulated other comprehensive income  | 21,778            | 2,852                |
|   | 106,965           | 75,869               |
|   | \$ 19,038,838     | \$ 16,734,551        |

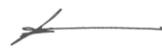
Subsequent Event (note 21)  
Commitments (note 15)  
Contingencies (note 16)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

On behalf of the Board: \_\_\_\_\_



Director



Director

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Interim Condensed Consolidated Statement of Comprehensive Income (loss)  
(Unaudited)  
(Thousands of Canadian Dollars)

|  | Three months ended |                    |
|--|--------------------|--------------------|
|  | March 31           |                    |
|  | 2022               | 2021               |
| <b>Revenue:</b>  |                    |                    |
| Transportation revenue (note 14)                                     | \$ 126,494         | \$ 83,211          |
| Net crude oil revenue (note 13)                                      | 54,430             | 33,497             |
| Lease revenue (note 14)  | 17,606             | 15,857             |
| Other revenue  | 4,936              | 826                |
|  | 203,466            | 133,391            |
| <b>Other income:</b>   |                    |                    |
| Facility use and processing fees                                     | 460                | (77)               |
| Foreign exchange gains   | 262                | 210                |
|  | 204,188            | 133,524            |
| <b>Expenses:</b>   |                    |                    |
| Depletion and depreciation (notes 5 and 6)                           | 31,651             | 34,614             |
| Pipeline operating expenses (note 14)                                | 39,745             | 40,574             |
| Crude oil operating, transportation and marketing (note 13)          | 6,018              | 5,657              |
| Salaries and benefits  | 26,190             | 22,050             |
| Professional fees  | 4,134              | 1,719              |
| Foreign exchange losses  | 1,725              | 597                |
| Change in estimates of provision for site restoration (note 9)       | (258)              | (31)               |
| Other administrative expenses (recovery)                             | (1,151)            | 766                |
|  | 108,054            | 105,946            |
| <b>Finance expenses (income):</b>                                    |                    |                    |
| Interest expense (note 10)   | 40,970             | 43,822             |
| Interest income  | (2,048)            | (1,744)            |
| Unwind of discount on provisions (note 9)                            | 2,718              | 2,121              |
|  | 41,640             | 44,199             |
| <b>Net income (loss) before income taxes</b>                         | <b>54,494</b>      | <b>(16,621)</b>    |
| <b>Income taxes:</b>   |                    |                    |
| Current  | 8,639              | 6,135              |
| Deferred   | 12,314             | 1,957              |
|  | 20,953             | 8,092              |
| <b>Net income (loss)</b>   | <b>\$ 33,541</b>   | <b>\$ (24,713)</b> |
| <b>Other comprehensive income (loss):</b>                            |                    |                    |
| <i>Items that may be reclassified subsequently to profit or loss</i> |                    |                    |
| Currency translation adjustment                                      | (3,230)            | (3,664)            |
| <i>Items that will not be reclassified to profit or loss</i>         |                    |                    |
| Remeasurements of defined benefit obligations                        | 22,156             | 20,023             |
|  | 18,926             | 16,359             |
| <b>Comprehensive income (loss)</b>                                   | <b>\$ 52,467</b>   | <b>\$ (8,354)</b>  |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Interim Condensed Consolidated Statement of Changes in Shareholder's Equity  
(Unaudited)  
(Thousands of Canadian Dollars)

|   | Three months ended |                   |
|---|--------------------|-------------------|
|   | March 31           |                   |
|   | 2022               | 2021              |
| <b>Share capital</b>                          |                    |                   |
| Balance, beginning and end of period          | \$ 1               | \$ 1              |
| <b>Contributed surplus</b>                    |                    |                   |
| Balance, beginning and end of period          | 603,294            | 603,294           |
| <b>Net Profits Interest reserve</b>           |                    |                   |
| Balance, beginning of period                  | 19,455             | 11,832            |
| NPI Provision, addition for the period        | -                  | (5,169)           |
| NPI received                                  | 58,629             | 45,769            |
| Dividends                                     | (50,000)           | (18,000)          |
| Balance, end of period                        | 28,084             | 34,432            |
| <b>Accumulated deficit</b>                    |                    |                   |
| Balance, beginning of period                  | (549,733)          | (414,353)         |
| Net income (loss)                             | 33,541             | (24,713)          |
| Dividends                                     | (30,000)           | (28,000)          |
| Balance, end of period                        | (546,192)          | (467,066)         |
| <b>Accumulated other comprehensive income</b> |                    |                   |
| Balance, beginning of period                  | 2,852              | (23,185)          |
| Other comprehensive income                    | 18,926             | 16,359            |
| Balance, end of period                        | 21,778             | (6,826)           |
| <b>Total shareholder's equity</b>             | <b>\$ 106,965</b>  | <b>\$ 163,835</b> |

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Interim Condensed Consolidated Statement of Cash Flows  
(Unaudited)  
(Thousands of Canadian Dollars)

|   | Three months ended |                   |
|---|--------------------|-------------------|
|   | March 31           |                   |
|   | 2022               | 2021              |
|   |                    | Note 20           |
| <b>Cash provided by (used in):</b>                |                    |                   |
| <b>Operating activities:</b>                      |                    |                   |
| Net income (loss)                                 | \$ 33,541          | \$ (24,713)       |
| Adjustments for:                                  |                    |                   |
| Depletion and depreciation                        | 31,651             | 34,614            |
| Loss on assets                                    | (277)              | -                 |
| Income tax expense                                | 20,953             | 8,092             |
| Interest income                                   | (2,048)            | (1,744)           |
| Net change in defined benefits                    | 565                | 907               |
| Lease interest expense                            | 987                | 380               |
| Change in provision for site restoration          | (258)              | (31)              |
| Unrealized foreign exchange gain on lease         | -                  | 4                 |
| Unwind of discount on provisions                  | 2,718              | 2,121             |
| Payment of lease liabilities, interest portion    | (987)              | (1,132)           |
| Interest received                                 | 2,048              | 1,744             |
| Provisions settled                                | (459)              | 4                 |
| Income taxes paid                                 | (5,655)            | (5,436)           |
|   | 82,779             | 14,810            |
| Change in non-cash working capital (note 12)      | 173,677            | 113,698           |
|   | 256,456            | 128,508           |
| <b>Financing activities:</b>                      |                    |                   |
| Proceeds from loans payable                       | 2,024,000          | 925,000           |
| Dividends paid                                    | (80,000)           | (46,000)          |
| NPI received                                      | 58,629             | 45,769            |
| NPI refunds paid                                  | -                  | (41,195)          |
| Payment of lease liabilities, principal portion   | (14,714)           | (6,898)           |
|   | 1,987,915          | 876,676           |
| <b>Investing activities:</b>                      |                    |                   |
| Purchase of property, plant and equipment         | (1,943,114)        | (896,331)         |
| Internal-use software expenditures                | (2,476)            | (776)             |
| Change in restricted cash                         | 3,230              | (1,022)           |
| Purchase of restricted investments                | (5,986)            | (3,136)           |
| Change in investments held for future obligations | (154)              | 7,079             |
|   | (1,948,500)        | (894,186)         |
| Effects of FX translation on cash                 | (254)              | (941)             |
| Change in cash and cash equivalents               | 295,617            | 110,057           |
| Cash and cash equivalents, beginning of period    | 330,545            | 345,577           |
| <b>Cash and cash equivalents, end of period</b>   | <b>\$ 626,162</b>  | <b>\$ 455,634</b> |
| <b>Represented by:</b>                            |                    |                   |
| Cash  | 575,099            | 455,634           |
| Cash equivalents                                  | 51,063             | -                 |
|   | <b>\$ 626,162</b>  | <b>\$ 455,634</b> |

Total interest and standby fees paid on the loans payable was \$1,118 (2021 - \$1,143).

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2022

(All dollar amounts are stated in thousands of Canadian dollars)

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## 1. Reporting entity:

The Corporation is comprised of its parent, Canada Development Investment Corporation ("the Corporation" or "CDEV") and its wholly owned subsidiaries: Canada Eldor Inc. ("CEI"), Canada Hibernia Holding Corporation ("CHHC"), Canada TMP Finance Ltd. ("TMP Finance"), and Trans Mountain Corporation ("TMC"). The subsidiary Canada Enterprise Emergency Funding Corporation ("CEEFC") is not consolidated.

### **Parent**

Canada Development Investment Corporation was incorporated in 1982 under the provisions of the *Canada Business Corporations Act* and is wholly owned by Her Majesty in Right of Canada. The Corporation is an agent Crown corporation listed in Schedule III, Part II of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. In November 2007, the Minister of Finance informed CDEV that its mandate "should reflect a future focused on the ongoing management of its current holdings in a commercial manner, providing assistance to the Government of Canada ("GoC") in new policy directions suited to CDEV's capabilities, while maintaining the capacity to divest CDEV's existing holdings, and any other government interests assigned to it for divestiture, upon the direction of the Minister of Finance".

In July 2015, CDEV was issued a directive (P.C. 2015-1107) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments in a manner that is consistent with CDEV's legal obligations. CDEV aligned its policies, guidelines and practices as of October 2015 and will continue to report on the status of the directive in its corporate plan.

In August 2019, the GoC transferred to CDEV its activities related to the management of the Net Profits Interest ("NPI") and Incidental Net Profits Interest ("INPI") agreements under the Hibernia Development Project which were previously managed by Natural Resources Canada. Refer to note 4(v) for details.

On May 10, 2020, CDEV was issued a directive (P.C. 2020-305) pursuant to section 89 of the *Financial Administration Act* to incorporate a subsidiary, and to take such steps as are necessary to facilitate the subsidiary's administration of a credit support program for large Canadian companies in response to COVID-19 emergency, in accordance with any directive that may be given to that Subsidiary. On May 11, 2020, CEEFC was incorporated in compliance with the directive. CEEFC was incorporated under the *Canada Business Corporations Act* to administer, approve and fund transactions in accordance with terms approved by the Minister of Finance in relation to the Large Employer Emergency Financing Facility program ("LEEFF") which was designed to provide bridge financing to Canada's largest employers in response to the COVID-19 emergency. CEEFC is subject to the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*.

The address of CDEV's registered office is 79 Wellington Street West, Suite 3000, Box 270, TD Centre, Toronto, Ontario, M5K 1N2. The address of CDEV's principal place of business is 1240 Bay Street, Suite 302, Toronto, Ontario, M5R 2A7.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2022

(All dollar amounts are stated in thousands of Canadian dollars)

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## 1. Reporting entity (continued):

### Subsidiaries

Trans Mountain Corporation and Canada TMP Finance Ltd. were incorporated in 2018 under the provisions of the *Canada Business Corporations Act*. The companies are subject to the *Financial Administration Act* and are agents of Her Majesty in Right of Canada. TMC is also subject to the *Income Tax Act*.

TMC owns and operates the Trans Mountain pipeline ("TMPL"), the Puget Sound pipeline ("Puget Pipeline") as well as certain rights, designs, property, plant and equipment and construction contracts related to the expansion of the TMPL known as the Trans Mountain Expansion Project ("TMEP").

TMP Finance is the parent company of TMC. Up until third party funding was secured, it provided debt and equity financing to TMC funded by loans from Her Majesty in Right of Canada, administered by Export Development Canada ("EDC"). See note 18 for loan details.

CEI was incorporated under the provisions of the *Canada Business Corporations Act*. It is subject to the *Financial Administration Act*, is an agent of Her Majesty in Right of Canada and is not subject to the provisions of the *Income Tax Act*. During 1988, CEI sold substantially all of its assets and operations to Cameco Corporation ("Cameco") in exchange for share capital of the purchaser and a promissory note. As a result of the sale of the Cameco shares and the assumption of certain of CEI's remaining debt by the Government in 1995, CEI is left with the net cash proceeds from the final sale of Cameco shares as its only significant asset. CEI's remaining obligations include site restoration and retiree defined benefit obligations.

CHHC was incorporated under the provisions of the *Canada Business Corporations Act* and was acquired by CDEV in March 1993. CHHC is subject to the *Financial Administration Act* and the *Income Tax Act*. CHHC's sole purpose is the holding and management of its interest in the Hibernia Development Project ("Hibernia Project"), which is an oil development and production project located offshore Newfoundland and Labrador. The Hibernia Project comprises the original Hibernia Development Project area, where CHHC has an 8.5% working interest, and the Hibernia Southern Extension Unit ("HSE Unit"), where CHHC has a current 5.67% working interest. CHHC's working interest in the HSE Unit is subject to adjustment in accordance with the applicable provisions in the HSE Unit Agreement. As a result of the Unit operator's implementation of the HSE Unit First Redetermination, CHHC's working interest increased from 5.63% to 5.67% effective March 1, 2021. The Hibernia Project is of strategic importance to CHHC as it is CHHC's sole business activity from which it derives all of its crude oil revenues.

An account is maintained on behalf of the working interest owners of each the Hibernia Development Project and the HSE Unit by its operator, Hibernia Management and Development Company Ltd. ("HMDC") and ExxonMobil Canada Properties, respectively, acting as agent (a "joint account"). All common project expenditures are charged to the joint account which is owned and funded by the participants in proportion to their working interests.



# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2022

(All dollar amounts are stated in thousands of Canadian dollars)

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## 2. Basis of preparation:

### a) Statement of compliance:

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to interim periods, including International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2021.

On February 18, 2022, the Deputy Prime Minister and Minister of Finance reaffirmed the GoC’s commitment to complete the TMEP, however, the Minister stated that the Corporation needed to secure external financing to fund the remaining costs of the project. This announcement resulted in material uncertainty that cast significant doubt as to the Corporation’s ability to continue as a going concern at the date the consolidated financial statements for the year ended December 31, 2021 were available for issuance. Subsequently this material uncertainty has been resolved. On April 29, 2022, TMC entered into a one year credit facility with a syndicate of third party lenders for \$10.0 billion, which provides sufficient funds for the Corporation to meet its obligations as they become due. See Note 21 for details on the external financing.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 19, 2022.

### b) Basis of measurement:

The interim condensed consolidated financial statements have been prepared on the historical cost basis.

### c) Functional and presentation currency:

Unless otherwise noted, amounts are presented in Canadian dollars, which is the functional currency of the Corporation’s operations, except for the Puget Pipeline which uses the U.S. dollar as its functional currency.

## 3. Significant accounting policies:

These interim condensed consolidated financial statements have been prepared following the same accounting policies and methods of application as those presented in note 3 of the annual audited consolidated financial statements for the year ended December 31, 2021, except for those policies which have changed as a result of the adoption of new accounting standards, amendments or interpretations effective January 1, 2022, as described below. In addition, income taxes on earnings or loss in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual earnings or loss.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2022

(All dollar amounts are stated in thousands of Canadian dollars)

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### 3. Significant accounting policies (continued):

#### a) Changes in accounting policies:

Certain accounting standards, amendments to standards and interpretations issued by the International Accounting Standards Board (“IASB”), and set out in the CPA Canada Handbook, are effective for the first time in the current financial year and have been adopted effective January 1, 2022 in accordance with the applicable transitional provisions. The application of these amendments had no impact on the Corporation’s consolidated financial statements.

#### b) Use of estimates and judgments:

The preparation of the Corporation’s interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Critical judgments and key sources of estimation uncertainty are the same as those disclosed in note 3(y) of the Corporation’s annual consolidated financial statements for the year ended December 31, 2021.

### 4. Restricted cash:

|  | March 31,<br>2022 | December 31,<br>2021 |
|--|-------------------|----------------------|
| Restricted cash – TMC held for future abandonment costs \$ | 4                 | \$ 3,234             |
| Restricted cash – TMC letters of credit                    | 68,327            | 68,327               |
| Restricted cash – TMC held as security                     | 1,200             | 1,200                |
| Restricted cash – CHHC letters of credit                   | 8,500             | 8,500                |
|  | \$ 78,031         | \$ 81,261            |

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# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2022

(All dollar amounts are stated in thousands of Canadian dollars)

## 5. Property, plant and equipment:

|   | Construction<br>work in progress | Pipeline     | Oil development<br>assets and<br>production facilities | TOTAL         |
|---|----------------------------------|--------------|--|---------------|
| <b>Cost</b>                                   |                                  |              |  |               |
| Balance at December 31, 2020                  | \$ 5,659,589                     | \$ 3,604,696 | \$ 592,175   | \$ 9,856,460  |
| Additions                                     | 5,501,760                        | -            | 7,503  | 5,509,263     |
| Transfers                                     | (51,498)                         | 51,498       | -  | -             |
| Decommissioning adjustments                   | -                                | -            | (34,121)   | (34,121)      |
| Derecognition                                 | -                                | (22,193)     | (1,089)  | (23,282)      |
| Foreign exchange movements                    | 7                                | (1,249)      | -  | (1,242)       |
| Balance at December 31, 2021                  | \$ 11,109,858                    | \$ 3,632,752 | \$ 564,468   | \$ 15,307,078 |
| Additions                                     | 2,030,608                        | -            | 1,518  | 2,032,126     |
| Transfers                                     | (1,248)                          | 1,248        | -  | -             |
| Decommissioning adjustments                   | -                                | -            | (9,929)  | (9,929)       |
| Derecognition                                 | -                                | (856)        | -  | (856)         |
| Foreign exchange movements                    | (17)                             | (4,143)      | -  | (4,160)       |
| Balance at March 31, 2022                     | \$ 13,139,201                    | \$ 3,629,001 | \$ 556,057   | \$ 17,324,259 |
| <b>Accumulated depletion and depreciation</b> |                                  |              |  |               |
| Balance at December 31, 2020                  | \$ -                             | \$ 239,533   | \$ 447,137   | \$ 686,670    |
| Depletion and depreciation                    | -                                | 103,889      | 25,092   | 128,981       |
| Derecognition                                 | -                                | (21,965)     | (1,644)  | (23,609)      |
| Foreign exchange movements                    | -                                | 7            | -  | 7             |
| Balance at December 31, 2021                  | \$ -                             | \$ 321,464   | \$ 470,585   | \$ 792,049    |
| Depletion and depreciation                    | -                                | 26,151       | 3,412  | 29,563        |
| Derecognition                                 | -                                | (1,134)      | -  | (1,134)       |
| Foreign exchange movements                    | -                                | (462)        | -  | (462)         |
| Balance at March 31, 2022                     | \$ -                             | \$ 346,019   | \$ 473,997   | \$ 820,016    |
| <b>Carrying amounts:</b>                      |                                  |              |  |               |
| At December 31, 2021                          | \$ 11,109,858                    | \$ 3,311,288 | \$ 93,883  | \$ 14,515,029 |
| At March 31, 2022                             | \$ 13,139,201                    | \$ 3,282,982 | \$ 82,060  | \$ 16,504,243 |

At March 31, 2022, costs related to oil development assets and production facilities subject to the calculations of depletion and depreciation included future development costs of \$387,607 (December 31, 2021 - \$389,100). For details on decommissioning adjustments, see note 9, Provisions.

During the period ended March 31, 2022 capitalized interest of \$138,732 was included in the additions to construction work in progress – pipeline (2021 - \$70,336).

At March 31, 2022, an assessment of indicators of impairment was conducted for the Corporation's CGUs. Indicators of impairment include (but are not limited to) significant changes with an adverse effect on the Corporation that have taken place during the year or will take place in the near future in the market or economic environment in which the Corporation operates.

No indicators of impairment were noted for the oil development assets and production facilities at March 31, 2022 and December 31, 2021 and accordingly an impairment test was not required.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2022

(All dollar amounts are stated in thousands of Canadian dollars)

## 6. Right-of-use assets and leases:

The Corporation leases certain assets including office buildings, land and equipment.

The category of equipment includes the Corporation's proportionate working interest share of three support vessels leased by HMDC on behalf of the Hibernia Project owners. The leases comprise monthly fixed payments, extend to the year 2027. Equipment leases also include construction camp equipment, a power substation, vehicles and office equipment.

Land includes lease for space at the Westridge Marine Terminal which consists of land and water area as well as land for pump stations and temporary construction space and extend up to the year 2105.

The category of buildings includes the monthly fixed lease payments made for the Corporation's office building spaces in Alberta, B.C. and Ontario. The leases extend to the year 2025.

Certain contracts contain renewal options. The execution of such options is not reasonably certain and will depend on future market conditions and business needs at the time when such options are to be exercised. Some leases are subject to annual changes in Consumer Price Index ("CPI") and the lease liability is remeasured when there are changes to the CPI. Additionally, some real estate leases contain variable lease payments related to operating costs.

The Corporation is not exposed to any significant additional potential cash outflows that are not included in the reported amount of the lease liabilities, other than certain termination penalties which the Corporation considers not reasonably certain to be incurred as at March 31, 2022.

### Statement of Financial Position:

Details of right-of-use assets are as follows:

|                     | Equipment and Vehicles | Land and Buildings | Total      |
|---------------------|------------------------|--------------------|------------|
| December 31, 2020   | \$ 21,249              | \$ 74,278          | \$ 95,527  |
| Additions           | 87,642                 | 14,959             | 102,601    |
| Lease modifications | 364                    | (35)               | 329        |
| Incentives          | -                      | (5,970)            | (5,970)    |
| Depreciation        | (47,462)               | (20,436)           | (67,898)   |
| Foreign exchange    | (7)                    | -                  | (7)        |
| December 31, 2021   | \$ 61,786              | \$ 62,796          | \$ 124,582 |
| Additions           | 688                    | 2,681              | 3,369      |
| Lease modifications | (733)                  | (5)                | (738)      |
| Depreciation        | (11,240)               | (5,330)            | (16,570)   |
| Foreign exchange    | (21)                   | -                  | (21)       |
| March 31, 2022      | \$ 50,480              | \$ 60,142          | \$ 110,622 |

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2022

(All dollar amounts are stated in thousands of Canadian dollars)

## 6. Right-of-use assets and leases (continued):

Details of lease liabilities are as follows:

|                            | Three months ended<br>March 31,<br>2022 | Year ended<br>December 31,<br>2021 |
|----------------------------|---|------------------------------------|
| Lease liabilities, opening | \$ 138,440                              | \$ 97,783                          |
| Additions                  | 3,369                                   | 99,228                             |
| Lease modification         | (738)                                   | 329                                |
| Interest expense           | 1,436                                   | 7,244                              |
| Lease payments             | (16,149)                                | (66,136)                           |
| Foreign exchange movements | (24)                                    | (8)                                |
| Lease liabilities, closing | \$ 126,334                              | \$ 138,440                         |
| Current                    | \$ 59,929                               | \$ 66,803                          |
| Non-current                | 66,405                                  | 71,637                             |
|                            | \$ 126,334                              | \$ 138,440                         |

Maturity analysis – contractual undiscounted cash flows:

|                   | 2022      | 2023-2026 | Thereafter | Total      |
|-------------------|-----------|-----------|------------|------------|
| Lease liabilities | \$ 54,840 | \$ 39,412 | \$ 107,619 | \$ 201,871 |

Statement of Comprehensive Income and Statement of Cash Flows:

|                                    | March 31,<br>2022 | March 31<br>2021 |
|------------------------------------|-------------------|------------------|
| Statement of Comprehensive Income: |                   |                  |
| Interest on lease liabilities      | \$ 1,436          | \$ 1,132         |
| Less: capitalized lease interest   | (449)             | (752)            |
| Net interest on lease liabilities  | 987               | 380              |
| Statement of Cash Flows:           |                   |                  |
| Total cash outflow for leases      | \$ (16,149)       | \$ (8,030)       |

### Lessor

Operating leases in which the Corporation is the lessor relate to merchant tanks owned by the Corporation and housing located along the pipeline right of way or in the proximity of pump stations. For the three months ended March 31, 2022, lease income for merchant tank operating leases recognized in "Lease revenue" totaled \$17,606 (2021 - \$15,857), which included the variable lease payments described above, and lease income related to housing operating leases recognized in "Other revenue" totaled \$66 (2021 – \$54).

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2022

(All dollar amounts are stated in thousands of Canadian dollars)

## 7. Goodwill:

a) The movements in the net carrying amount of goodwill are as follows:

|                              |    |           |
|------------------------------|----|-----------|
| Balance at January 1, 2021   | \$ | 1,015,781 |
| Effect of foreign exchange   |    | 81        |
| Balance at December 31, 2021 |    | 1,015,862 |
| Effect of foreign exchange   |    | -         |
| Balance at March 31, 2022    | \$ | 1,015,862 |

b) Impairment test

For the purposes of impairment testing, goodwill has been allocated to TMC's CGU. The recoverable amount of this CGU was based on the fair value of the reporting unit which was estimated using an income-based approach based on the discounted cash flows. The estimate of fair value required the use of significant unobservable inputs representative of a Level 3 fair value measurement, including assumptions related to the discount rate, the timing and cost to complete the TMEP, and the extent cash flows will be re-contracted at the end of the initial TMEP term contracts. At March 31, 2022, an assessment of indicators of impairment was conducted for the Corporation's CGUs. There have been no material changes to TMC's existing operations or the TMEP construction which would indicate impairment. Accordingly, an impairment test at March 31, 2022 was not required.

## 8. Other current liabilities:

|                            | March 31,<br>2022 | December 31,<br>2021 |
|----------------------------|-------------------|----------------------|
| Dock premiums              | \$ 61,773         | \$ 76,556            |
| Environmental accrual      | 4,915             | 6,419                |
| Defined benefit obligation | 1,540             | 1,540                |
| Other                      | 7,683             | 5,819                |
|                            | \$ 75,911         | \$ 90,334            |

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2022

(All dollar amounts are stated in thousands of Canadian dollars)

## 9. Provisions:

Changes to provisions for decommissioning obligations and site restoration were as follows:

|                              | Decommissioning Obligations |                    |            | Site restoration |
|------------------------------|-----------------------------|--------------------|------------|------------------|
|                              | Pipeline                    | Wells & Facilities | Total      |                  |
| Balance at December 31, 2020 | \$ 470,432                  | \$ 150,782         | \$ 621,214 | \$ 6,806         |
| Additional provisions        | -                           | -                  | -          | 1,288            |
| Changes in estimates         | -                           | (19,363)           | (19,363)   | (1,050)          |
| Obligations settled          | -                           | (27)               | (27)       | (911)            |
| Changes in discount rate     | -                           | (14,758)           | (14,758)   | (58)             |
| Effect of foreign exchange   | (174)                       | -                  | (174)      | -                |
| Unwind of discount           | 8,274                       | 2,671              | 10,945     | 12               |
| Balance at December 31, 2021 | \$ 478,532                  | \$ 119,305         | \$ 597,837 | \$ 6,087         |
| Additional provisions        | -                           | -                  | -          | -                |
| Changes in estimates         | -                           | 7,262              | 7,262      | -                |
| Obligations settled          | -                           | (1)                | (1)        | (458)            |
| Changes in discount rate     | -                           | (17,191)           | (17,191)   | (258)            |
| Effect of foreign exchange   | (620)                       | -                  | (620)      | -                |
| Unwind of discount           | 2,009                       | 697                | 2,706      | 11               |
| Balance at March 31, 2022    | \$ 479,921                  | \$ 110,072         | \$ 589,993 | \$ 5,382         |
| Current                      | \$ -                        | \$ 1,708           | \$ 1,708   | \$ 1,728         |
| Non-current                  | 479,921                     | 108,364            | 588,285    | 3,654            |
|                              | \$ 479,921                  | \$ 110,072         | \$ 589,993 | \$ 5,382         |

### a) Provision for decommissioning obligations of wells and facilities:

The provision for decommissioning obligations is based on the Corporation's net ownership interest in wells and facilities and management's estimate of costs to abandon and reclaim those wells and facilities as well as an estimate of the future timing of the costs to be incurred. The Corporation estimates the total future undiscounted liability to be \$188,821 at March 31, 2022 (December 31, 2021 - \$175,439). Estimates of decommissioning obligation costs can change significantly based on factors such as operating experience and changes in legislation and regulations.

These obligations will be settled based on the expected timing of abandonment, which currently extends up to the year 2049 and is based upon the useful lives of the underlying assets. The provision was calculated at March 31, 2022 using an average inflation rate of 2.00% (December 31, 2021 - 1.59%) and was discounted using an average risk-free rate of 2.37% (December 31, 2021 - 1.59%).

### b) Provision for decommissioning obligations of pipeline:

The provision for decommissioning obligations for the pipeline properties is based on management's estimate of costs to abandon which is estimated to be \$479,921 at March 31, 2022 (2021 - \$478,532) discounted at a risk-free rate of 2.37% (December 31, 2021 - 1.68%). The undiscounted decommissioning liability is estimated to be \$4,627,849 (December 31, 2021 - \$2,400,000) with an inflation rate of 2.37% (December 31, 2021 - 1.68%) and an expected remaining useful life of 97 years.

The decommissioning provision reflects the discounted cash flows expected to be incurred to decommission TMC's pipeline system. The estimated economic life of assets covered by the decommissioning is estimated at 97 years. The estimated economic life is used to determine the undiscounted cash flows at the time of decommissioning and is reflective of the expected timing of economic outflows relating to the provision.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2022

(All dollar amounts are stated in thousands of Canadian dollars)

## 9. Provisions (continued):

### c) Provision for site restoration:

Under the terms of the purchase and sale agreement in 1988 between CEI and Cameco, CEI is responsible for obligations relating to the sale of assets to Cameco. Provision for site restoration as at the date of the consolidated statement of financial position is related to the decommissioning of a former mine site. Cameco is responsible for the monitoring and management of this site. CEI accrues for these costs based on estimates provided by Cameco. These estimates are based on variables and assumptions which are subject to uncertainty including the time to completion and the costs over this period. The costs are estimated over a period ending in 2025 (2021 – 2023). The future estimate of costs for site restoration has been discounted at a rate of 2.27% (December 31, 2021 – 0.95%) and an inflation rate of 2.0% (December 31, 2021 – 0.95%) was used to calculate the provision at March 31, 2022. The current estimate for costs accrued as at March 31, 2022 is \$5,382 (December 31, 2021 - \$6,087).

## 10. Loans payable:

On August 29, 2018, the Corporation, through TMP Finance entered into Credit Agreements with Her Majesty in Right of Canada. The facilities are part of the Canada Account of the Government of Canada, administered by EDC. On March 25, 2019, the Corporation entered into an amended CER Credit Agreement which allows it to borrow funds for the purpose of providing financial assurance for the TMPL as required by the CER. The Acquisition Facility was used to fund the acquisition of the Trans Mountain Pipeline entities. The Construction Facility is used primarily to finance the TMEP construction. The CER Facility allows the Corporation to borrow funds for the purpose of providing financial assurance for the Trans Mountain Pipeline as required by the CER.

The loans are due on the respective maturity dates. The maturity date for all loan facilities was amended to August 29, 2025 effective March 29, 2021. Details of the facilities at March 31, 2022 are as follows:

| Facility         | Total Available Credit<br>March 31,<br>2022 | Outstanding Amounts<br>March 31,<br>2022 | Outstanding Amounts<br>December<br>31, 2021 | Interest Rate<br>Disbursed<br>amounts | Standby Fee<br>Undisbursed<br>amounts | Maturity<br>Date |
|------------------|---|--|---|---------------------------------------|---------------------------------------|------------------|
| Acquisition      | \$ 4,670,000                                | \$ 4,670,000                             | \$ 4,670,000                                | 4.7%                                  | 0.065%                                | August 29, 2025  |
| Construction (a) | 13,500,000                                  | 11,600,000                               | 9,576,000                                   | 4.7%                                  | 0.065%                                | August 29, 2025  |
| CER*             | 500,000                                     | -  | -   | 4.7%                                  | 0.30%                                 | August 29, 2025  |
|                  |   | <b>\$16,270,000</b>                      | <b>\$14,246,000</b>                         |                                       |                                       |                  |
| Presented as:    |   |  |   |                                       |                                       |                  |
| Current          |   | 875,000                                  |   |                                       |                                       |                  |
| Long-term        |   | 15,395,000                               |   |                                       |                                       |                  |



# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2022

(All dollar amounts are stated in thousands of Canadian dollars)

## 10. Loans payable (continued):

\*Previously referred to as the NEB Facility

a) The availability of the Construction Credit Facility is limited to any borrowing authority issued by the Minister of Finance. On July 30, 2019, an Amended Credit Agreement was executed between Her Majesty in Right of Canada, as administered by EDC and Canada TMP Finance Ltd. The Construction facility limit increased to \$4,000,000 in January 2020, until December 31, 2020 as detailed in a revised borrowing authority letter received from the Minister of Finance. On October 1, 2020, a Second Amending Agreement was executed in which results in an increase to the available credit on the Construction Facility to \$5.1 billion on October 1, 2020 and to \$6.1 billion on January 1, 2021. On March 29, 2021, a further amendment was executed increasing the available credit on the Construction Facility to \$9.14 billion outstanding at any time prior to December 31, 2021, and \$9.6 billion outstanding at any time prior to March 31, 2022. On December 3, 2021 a further amendment was executed increasing the available credit on the Construction Facility to \$11.6 billion outstanding at any time from March 31, 2022 and prior to March 31, 2022.

On March 31, 2022 amendments to the Construction Credit Facility Agreement were executed to permit drawdowns up to \$13.5 billion until June 30, 2022.

Additionally, the March 31, 2022 amendments to the Construction Credit Facility include the requirement to repay advances from EDC acting as agent for the Canada Account pursuant to any funding request made after February 18, 2022. Subsequent to period end, TMC closed external financing on April 29, 2022 and all amounts advanced by EDC to TMP Finance after February 18, 2022 were repaid including interest. Upon the repayment, the available credit was reduced to nil for cash draws. Effective for the June 30, 2022 interest payment date, all interest will be paid in kind and added to the loan balance.

Total interest expense for the periods ended March 31 is comprised of the following:

|                           | 2022       | 2021       |
|---------------------------|------------|------------|
| Interest on loan payables | \$ 178,193 | \$ 113,247 |
| Interest on leases        | 1,022      | 380        |
| Interest capitalized      | (138,762)  | (70,335)   |
| Standby fees              | 517        | 530        |
|                           | \$ 40,970  | \$ 43,822  |

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Corporation's general borrowings during the period of 4.7% (2021 – 4.7%).

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

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(All dollar amounts are stated in thousands of Canadian dollars)

## 11. Net Profits Interest reserve:

During the period, NPI payments received under the NPI agreements totalled \$62,820 of which \$4,191 was received from CHHC and eliminated upon consolidation (2021 – \$49,798, of which \$4,029 was eliminated).

## 12. Supplemental cash flow disclosure:

Changes in non-cash working capital balances for the periods ended March 31 include the following:

|  | 2022        | 2021       |
|--|-------------|------------|
| Trade and other receivables              | \$ (25,951) | \$ 37,773  |
| Inventory                                | 519         | (790)      |
| Other current assets                     | 582         | (325)      |
| Deferred charges and other assets        | (9,734)     | 21,286     |
| Trade and other payables                 | 114,379     | 26,709     |
| Interest payable                         | 177,591     | 112,627    |
| Other current liabilities                | (14,423)    | (18,193)   |
| Other non-current liabilities            | 2,268       | 2,191      |
| Change in non-cash working capital items | \$ 245,231  | \$ 181,278 |
| Relating to:                             |             |            |
| Operating activities                     | \$ 173,677  | \$ 113,698 |
| Investing activities                     | 71,554      | 67,580     |
| Change in non-cash working capital items | \$ 245,231  | \$ 181,278 |

Property, plant and equipment ("PPE") expenditures comprise the following:

|   | 2022          | 2021         |
|---|---------------|--------------|
| PPE additions (note 5)                                      | \$(2,032,126) | \$ (973,513) |
| Change in non-cash investing working capital related to PPE | 74,030        | 68,356       |
| Capitalized lease amortization and incentives               | 14,982        | 8,826        |
| Cash used for PPE expenditures                              | \$(1,943,114) | \$ (896,331) |

## 13. Net crude oil revenue and operating, transportation and marketing expenses:

a) Net crude oil revenue for the periods ended March 31 is comprised as follows:

|                       | Three months ended<br>March 31 |           |
|-----------------------|--------------------------------|-----------|
|                       | 2022                           | 2021      |
| Crude oil sales       | \$ 76,583                      | \$ 45,375 |
| Less: royalties       | (22,153)                       | (11,878)  |
| Net crude oil revenue | \$ 54,430                      | \$ 33,497 |

# CANADA DEVELOPMENT INVESTMENT CORPORATION

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(All dollar amounts are stated in thousands of Canadian dollars)

## 13. Net crude oil revenue and operating, transportation and marketing expenses (continued):

- b) Crude oil sales represent the entirety of CHHC's revenue generated from contracts with customers. The following table illustrates the disaggregation of crude oil sales by primary geographical market:

|               | Three months ended<br>March 31 |           |
|---------------|--------------------------------|-----------|
|               | 2022                           | 2021      |
| United States | \$ 58,772                      | \$ 40,113 |
| Europe        | 17,811                         | -         |
| South America | -                              | 5,262     |
|               | \$ 76,583                      | \$ 45,375 |

- c) Operating, transportation and marketing expenses are comprised as follows:

|   | Three months ended<br>March 31 |          |
|---|--------------------------------|----------|
|   | 2022                           | 2021     |
| Hibernia Project operating expenses           | \$ 5,077                       | \$ 4,010 |
| Crude oil transportation and transshipment    | 855                            | 1,549    |
| Crude oil marketing                           | 86                             | 98       |
| Total operating, transportation and marketing | \$ 6,018                       | \$ 5,657 |

## 14. Revenue and operating expenses from pipeline operations:

For the periods ended March 31, revenues and operating expenses from pipeline operations, disaggregated by revenue source and type of revenue, are comprised as follows:

|   | Three months ended<br>March 31 |           |
|---|--------------------------------|-----------|
|   | 2022                           | 2021      |
| Transportation revenue  | \$ 126,494                     | \$ 83,211 |
| Lease revenue   | 17,606                         | 15,857    |
| Other revenue   | 1,186                          | 676       |
| Total   | \$ 145,286                     | \$ 99,744 |
| Pipeline operating expenses                                       | \$ 39,745                      | \$ 40,574 |
| Salaries and benefits   | 25,312                         | 21,139    |
| Other general and administration costs                            | 74                             | 1,361     |
| Total operating expenses excluding finance costs and depreciation | \$ 65,131                      | \$ 63,074 |

Revenues from pipeline operations are primarily earned in Canada with less than 10% originating outside of Canada.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

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## 15. Commitments:

The Corporation's commitments at March 31, 2022 are summarized in the table below:

|   | Remainder 2022   | 2023-2026        | Thereafter       | Total             |
|---|------------------|------------------|------------------|-------------------|
| Crude oil transportation and transshipment services | \$ 2,923         | \$ 18,298        | \$ 17,043        | \$ 38,264         |
| Hibernia Project contracts                          | 1,377            | 1,805            | 2,512            | 5,694             |
| Pipeline PPE  | 55,362           | -                | -                | 55,362            |
| Other operating commitments                         | 16               | 1,290            | 5,005            | 6,311             |
| <b>Total Commitments</b>                            | <b>\$ 59,678</b> | <b>\$ 21,393</b> | <b>\$ 24,560</b> | <b>\$ 105,631</b> |

## 16. Contingencies:

The Corporation or its subsidiaries, in the normal course of its operations, may become subject to a variety of legal and other claims against the Corporation.

CEI is co-defendant with the Province of Ontario, the Attorney General of Canada, the Canadian Nuclear Safety Commission and BOC Canada Limited in a proposed class action lawsuit brought by certain residents of the municipality formerly known as Deloro in the County of Hastings, Ontario. The lawsuit is based on the alleged contamination of certain properties. CEI has filed a notice of intent to defend. While no liability is admitted, the financial impact on the Corporation, if defence against the action is unsuccessful, is currently not determinable.

The TMEP has been subject to various legal actions to challenge the federal government's approval of the TMEP.

Following the Corporation's termination of the general construction contract (the "Contract") with the general construction contractor for Spreads 1, 4B and 6 (the "GCC"), the GCC provided the Corporation with a Dispute Claim in relation to amounts it claims are owed pursuant to the Contract resulting from the termination. The Corporation has responded with a position that the Corporation is entitled to reimbursement from the GCC for the costs incurred resulting from the events leading to the termination. The parties have both stated their positions however, the final settlement amount cannot be reasonably estimated.

## 17. Risks to the Corporation:

The nature of CDEV's consolidated operations expose the Corporation to risks arising from its financial instruments that may have a material effect on cash flows, profit and comprehensive income. A description of the nature and extent of risks arising from the Corporation's financial assets and liabilities can be found in the notes to the Corporation's annual consolidated financial statements as at December 31, 2021. CDEV is exposed to financial risks including market risk relating to commodity prices, foreign exchange rates and interest rates, as well as credit and contract risk and liquidity risk.

### (a) Credit and contract risk:

Credit and contract risk is the risk of financial loss to the Corporation if counterparties do not fulfill their contractual obligations and arises primarily from the Corporation's trade and other

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2022

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## 17. Risks to the Corporation (continued):

receivables. A significant exposure to this risk relates to crude oil sales and oil shipment sales from contracts with customers.

- i. For its crude oil sales contracts, the Corporation has assessed the risk of non-collection of funds as low, as it shares cargos with its marketing agent, generally contracts with large purchasers whose creditworthiness has been appropriately assessed prior to execution of the related contract and utilizes credit risk mitigation tools when necessary under the provisions of its marketing agreement. CHHC's marketing agent maintains credit surveillance over all purchasers.
- ii. For the oil shipment sales contracts, the Corporation limits its exposure to credit risk by requiring shippers who fail to maintain specified credit ratings or a suitable financial position to provide acceptable security, generally in the form of guarantees from credit worthy parties or letters of credit from well rated financial institutions. A majority of the Corporation's customers operate in the oil and gas exploration and development, or energy marketing or transportation industries. There may be exposure to long-term downturns in energy commodity prices, including the price for crude oil, and economic instability from these events or other credit events impacting these industries and customers' ability to pay for services.

As at March 31, 2022 and December 31, 2021 there were no significant accounts receivable past due or impaired.

The composition of the Corporation's trade and other receivables is as follows:

|   | March 31,<br>2022 | December 31,<br>2021 |
|---|-------------------|----------------------|
| Contracts with pipeline shippers        | \$ 40,404         | \$ 29,223            |
| Contracts with crude oil customers      | 40,470            | 14,001               |
| Hibernia joint arrangement              | 2,296             | 2,399                |
| HST/GST input tax credits               | 39,956            | 55,477               |
| Other                                   | 8,374             | 4,449                |
| Trade and other receivables             | \$ 131,500        | \$ 105,549           |
| Amount outstanding greater than 90 days | \$ 2,988          | \$ 2,822             |

The carrying amount of cash and cash equivalents, restricted cash and restricted investments, and investments held for future obligations balances represents the maximum credit exposure.

Cash and cash equivalents, restricted cash and restricted investments, and investments held for future obligations balances are held by investment-grade Canadian banks and financial institutions and the Government of Canada. All cash equivalents and investments are purchased from issuers with a credit rating of R1 High by Dominion Bond Rating Service. Accordingly, the ECLs provision at March 31, 2022 related to cash and cash equivalents and investments is insignificant.

The Corporation realized no actual impairment losses during the periods ended March 31, 2022 or 2021.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2022

(All dollar amounts are stated in thousands of Canadian dollars)

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## 17. Risks to the Corporation (continued):

### (b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its work commitments and/or other financial obligations as they become due. The Corporation's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due.

The Corporation forecasts cash requirements to ensure funding is available to settle financial liabilities when they become due. The primary sources of liquidity and capital resources are funds generated from operations and the credit facilities.

The Corporation continues to retain cash and short-term investments that provide it with financial flexibility to meet its obligations as they come due. The Corporation may be exposed to long-term downturns in the energy industry and economic volatility which is mitigated by the current regulatory frameworks governing the Corporation's pipeline operations and the competitive position of the Corporation's pipeline and oil producing assets.

Expected future cash flow from the present operations currently exceeds estimated operating expenses and future capital expenditures, aside from TMEP. Given the significant ongoing expenditures expected in connection with the TMEP, the Corporation will require continued future financing to complete the project. External financing was secured by TMC in April 2022 as described in note 21. Trade and other payables and income taxes payable are generally due within one year from the date of the statement of financial position.

### (c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, and includes foreign exchange, commodity price, and interest rate risk. The Corporation does not use derivative instruments, such as interest rate swaps or forward foreign currency contracts, or other tools and strategies to manage its market related risks.

#### (i) Currency risk:

Currency risk is the risk that the fair value of assets or liabilities or future cash flows will fluctuate as a result of changes in foreign exchange rates. This risk arises on financial instruments denominated in U.S. dollars at the end of the period, consisting primarily of U.S. cash, trade receivables and trade payable balances that arise from revenues and expenditures that are denominated in U.S. dollars. Crude oil is priced in U.S. dollars and fluctuations in USD/CAD exchange rates may have an impact on revenues.

The Puget Pipeline operates in the state of Washington and earns its revenues and incurs most of its expenses in U.S. dollars. Therefore, fluctuations in the U.S. dollar to Canadian dollar exchange rate can affect the earnings contributed by the Puget Pipeline, to our overall results.

The Corporation did not have any foreign exchange rate contracts in place as at or during the period ended March 31, 2022 or 2021.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

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(All dollar amounts are stated in thousands of Canadian dollars)

## 17. Risks to the Corporation (continued):

### (ii) Interest rate risk:

Interest rate risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in interest rates. The Corporation is exposed to interest rate fluctuations on its cash and cash equivalents and the various investments held. The risk is not considered significant as the Corporation's interest income is less than 2% of total revenue.

The Corporation is not exposed to interest rate risk on its debt as interest is payable at a fixed rate. The Corporation does not use derivative instruments to manage its exposure to this risk.

### (d) Fair value of financial instruments:

The following table shows the carrying amounts and fair values of restricted investments and loans payable including their levels in the fair value hierarchy at March 31, 2022 and December 31, 2021:

|                              | Classification | Hierarchy | Carrying amounts |           | Fair value |           |
|------------------------------|----------------|-----------|------------------|-----------|------------|-----------|
|                              |                |           | 2022             | 2021      | 2022       | 2021      |
| <b>Financial assets</b>      |                |           |                  |           |            |           |
| Restricted investments       | FVTPL          | Level 2   | 96,263           | 93,986    | 96,263     | 93,986    |
| <b>Financial liabilities</b> |                |           |                  |           |            |           |
| Loans payable                | Amortized cost | Level 2   | 16,270,000       | 9,055,000 | 16,384,548 | 9,495,665 |

Fair values for the restricted investments are determined based on observable prices and inputs for similar instruments available in the market, utilizing widely accepted cash flow models to value such instruments. The fair value of loans payable is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments.

## 18. Related party transactions:

The Corporation is related in terms of common ownership to all Canadian federal government departments, agencies and Crown corporations. The Corporation may enter into transactions with some of these entities in the normal course of business under its stated mandate.

CDEV paid dividends to the Government of Canada during the three months ended March 31, 2022 of \$80,000 (\$46,000 - 2021).

On July 15, 2020, CEEFC and CDEV entered into a Service Agreement whereby CDEV provides executive, administrative, banking, financial and support services, and other administrative services to facilitate the organization and functioning of CEEFC and CEEFC's administration of the LEEFF program. In the period ended March 31, 2022, CDEV earned management fees from CEEFC of \$150 (March 31, 2021 -\$150). At March 31, 2022, CDEV has a related party receivable from CEEFC of \$228 (December 31, 2021 - payable of \$257).

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Notes to Interim Condensed Consolidated Financial Statements (unaudited)

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## 19. Supplementary information:

The following presents a breakdown of the primary operating entities comprising CDEV. CDEV corporate, CEI and TMP Finance are grouped as Others:

|   | March 31, 2022       |                                 |                      |                   |                      |                        |                      |
|---|----------------------|---------------------------------|----------------------|-------------------|----------------------|------------------------|----------------------|
|   | TMC<br>(US GAAP)     | IFRS<br>Adjustments             | TMC<br>(IFRS)        | CHHC              | Others               | Eliminations           | Consolidated         |
| <b>Statement of Comprehensive Income:</b> |                      |                                 |                      |                   |                      |                        |                      |
| <b>Revenues:</b>                          |                      |                                 |                      |                   |                      |                        |                      |
| Transportation revenue                    | \$ 89,461            | \$ 37,033 <sup>(1)</sup>        | \$ 126,494           |                   |                      |                        | \$ 126,494           |
| Lease revenue                             | 17,606               |                                 | 17,606               |                   |                      |                        | 17,606               |
| Net crude oil revenue                     |                      |                                 |                      | 47,881            | -                    | 6,549                  | 54,430               |
| Other income/ FX                          | 601                  | 585                             | 1,186                | 661               | 4,238                | (427)                  | 5,658                |
|   | 107,668              | 37,618                          | 145,286              | 48,542            | 4,238                | 6,122                  | 204,188              |
| <b>Expenses:</b>                          |                      |                                 |                      |                   |                      |                        |                      |
| Depletion and depreciation                | 25,917               | 1,973 <sup>(2)</sup>            | 27,890               | 3,730             | 31                   |                        | 31,651               |
| Operating and production                  | 39,903               | (158)                           | 39,745               | 6,018             | -                    |                        | 45,763               |
| Salaries and benefits                     | 24,877               | 435 <sup>(3)</sup>              | 25,312               | 361               | 517                  |                        | 26,190               |
| General and admin Other and FX            | 1,040                | (465)                           | 575                  | 1,211             | 2,701                | (37)                   | 4,450                |
|   | 91,737               | 1,785                           | 93,522               | 11,320            | 3,249                | (37)                   | 108,054              |
| <b>Finance Costs:</b>                     |                      |                                 |                      |                   |                      |                        |                      |
| Equity AFUDC                              | 138,353              | (138,353) <sup>(4)</sup>        | -                    | -                 | -                    |                        | -                    |
| Other, net                                |                      |                                 | -                    | -                 |                      |                        | -                    |
| Unwind of discount                        |                      | (2,010) <sup>(4)</sup>          | (2,010)              | (697)             | (11)                 |                        | (2,718)              |
| Net Interest (expense)                    | (11,972)             | 12,160 <sup>(4)</sup>           | 188                  | 253               | 60,900               | (100,263)              | (38,922)             |
|   | 126,381              | (128,203)                       | (1,822)              | (444)             | 60,889               | (100,263)              | (41,640)             |
| <b>Net income before income taxes</b>     | 142,312              | (92,370)                        | 49,942               | 36,778            | 61,878               | (94,104)               | 54,494               |
| Income taxes (recovery)                   | 35,090               | (22,776) <sup>(5)</sup>         | 12,314               | 8,639             | -                    |                        | 20,953               |
| <b>Net Income</b>                         | <b>107,222</b>       | <b>(69,594)</b>                 | <b>37,628</b>        | <b>28,139</b>     | <b>61,878</b>        | <b>(94,104)</b>        | <b>33,541</b>        |
| <b>Other Comprehensive Income</b>         | <b>\$ (3,444)</b>    | <b>\$ 22,370</b> <sup>(6)</sup> | <b>\$ 18,926</b>     | <b>\$ -</b>       | <b>\$ -</b>          | <b>\$ -</b>            | <b>\$ 18,926</b>     |
| <b>Statement of Financial Position:</b>   |                      |                                 |                      |                   |                      |                        |                      |
| <b>Assets:</b>                            |                      |                                 |                      |                   |                      |                        |                      |
| Current assets                            | 559,096              | (42,234) <sup>(7)</sup>         | 516,862              | 148,330           | 220,137              | (102,024)              | 783,305              |
| Non-current assets                        | 18,070,469           | (258,920) <sup>(8)</sup>        | 17,811,549           | 242,657           | 17,208,315           | (17,006,988)           | 18,255,533           |
|   | <b>\$ 18,629,565</b> | <b>\$ (301,154)</b>             | <b>\$ 18,328,411</b> | <b>\$ 390,987</b> | <b>\$ 17,428,452</b> | <b>\$ (17,109,012)</b> | <b>\$ 19,038,838</b> |
| <b>Liabilities</b>                        |                      |                                 |                      |                   |                      |                        |                      |
| Current liabilities                       | 2,106,425            | (5,656)                         | 2,100,769            | 33,946            | 1,062,617            | (980,591)              | 2,216,741            |
| Non-current liabilities                   | 8,783,868            | 204,499 <sup>(9)</sup>          | 8,988,367            | 118,710           | 15,399,405           | (7,791,350)            | 16,715,132           |
|   | <b>\$ 10,890,293</b> | <b>\$ 198,843</b>               | <b>\$ 11,089,136</b> | <b>\$ 152,656</b> | <b>\$ 16,462,022</b> | <b>\$ (8,771,941)</b>  | <b>\$ 18,931,873</b> |
| <b>Shareholder's Equity</b>               |                      |                                 |                      |                   |                      |                        |                      |
|   | 7,739,272            | (499,997) <sup>(10)</sup>       | \$ 7,239,275         | \$ 238,331        | \$ 966,430           | \$ (8,337,071)         | \$ 106,965           |
|   | <b>\$ 18,629,565</b> | <b>\$ (301,154)</b>             | <b>\$ 18,328,411</b> | <b>\$ 390,987</b> | <b>\$ 17,428,452</b> | <b>\$ (17,109,012)</b> | <b>\$ 19,038,838</b> |



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## 19. Supplementary information (continued):

|   | March 31, 2021       |                                     |                      |                   |                      |                        |                      |
|---|----------------------|-------------------------------------|----------------------|-------------------|----------------------|------------------------|----------------------|
|   | TMC<br>(US GAAP)     | IFRS<br>Adjustments                 | TMC<br>(IFRS)        | CHHC              | Others               | Eliminations           | Consolidated         |
| <b>Statement of Comprehensive Income:</b> |                      |                                     |                      |                   |                      |                        |                      |
| <b>Revenues:</b>                          |                      |                                     |                      |                   |                      |                        |                      |
| Transportation revenue                    | \$ 90,966            | \$ (7,755) <sup>(1)</sup>           | \$ 83,211            |                   |                      |                        | \$ 83,211            |
| Lease revenue                             | 15,857               |                                     | 15,857               |                   |                      |                        | 15,857               |
| Net crude oil revenue                     |                      |                                     |                      | 34,305            | -                    | (808)                  | 33,497               |
| Other income/ FX                          | 755                  |                                     | 755                  | 73                | 624                  | (493)                  | 959                  |
|   | 107,578              | (7,755)                             | 99,823               | 34,378            | 624                  | (1,301)                | 133,524              |
| <b>Expenses:</b>                          |                      |                                     |                      |                   |                      |                        |                      |
| Depletion and depreciation                | 25,317               | 2,073 <sup>(2)</sup>                | 27,390               | 7,195             | 29                   |                        | 34,614               |
| Operating and production                  | 40,733               | (159)                               | 40,574               | 5,657             | -                    |                        | 46,231               |
| Salaries and benefits                     | 20,639               | 500 <sup>(3)</sup>                  | 21,139               | 437               | 474                  |                        | 22,050               |
| Other general and admin                   | 2,062                | (701)                               | 1,361                | 854               | 873                  | (37)                   | 3,051                |
|   | 88,751               | 1,713                               | 90,464               | 14,143            | 1,376                | (37)                   | 105,946              |
| <b>Finance Costs:</b>                     |                      |                                     |                      |                   |                      |                        |                      |
| Equity AFUDC                              | 71,210               | (71,210) <sup>(4)</sup>             | -                    |                   | -                    |                        | -                    |
| Other, net                                | 218                  | (218)                               | -                    | -                 |                      |                        | -                    |
| Unwind of discount                        | -                    | (1,422) <sup>(4)</sup>              | (1,422)              | (695)             | (4)                  |                        | (2,121)              |
| Net Interest (expense)                    | (22,305)             | 22,832 <sup>(4)</sup>               | 527                  | 233               | 21,083               | (63,921)               | (42,078)             |
|   | 49,123               | (50,018)                            | (895)                | (462)             | 21,079               | (63,921)               | (44,199)             |
| <b>Net income before income taxes</b>     | <b>67,950</b>        | <b>(59,486)</b>                     | <b>8,464</b>         | <b>19,773</b>     | <b>20,327</b>        | <b>(65,185)</b>        | <b>(16,621)</b>      |
| Income taxes (recovery)                   | 16,623               | (14,666) <sup>(5)</sup>             | 1,957                | 6,135             | -                    |                        | 8,092                |
| <b>Net Income</b>                         | <b>51,327</b>        | <b>(44,820)</b>                     | <b>6,507</b>         | <b>13,638</b>     | <b>20,327</b>        | <b>(65,185)</b>        | <b>(24,713)</b>      |
| <b>Other Comprehensive Income</b>         | <b>\$ (3,733)</b>    | <b>\$ 20,092</b> <sup>(6)</sup>     | <b>\$ 16,359</b>     | <b>\$ -</b>       | <b>\$ -</b>          |                        | <b>\$ 16,359</b>     |
| <b>Statement of Financial Position:</b>   |                      |                                     |                      |                   |                      |                        |                      |
| <b>Assets:</b>                            |                      |                                     |                      |                   |                      |                        |                      |
| Current assets                            | 333,688              | (30,290) <sup>(7)</sup>             | 303,398              | 134,036           | 193,327              | (69,674)               | 561,087              |
| Non-current assets                        | 11,361,611           | 41,553 <sup>(8)</sup>               | 11,403,164           | 285,664           | 10,305,141           | (10,206,344)           | 11,787,625           |
|   | <b>\$ 11,695,299</b> | <b>\$ 11,263</b>                    | <b>\$ 11,706,562</b> | <b>\$ 419,700</b> | <b>\$ 10,498,468</b> | <b>\$ (10,276,018)</b> | <b>\$ 12,348,712</b> |
| <b>Liabilities</b>                        |                      |                                     |                      |                   |                      |                        |                      |
| Current liabilities                       | 788,221              | -                                   | 788,221              | 14,504            | 125,992              | (70,140)               | 858,577              |
| Non-current liabilities                   | 6,243,007            | 269,835 <sup>(9)</sup>              | 6,512,842            | 164,462           | 9,985,096            | (5,336,100)            | 11,326,300           |
|   | <b>\$ 7,031,228</b>  | <b>\$ 269,835</b>                   | <b>\$ 7,301,063</b>  | <b>\$ 178,966</b> | <b>\$ 10,111,088</b> | <b>\$ (5,406,240)</b>  | <b>\$ 12,184,877</b> |
| <b>Shareholder's Equity</b>               |                      |                                     |                      |                   |                      |                        |                      |
|   | <b>\$ 4,664,071</b>  | <b>\$ (258,572)</b> <sup>(10)</sup> | <b>\$ 4,405,499</b>  | <b>\$ 240,734</b> | <b>\$ 387,380</b>    | <b>\$ (4,869,778)</b>  | <b>\$ 163,835</b>    |
|   | <b>\$ 11,695,299</b> | <b>\$ 11,263</b>                    | <b>\$ 11,706,562</b> | <b>\$ 419,700</b> | <b>\$ 10,498,468</b> | <b>\$ (10,276,018)</b> | <b>\$ 12,348,712</b> |

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2022

(All dollar amounts are stated in thousands of Canadian dollars)

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## 19. Supplementary information (continued):

TMC prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). IFRS require that a parent shall prepare its consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. As a result, TMC adjusted its financial data under US GAAP, to conform to IFRS. These accounting adjustments are presented in the column "Adjustments - IFRS" and are detailed below:

1) Transportation revenue: Under US GAAP, TMC applies the provisions of ASC 980 Regulated Operations under which the timing of recognition and treatment of certain revenues may differ from that otherwise expected under IFRS. Under IFRS, revenue is recognized in accordance with IFRS 15. Under US GAAP, TMC recognizes TMPL transportation revenue ratably over time based on TMPL's annual revenue requirement, as adjusted for spending on flow through items included in TMPL's Incentive Toll Settlement ("ITS") agreement. The difference between revenue requirement under the ITS and tolls invoiced leads to an adjustment which will either debit revenue (if tolls invoiced are higher than revenue requirement under the ITS) or credit revenue (if tolls invoiced are lower than revenue requirement under the ITS). Under IFRS, revenue is recognized based on volume shipped and tolls invoiced, with no adjustments for over or under-collection of revenue requirement.

2) Depreciation is higher under IFRS due to a higher fixed asset base as a result of the recognition of an asset retirement obligation ("ARO") and the corresponding asset retirement cost. Due to the significant uncertainty around the timing and scope of abandonment, no ARO is recorded under US GAAP, resulting in a correspondingly lower fixed asset base, and lower depreciation under US GAAP.

3) Salaries and benefits expense is higher under IFRS due to differences in the recognition of pension expense under the two accounting frameworks. Under IFRS, remeasurements of plan assets and liabilities are reflected immediately in other comprehensive income, while under US GAAP certain gains and losses within the plans are recognized in other comprehensive income and amortized into net income over a longer period. Additionally, there are differences in the determination of interest costs and return on plan assets.

4) Under US GAAP ASC 980, an Allowance for Funds Used During Construction ("AFUDC") is included in the cost of property, plant and equipment and is depreciated over future periods as part of the total cost of the related asset. AFUDC includes both an interest component and, if approved by the regulator, a cost of equity component which are both capitalized based on rates set out in a regulatory agreement. The interest component of AFUDC results in a reduction in interest expense and the equity component of AFUDC is recognized as finance income. Under IFRS, there is no recognition of AFUDC, and only interest incurred on debt drawn to fund qualifying capital expenditures is capitalized as defined in IAS 23 *Borrowing Costs*. An unwind of a discount of the decommissioning obligation under IFRS is also included in finance cost IFRS adjustments. Under US GAAP, there is no decommissioning obligation to unwind.

5) Taxes under IFRS are lower due to the adjustments noted above in revenue, depreciation expense, salary and benefit expense, and AFUDC.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

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## 19. Supplementary information (continued):

6) Other Comprehensive Income under IFRS differs due to different treatment of pension plan adjustments recognized under US GAAP.

7) Current assets under IFRS are reduced primarily due to timing differences in the revenue recognition between US GAAP and IFRS.

8) Non-current assets are higher under IFRS primarily due to adjustments to goodwill and property, plant and equipment. Upon TMC's acquisition, goodwill was recognized for the excess of the fair value of the consideration paid over the estimated fair value of the net assets acquired. There are differences in the fair value of the net assets under US GAAP and IFRS primarily related to ARO, regulatory liabilities, and deferred taxes upon acquisition. Following the acquisition, property, plant and equipment is higher due to the recognition of the ARO and the corresponding asset retirement cost. TMC also records proceeds from certain contracts (Firm 50 premiums) as contributions in aid of construction under US GAAP ASC 980, which reduces fixed assets. These contributions are recognized as revenue under IFRS.

9) Non-current liabilities are higher under IFRS primarily due to the recognition of an ARO. TMC does not record an ARO under US GAAP as the timing and scope of abandonment are indeterminate. There are also adjustments to deferred taxes under IFRS. The differences between US GAAP and IFRS upon acquisition have a related tax effect which results in lower deferred tax on acquisition. Additionally, there is an ongoing difference in deferred income taxes related to differences in net income and the tax expense recognized.

10) The cumulative impact of the IFRS adjustments to shareholder's equity total \$500 million with \$70 million being the impact on the 2022 net income.

## 20. Change in classification:

At December 31, 2021, the Corporation changed the classification of cash balances held in the future abandonment and risk fund from "Investments held for future abandonment and risk fund" to "Cash and cash equivalents" on the Statement of Financial Position, to better reflect the nature of the asset as opposed to its purpose. Comparative amounts were reclassified for consistency, which resulted in the following changes to the Statement of Cash Flows for the three months ended March 31, 2021: "Change in investments held for future abandonment and risk fund" is \$7,209 higher than previously presented; "Cash and cash equivalents, beginning of period" is \$33,871 higher than previously presented; and "Cash and cash equivalents, end of period" is \$41,080 higher than previously presented. The reclassification had no impact on the Corporation's total assets or comprehensive income.

## 21. Subsequent Event:

On April 25, 2022, the Governor General in Council, under subsection 7(1) of the Government Corporations Operations Act, issued a proclamation that the Government Corporations Operation Act no longer applies to Trans Mountain Corporation. This status change to a non-agent Crown corporation allows TMC to borrow from parties other than the Government of Canada.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2022

(All dollar amounts are stated in thousands of Canadian dollars)

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## **21. Subsequent Event (continued):**

On April 29, 2022, the Corporation's subsidiary TMC entered into a one year senior unsecured revolving facility for \$10,000,000 with a syndicate of lenders (the "Syndicated Facility"). The Syndicated Facility has no financial covenants, contains a six-month extension option, and includes an unconditional guarantee provided by the Government of Canada. In accordance with changes to the Corporation's Construction Credit Facility Agreement with the Canada Account administered by EDC, upon receipt of external financing, the Corporation repaid all amounts advanced by EDC to TMP after February 18, 2022 plus interest, totaling approximately \$1.6 billion on May 2, 2022. The current portion of loans payable of \$875,000 reflects amounts advanced after February 18, 2022, up to March 31, 2022, while the remaining \$725,000 was advanced by EDC after March 31, 2022. As part of the amendments made on April 28, 2022, TMP Finance will pay interest in kind to EDC and this amount will be added to the loan balance.