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Canada Development  
Investment Corporation

La Corporation de développement  
des investissements du Canada

First Quarter Report  
March 31, 2021



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Investment Corporation

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des investissements du Canada

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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 20, 2021.



Andrew G. Stafl, CPA, CA  
Vice-President, Finance

Toronto, Ontario  
May 20, 2021

## **Management Discussion and Analysis of Results – for the period ended March 31, 2021**

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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, 2021 and should be read in conjunction with CDEV’s unaudited interim condensed consolidated financial statements for the period ended March 31, 2021 and CDEV’s Annual Report for the year ended December 31, 2020.

### **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 1 of the interim condensed consolidated financial statements. For CEEFC’s financial report for the period ending March 31, 2021 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, 2021, CDEV received \$50 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 in an increase in the NPI reserve of \$46 million before a dividend payment of \$18 million in

## **Management Discussion and Analysis of Results – for the period ended March 31, 2021 (continued)**

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March 2021. In 2020, CDEV determined that certain NPI payments made by the Project Owners in previous years were higher than required as a result of an incorrect variable used in the calculation. Thus, CDEV recorded a provision for potential refunds of \$39 million at December 31, 2020 which was reflected as a decrease to the NPI reserve at December 31, 2019 (restated) and 2020. During the first quarter of 2021, CDEV paid out NPI refunds of \$41 million and recorded an additional \$5 million accrued liability against the NPI reserve.

We paid dividends of \$46 million in the first quarter of 2021. These dividends were funded by dividends received from CHHC of \$28 million including \$8 million related to NPI paid by CHHC, and NPI receipts of \$18 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.

Upon the closing of the sale of Ridley Terminals Inc. in December 2019, CDEV received \$350 million from the purchaser on behalf of the Government. As at March 31, 2021 \$50 million was still held on behalf of the Government.

### **Trans Mountain Corporation**

In the quarter ended March 31, 2021 TMC generated \$100 million in revenue and \$37 million in earnings before interest, taxes, and depreciation (“EBITDA”). In the comparative period TMC generated \$123 million in revenue and \$64 million in EBITDA. We note that under TMC’s continuing use of US GAAP, revenue and EBITDA were \$107 million and \$44 million respectively compared to \$103 million and \$47 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 \$949 million on the TMEP, excluding financing costs, in addition to the \$4.3 billion spent through to December 2020 under CDEV ownership. Capital expenditures for the three-month period ended March 31, 2021 increased significantly over the comparative period, due to a higher level of construction activity on the TMEP. Following a voluntary line-wide safety stand down that began in fourth quarter of 2020, and completion of re-training of workers and supervisors, construction resumed on all active pipeline spreads, facilities, and reactivation sites midway through the first quarter of 2021. Work is underway in various phases along the majority of the route and the project construction is approximately 25% complete. TMC is targeting a mechanical completion date for a majority of the project by the end of 2022 with commercial operations commencing shortly thereafter.

For further details please see the TMC Q1 2021 financial report at [www.transmountain.com](http://www.transmountain.com).

### **Canada TMP Finance Limited**

TMP Finance is the parent of TMC and its entities. TMP Finance provides funding to TMC at a ratio of 45% equity and 55% debt. To finance these advances, TMP Finance borrows 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. On January 1, 2021, the construction credit facility limit was increased to \$6.1 billion through to March 31, 2021. Effective April 1, 2021 the limit was increased to \$9.14 billion, and the maturity date was extended to August 29, 2025. Further financing sources will be required by TMP Finance to continue to finance the TMEP and TMP Finance is in discussion with the Department of Finance in this regard.

## **Management Discussion and Analysis of Results – for the period ended March 31, 2021 (continued)**

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### **Canada Hibernia Holding Corporation**

CHHC's after-tax income of \$14 million in the three months ended March 31, 2021 was higher than \$6 million recorded in the comparative quarter due mainly to lower income tax expenses resulting from a lower average effective tax rate. This rate reflects the effect of expenses not deductible for tax purposes.

Net crude oil revenue, calculated as crude oil sales less royalties and net profits interest ("NPI"), increased by 5% to \$34 million in the three months ended March 31, 2021 from \$33 million in the comparative period, driven by an 8% decrease in CAD crude oil sales price, partially offset by a 6% increase in sales volume and a 26% increase in royalty expense for the quarter. NPI expense declined largely due to a recovery of prior period expenses. (On consolidation, Net crude oil revenue for the first quarter of 2021 was \$33 million (2020-\$35 million) due to the elimination of NPI payments made to CDEV.)

The sales volume decrease in the period was due to a 13% decrease in average daily production volume and inventory changes associated with the timing of cargo sales. Gross Hibernia oil production averaged 109,906 barrels per day in the first quarter of 2021 compared to 127,871 barrels per day in the comparative quarter.

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 21% to average US \$60.85 per barrel in Q1 2021 from US \$50.14 per barrel in Q1 2020. On a Canadian dollar basis, CHHC's average realized oil price increased by only 8% to \$73.59 per barrel from \$68.05 per barrel in Q1 2020, due to a larger average discount to Dated Brent, a greater weighting of sales to January when prices were approximately US\$10 per barrel lower than March, and a stronger Canadian dollar (in relation to the US dollar) in Q1 2021, which had an unfavorable impact.

Drilling and facilities capital expenditures in Q1 2021 were minimal, comprised of well workovers and minor equipment upgrades.

### **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 2021, there were no expenditures 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 \$14 million to pay for CEI's total estimated liabilities of \$8 million.

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

Since March 2020, management of CDEV has assisted in implementing the LEEFF facility through CEEFC, including the retention of financial and legal advisors. Please refer to the CEEFC 2020 Annual Report and 2021 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. Select financial results for CEEFC are shown below:

## Management Discussion and Analysis of Results – for the period ended March 31, 2021 (continued)

(\$ Millions)	2020	Q1 2021	Total to March 2021	Subsequent to March 31, 2021
Loan commitments made	320	658	978	6,079
Loans issued	110	204	314	100
Equity Investments <sup>(1)</sup>				500
Preferred shares issued	200	220	420	705

<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, 2020 as described in the 2020 Annual Report. There remains a level of uncertainty related to the changing economic conditions as a result of the global outbreak of the novel coronavirus (COVID-19).

### Risks and Contingencies

Further to the risks and contingencies identified and disclosed in the Annual Report for the year ended December 31, 2020, the Corporation has updated its risk exposures and analysis as a result of the COVID-19 pandemic. 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. Despite the pandemic's impact on crude oil demands and prices, the Trans Mountain pipeline operated at full capacity throughout 2020 and the first quarter of 2021, as the market access Trans Mountain provides continues to be valuable to shippers.

The significant fluctuations in global crude oil prices experienced in 2020 have stabilized somewhat in the first quarter of 2021 and therefore had less impact on the financial results of CHHC.

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 2020 Annual Report remain unchanged.

### Financial Statements for the Period Ended March 31, 2021

The interim condensed consolidated financial statements for the three months ended March 31, 2021 with comparative figures for Q1 2020, have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to interim periods, including IAS 34, *Interim Financial Reporting*.

TMC prepares its financial statements in accordance with US GAAP. To read the US GAAP Q1 2021 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.

## Management Discussion and Analysis of Results – for the period ended March 31, 2021 (continued)

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Consolidated revenue for the three months ended March 31, 2021 was \$133 million, compared to revenue of \$159 million in the comparative period. The decrease is largely due to a \$24 million decrease in transportation revenue. The decrease in transportation revenue is due to lower tariffs partially offset by higher throughput on the TMPL due to continued strong demand and the lighter commodity mix. Puget throughput was slightly higher in the three months due to higher throughput and tolls offset by a weaker USD. Net crude oil revenue declined to \$33 million from \$35 million in the comparative period due to a 6% decrease in sales volume and higher royalties offset by an 8% increase in average realized crude oil prices.

Total expenses for the three-month period, excluding finance costs, were \$106 million, compared to \$105 million in the comparative period. The increase is primarily due to a \$6 million increase in pipeline operating expenses of TMC mainly as a result of higher power costs and remediation costs related to the June 2020 Sumas release partly offset by lower depreciation expense and lower professional fees by \$3 million and \$1 million, respectively.

Interest expense of \$44 million in the three-month period ended March 31, 2021 increased from \$41 million in the prior year period as an increase of \$42 million in gross interest costs due to higher loan balances was offset by higher capitalization of interest costs.

We recorded a loss before income taxes for the three-month period ended March 31, 2021 of \$17 million, compared to profit before tax of \$18 million in the comparative period primarily due to a \$30 million decrease in operating income of TMC due to lower transportation revenue and higher pipeline operating costs and higher net interest expense of TMP Finance by \$3 million in the period.

Income taxes for the three months ended March 31, 2021 of \$8 million decreased by \$7 million relative to the comparative period due to a lower average effective tax rate at CHHC partly offset by higher deferred taxes at TMC.

Cash and cash equivalents as at March 31, 2021 increased to \$415 million compared to \$312 million at December 31, 2020 mainly due to the increase in borrowing from the Canada account of \$925 million in the period and operating cash flow \$131 million, primarily generated by CHHC and TMC, offset by capital expenditures on property, plant and equipment of \$896 million largely related to TMEP and dividends paid of \$46 million.

Accounts receivable of \$76 million decreased by \$38 million as at March 31, 2021 from year end, largely due to a \$23 million decrease in TMC accounts receivable mainly due to lower other receivable and trade accounts receivable and an \$11 million decrease in receivables at CHHC mainly due to lower oil sales outstanding.

Property, plant, and equipment of \$10,106 million increased by \$936 million since year end primarily due to \$974 million in capital expenditures including capitalized interest largely related to TMEP, net of depletion and depreciation of \$35 million.

Other non-current assets of \$264 million decreased \$22 million as at March 31, 2021 from year end primarily due to a \$34 million decrease in prepaid construction advances partly offset by an increase in collections of TMEP bulk oil cargo fees of \$13 million.

Trade and other payables of \$700 million increased \$142 million from December 31, 2020 primarily due to a \$113 million increase in interest payable by TMP and a \$31 million increase at TMC primarily due to increased capital accruals for construction costs.

Other non-current liabilities of \$44 million decreased by \$9 million primarily due to a \$8 million decrease in the pipeline abandonment trust liability which fluctuates in line with the performance of the Trust investments, which holds investments based on pipeline abandonment surcharges collected from shippers.



**Management Discussion and Analysis of Results – for the period ended March 31, 2021  
(continued)**

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Loans payable increased \$925 million since year end due to \$925 million in draws on the Construction Facility.

Interim Condensed Consolidated Financial Statements of

**CANADA DEVELOPMENT INVESTMENT  
CORPORATION**

Three months ended March 31, 2021

(Unaudited)

# CANADA DEVELOPMENT INVESTMENT CORPORATION

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

	March 31, 2021	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 414,554	\$ 311,707
Trade and other receivables (note 17)	76,475	114,248
Income taxes receivable	-	568
Other current assets	26,285	23,990
Investments held for future obligations	2,693	2,214
	520,007	452,727
Non-current assets:		
Property, plant, and equipment (note 5)	10,106,231	9,169,790
Goodwill (note 7)	1,015,862	1,015,862
Investments held for future obligations	172,253	172,601
Restricted cash (note 4)	85,259	84,237
Restricted investments	85,958	93,986
Right-of-use assets (note 6)	99,114	95,527
Other assets	264,028	286,524
	11,828,705	10,918,527
	\$ 12,348,712	\$ 11,371,254
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities:		
Trade and other payables	\$ 700,220	\$ 557,910
Income taxes payable	131	-
Current portion of provision for site restoration (note 9(c))	2,518	2,074
Current portion of lease liabilities (note 6)	26,629	23,111
Current portion of Net Profits Interest ("NPI") Provision (note 9(d))	-	39,000
Other current liabilities	129,079	147,272
	858,577	769,367
Non-current liabilities:		
Loans payable (note 10)	9,980,000	9,055,000
Deferred income taxes	523,031	514,564
Provision for decommissioning obligations (note 9(a), (b))	622,187	621,214
Lease liabilities (note 6)	77,657	74,672
Provision for site restoration (note 9(c))	4,261	4,732
Defined benefit obligation	74,671	100,650
Other non-current liabilities	44,493	53,466
	11,326,300	10,424,298
Shareholder's equity:		
Share capital	1	1
Contributed surplus	603,294	603,294
NPI reserve (note 11)	34,432	11,832
Accumulated deficit	(467,066)	(414,353)
Accumulated other comprehensive income	(6,826)	(23,185)
	163,835	177,589
	\$ 12,348,712	\$ 11,371,254

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	
	2021	2020
<b>Revenue:</b>		
Transportation revenue (note 14)	\$ 83,211	\$ 106,770
Net crude oil revenue (note 13)	33,497	35,203
Lease revenue (note 14)	15,857	15,747
Other revenue	826	932
	133,391	158,652
<b>Other income:</b>		
Facility use and processing fees	(77)	561
Foreign exchange gains	210	3,184
	133,524	162,397
<b>Expenses:</b>		
Depletion and depreciation (notes 5 and 6)	34,614	37,752
Pipeline operating expenses (note 14)	40,574	34,876
Crude oil operating, transportation and marketing (note 13)	5,657	4,805
Salaries and benefits	22,050	22,186
Professional fees	1,719	2,828
Foreign exchange losses	597	1,342
Change in estimates of provision for site restoration (note 9)	(31)	75
Other administrative expenses	766	697
	105,946	104,561
<b>Finance expenses (income):</b>		
Interest expense (note 10)	43,822	40,703
Interest income	(1,744)	(3,325)
Unwind of discount on decommissioning obligations (note 9(a),(b))	2,117	2,509
Unwind of discount on provision for site restoration (note 9(c))	4	27
	44,199	39,914
<b>Net income (loss) before income taxes</b>	(16,621)	17,922
<b>Income taxes:</b>		
Current	6,135	14,189
Deferred	1,957	713
	8,092	14,902
<b>Net income (loss)</b>	\$ (24,713)	\$ 3,020
<b>Other comprehensive income (loss):</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation adjustment	(3,664)	26,798
<i>Items that will not be reclassified to profit or loss</i>		
Remeasurements of defined benefit obligations	20,023	15,322
	16,359	42,120
<b>Comprehensive income (loss)</b>	\$ (8,354)	\$ 45,140

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	
	2021	2020
	(Restated note 20)	
<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	11,832	(34,174)
NPI received	45,769	64,214
NPI Provision, net (note 9(d))	(5,169)	-
Dividends	(18,000)	(54,629)
Balance, end of period	34,432	(24,589)
<b>Accumulated deficit</b>		
Balance, beginning of period	(414,353)	(286,965)
Net income (loss)	(24,713)	3,020
Dividends	(28,000)	(7,000)
Balance, end of period	(467,066)	(290,945)
<b>Accumulated other comprehensive income</b>		
Balance, beginning of period	(23,185)	(10,592)
Other comprehensive income	16,359	42,120
Balance, end of period	(6,826)	31,528
<b>Total shareholder's equity</b>	<b>\$ 163,835</b>	<b>\$ 319,289</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	
	2021	2020
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Net income (loss)	\$ (24,713)	\$ 3,020
Adjustments for:		
Depletion and depreciation	34,614	37,752
Income tax expense	8,092	14,902
Interest income	(1,744)	(3,325)
Net change in defined benefits	907	45
Lease interest expense	380	471
Change in provision for site restoration	(31)	75
Unrealized foreign exchange gain on lease	4	-
Unwind of discount on provisions	2,121	2,536
Payment of lease liabilities, interest portion	(1,132)	(1,033)
Interest received	1,744	3,325
Provisions settled	4	(908)
Income taxes paid	(5,436)	(7,844)
	14,810	49,016
<u>Change in non-cash working capital (note 12)</u>	<u>113,698</u>	<u>109,839</u>
	128,508	158,855
<b>Financing activities:</b>		
Proceeds from loan issuance	925,000	200,000
Dividends paid	(46,000)	(61,629)
NPI received	45,769	64,214
NPI refunds paid	(41,195)	-
Payment of lease liabilities, principal portion	(6,898)	(5,018)
	876,676	197,567
<b>Investing activities:</b>		
Purchase of property, plant and equipment	(896,331)	(582,388)
Internal-use software expenditures	(776)	(2,317)
Change in restricted cash	(1,022)	94
Purchase of restricted investments	(3,136)	(2,757)
Change in investments held for future obligations	(131)	(688)
	(901,396)	(588,056)
Effects of FX translation on cash	(941)	4,616
Change in cash and cash equivalents	102,847	(227,018)
Cash and cash equivalents, beginning of period	311,707	587,109
<b>Cash and cash equivalents, end of period</b>	<b>\$ 414,554</b>	<b>\$ 360,091</b>
<b>Represented by:</b>		
Cash	414,554	297,957
Cash equivalents	-	62,134
	<b>\$ 414,554</b>	<b>\$ 360,091</b>

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, 2021

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

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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.

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 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 ("NRCan"). Refer to notes 9 and 11 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, Canada Enterprise Emergency Funding Corporation which 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. CEEFC is subject to the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. 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.

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.

### **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").

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021

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

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## 1. Reporting entity (continued):

TMP Finance is the parent company of TMC. It provides debt and equity financing to TMC funded by loans from Her Majesty in Right of Canada, administered by Export Development Canada (“EDC”). See note 10 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 5.62665% to 5.66521% effective March 1, 2021.

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.

## 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, 2020.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 20, 2021.



# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021

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

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## 2. Basis of preparation (continued):

### 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.

### d) 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, 2020.

The changing circumstances of the COVID-19 pandemic has required certain reassessments of the significant judgements and estimates used to prepare the interim condensed consolidated financial statements. The pandemic has resulted in significant economic uncertainty, with more volatile commodity prices and foreign exchange rates, and a marked decline in long-term interest rates. During the three months ended March 31, 2021, the global economy showed signs of recovery from the impacts of the COVID-19 pandemic and the outlook for crude oil demand has improved due to the easing of restrictions combined with the distribution of vaccines in developed countries. While there have been recent recoveries in global crude oil demand and current and forecasted crude oil prices, the global economic impacts of COVID-19 and the estimated length of the pandemic continues to evolve.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021

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

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### 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, 2020, except for those policies which have changed as a result of the adoption of new accounting standards, amendments or interpretations effective January 1, 2021, 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.

#### Changes in accounting policies:

Certain accounting standards, amendments to standards and interpretations issued by the International Accounting Standards Board ("IASB"), are effective for the first time in the current financial period and have been adopted in accordance with the applicable transitional provisions. The application of these amendments had no impact on the Corporation's interim condensed consolidated financial statements.

### 4. Restricted cash:

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	March 31, 2021	December 31, 2020
Restricted cash – TMC letters of credit	\$ 75,182	\$ 73,983
Restricted cash – TMC held for future abandonment costs	377	554
Restricted cash – TMC held as security	1,200	1,200
Restricted cash – CHHC letters of credit	8,500	8,500
	<hr/>	<hr/>
	\$ 85,259	\$ 84,237

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# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021

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

## 5. Property, plant, and equipment:

	Construction work in progress	Pipeline	Oil development assets and production facilities	TOTAL
<b>Cost:</b>				
Balance at December 31, 2019	\$ 2,481,918	\$ 3,530,639	\$ 582,624	\$6,595,181
Additions for the period	3,260,567	-	14,042	3,274,609
Transfers	(82,886)	82,886	-	-
Decommissioning adjustments	-	(524)	2,649	2,125
Derecognition	-	-	(7,140)	(7,140)
Retirements	-	(2,467)	-	(2,467)
Foreign exchange movements	(10)	(5,838)	-	(5,848)
Balance at December 31, 2020	\$ 5,659,589	\$ 3,604,696	\$ 592,175	\$9,856,460
Additions for the period	971,376	-	2,137	973,513
Transfers	(3,755)	3,755	-	-
Decommissioning adjustments	-	-	(625)	(625)
Retirements	-	(169)	-	(169)
Foreign exchange movements	(6)	(3,570)	-	(3,576)
Balance at March 31, 2021	\$6,627,204	\$3,604,712	\$593,687	\$10,825,603
<b>Accumulated depletion and depreciation:</b>				
Balance at December 31, 2019	\$ -	\$ 138,811	\$ 402,305	\$ 541,116
Depletion and depreciation	-	101,452	45,836	147,288
Derecognition	-	-	(1,004)	(1,004)
Foreign exchange movements	-	(730)	-	(730)
Balance at December 31, 2020	\$ -	\$ 239,533	\$ 447,137	\$ 686,670
Depletion and depreciation	-	25,657	7,489	33,146
Retirements	-	(165)	-	(165)
Foreign exchange movements	-	(279)	-	(279)
Balance at March 31, 2021	\$ -	\$264,746	\$ 454,626	\$ 719,372
<b>Carrying amounts:</b>				
At December 31, 2020	\$ 5,659,589	\$ 3,365,163	\$ 145,038	\$ 9,169,790
At March 31, 2021	\$ 6,627,204	\$ 3,339,966	\$ 139,061	\$ 10,106,231

At March 31, 2021, costs related to oil development assets and production facilities subject to the calculations of depletion and depreciation included future development costs of \$394,164 (\$395,100 - December 31, 2020) and excluded the cost of equipment currently under construction of \$3,182 (2019 - \$3,104).

For details on decommissioning adjustments, see note 9, Provisions.

During the period ended March 31, 2021 capitalized interest of \$70,336 was included in additions to construction work in progress – pipeline (2020 - \$31,735).

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021

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

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## 5. Property, plant, and equipment (continued):

At March 31, 2021, an assessment of indicators of impairment was conducted for the Corporation's cash generating units ("CGUs"). Indicators of impairment include (but are not limited to) significant changes with an adverse effect on the entity that have taken place during the year or will take place in the near future in the market or economic environment in which the entity operates. No indicators were noted for the oil transportation assets, including goodwill, and accordingly an impairment test was not required. The impact of COVID-19 and crude oil market conditions on Transportation revenue has not been material. However, if COVID-19 remains a worldwide health emergency, there may be an impact on the construction schedule of the pipeline expansion project and, in future periods, the Corporation will consider if this represents an indicator of impairment. See also Goodwill note 7.

No indicators of impairment were noted for the oil development assets and production facilities at March 31, 2021 and December 31, 2020 and accordingly an impairment test was not required.

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

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

The category of equipment includes CHHC'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 and a portion of the lease payments are incurred in US dollars. 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. It also included CHHC's proportionate working interest share of HMDC's office building space in St. John's, NL. This lease expired in 2020 and was not replaced by a lease arrangement.

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, 2021.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021

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

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

### Statement of Financial Position:

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

	Equipment and Vehicles	Land and Buildings	Total
January 1, 2020	\$ 22,619	\$ 67,670	\$ 90,289
Additions	2,373	26,326	28,699
Lease modifications	351	48	399
Depreciation	(4,066)	(19,766)	(23,832)
Foreign exchange	(28)	-	(28)
December 31, 2020	\$ 21,249	\$ 74,278	\$ 95,527
Additions	15,454	(64)	15,390
Lease modifications	61	(35)	26
Depreciation	(3,605)	(5,152)	(8,757)
Incentives	-	(3,054)	(3,054)
Foreign exchange	(18)	-	(18)
March 31, 2021	\$ 33,141	\$ 65,973	\$99,114

Details of lease liabilities are as follows:

	Three months ended March 31, 2021	Year ended December 31, 2020
Lease liabilities, beginning of period	\$ 97,783	\$ 91,920
Additions	13,397	28,700
Lease modification	26	398
Interest expense	1,132	4,024
Lease payments	(8,030)	(27,224)
Foreign exchange movements	(22)	(35)
Lease liabilities, end of period	\$ 104,286	\$ 97,783
Current portion	\$ 26,629	\$ 23,111
Long-term portion	77,657	74,672
	\$ 104,286	\$ 97,783

Maturity analysis – contractual undiscounted cash flows:

	2021	2022-2025	Thereafter	Total
Lease liabilities	\$ 21,249	\$ 49,199	\$ 109,858	\$ 180,306

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021

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

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

Statement of Comprehensive Income and Statement of Cash Flows:

	March 31, 2021	March 31 2020
Statement of Comprehensive Income:		
Interest on lease liabilities	\$ 1,132	\$ 1,033
Less: capitalized lease liabilities	(752)	(562)
Net interest on lease liabilities	380	471
Short term and variable cost	828	652
Statement of Cash Flows:		
Total cash outflow for leases	\$ (8,030)	\$ (6,023)

### 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, 2021, lease income for merchant tank operating leases recognized in "Lease revenue" totaled \$15,857 (2020 - \$15,747), and lease income related to housing operating leases recognized in "Other revenue" totaled \$54 (2020 - \$57).

## 7. Goodwill:

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

Balance at December 31, 2019	\$	1,015,781
Effect of foreign exchange		81
Balance at December 31, 2020		1,015,862
Effect of foreign exchange		-
Balance at March 31, 2021	\$	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 the expected 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 timing of TMEP project construction and in-service date. At March 31, 2021, an assessment of indicators of impairment was conducted for the Corporation's cash generating units. Despite changes in the macroeconomic environment, neither TMC's existing operations nor TMEP construction has been materially impacted to date. No indicators were noted and accordingly an impairment test at March 31, 2021 was not required.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021

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

## 8. Other current liabilities:

	March 31, 2021	December 31, 2020
Dock premiums	\$ 113,367	\$ 133,532
Environmental accrual	6,394	6,096
Defined benefit obligation	1,497	1,497
Other	7,821	6,147
	<b>\$ 129,079</b>	<b>\$ 147,272</b>

## 9. Provisions:

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

	Decommissioning Obligations			
	Pipeline	Wells & Facilities	Total	Site restoration
<b>Balance at December 31, 2019</b>	\$ 465,751	\$ 147,809	\$ 613,560	\$ 9,770
Additional provisions	-	-	-	114
Changes in estimates	(524)	(21,084)	(21,608)	(222)
Obligations settled	-	(1,273)	(1,273)	(2,783)
Changes in discount rate	-	23,733	23,733	(182)
Effect of foreign exchange	(870)	-	(870)	-
Unwind of discount	6,075	1,597	7,672	109
<b>Balance at December 31, 2020</b>	\$ 470,432	\$ 150,782	\$ 621,214	\$ 6,806
Changes in estimates	-	25,134	25,134	-
Obligations settled	-	4	4	-
Changes in discount rate	-	(25,759)	(25,759)	(31)
Effect of foreign exchange	(523)	-	(523)	-
Unwind of discount	1,422	695	2,117	4
<b>Balance at March 31, 2021</b>	<b>\$ 471,331</b>	<b>\$ 150,856</b>	<b>\$ 622,187</b>	<b>\$ 6,779</b>
Current	\$ -	\$ -	\$ -	\$ 2,518
Non-current	471,331	150,856	622,187	4,261
	<b>\$ 471,331</b>	<b>\$ 150,856</b>	<b>\$ 622,187</b>	<b>\$ 6,779</b>

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021

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

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## 9. Provisions (continued):

### 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 \$247,853 at March 31, 2021 (\$204,430 - December 31, 2020). 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, 2021 using an average inflation rate of 1.87% (1.12% - December 31, 2020) and was discounted using an average risk-free rate of 1.87% (1.12% - December 31, 2020).

### 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 \$471,331 at March 31, 2021 (December 31, 2020 - \$470,432) discounted at a risk-free rate of 1.97% (December 31, 2020 - 1.21%). The undiscounted decommissioning liability is estimated to be \$3,200,000 (December 31, 2020 - \$1,500,000), with an inflation rate of 1.97% and an expected remaining useful life of 98 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 98 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.

### 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 interim condensed 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 future estimate of costs for site restoration has been discounted at a rate of 0.42% (December 31, 2020 - 0.24%) and an inflation rate of 0.42% was used to calculate the provision at March 31, 2021 (December 31, 2020 - 0.24%).



# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021

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

## 9. Provisions (continued):

d) Net Profits Interest Provision (restated – note 20):

Under the terms of the 1990 Hibernia Development Project NPI Agreement and the MOU executed with NRCan, the Corporation is responsible for any payable due to Hibernia Project owners due to determination, redetermination or calculation by Canada. The NPI Provision as at December 31, 2020 is related to a recalculation. The Provision was based on management's recalculation of the amount due to Hibernia Project owners plus interest payable. The Corporation settled the \$39,000 provision during the period ended March 31, 2021. The Corporation accrued an additional \$5,169 relating to the provision during the first quarter of which \$2,974 is included in trade and other payables at March 31, 2021.

## 10. Loan payable:

On August 29, 2018, 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. 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 NEB Facility allows TMP Finance to borrow funds for the purpose of providing financial assurance for the TMPL as required by the Canada Energy Regulator ("CER").

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 which resulted 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 31, 2021, a further amendment was executed increasing the available credit on the Construction Facility to \$9.14 billion effective April 1, 2021. The maturity date for all loan facilities was amended to August 29, 2025 effective April 1, 2021.

The loans are due on the respective maturity dates and may be repaid early without premium or penalty subject to certain conditions. Details of the facilities at March 31, 2021 are as follows:

Facility	Total Available Credit March 31, 2021	Outstanding Amounts March 31, 2021	Outstanding Amounts December 31, 2020	Interest Rate Disbursed amounts	Standby Fee Undisbursed amounts	Maturity Date
Acquisition	\$ 4,670,000	\$ 4,670,000	\$ 4,670,000	4.7%	0.065%	August 29, 2023
Construction	6,100,000	5,310,000	4,385,000	4.7%	0.065%	August 29, 2023
NEB	500,000	-	-	4.7%	0.30%	August 29, 2023
		\$ 9,980,000	\$ 9,055,000			

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021

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

## 10. Loan payable (continued):

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

	2021	2020
Interest on loan payables	\$ 113,247	\$ 71,177
Interest on leases	380	471
Interest capitalized	(70,335)	(31,735)
Standby fees	530	790
	<b>\$ 43,822</b>	<b>\$ 40,703</b>

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% (2020 – 4.7%).

## 11. Net Profits Interest Reserve:

During the period, NPI payments received under the NPI agreements totalled \$49,798 of which \$4,029 was received from CHHC and eliminated upon consolidation (2020 – \$71,076, of which \$6,862 was eliminated).

## 12. Supplemental cash flow disclosure:

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

	2021	2020
Trade and other receivables	\$ 37,773	\$ 55,320
Inventory	(790)	(1,151)
Other current assets	(325)	2,150
Deferred charges and other assets	21,286	22,847
Trade and other payables	26,709	(33,470)
Interest payable	112,627	71,958
Other current liabilities	(18,193)	(10,948)
Other deferred credits	2,191	978
Change in non-cash working capital items	<b>\$ 181,278</b>	<b>\$ 107,684</b>
Relating to:		
Operating activities	\$ 113,698	\$ 109,839
Investing activities	67,580	(2,155)
Change in non-cash working capital items	<b>\$ 181,278</b>	<b>\$ 107,684</b>

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021

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

## 12. Supplemental cash flow disclosure (continued):

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

	2021	2020
PPE additions (note 5)	\$ (973,513)	\$ (586,991)
Change in non-cash investing working capital related to PPE	68,356	163
Capitalized lease amortization and interest	8,826	4,440
Cash used for PPE expenditures	\$ (896,331)	\$ (582,388)

## 13. Net crude oil revenue and production and operating expenses:

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

	Three months ended March 31	
	2021	2020
Gross crude oil revenue	\$ 45,375	\$ 44,659
Less: royalties	(11,878)	(9,456)
Net crude oil revenue	\$ 33,497	\$ 35,203

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

	Three months ended March 31	
	2021	2020
United States	\$ 40,113	\$ 18,223
South America	5,262	-
Canada	-	17,951
Europe	-	8,485
	\$ 45,375	\$ 44,659

b) Operating, transportation and marketing expenses comprise the following:

	Three months ended March 31	
	2021	2020
Hibernia Project operating expenses	\$ 4,010	\$ 3,628
Crude oil transportation and transshipment	1,549	1,062
Crude oil marketing	98	115
Total operating, transportation and marketing	\$ 5,657	\$ 4,805

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021

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

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

For the period ended March 31 revenues and operating expenses from TMC's operations, disaggregated by revenue source and type of revenue, are comprised as follows:

	Three months ended March 31	
	2021	2020
Transportation revenue	\$ 83,211	\$ 106,770
Lease revenue	15,857	15,747
Other revenue	676	431
<b>Total</b>	<b>\$ 99,744</b>	<b>\$ 122,948</b>
Operating and production expenses	\$ 40,574	\$ 34,876
Salaries and benefits	21,139	21,344
Other general and administration costs	1,361	2,321
<b>Total operating expenses excluding finance costs and depreciation</b>	<b>\$ 63,074</b>	<b>\$ 58,541</b>

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

## 15. Commitments:

CDEV's commitments at March 31, 2021 are summarized in the table below and include TMC's purchase of PPE, crude oil transportation and transshipment service arrangements, and CHHC's share of Hibernia Project contractual commitments related to drilling and operations.

	Remainder 2021	2022-2025	Thereafter	Total
Crude oil transportation and transshipment services	\$ 3,790	\$ 13,771	\$ 19,355	\$ 36,916
Hibernia Project contracts	4,821	3,311	3,047	11,179
Pipeline PPE	139,242	-	-	139,242
Forward starting leases	102	1,913	5,175	7,190
Other operating commitments	1,521	1,015	5,536	8,072
<b>Total Commitments</b>	<b>\$ 149,476</b>	<b>\$ 20,010</b>	<b>\$ 33,113</b>	<b>\$ 202,599</b>

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three months ended March 31, 2021

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

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## 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.

There were two judicial review proceedings which commenced at the Supreme Court of B.C. by the Squamish Nation and the City of Vancouver. The petitions alleged a duty and failure to consult or accommodate First Nations, and generally, among other claims, that the Province did not conduct a proper provincial environmental assessment before issuing the provincial Environmental Assessment Certificate ("EAC"). The Squamish and Vancouver judicial review proceedings were heard in October and November 2017, respectively, and on May 24, 2018, the court dismissed both proceedings. Appeals to the B.C. Court of Appeal ("BCCA") were filed by Vancouver and Squamish and were heard together on May 6 to May 8, 2019. The BCCA released its decision on September 17, 2019. The BCCA dismissed the applications to quash the EAC but allowed both appeals for the limited extent of remitting the conditions to the respective provincial Ministers for reconsideration and consequent adjustment in light of the changes the National Energy Board ("NEB", now known as the CER) made to its original report in the reconsideration. The BCCA stated that provincial authority did not extend to "order[ing] assessments that the [NEB] expressly refused to order" and must be limited to conditions within the province's jurisdiction. The Court dismissed all other claims including those related to additional provincial assessment, public consultation, and Indigenous consultation and accommodation. In April 2020, the BC Environmental Assessment Office ("EAO") announced a process for the reconsideration of any consequential adjustments. The EAO is preparing a draft report for the Ministers and has released a draft for public comment. After the public comment period ends, the EAO will prepare a final report for submission to the Ministers for consideration.

## 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 (loss). 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, 2020.

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

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.

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Corporation's trade and other receivables.

- 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 with established credit history and utilizes credit risk mitigation tools when necessary. The marketing agent maintains credit surveillance over all pre-approved 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. The reduction in global crude oil demand resulting from the COVID-19 pandemic and oversupply concerns has resulted in significant decreases in crude oil prices globally and in the Western Canadian Sedimentary Basin. 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, 2021 and December 31, 2020 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, 2021	December 31, 2020
Contracts with pipeline shippers	\$ 25,994	\$ 30,317
Contracts with crude oil customers	11,436	26,468
Hibernia joint arrangement	2,843	2,879
HST/GST input tax credits	24,303	37,353
Other	11,643	17,231
Related party receivable	256	-
<b>Trade and other receivables</b>	<b>\$ 76,475</b>	<b>\$ 114,248</b>
Amount outstanding greater than 90 days	\$ 15	\$ 814

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

The Corporation applies a simplified approach to providing for expected credit losses (“ECLs”), using the lifetime ECLs provision for all trade receivables. To measure the ECLs provision related to trade receivables, the Corporation applies a provision matrix based on the number of days past due. Due to the high credit quality of the Corporation’s counterparties, the ECL provision at March 31, 2021 is insignificant.

The Corporation’s cash and cash equivalents (including those held in escrow and investments held for future abandonment and risk fund) are exposed to investment-grade Canadian banks and financial institutions and the Government of Canada. All cash equivalents and short-term investments are purchased from issuers with a credit rating of R1 High by Dominion Bond Rating Service. Accordingly, the ECLs provision at March 31, 2021 related to cash and cash equivalents and investments is insignificant.

The Corporation realized no actual impairment losses during the three months ended March 31, 2021 or 2020.

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 TMC’s pipeline operations and the competitive position of its 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 significant expenditures in connection with the TMEP, the Corporation will require the continued availability of future financing in order to complete the project.

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

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, 2021 and December 31, 2020:

	Classification	Hierarchy	Carrying amounts		Fair value		
			2021	2020	2021	2020	
<b>Financial assets</b>							
Restricted investments	FVTPL	Level 2	\$ 85,958	\$ 93,986	\$ 85,958	\$ 93,986	
<b>Financial liabilities</b>							
Loans payable	Amortized cost	Level 2	\$9,980,000,	\$9,055,000	\$ 10,514,237	\$ 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.

The carrying amounts of cash and cash equivalents, restricted cash, short term investments, trade and other receivables, investments held for future obligations and trade and other payables are a reasonable approximation of their fair value due to their short term to maturity.

There were no movements between levels in the fair value hierarchy during the period.

## 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, 2021 of \$46,000 (\$61,629 - 2020).

At March 31, 2021, CDEV has a related party receivable from CEEFC of \$256 and payable to CEEFC of \$187 (December 31, 2020 – payable of \$187).



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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, 2021						
	TMC (US GAAP)	IFRS Adjustments	TMC (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	92,956	193,327	(69,674)	520,007
Non-current assets	11,361,611	41,553 <sup>(8)</sup>	11,403,164	326,744	10,305,141	(10,206,344)	11,828,705
	<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>

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## 19. Supplementary information (continued):

	March 31, 2020 (restated note 20)						
	TMC (US GAAP)	IFRS Adjustments	TMC (IFRS)	CHHC	Others	Eliminations	Consolidated
<b>Statement of Comprehensive Income:</b>							
<b>Revenues:</b>							
Transportation revenue	\$ 86,335	\$ 20,435 <sup>(1)</sup>	\$ 106,770				\$ 106,770
Lease revenue	15,747		15,747				15,747
Net crude oil revenue				32,784	\$ -	\$ 2,419	35,203
Other income/ FX	431		431	3,658	1,142	(554)	4,677
	<b>102,513</b>	<b>20,435</b>	<b>122,948</b>	<b>36,442</b>	<b>1,142</b>	<b>1,865</b>	<b>162,397</b>
<b>Expenses:</b>							
Depletion and depreciation	24,368	2,021 <sup>(2)</sup>	26,389	11,336	27		37,752
Operating and production	35,035	(159)	34,876	4,805	-		39,681
Salaries and benefits	19,364	1,980 <sup>(3)</sup>	21,344	443	399		22,186
Other general and admin	4,374	(2,053)	2,321	258	2,400	(37)	4,942
	<b>83,141</b>	<b>1,789</b>	<b>84,930</b>	<b>16,842</b>	<b>2,826</b>	<b>(37)</b>	<b>104,561</b>
<b>Finance Costs:</b>							
Equity AFUDC	33,952	(33,952) <sup>(4)</sup>	-		-		-
Unwind of discount	-	(2,056) <sup>(4)</sup>	(2,056)	(453)	(27)		(2,536)
Net Interest (expense)	(19,990)	(10,622) <sup>(4)</sup>	(30,612)	947	1,048	(8,761)	(37,378)
	<b>13,962</b>	<b>(46,630)</b>	<b>(32,668)</b>	<b>494</b>	<b>1,021</b>	<b>(8,761)</b>	<b>(39,914)</b>
<b>Net income before income taxes</b>	<b>33,334</b>	<b>(27,984)</b>	<b>5,350</b>	<b>20,094</b>	<b>(663)</b>	<b>(999)</b>	<b>17,922</b>
Income taxes (recovery)	8,107	(6,891) <sup>(5)</sup>	1,216	13,686	-		14,902
<b>Net Income</b>	<b>\$ 25,227</b>	<b>(21,093)</b>	<b>\$ 4,134</b>	<b>\$ 6,408</b>	<b>\$ (663)</b>	<b>\$ (999)</b>	<b>\$ 3,020</b>
<b>Other Comprehensive Income</b>	<b>\$ 28,429</b>	<b>\$ 13,691</b> <sup>(6)</sup>	<b>\$ 42,120</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 42,120</b>
<b>Statement of Financial Position:</b>							
<b>Assets:</b>							
Current assets	\$ 221,198	\$ (853) <sup>(7)</sup>	\$ 220,345	\$ 119,166	\$ 152,067	\$ (42,205)	\$ 449,373
Non-current assets	7,513,989	182,035 <sup>(8)</sup>	7,696,024	353,299	6,548,938	(6,483,149)	8,115,112
	<b>\$ 7,735,187</b>	<b>\$ 181,182</b>	<b>\$ 7,916,369</b>	<b>\$ 472,465</b>	<b>\$ 6,701,005</b>	<b>\$ (6,525,354)</b>	<b>\$ 8,564,485</b>
<b>Liabilities</b>							
Current liabilities	\$ 552,648	\$ (20,920)	\$ 531,728	\$ 13,196	\$ 78,159	\$ (42,216)	\$ 580,867
Non-current liabilities	4,248,254	321,422 <sup>(9)</sup>	4,569,676	164,282	6,262,471	(3,367,100)	7,629,329
	<b>\$ 4,800,902</b>	<b>\$ 300,502</b>	<b>\$ 5,101,404</b>	<b>\$ 177,478</b>	<b>\$ 6,340,630</b>	<b>\$ (3,409,316)</b>	<b>\$ 8,210,196</b>
<b>Shareholder's Equity</b>							
	<b>\$ 2,934,285</b>	<b>\$ (119,320)</b> <sup>(10)</sup>	<b>\$ 2,814,965</b>	<b>\$ 294,987</b>	<b>\$ 360,375</b>	<b>\$ (3,116,038)</b>	<b>\$ 354,289</b>
	<b>\$ 7,735,187</b>	<b>\$ 181,182</b>	<b>\$ 7,916,369</b>	<b>\$ 472,465</b>	<b>\$ 6,701,005</b>	<b>\$ (6,525,354)</b>	<b>\$ 8,564,485</b>

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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"). IFRSs 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. There is also higher depreciation under IFRS due to treatment of all leases as finance leases.

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 net 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.

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.

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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 ASC980, 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 \$0.1 million with \$7.4 million being the impact on the Q1 2021 net income and OCI, and the balance due to the adjustments to equity in prior periods.

## 20. Restatement of prior period:

During 2020, the Corporation discovered a historical error in the calculation approach used to determine NPI amounts payable each month by Hibernia Project Owners under the NPI agreements. This calculation error existed prior to CDEV assuming responsibility for administering the NPI agreements in August 2019 and resulted in overpayments by Hibernia Project Owners in prior years. As a result, when CDEV assumed administrative responsibility for the NPI agreements, the NPI Reserve balance was overstated as a result of an obligation to refund the Hibernia Project Owners the overpaid amounts plus interest. Therefore, the March 31, 2020 comparative information for the NPI Reserve balances has been restated to reflect this refund obligation. The following table summarizes the impact on the Corporation's interim condensed consolidated financial statements:

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## 20. Restatement of prior period (continued):

Consolidated Statement of Changes in Shareholder's Equity:

March 31, 2020	Impact of restatement		
	As previously reported	Adjustments	As restated
Net Profits Interest Reserve			
Balance, beginning of period	\$ 826	(35,000)	\$ (34,174)
Balance, end of year	10,411	(35,000)	(24,589)
<b>Total Shareholder's equity</b>	<b>\$ 354,289</b>	<b>\$ (35,000)</b>	<b>\$ 319,289</b>

There was no impact on the Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income or the Consolidated Statement of Cash Flows for the period ended March 31, 2020. The note disclosure impacted by this restatement are notes 9 and 19.