2023 ANNUAL REPORT

CDEV

Canada Development Investment Corporation

Contents

Acting as a bridge between government objectives and the private sector, CDEV brings a commercial discipline to the evaluation, management, and divestiture of assets as well as other initiatives it executes in partnership with the Government of Canada.









Directors and Officers

MINISTER RESPONSIBLE FOR CDEV

The Honourable Chrystia Freeland
Deputy Prime Minister and Minister of Finance

OFFICERS

Elizabeth Wademan, CFA, ICD.D
President and Chief Executive Officer

Al Hamdani, CFA, MBA
Executive Vice President and Chief Business Officer

Carlos Gallardo, CPA, CA, CIP, CRM
Chief Financial Officer

Thomas Chanzy, BA, MSc
Vice President and Head of Communications and Public Affairs

Tess Lofsky, LL.B
General Counsel and Corporate Secretary

Russ Wenman, BSc, PgDL, FCA
Vice President and Head of Execution and Advisory

Zoltan Ambrus MBA, LL.B, CFA, ICD.D [(1)]
Vice President

DIRECTORS

Steve Swaffield, BA, MA, MBA, CEng
Chair of the Board
President, CarbEx Consulting Inc.
Whistler, British Columbia

Dwight Ball
Independent Director
Deer Lake, Newfoundland and Labrador

Alicia Damley, CFA, CPA, CA
Independent Director
Mississauga, Ontario

Jennifer Reynolds, MBA, ICD.D
CEO, Women Corporate Directors Foundation
Toronto, Ontario

Sandra Rosch, MBA, ICD.D
Executive Vice President and Director,
Labrador Iron Ore Royalty Corp.
Toronto, Ontario

Sean Strickland, BA
Executive Director, Canada's Building Trades Union
Waterloo, Ontario

Elizabeth Wademan, CFA, ICD.D
President and Chief Executive Officer,
Canada Development Investment Corporation
Toronto, Ontario

[(1)] Seconded to CEEFC as President and Chief Executive Officer, CEEFC

Message from the Chair

THIS YEAR MARKS MY SIXTH YEAR as the Chair of the Board of Directors of CDEV and it has been a privilege to see this organization evolve and grow the way it did in 2023. It has been a pivotal year on many fronts, as you will read in this report.

I would like to acknowledge that, as a federal Crown corporation, CDEV exercises a mandate across Canada, which is home to many diverse First Nations, Inuit, and Métis Peoples. CDEV operates across our country on unceded Indigenous territories with long and rich traditions. We are committed to reconciliation with Indigenous Peoples and encourage our employees and directors, and all Canadians, to play a role in learning, understanding, and respecting their history, culture, and contributions to this land called Canada.

CDEV continues its commitment to evaluate the practices of its subsidiaries and corporate holdings as they relate to environmental, social and governance matters, known as ESG. CDEV takes its responsibilities to align with the Government of Canada's own ESG objectives seriously, and I invite you to read more about this in the ESG section of this report.

Last year, I noted the appointment of our new President and CEO, Elizabeth Wademan, who joined CDEV in March 2022. Elizabeth has implemented many of the actions underpinning her vision for the organization over 2023, which has been a banner year for CDEV on many fronts under her leadership. After reading this report, you will appreciate how transformational the growth and change were in 2023 for CDEV.

CDEV has evolved to undertake a broader range of activities, to provide a breadth of financial advisory services and expertise to support the country's economic objectives. Today, CDEV has become the entity of choice for critical financial transactions needed to help Canada achieve its goals and maximize the value of the Government of Canada's corporate assets.

In addition to providing financial advice to the Government of Canada on a range of complex financial situations, CDEV has a number of wholly owned subsidiaries that deliver on various government objectives.

The largest and most visible subsidiary is Trans Mountain Corporation ("TMC"). This past year, Trans Mountain celebrated its 70th anniversary in recognition of the delivery of the first shipment of oil from Edmonton, Alberta, to Burnaby, British Columbia. I trust that this coming year we will celebrate the completion of the expansion of the pipeline and start seeing the economic benefits that linking Canadian crude to world markets will bring.

Another source of pride for CDEV is the management of the 8.5% interest in the Hibernia oil field which is located off the shores of Newfoundland and Labrador, through the Canada Hibernia Holding Corporation ("CHHC"). Hibernia has been cash-flow positive since production commenced, and CHHC has not received any federal funding since that time.

CDEV also operates the Canada Enterprise Emergency Funding Corporation ("CEEFC"), which was created in response to the COVID-19 pandemic to help protect Canadian jobs and help large Canadian businesses weather the economic downturn generated by the pandemic. While CEEFC no longer accepts applications for emergency funding since 2022, it continues to monitor its loan portfolio and work with borrowers to ensure that objectives are met.

Finally, CDEV has played a critical role this year in supporting the government in setting up two new Crown corporations, the Canada Growth Fund ("CGF") and the Canada Innovation Corporation ("CIC").

CGF, whose mandate is to help attract private capital to build Canada's clean economy through innovative investment tools, hit the ground running with groundbreaking investments in two Canadian clean energy technology companies in its first six months of operation. The full implementation of the CIC is expected to occur no later than 2026–2027.

This is indeed an exciting time to be part of the CDEV journey. I would like to close my message by recognizing the contributions of the late Bob Wener, who was a valued CDEV Board member who passed away in 2023. His insights and contributions will be missed. This year also marked the end of the term of Carole Malo, who was a valued director, and I thank her for her significant contribution to CDEV. I would also like to welcome Alicia Damley, who joined our Board in December 2023. I have no doubt that her experience will have a lasting impact on our Board to support the mandate of CDEV.

This annual report provides many reasons to look ahead with enthusiasm regarding the future of CDEV and its subsidiaries.

Steve Swaffield
Chair of the Board of Directors

Message from the President and CEO

THIS 2023 ANNUAL REPORT is a great opportunity for me to reflect on what we have been able to achieve as an organization since I joined CDEV almost two years ago.

This has been a transformational year of growth and repositioning of CDEV's value proposition, with a very active and productive year that brought both challenges and opportunities for CDEV and its subsidiaries. In my role as President and CEO of this important organization, I am reminded every day that we have an immense responsibility as we deliver on our national mandate and advance our country's interests for the benefit of all Canadians.

When CDEV was created over forty years ago, its mandate was mostly focused on divestments. But now, CDEV's advisory expertise has gone much deeper and much more diverse. Today, we operate across various sectors and industries, including infrastructure, energy transition, natural resources, and research and innovation. We are a centre of excellence providing complex financial advisory services to the government. In addition to managing and monetizing assets, we identify capital and funding solutions including bridge financing and deal structuring recommendations. We conduct strategic reviews and act as an incubator for new entities aligned to help achieve policy objectives. We also have the key responsibility of managing critical government assets such as Trans Mountain, Canada Enterprise Emergency Funding Corporation, Canada Hibernia Holding Corporation, and Canada Growth Fund. In response to the increased number of mandates given to CDEV, this year has been a year of real growth for our organization.

In last year's annual report, I noted that one of my goals for this year was to focus on CDEV's culture and to be recognized as an employer of choice in attracting talent from both the private and public sectors. I am glad to report that we added significant new talent to our senior leadership team in 2023, bringing a depth of expertise to our Finance, Legal, Communications and Deal Execution areas with four key executive hires. The CDEV team provides talented in-house expertise with a unique set of capabilities and having the talent to deliver on CDEV's role as the government's entity of choice for all large and complex commercial transactions and projects remains a key focus of mine.

In the past year, CDEV has been engaged in a cultural transformation to a high-performing, proactive, and outcome-oriented organization. In addition to attracting new talent, we have formalized a co-op program with leading business schools and established a performance management program to align around corporate objectives. To improve efficiency and a healthy work environment, we moved to more functional offices in Toronto and opened a satellite office in Ottawa, enabling us to increase our reach with our stakeholders, have a more accessible workplace, and maximize our talent value proposition. By developing its internal capacity, CDEV is keenly focused on operational efficiencies to manage and respond to government priorities.

All these steps contribute to the greater professionalization of our operations, and the deepening of our relationship with our public and private sector partners. Acting as a bridge between government objectives and the private sector, CDEV brings a professional business mindset to the government's approach to its commercial and financial operations.

Adding to this already incredibly busy year, CDEV reached a milestone this year in its sustainability journey with the release of its inaugural climate-related financial disclosures report in 2023. This report outlines how CDEV completed a climate change materiality assessment to identify, assess, and prioritize its climate-related risks and opportunities. It is also the first step towards a climate change strategy that identifies opportunities for CDEV to improve the integration of climate change in its business model. As a federal Crown corporation whose mandate includes managing critical assets for the Government of Canada, we take our mission to act in the best interests of Canadians seriously and recognize that climate change is a reality of our business, presenting a spectrum of risks and opportunities for our stakeholders, including our employees, subsidiaries, business partners, as well as the broader Canadian community.

The high level of activity of CDEV this year also reflects the performance of its subsidiaries, which had a productive year.

Trans Mountain celebrated its 70th anniversary this year, marking the positive impact this critical piece of national infrastructure has had for seven decades in the communities it operates in from Edmonton to Burnaby to Washington state. The construction of the expanded pipeline, which will almost triple its capacity, from 300,000 barrels per day to 890,000 barrels per day, was approximately 98% complete in December 2023, with an anticipated in-service date in the second quarter of 2024.

The Trans Mountain Expansion Project has presented a special opportunity to enhance existing relationships with Indigenous Peoples and their communities along the pipeline system corridor, while also opening the door to new relationships along the marine transportation corridor. The dialogue has been invaluable to the expansion planning and to developing understanding between communities and the industry. It has been a tremendous source of employment opportunities for Indigenous peoples. Of the 35,000 people who have worked on the expansion project in total over the years, 10% of them are Indigenous Peoples. Also, the Expansion Project has 69 Mutual Benefit Agreements which provide benefits to 81 Indigenous communities.

The Government of Canada, alongside with CDEV and Trans Mountain Corporation, have always been committed to finding ways for Indigenous communities to share in the economic benefits of Trans Mountain as a step on Canada's reconciliation journey with Indigenous peoples, and we will continue this important work.

Another exciting and proud milestone that CDEV met this year was the launch of the Canada Growth Fund ("CGF"). CGF was formally incorporated as a subsidiary of CDEV in December 2022. CGF is a $15-billion arm's length public investment vehicle that will help attract private capital to build Canada's clean economy by using investment instruments that absorb certain risks in order to encourage private investment in low carbon projects, technologies, businesses, and supply chains. In the 2023 Budget, it was announced that we partnered with PSP Investments, one of Canada's largest pension investment managers, to manage the fund independently and at arm's length from the government.

One of the financial tools CGF is providing to support clean growth projects is carbon contracts for difference, which backstop the future price of carbon and provide predictability to businesses in order to de-risk important emission-reducing projects. The 2023 Fall Economic Statement announced that CGF would be the principal federal entity issuing carbon contracts for difference. CGF allocates up to $7 billion of its current $15 billion in capital to issue all forms of contracts for difference and offtake agreements.

In a short period of time, CGF was able to announce two major investments in 2023. The first one was a $90-million investment in a geothermal energy company, Eavor Technologies Inc. This investment will enable Eavor to scale-up its emissions reducing technology, ensure the company's headquarters and majority of its workforce remain in Canada, securing a Canadian future for a company at the leading-edge of the global clean economy.

The second investment, for $200 million, was made in Entropy Inc., a developer of carbon capture and sequestration (CCS) technology, marking the world's first carbon credit offtake agreement of its kind, and supporting local jobs and growing the company's Canadian-based activities, as per the objectives of the Fund. This unique structure of this investment through carbon credit offtake helps to de-risk and accelerate private investment in CCS technology by establishing carbon price certainty for Canadian projects.

In March 2024, CGF announced its third investment, a $50-million commitment to Idealist Climate Impact Fund LP, a fund managed by Idealist Capital, an investment manager that supports Canadian cleantech companies at the critical commercialization and scale-up phases. This represents CGF's first investment in a cleantech fund, in keeping with its mandate to foster growth and innovation in the Canadian clean technology sector.

We at CDEV are proud to have set up CGF and look forward to future investments that will make a difference for our economy and our environment.

Another source of pride for us at CDEV is the management of the Large Employer Emergency Financing Facility, known as LEEFF, through our subsidiary, the Canada Enterprise Emergency Funding Corporation ("CEEFC"), which helped Canada's large employers to remain solvent during the COVID-19 pandemic and support tens of thousands of working Canadians.

Over $7 billion in committed loan facilities were provided for that purpose, including to reimburse Canadians for flights cancelled during the pandemic. As at December 31, 2023, CEEFC held $2.4 billion in loans outstanding and has no undrawn loan commitments. With the closing of LEEFF to new applications in 2022, CEEFC continued to wind down its portfolio.

Additionally, CEEFC collected approximately $89 million in interest and fees from its borrowers in 2023. The return of capital to the shareholder is an important milestone for CEEFC, and, subsequent to December 31, 2023, CEEFC remitted $330 million to the Government of Canada. CEEFC has incurred no lending losses to date and continues to monitor its portfolio and work with borrowers to ensure the objectives of the LEEFF program are met.

We are very proud of the success of this loan program that helped companies that are still in business today.

The Canada Hibernia Holding Corporation, known as CHHC, is another successful investment for the Government of Canada. CDEV has been managing the Government of Canada's working interests in the Hibernia offshore oil project through CHHC since 1993. Hibernia has been cash-flow positive since production commenced, and CHHC has not received any federal funding since that time. In 2023, CHHC paid dividends of $71 million to the federal treasury. At the end of 2023, CHHC had paid cumulative dividends of $2.58 billion to the federal treasury, along with $772 million in federal income tax, and $351 million in federal Net Profits Interest payments – totaling over $3.7 billion of revenues for the Government of Canada. In addition, Hibernia has an excellent safety, health, and environmental record. Hibernia remains focused on emission reduction opportunities such as reducing flaring and there have been no lost-time incidents since 2020. In summary, Hibernia continues to be a very successful investment for the Government of Canada.

As you can see, the scope of CDEV's operations is growing and touches many sectors critical to the prosperity of our country, including natural resources, energy transition, emergency responses to financial crises, and innovation.

We look forward to continuing to provide financial advisory on a wide range of assignments, including high priority, short-focused and longer-term advisory work as the needs arise for our expertise and financial capabilities.

Being successful at delivering our important mandate for the Government of Canada requires a strong corporate culture focused on outcomes and results. I will continue to be focused on building a high-performing and cohesive team that positions us well to help the federal government achieve its goals and maximize the value of its corporate assets.

In closing, I thank my colleagues at CDEV and in the teams at our subsidiaries for their hard work this year. I am also grateful for the support and guidance from the Board of Directors, which contributed to making 2023 a transformational year for CDEV.

Together, we are focused on the future and prepared to take on other new initiatives based on our renewed strength and unique and deep financial and commercial expertise.

Elizabeth Wademan
President and CEO

CDEV 2023 Highlights

CDEV has become the entity of choice for critical financial transactions needed to help the federal government achieve its goals and maximize the value of its corporate assets.

While CDEV was initially created in 1982 to manage a large portfolio of divestitures, it has evolved to undertake a broader range of activities, seeing its mandate expand to provide a breadth of financial advisory services and expertise to support the country's broader economic objectives.

Acting as a bridge between government objectives and the private sector, CDEV brings a commercial discipline to the evaluation, management, and divestiture of assets as well as other initiatives it executes in partnership with the Government of Canada.

CDEV provides a unique and valuable perspective with deep financial expertise to the country's most complex and diverse commercial transactions.

CORPORATE HIGHLIGHTS

This year, CDEV's corporate highlights include:

- The operationalization of the Canada Growth Fund;
- Our work to position Trans Mountain as a future investment opportunity that will benefit all Canadians, and in particular Indigenous communities;
- Our enhanced value proposition with the addition of key new talent to our team and a renewed focus on operational efficiency; and
- The release of CDEV's first climate-related financial disclosures report.

KEY PILLARS OF EXPERTISE

- Asset Monetization
- Managed Assets
- Capital & Funding Solutions
- Financial Advisory & Strategic Reviews

Key Figures

98%

As of December 31st, 2023, the construction of the Trans Mountain Expansion Project is more than 98% complete.

$446M

TMC generated $446 million in adjusted Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) in 2023.

$338M

CEEFC received $338 million in loan repayments.

$190M

CDEV paid dividends to the Government of $190 million in 2023.

CHHC generated net income after tax of $73 million in 2023 on net crude oil revenue of $140 million. To date, CHHC totaled $3.7 billion of cumulative revenues for the Government of Canada.

Since CDEV incorporated CGF in December 2022, the Fund has already made three investments:

$90M

Investment in Eavor technologies Inc., a geothermal energy company.

$200M

Investment in Entropy Inc., a developer of carbon capture and sequestration technology.

$50M

A $50 million commitment to Idealist Climate Impact Fund LP, a cleantech fund.

Environmental, Social and Governance (ESG) Reporting

Facing continuously growing expectations from society and governments regarding their environment, social and governance ("ESG") performance and practices, organizations across industries, geographies and sizes have been allocating more resources toward improving their reporting on ESG factors.

Federal Crown corporations, like CDEV, are keenly focused on this important area. A major part of ESG growth has been driven by the environmental component of ESG and responses to climate change, but other elements of ESG have also been gaining prominence.

We take our mission to act in the best interest of Canada seriously and we recognize that climate change and other ESG factors are a reality of our business, presenting a spectrum of risks and opportunities for our stakeholders, including our employees, subsidiaries, business partners, as well as the broader Canadian community. That is why we are committed to evaluating the ESG practices of our corporate holdings as part of our business and oversight function, and we strive to ongoingly improve our reporting on ESG matters.

Environment

As a federal Crown corporation whose mandate includes managing critical assets for the Government of Canada, we recognize that the way that we approach climate change factors has a direct link to our success as we support our country's commitment to transition to the low-carbon economy while delivering sustainable growth and prosperity for all Canadians.

We are proud to have released our inaugural climate-related disclosure report in July 2023, based on the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") for CDEV and its subsidiaries. Through this report, we shared our strategy, progress, and ambition in addressing climate-related risks and opportunities—both at the corporate level and within our subsidiaries.

As part of this work, we completed a climate change materiality assessment to identify, assess, and prioritize our climate-related risks and opportunities and we have begun a climate change strategy development process to identify opportunities for CDEV to improve the integration of climate change in our business model.

It is our continued belief that the integration of climate change factors into corporate strategy will support our long-term success as a federal Crown corporation and we are fully committed to helping position Canada as one of the most successful economies where economic growth and sustainability are linked and can play a role together so Canadians can thrive.

To this end, 2023 was a significant year for CDEV as we set up a new subsidiary, the Canada Growth Fund Inc., a $15-billion arm's length public investment vehicle that helps attract private capital in building Canada's clean economy, and already announced two significant announcements to that end. CGF has allocated up to $7 billion of its current $15 billion in capital to issue all forms of contracts for difference and offtake agreements, making it the principal federal entity issuing such innovative contracts.

Social

CDEV engages in proactive employment practices notwithstanding its small team. There is strong gender diversity within its Board of Directors with greater than 50% female representation and Executive Leadership Team with a ⅓ female representation, including its President and CEO. We have invested in professionalizing and modernizing the way human resources are managed, including knowledge management and professional growth through monthly lunch and learn sessions, and increased awareness of diversity and inclusion issues and opportunities. For instance, CDEV marked the National Day for Truth and Reconciliation with an education session on the meaning of Orange Shirt Day. We also released our progress report on our Accessibility Plan and provided training on accessibility-related matters. CDEV will continue to build a diverse and inclusive work environment as we believe that the diversity of backgrounds, skills, experiences, and perspectives of our workforce is key to our success and our ability to attract and retain top talent.

In 2024, CDEV will work with its subsidiaries to ensure that our business operates in accordance with the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, where relevant.

Governance

CDEV's Board of Directors supervises and oversees the conduct of the business and affairs of CDEV. The members of the Board bring significant public and private experience, skills, and expertise to their roles. The Chair of the Board assesses the effectiveness of the Board and its committees with input from all directors. Currently, the Board is formed of individuals who are independent of CDEV management except for the CDEV President and Chief Executive Officer, who is also a member of the CDEV Board as well as a member of select CDEV subsidiary boards.

CDEV's Board annually reviews and approves the Corporate Plan of the Corporation and monitors its implementation over the planning period, evaluating the strategic direction, considering the changing business environment and assignments provided to it. Risks are identified and managed throughout the year. The Board conducts an annual retreat where the directors consider, among other things, the Corporation's strategy.

To assist it in carrying out its stewardship of CDEV, the Board delegates certain matters to committees. In March 2023, the committee structure was revised to three committees: the Nominating and Governance Committee, the Human Resources and Compensation Committee, and the Audit Committee. Workplans are updated annually for each board and committee.

The Nominating and Governance Committee deals with matters related to corporate governance including the appointment of new directors and the CEO, as required. It continues to review CDEV's governance practices in the spirit of continuous improvement and to address new requirements. In addition, this Committee assists in determining the desired composition and structure of the Board and its committees and the boards of directors of CDEV's subsidiaries.

The Human Resources and Compensation Committee assists the Board in matters pertaining to human resources and compensation strategy, policies, and practices, including reviewing and approving executive compensation.

The Audit Committee monitors the integrity of the Corporation's consolidated financial statements and the maintenance of proper controls and accounting procedures of the Corporation and communicates directly with the Corporation's auditors.

The Board has an effective working relationship with CDEV's management. The allocation of responsibilities between the Board and management is reviewed on a regular basis. A Board of Directors' Charter has been adopted which denotes roles and responsibilities, primarily in terms of Board stewardship. The Board reviews and approves the policies of the Corporation.

Effective communication with the Crown and the public is conducted through various publications, such as the board-approved Corporate Plan, Corporate Plan Summary, interim financial reports, the Annual Report, and the Climate-related Financial Disclosure report, as well as through the corporate website, LinkedIn, and an annual public meeting.

As well, meetings are held as required with the Minister of Finance and other officials of the Government of Canada. Compensation paid to directors is set by Order in Council. The Board members receive an annual retainer for their services, plus a per diem for travel time, preparing for and attending meetings and other responsibilities as needed. Directors are also reimbursed for reasonable expenses incurred. CDEV continues to monitor evolving guidance in governance matters and public sector best practices and implement changes in its governance practices as required. To this end, CDEV has made organizational effectiveness a corporate objective of its performance management plan, including the greater use of technology to improve efficiency.

CDEV and each subsidiary other than Canada TMP Finance Ltd. and Canada Eldor Inc. have separate and active boards of directors that meet regularly. The Board of CHHC is composed of directors of CDEV, and the President and CFO of CHHC as an executive director. TMC's Board was appointed by CDEV and is responsible for the oversight of and governance of TMC. CEEFC's Board was similarly appointed by CDEV and is responsible for the oversight and governance of CEEFC. The Board of Canada Growth Fund Inc. was appointed by the CDEV Board in consultation with the Minister of Finance, and now that CGF is active, it is expected that additional members will be appointed in 2024.

Further detail on the ESG practices within our most active subsidiaries Trans Mountain Corporation ("TMC"), Canada Growth Fund Inc. ("CGF"), Canada Hibernia Holding Corporation ("CHHC") and Canada Emergency Enterprise Funding Corporation ("CEEFC") can be found in the sections which follow.

CEEFC's Approach to ESG

ESG is integral to CEEFC's role as overseer of the Large Employer Emergency Funding Facility ("LEEFF"). CEEFC mandated objectives are grounded in public policy priorities, with a focus on supporting Canadian businesses and jobs. CEEFC is overseen by a highly qualified, diverse, and independent Board of directors that adheres to strict standards of governance. We have also achieved significant gender diversity on the CEEFC Board with over 40% female representation. On the environmental front, CEEFC requires that LEEFF borrowers publish an annual climate risk report using the TCFD framework. CEEFC's climate risks were incorporated into CDEV's inaugural TCFD report released in July 2023. They will continue to be incorporated in further reporting.

TMC's Approach to ESG

In 2024, TMC will publish its fourth ESG report sharing the company's ESG performance for the last five years and describing the practices below in more detail.

Environment

TMC has a robust and proactive asset integrity program that includes inline inspections, integrity digs and a control centre that monitors pipeline operations 24/7. To improve its asset monitoring capabilities and expedite its response to potential problems, in 2023 TMC trialed new techniques in the existing pipeline, such as LiDAR technology to monitor ground movement, and installed innovative equipment in the expanded pipeline, such as fibre optic for leak detection and ultrasonic flow meters in pump stations. In case of an incident, TMC has emergency response plans and its own inventory of emergency response equipment, covering the pipeline, pump stations and the Westridge Marine Terminal. Greenhouse gas ("GHG") emissions associated with operating a pipeline are relatively small but are addressed within TMC's Emissions Reduction Plan published in 2022.

As a milestone towards achieving net zero (Scope 1 and Scope 2) emissions by 2050, TMC has committed to reducing 100,000 tonnes of CO_2 by 2030 (from the first year that the expanded pipeline system is fully operational).

For the execution of the Trans Mountain Expansion Project ("TMEP"), TMC uses a variety of leading-edge environmental practices and technologies. TMC has evaluated and sought to minimize impacts on land, water and air as a result of construction activities. TMC works with Indigenous Monitors to incorporate traditional knowledge into construction oversight, and to minimize impacts to traditional land use sites and heritage resources. Since 2016, 252,000 cultural artifacts had been recovered through TMC's archaeological program.

To lessen the impact of construction on terrestrial and aquatic species, TMC has relocated thousands of amphibians, fish, snails and snakes. TMC has also recorded thousands of bird nest monitoring observations to protect migratory birds and their habitats.

Construction of the TMEP will generate emissions. As part of TMC's regulatory approvals, the company has committed to offsetting construction-related emissions (arising from fuel consumption during construction and from land clearing activities). TMC plans to develop and publish a TMEP offset plan once construction is complete.

Climate-related disclosures

TMC provides annual disclosures within its ESG report around the four thematic areas contained in the TCFD framework—governance, risk management, strategy, and metrics and targets. TMC has completed a quantitative climate scenario analysis and shares its detailed results in its annual ESG report. Climate scenarios refers to both climate-related physical scenarios (i.e., models of different chronic and acute changes to the climate) and climate-related transition scenarios (i.e., policy, market and macroeconomic conditions associated with different rates of energy transition). TMC provides climate-related updates to CDEV semi-annually.

PHYSICAL SCENARIOS:

TMC engaged a third-party consultant to conduct a physical risk assessment and produce a report examining the impacts of climate change on twelve pipeline segments (spreads), pumping stations, storage terminals, and the Westridge Marine Terminal. The analysis included three scenarios from the Intergovernmental Panel on Climate Change ("IPCC") covering a range of outcomes.

Storms, droughts and flooding were identified as the most pronounced acute risks and heat stress, water stress and rising sea levels as key chronic risks. Rising sea levels are specific to areas near the Fraser River and at the Westridge Marine Terminal. Physical risks are evaluated and managed in alignment with TMC's asset integrity program.

TRANSITION SCENARIOS AND RESILIENCE:

With the support of a third-party consultant, TMC conducted an energy transition scenario modelling exercise in 2023. In early 2024, TMC updated its modeling assumptions to reflect the most recent versions of the scenarios. TMC combined data from the Canada Energy Regulator's *Canada's Energy Futures 2023* and the International Energy Agency's ("IEA") *Announced Pledges Scenario 2023*. TMC was able to model impacts on pipeline throughput until the year 2045 by constraining supply from the Western Canadian Sedimentary Basin and reducing North American refinery supply runs. Under this specific scenario's conditions, TMC remains resilient, and the expanded pipeline is expected to operate at full capacity until 2045. TMC used the *Announced Pledges Scenario* because it reflects current commitments by governments across the globe (including Canada), it achieves a temperature increase lower than 2° Celsius, and because it is the most stringent transition scenario that still contains the level of data granularity needed to conduct the analysis. At this point, the IEA's *Net Zero by 2050* scenario does not have enough regional data to confidently conduct this type of analysis.

TMC will continue to evaluate a series of regulatory and market-related transition risks. Some of those risks include changes in oil demand, sustained low oil prices, and carbon regulations that can impact shipper customers and access to refineries. TMC's strategic position as the only pipeline system transporting crude oil and refined products to the West Coast with access to a marine terminal provides a unique advantage that supports its resilience under lower oil demand scenarios.

ENTERPRISE RISK MANAGEMENT:

TMC has incorporated physical and transition risks into its Enterprise Risk Management ("ERM") program and findings from the physical and transition risk analysis will further enhance TMC's ERM program. TMC's ERM program monitors and evaluates financial, operational, strategic, and compliance risks. Management critically reviews and updates the risk registry every quarter.

TMC Members of the Board

12	11	2	6
members of the board (total)	independent board members	indigenous board members	board members who are women

Social

TMC endeavours to look for ways it can maximize opportunities for Indigenous people. TMC's goal is that Indigenous communities are in a more sustainable position than when they first engaged with them, and that a positive legacy endures beyond the TMEP. In alignment with the mandate to operate in a manner consistent with Canada's commitment to advance reconciliation with Indigenous Peoples, TMC is working to establish an Indigenous advisory council, and intends to publish a Reconciliation Action Plan in 2024. As an interim step, in 2023, TMC released its 'What We Heard' Report, outlining the themes identified throughout engagement and consultation through 14 engagement sessions involving more than 60 participants.

To promote safe operations and construction, TMC has stringent safety regulations, high expectations of its contractors, and is always working to improve its safety practices. TMC's approach to safety on the TMEP focuses on leadership visibility, hazard identification, awareness around high-risk activities and recognition of positive safety behaviours.

As a federally regulated company, TMC engages in proactive employment practices to increase the representation of four designated groups: women, people with disabilities, Indigenous Peoples and visible minorities. As part of the requirements of the Accessible Canada Act, TMC published its first Accessibility Plan in 2022 and issued its first progress report in 2023, outlining actions taken since the plan was published, new barriers identified and tactics TMC plans to use to reduce these barriers moving forward. In 2023, TMC established a pay equity committee to assist in drafting its pay equity plan, which will identify strategies to close any pay gaps found within the organization.

Governance

TMC's Board of Directors is appointed by CDEV and is composed of 12 members, 11 of whom are considered independent including the Chair. TMC has two Indigenous Board members and six women on the Board. The Board is responsible for the stewardship of the company with overall responsibility to oversee and supervise the management and businesses activities, which include environmental and social matters, while exercising their independent judgment to strengthen management and accountability.

The growing level of threat to cyber security is a risk affecting organizations of all sizes and in all industries; however, resilience to cyber threats is particularly important for companies like TMC that own and operate critical energy infrastructure. In 2023, TMC's cybersecurity team visited several TMC locations to review wireless protocols and provided in-person cybersecurity awareness sessions to employees and contractors. TMC also added to its mandatory training an acceptable use cybersecurity training module focused on the appropriate and safe use of company devices and data.

CGF's Approach to ESG

In Budget 2023, the Government of Canada announced that the Public Sector Pension Investment Board ("PSP Investments") would act as the independent and exclusive investment manager of CGF. As a result, CGF benefits from PSP Investments' deep investment expertise and track record across a broad range of sectors and strategies, a mature and scalable operational ecosystem and a governance framework that is independent and at arm's length from the Government of Canada. Starting in June 2023, dedicated and non-dedicated investment professionals seconded by PSP Investments, including senior leaders, started providing investment management services to CGF under an interim arrangement, allowing CGF to rapidly and successfully deliver its mandate.

Canada Growth Fund Investment Management Inc., the wholly owned subsidiary of PSP Investments that will act as the exclusive and independent investment manager of CGF, will be responsible for integrating environmental, social and governance (ESG) considerations into the CGF investment process and asset management activities. The following criteria for the selection of investments will be applied by investment management teams. These criteria will include:

- **Consistency with goals:** The investment will advance the mandate of CGF.
- **Long-term benefits for Canada:** The investment has a reasonable chance to strengthen the development of Canadian workers and generate knowledge that will produce long-term benefits for the Canadian economy beyond those realized directly by the specific investment in the project or company. For example:
  - **Canadian presence:** activities related to the project or company are done in Canada and may generate widely shared benefits.
  - **Intellectual property:** the activity will enable the development, utilization, or commercialization of Canadian intellectual property.
  - **Value chain creation:** the investment will develop or strengthen Canadian competitiveness by participation in a new or existing value chain.
- **Additionality:** The investment will draw in private sector investment that will not have been secured without the participation of CGF.
- **Financial soundness:** The investment will fit within a portfolio that will target a return of capital and thus a recycling of capital for ongoing contribution to the goals of CGF.
- **Consistency with ESG principles:** The investment will fit within a portfolio that will enable CGF to meet the highest internationally recognized standards of Environment, Social and Governance (ESG) measurement, disclosure, and performance.

Performance reports covering these criteria will be submitted to the government, tabled in Parliament, and made available to the public.

CHHC's Approach to ESG

The Hibernia Development Project ("Hibernia") oilfield off the coast of Newfoundland and Labrador is a joint operation in which CHHC has a minority non-operated working interest of 8.5% in the Hibernia Main field and 5.7% in the Hibernia Southern Extension Unit. The Hibernia offshore operation is operated by Hibernia Management and Development Company Ltd. ("HMDC"). More ESG information can be found at www.hibernia.ca.

Environment

The principles of environmental responsibility and stewardship are integrated throughout the Hibernia organization and are reflected in HMDC's actions and initiatives. HMDC is applying some of the most stringent measures in the industry to prevent oil spills. All production, storage, off-loading and transportation systems have been designed to minimize the likelihood of any oil spill, large or small, and an effective Oil Spill Response Plan has been incorporated into the project's overall emergency response procedures.

CHHC monitors HMDC performance and plans for GHG emissions monitoring strategies through capital projects, technology development and ongoing operations. The platform also has a fugitive emissions reduction program, which has significantly reduced fugitive emissions. HMDC prepares a forecast of platform direct emissions for Hibernia, prepares its GHG reduction plans and addresses the provincial cost of carbon. HMDC is studying various emission reduction projects such as a closed flare system.

The Government of Newfoundland and Labrador's carbon pricing plan took effect on January 1, 2019, and has two key elements:

- A carbon tax applied to combusted fossil fuels across the economy, except where exemptions are provided, at the price of $65/tonne of CO_2 equivalent as of December 31, 2023; and
- A performance-based system for offshore and onshore industries with greenhouse gas reduction targets for large industrial facilities and large-scale electricity generation.

The impact of Government carbon pricing regimes is incorporated into Hibernia business planning activities and budget assumptions.

The Hibernia platform operates on the edge of the Atlantic windstorm area, which is subject to hurricanes and icebergs. The risk of hurricane season is managed by HMDC through a continuous weather tracking service that monitors storm systems in the North Atlantic. The risk of floating icebergs causing damage to the platform is mitigated through the robust design of the platform and a continuous iceberg monitoring and management system.

CHHC is working to align with the reporting principles and metrics in the TCFD framework, for example, assessing physical and transition risks and tracking Hibernia facility GHG emissions.

Social

Safety has been, and continues to be, an integral part of the way Hibernia conducts its business. Lessons learned from other offshore developments have been incorporated into the design and operability of the Hibernia production facilities. Safety is an expectation in every decision made by all personnel working at Hibernia.

It is the ongoing responsibility of HMDC to oversee the implementation and execution of the Hibernia Project Inclusion and Diversity Plan. HMDC's approach to achieving success in inclusion and diversity takes a long-term view and focuses on sustainability following implementation. The plan details the types of initiatives required to support meaningful, long-term employment for members of designated groups with a focus on business access for members of designated groups.

Despite its small size, CHHC is committed to fostering a diverse and inclusive workforce and will continue to promote representation of women, indigenous people, persons with disabilities and members of racialized groups.

Governance

CHHC management participates in the various HMDC committees which have collective oversight over the Hibernia operation, including management committee meetings and meetings of the Safety, Security, Health and Environmental Committee.

Management Discussion and Analysis of Results

The public communications of Canada Development Investment Corporation ("CDEV"), including this annual 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. Management draws attention to the going concern discussion below under the financial statements discussion and note 2 of the 2023 consolidated financial statements.

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.

CDEV has a management team based in Toronto headed by its President and CEO who was appointed for a five-year term beginning on March 28, 2022. Management works closely with the management of its subsidiaries, legal counsel, external consultants, contractor specialists and its Board of Directors to ensure the effective functioning of CDEV and its subsidiaries.

CDEV's roles in recent years include the purchase and ongoing management of the Trans Mountain Pipeline, the $500 million sale of Ridley Terminals, and the establishment and operation of the Large Employer Emergency Financing Facility (LEEFF) program which has provided over $7 billion in structured bridge financing to large Canadian companies across various sectors who were impacted by the COVID-19 epidemic. Most recently CDEV has been active in an advisory capacity by incubating new entities aligned to help achieve policy objectives such as, the Canada Innovation Corporation and the Canada Growth Fund.

In addition to providing financial advisory to the Government on a range of complex financial situations, CDEV has the following wholly owned subsidiaries for which we are responsible:

Canada Hibernia Holding Corporation ("CHHC"), which owns and manages the federal Government's interests in the Hibernia Development Project ("Hibernia"). CHHC has a management team, led by a President based in Calgary, which is experienced in the oil industry and provides expertise in technical operations, marketing, transportation and finance.

Canada Eldor Inc. ("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.

Canada TMP Finance Limited's ("TMP Finance") primary responsibility is to provide financing to its subsidiary, *Trans Mountain Corporation ("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. TMC has a corporate structure with approximately 500 employees led by a seasoned executive team and a new CEO appointed in 2022.

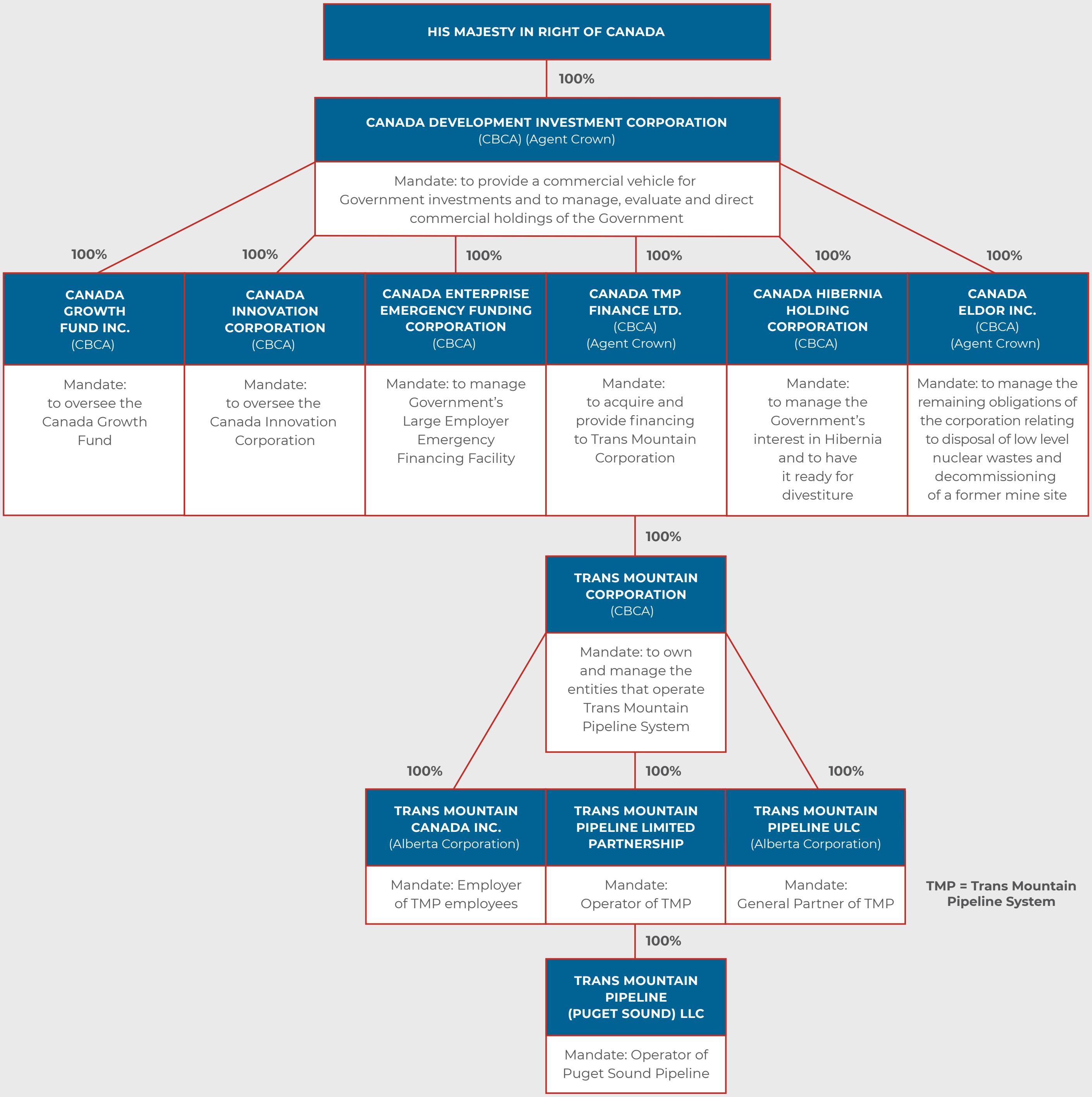
Canada Enterprise Emergency Funding Corporation ("CEEFC") is managing the Large Employer Emergency Financing Facility ("LEEFF") program designed to provide bridge financing to Canada's largest employers. CEEFC is led by a President and CEO. Employees of CDEV provide management services to CEEFC through a services agreement, along with external legal and financial advisors. The financial results for CEEFC have not been included in CDEV's consolidated results as discussed in note 4(c) of the consolidated financial statements. For CEEFC's annual report for the period ending December 31, 2023, please see www.ceefc-cfuec.ca.

Canada Growth Fund Inc. ("CGF") was incorporated on December 13, 2022, with the mandate to make investments that catalyze substantial private sector investment in Canadian businesses and projects to help transform and grow Canada's economy at speed and scale on the path to net-zero. In 2023, CDEV and CGF started negotiating an Investment Management Agreement ("IMA") with the Public Sector Pension Investment Board ("PSP Investments") and a new subsidiary of PSP, Canada Growth Fund Investment Management Inc. ("CGFIM"), formalizing the structure whereby CGFIM will act as an independent investment manager for all activities of CGF. The IMA is expected to be executed in early 2024. In the meantime, PSP Investments seconded staff to CGF to kick-off investment activities under an interim Memorandum of Understanding ("MoU"), allowing CGF to rapidly and successfully deliver its mandate. The financial results for CGF have not been included in CDEV's consolidated results as discussed in note 4(c) of the consolidated financial statements.

Canada Innovation Corporation ("CIC"), was incorporated in February 2023, with the mandate to help to maximize business investment in research and development across all sectors and in all regions of Canada to promote innovation-driven economic growth. An interim CIC team was established to build up the Corporation's internal capabilities and processes. The government of Canada announced in December 2023 that the full implementation of this new entity is now scheduled for no later than 2026–2027.

CDEV is also directly responsible for receiving payments related to the Net Profits Interest and Incidental Net Profits Interest agreements (collectively, "NPI") from the owners of the Hibernia offshore oil project, and all its related obligations pursuant to a Memorandum of Understanding with Natural Resources Canada.

Since CDEV's inception in 1982, we have been effective in the management and divestiture of corporate interests of the Crown. The assets sold on behalf of the Crown by CDEV through 2017 include Canadair Limited, de Havilland Aircraft of Canada Limited, Teleglobe Canada, Fishery Products International Limited, Canada Development Corporation, Nordion International Inc., Telesat Canada, shares of Cameco Corporation, interests in Chrysler and common and preferred shares of General Motors. In 2019, acting as agent for the Government, CDEV closed the sale of Ridley Terminals Inc. a federal Crown corporation. Cumulative cash proceeds to the Crown from these divestment activities totaled approximately $8.5 billion through 2023. In addition, CHHC has paid a total of $2.6 billion in cumulative dividends from operations. CDEV has received over $785 million in NPI receipts since September 2019, excluding receipts from CHHC.



HIS MAJESTY IN RIGHT OF CANADA
100%
CANADA DEVELOPMENT INVESTMENT CORPORATION (CBCA) (Agent Crown)
Mandate: to provide a commercial vehicle for Government investments and to manage, evaluate and direct commercial holdings of the Government
100%
CANADA GROWTH FUND INC. (CBCA)
Mandate: to oversee the Canada Growth Fund
100%
CANADA INNOVATION CORPORATION (CBCA)
Mandate: to oversee the Canada Innovation Corporation
100%
CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION (CBCA)
Mandate: to manage Government's Large Employer Emergency Financing Facility
100%
CANADA TMP FINANCE LTD. (CBCA) (Agent Crown)
Mandate: to acquire and provide financing to Trans Mountain Corporation
100%
CANADA HIBERNIA HOLDING CORPORATION (CBCA)
Mandate: to manage the Government's interest in Hibernia and to have it ready for divestiture
100%
CANADA ELDOR INC. (CBCA) (Agent Crown)
Mandate: to manage the remaining obligations of the corporation relating to disposal of low level nuclear wastes and decommissioning of a former mine site
100%
TRANS MOUNTAIN CORPORATION (CBCA)
Mandate: to own and manage the entities that operate Trans Mountain Pipeline System
100%
TRANS MOUNTAIN CANADA INC. (Alberta Corporation)
Mandate: Employer of TMP employees
100%
TRANS MOUNTAIN PIPELINE LIMITED PARTNERSHIP
Mandate: Operator of TMP
100%
TRANS MOUNTAIN PIPELINE ULC (Alberta Corporation)
Mandate: General Partner of TMP
TMP = Trans Mountain Pipeline System
100%
TRANS MOUNTAIN PIPELINE (PUGET SOUND) LLC
Mandate: Operator of Puget Sound Pipeline

CORPORATE PERFORMANCE

Key Objectives from the 2023 Corporate Plan:

- Oversee, monitor, and provide strategic support of TMC operations and the development of its expansion project.
- Support TMC's access to alternative financing arrangements to help it execute its expansion project.
- Manage our working interest in the Hibernia oil field through our subsidiary CHHC and ensure that this asset is ready for sale when deemed appropriate.
- Continue to oversee the management of CEI's obligations.
- Continue to manage the LEEFF program through CEEFC.
- Assist the government in standing up new companies.
- Continue to manage responsibilities related to the assignment of the NPI/INPI to CDEV including any audit functions and receipt of any NPI/INPI proceeds from Hibernia owners.
- Continue to manage other issues which may arise and to remain prepared to assume management and divestiture of any other interests of Canada assigned to us for divestiture, in a commercial manner.
- Provide financial advisory and expertise as needed on a range of commercial assignments.

PERFORMANCE

We and our subsidiaries continue to manage our investments and obligations as detailed below:

Canada Development Investment Corporation

In 2023, CDEV continued to manage the Government's LEEFF program through its CEEFC subsidiary.

In 2023, CDEV management continued to work on its mandate for TMC, including: to pursue the Trans Mountain expansion project to protect the Government's investment, to ensure compliance with applicable laws and rules, and to operate in a manner consistent with Canada's commitment to advance reconciliation with Indigenous peoples. CDEV worked with external experts to evaluate the expansion project and provide assurance activities related to the project to ensure it protects and enhances the interests of Canadians. During the year CDEV assisted TMC in attaining a further $9 billion in financing from a syndicate of Canadian banks to provide funds to continue construction of the TMEP. CDEV continues to work closely with TMC, the Government, and banks to provide the required financing to complete the TMEP in 2024. In December 2023 TMC increased its borrowing facility to $18 billion.

CDEV, in its role as the entity responsible for administrating the NPI and INPI, has calculated the net NPI and INPI revenues collected in the year ending December 31, 2023. The table below shows the calculation of these amounts, including the amounts received from CHHC:

	2023	2022
Total NPI/INPI collected by CDEV	**$ 201,233,994**	$ 287,537,344
Less: refunds/provisions for overpayments by Hibernia project owners	**(5,000,000)**	(5,982,370)
Gross NPI/INPI	**196,233,994**	281,554,974
Less: administrative expenses incurred	**(2,448,276)**	(1,388,946)
Net NPI/INPI	**$ 193,785,718**	$ 280,166,028

CDEV paid dividends of $190 million in 2023. $158 million of the dividends were funded by NPI receipts with the remainder from $12 million related to NPI paid by CHHC and $20 million having been paid out of the $71 million of dividends received in 2023 from CHHC. CDEV retains 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 year ended December 31, 2023, TMC generated $778 million in revenue and $446 million in earnings before interest, taxes, depreciation and amortization, and goodwill impairment ("Adjusted EBITDA"). In the comparative period TMC generated $705 million in revenue and $415 million in EBITDA. Revenue increased mainly due to a $62 million increase in transportation revenue due to increased throughput, including deliveries to the Westridge dock, which attracted higher tariffs; and recontracted Firm 50 contracts which included higher premiums for firm capacity. We note that under TMC's continuing use of US GAAP, revenue and Adjusted EBITDA were $522 million and $189 million respectively compared to $478 million and $187 million in the comparative period. For details see note 30 of the consolidated financial statements.

Capital expenditures for the year ended December 31, 2023, were slightly lower than the comparative period, with significant construction activity on the TMEP as the project begins to finish off spreads and prepare for construction completion. In 2023 TMC spent approximately $8.45 billion on the TMEP, excluding financing costs, in addition to the previous $17.96 billion spent through to December 2022 under CDEV ownership. As of December 31, 2023, construction of the TMEP is approximately 98% complete. In 2023, TMC reached peak construction for the TMEP, with thousands of people working at hundreds of sites across Alberta and British Columbia. Mechanical completion and commercial service of the TMEP are anticipated to occur in the second quarter of 2024.

TMC has filed claims for recoveries of costs incurred related to the 2021 British Columbia floods under its insurance policies. During 2023, insurance recoveries of $58 million were recognized related to the flood, of which $37 million (2022- $30 million of which $27 million) was related to the recovery of capital costs.

In 2023, a goodwill impairment loss of $1.0 billion was recognized for the full carrying value of goodwill. This Goodwill was related to the acquisition of the Trans Mountain pipeline ("TMPL") and the Puget Pipeline on August 31, 2018. For further details see note 13 of the consolidated financial statements at December 31, 2023.

In November 2023, TMC amended and restated its Syndicated Facility for a total of $18.0 billion with a syndicate of lenders. The facility allows TMC to request certain extension terms up to August 31, 2025 and includes a guarantee provided by the Government of Canada with associated fees.

For further details please see the TMC 2023 financial and management reports at www.transmountain.com.

Canada TMP Finance Limited

Canada TMP Finance Limited is the parent of TMC and its entities. Until Q1 2022, TMP Finance provided funding to TMC to fund its expansion project capital expenditures 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 ("EDC"), a federal Crown corporation. Certain regulatory financial requirements of TMC are also provided by TMP Finance to TMC through an undrawn credit facility with the Canada Account.

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.

Upon receipt of external financing, the Corporation repaid all amounts advanced after February 18, 2022, by EDC to TMP of $1.6 billion, including interest, on May 2, 2022. After an amendment to the credit facilities, there are no other required payments on the Canada Account borrowings until maturity with all interest charges paid in kind and added to the principal of the loan.

Canada Hibernia Holding Corporation

CHHC's after-tax income of $73 million in 2023 was lower than the $112 million recorded in 2022. Net crude oil revenue (crude oil sales less royalties and NPI) decreased by 29% or $57 million to $140 million in 2023 from $197 million in 2022. On consolidation, net crude oil revenue for 2023 was $155 million (2022-$223 million) due to the elimination of NPI payments made to CDEV. A $113 million or 36% decrease in crude oil sales was due to a 22% decline in sales volume combined with an 18% decrease in average realized oil price. Gross Hibernia production averaged 68,000 barrels per day in 2023, 9% lower than 2022 due to natural production declines and higher unscheduled downtime.

CHHC sells its oil based on the Dated Brent benchmark price for crude oil, in US dollars. The average price of Dated Brent crude decreased by 18% to average US $82.59 per barrel in 2023, from US $101.20 per barrel in 2022. During 2023, capital investment was $23 million and was focused on drilling activities. Drilling recommenced in December 2022 following a two-year drilling shutdown for rig 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. In 2023, the liability for site restoration decreased by $0.9 million due to the settlement of obligations partly offset by an increase in the provision estimate. A plan is in place that should allow for the transfer of the remaining mine site properties to the Institutional Control Program within two years. CEI holds cash and cash equivalents plus funds within the Consolidated Revenue Fund totaling $11 million to pay for CEI's total estimated liabilities of $4 million.

Canada Enterprise Emergency Funding Corporation

Since March 2020, management of CDEV has administered the implementation of the LEEFF program on behalf of the Government through CEEFC, including the retention of financial and legal advisors. On May 20, 2020, CEEFC and CDEV received a mandate letter and term sheet from the Minister of Finance detailing the objective for LEEFF to help protect Canadian jobs, help Canadian businesses weather the related economic downturn and avoid bankruptcies of otherwise viable firms where possible. Since July, 2022, CEEFC is no longer accepting new LEEFF applications.

CEEFC is financed through preferred shares issued directly to the Government in addition to any interest income received. On June 18, 2020, CEEFC entered into a Funding Agreement with His Majesty in Right of Canada, as represented by the Minister of Finance, to provide financing to CEEFC by way of subscription for preference shares of CEEFC for the administration and implementation of the program. To date, CEEFC has received $3.1 billion through the issuance of 3.09 million Class A preferred shares pursuant to the Funding Agreement. Subsequent to December 31, 2023, CEEFC obtained approval from the Board of CEEFC to redeem $330 million of the preference shares from the Government of Canada.

As discussed in note 4(c) of the consolidated financial statements, 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:

($ Millions)	2020	2021	2022	2023	Total to December 31, 2023
Loan commitments made	320	7,108	193	-	7,621
Loans funded	110	2,588	405	-	3,103
Equity Investments[1]	-	500	-	-	500
Loan Principal Repayments		380	35	**338**	753
Preferred shares issued	200	2,890	-	-	3,090

[1]As part of a financing agreement with Air Canada, CEEFC purchased $500 million worth of Air Canada Class B Voting shares.

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 2023 Annual Report* at www.ceefc-cfuec.ca.

CGF

CDEV, through the CGF Board, ensures oversight and compliance, but is not directly involved in CGF's investment activities. In October 2023, CGF announced a $90 million investment in Eavor Technologies Inc. ("Eavor"), a Canadian geothermal energy company that has developed an innovative technology solution to produce clean, reliable baseload heat and power using a proprietary closed loop geothermal system. CGF's investment takes the form of a direct commitment of $90 million of Series B preferred equity in Eavor, which will allow the company to scale up its business while retaining intellectual property and creating jobs in Canada. CGF issues preferred shares to the government to fund its investments. On November 16, 2023, CGF issued $115 million in preferred shares to fund CGF's first investment and start-up costs. CGF issued a further $175 million in preferred shares on December 22, 2023.

In December 2023, CGF announced an investment in Entropy Inc. ("Entropy), a Calgary-based developer of technologically advanced carbon capture and sequestration ("CCS") projects with the potential to significantly reduce carbon emissions in Canada and worldwide. CGF has agreed to a $200 million investment in Entropy coupled with a fixed-price carbon credit purchase agreement ("Carbon Credit Offtake Commitment" or "CCO") of up to one million tonnes per annum [for 15 years].

CGF prepares its financial statements using International Financial Reporting Standards (IFRS). Costs incurred by CDEV related to CGF have been recovered from CGF. For details on the financial and operating results of CGF please see the CGF 2023 Financial Statements and MD&A at www.cgf-fcc.ca. As discussed in note 4(c) of the consolidated financial statements, CGF has not been consolidated within CDEV at December 31, 2023 as CDEV is not deemed to have control over CGF based on the criteria outlined in IFRS 10.

SUMMARY OF 2023 OPERATIONAL METRICS

$ Millions (unless noted otherwise)	2023 Plan	2023 Actual	2022 Actual	Actual Y/Y Change**	Explanation of changes Year/ Year or to Plan
TMC throughput (K bpd)	311	348	323	8%	Increase due to reduced throughput in early 2022 due to 2021 flooding events as well as higher demand at Washington refineries in 2023 and lighter commodity mix compared to plan.
TMC EBITDA (IFRS)	366	446	415	7%	Increase in IFRS EBITDA primarily due to a $62 million increase in transportation revenue due to increased throughput and recontracted Firm 50 receipts which is recognized as revenue under IFRS but offset to project costs under US GAAP. Also impacted by higher tariffs.
TMEP Capital Expenditures excluding capitalized interest (IFRS)	7,217	8,446	8,661	(2%)	Construction activity on the TMEP began to finish across various spreads as TMC approaches construction completion
Net crude oil revenue (deducting all NPI paid by CHHC)	166	140	197	(29%)	2023 actual revenue affected by a 22% decrease in sales volumes combined with a 18% decrease in average realized oil price.
Oil Sales Volume (million barrels)	2.12	1.8	2.3	(22%)	Lower sales volume due to natural production declines and higher unscheduled downtime.
Realized Oil Sale Price ($US/barrel)	90.00	83.30	105.69	(21%)	World oil prices decreased in 2023 due to market forces.
Oil Capital Expenditures	29.4	22.8	11.9	92%	Increase due to restart in new drilling activity in December 2022.
Professional Fees and Administration Expenses (ex. TMC, CHHC)*	35	22	15	47%	2023 actual costs increased due to higher salaries due to new hires and higher project costs.

* Includes professional fees, salaries and benefits and other expenses.
** Percentages may differ due to rounding.

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. The market and economic conditions of the oil and petroleum products business do not have a significant impact on the operations of TMC since the transportation revenue is derived from tolls set by a regulator and shipper volumes are expected to be fairly constant and limited by pipeline capacity for the near term and are not expected to vary significantly based on economic conditions. TMC operating expenses do not vary significantly based on market or economic conditions. The majority of costs are recovered through current and future tolls. The external business environment for the construction of the TMEP is unpredictable with a number of potential difficulties which may have significant impact on the completion schedule and cost of the project including the attainment of regulatory and permit approvals on a timely basis, and the challenging terrain which the expansion project must traverse. The detailed development schedule and cost estimate developed by TMC management addresses some of these impacts and the construction progress made throughout 2023 reduces some of the uncertainties associated with construction completion. The syndicated loans payable have variable interest rates and are impacted by economic conditions that may affect interest rates.

CHHC derives its cash flow exclusively from the Hibernia project assets and operations, including Hibernia oil production and facilities use. Cash flow fluctuates depending on oil production volumes, crude oil prices (including any premium or discount for Hibernia crude), the USD/CAD exchange rate, royalty and Net Profits Interest burden, operating and transportation costs, income tax rates, and capital expenditure levels. CHHC is also a party to operating, royalty and other agreements, and is affected by regulatory changes under the Canada-Newfoundland and Labrador Offshore Petroleum Board and other regulators.

CDEV receives funds from the Net Profits Interest in Hibernia. These will vary significantly based upon oil prices, production levels and the capital expenditure on the project. CEI will be affected by ongoing changes in the regulatory requirements and fees of the Canadian Nuclear Safety Commission and the Government of Saskatchewan.

The impact of changing climatic conditions may have a material adverse effect on CHHC's and TMC's future financial results. The Corporation continues to monitor significant world events and how these may impact its operations. For more details on the Corporation's Environmental, Social and Governance activities please see the relevant section within the annual report.

RISKS AND CONTINGENCIES

The development of the TMEP has faced various legal and regulatory challenges. The Trans Mountain pipeline operated at full capacity throughout 2023 and 2022 other than a shut down of the operating pipeline for 21 days, followed by 40 days at reduced capacity, due to the November 2021 floods in British Columbia which also impacted construction of the expansion in several areas.

The risks inherent to the operation of an oil pipeline include operating risks typical in the industry such as worker and other safety and security risks, physical pipeline and facility integrity, and environmental management. TMC has an established operational risk management process which adheres to Canada Energy Regulator standards and scrutiny. The risks related to TMEP development are discussed in the notes to the consolidated financial statements. There continues to be risks inherent in such a large project which may impact financial returns and the timing of future cash flows.

TMP Finance is a borrower of almost $17 billion which creates financial risk for CDEV. As the loans are from the Government, this risk is assessed as low. TMC is also a borrower of over $16 billion from commercial banks. This debt is guaranteed by the Government which reduces the financial risk to CDEV. At year-end 2023 and 2022, there is a refinancing risk as TMC does not have financing in place to complete the TMEP (see note 28(b) of the consolidated financial statements). Completion of the TMEP will require significant capital expenditures, and TMC will require the continued and increasing availability of financing to complete the project. The outcome of the CER's consideration of the Application for Interim Commencement Date Tolls may have future impacts on TMC's cash flows. 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. TMC's future operating cash flow may not be adequate to service its debt, particularly prior to the in-service date of the TMEP.

As with any oil development project, CHHC's interest in the Hibernia project faces geological, drilling and production risks. The operator of the project maintains high standards in all aspects of the operation including safety, efficiency, and environmental protection. CHHC employs prudent risk management practices in consultation with the operator and maintains suitable insurance coverage that it regards as economically sound. Another significant risk to CHHC's earnings and cash flow is the change in crude oil prices which can fluctuate due to global economic events and conditions. A $1.00 per barrel change in the price of oil realized by CHHC is estimated to impact its earnings before tax by $1.2 million ($1.4 million in 2022). CHHC does not engage in crude oil hedging activities. Given the relatively low cost of production, CHHC is easily able to meet its obligations.

The present value of CHHC's share of decommissioning and abandonment of the Hibernia wells and facilities of $124 million is estimated based on known regulations, procedures and costs today for undertaking the decommissioning, the majority of which is projected to be incurred in the year 2048. It is possible that these costs may change materially before decommissioning due to regulatory changes, technological changes and inflation among other variables. CHHC has set aside funds totaling $174 million ($108 million deposited in the Consolidated Revenue Fund, and $19 million in low-risk investments and $47 million in cash) to specifically provide for the future decommissioning and abandonment costs which are estimated at $224 million. The present value cost for decommissioning and abandonment of the TMC pipeline of $522 million is estimated based on the current expected costs to abandon the pipeline at the end of its economic life in 95 years. There is significant variability in this cost estimate and in determining the economic life of the asset. TMC retains restricted investments deposited in a trust specifically set up to fund future abandonment activities.

The revenues of CHHC are impacted by foreign exchange fluctuations as CHHC's crude oil sales are priced in US dollars. The USD/CAD exchange rate averaged 1.35 in 2023 compared to 1.30 in 2022 which had a positive year-over-year impact on CHHC's Canadian dollar realized oil sales.

CHHC bears credit risks on relatively large cargo sales. CHHC deals primarily with purchasers with established credit history and utilizes credit risk mitigation tools when necessary. TMC bears credit risk with its customers. The terms of TMPL's tariff allow it to require potential customers to provide reasonable financial assurance, which greatly mitigates TMC's exposure to credit risk. There exists some concentration risk where two customers represent approximately 30% of consolidated invoiced revenues, however both have investment grade credit ratings.

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 (thousand) as discussed in note 4(c) of the consolidated financial statements.

CEI is subject to liabilities due to its undertakings to Cameco as part of a 1988 Purchase and Sale agreement. The $3 million provision determined for mine site restoration is based on estimates for expected restoration and monitoring work over a three-year period. The actual costs may vary materially due to changes in inflation, changes in cost estimates in a difficult northern environment and changes in regulatory requirements.

CDEV operations face other risks including those related to a small management team, reputational risks, and information technology risks. Management regularly evaluates these risks in the fulfillment of the activities it undertakes to satisfy the mandates it is given.

The contingencies disclosed in our consolidated financial statements have been analyzed by management and our legal counsel. Management believes that the probable resolutions will be favourable to CDEV and its subsidiaries.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

The consolidated financial statements for the year ended December 31, 2023, with comparative figures for 2022, have been prepared in accordance with International Financial Reporting Standards (IFRS) and on a going concern basis. As described in note 2 of the consolidated financial statements, there is material uncertainty that casts significant doubt as to the Corporation's ability to continue as a going concern. Efforts are under way to resolve the going concern issue through negotiations with potential lenders and the Government to secure the required financing that allows the Corporation to service its existing debt and fund future capital expenditures to complete the TMEP.

TMC prepares its consolidated financial statements in accordance with US GAAP. To read the US GAAP 2023 TMC consolidated financial statements please go to www.transmountain.com. US GAAP is the typical accounting method used by TMC's Canadian peer rate-regulated companies. Note 30 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 include:

- Under US GAAP TMC recognizes revenue ratably over time based on TMC's annual revenue requirement, whereas IFRS recognizes revenue based on volume shipped. The IFRS adjustment related to differences in timing of revenue recognition for 2023 increased revenue by $208 million. This included an IFRS adjustment of $184 million to recognize Firm 50 commitment receipts. There was also a $37 million IFRS adjustment to other income related to flood insurance proceeds which were recognized as a recovery of capital costs on rate-regulated assets.
- There was a difference in the goodwill carrying value primarily related to treatment of decommissioning liabilities recorded on acquisition under IFRS but not recognized under US GAAP. The full carrying value of goodwill was impaired under both US GAAP and IFRS.
- Under US GAAP TMC recognizes an Allowance for Funds Used During Construction ("AFUDC") where a regulated return on capital and regulated amounts of debt interest are added to the total cost of an asset under construction. Capital return is added to income and capitalized debt interest reduces interest cost. Under IFRS no AFUDC for capital return is added to the asset value nor income and only actual debt interest incurred can be capitalized. The IFRS adjustments to AFUDC and interest in 2023 increased net finance costs by $811 million before the capitalization of interest by TMP Finance.
- IFRS requires that a provision for decommissioning obligations be recognized. Under US GAAP such an obligation is not required to be recognized because of the significant uncertainty as to the timing and scope of cash outflows.

Consolidated revenue for the year ended December 31, 2023 was $901 million, compared to revenue of $905 million in the prior year. The decrease is primarily due to lower net crude oil revenue and partly offset by higher transportation revenue. Net crude oil revenue decreased by $69 million in the current year largely due to a 22% decrease in sales volume combined with an 18% decrease in average realized oil prices. TMC transportation revenues rose by $62 million due to higher Firm 50 receipts which under IFRS are recorded as revenue, and higher pipeline volume as well as higher tariffs compared to the prior year. Insurance proceeds of $37 million as part of other income was recognized in 2023 (2022 - $27million) related to the BC flooding in 2021.

Total expenses for the year excluding finance costs were $1,541 million, compared to $469 million in the prior year. The increase was mainly driven by the goodwill impairment of $1.0 billion. There were also higher pipeline operating expenses of $15 million and higher TMC salaries and benefits of $20 million. The increase in pipeline operating expenses and salary and benefits of TMC is largely due to higher environmental remediation costs, from legacy site cleanup work, as well as increased power, asset integrity, security and insurance costs. Professional fees in 2023 increased by $1 million primarily due to higher consulting fees for new projects at CDEV.

We recorded interest expense of $213 million for the year, higher than $155 million in 2022. The increase is primarily due to an increase in gross interest costs of $681 million, offset by a decrease in guarantee fees of $11 million and an increase in capitalized interest deduction of $615 million.

We recorded a loss before income taxes of $787 million in 2023 compared to a profit of $325 million in the prior year due to a decrease in revenue of $4 million, an increase in finance expenses of $40 million, and an increase in expenses of $1,072 million largely related to the goodwill impairment.

Income tax expense for the year ended December 31, 2023 decreased by $6 million due to lower pre-tax income for CHHC. The average effective tax rate for the Corporation is impacted by the non-deductible expenses of its non-taxable entities, primarily the loan interest costs incurred by TMP.

Cash and cash equivalents together with short-term investments as at December 31, 2023 increased to $385 million compared to $342 million at December 31, 2022. Cash capital expenditures of $9.3 billion related to the TMEP were offset by cash increase from net borrowings of $8.9 billion in the year. Operating cash flows in the period were $426 million, primarily generated by CHHC and TMC. Net NPI receipts of $185 million were offset by dividends paid of $190 million. See the statement of cash flows.

Accounts receivable of $174 million at December 31, 2023 increased by $13 million, primarily due to a $27 million increase for TMC mainly due to insurance proceeds receivable, partly offset by an $11 million decrease for CHHC.

Property, plant and equipment increased by $9.9 billion primarily due to $9.7 billion in TMEP capital expenditures, net of depletion and depreciation of $0.1 billion. Right-of-use assets decreased by $22 million largely due to TMC depreciation of leases related to the TMEP.

Trade and other payables decreased by $115 million primarily due to a decrease in trade payables and accrued liabilities of TMC primarily due to lower capital accruals.

Current loans payable decreased by $7.2 billion due to the amendment of the syndicated loan facility to a two-year term debt. Long-term loans payable increased by $16.8 billion due to the syndicated loan facility of $7.2 billion reclassed to long-term and draws on the syndicated facility of $8.9 billion, plus additional debt costs of $0.9 billion. The addition of paid in kind interest was $0.8 billion. The draws were made to fund construction of the TMEP.

Deferred income tax liability increased by $71 million due to increases in TMC deferred taxes related to temporary differences on TMEP spend. Non-current provision for decommissioning obligations increased by $139 million primarily due to an $11 million increase in discount rates estimates, and a $116 million increase due to a decrease in discount rates.

Management Responsibility for Financial Statements

The accompanying consolidated financial statements of Canada Development Investment Corporation ("CDEV") are the responsibility of management and were authorized for issue by the Board of Directors on March 19, 2024. The consolidated financial statements have been prepared by the Corporation in accordance with International Financial Reporting Standards. The financial statements of the Corporation's subsidiaries for which it has responsibility have been consolidated with those of the Corporation, excluding Canada Enterprise Emergency Funding Corporation and the Canada Growth Fund Inc., as these do not meet the definition of a controlled entity. When alternative accounting methods exist, the Corporation has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on best estimates and judgments. The Corporation has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with information contained in the consolidated financial statements.

CDEV maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the consolidated financial records are reliable, form a proper basis for the preparation of consolidated financial statements and that CDEV's assets are properly accounted for and adequately safeguarded.

The Board of Directors carries out its responsibilities for the consolidated financial statements in this report principally through its Audit Committee. The Audit Committee reviews CDEV's annual consolidated financial statements and reports its findings to the Board for its consideration and approval. The Audit Committee also meets with the Corporation's joint auditors to discuss auditing matters and financial reporting issues. Due to its size, and as permitted by Order in Council, CDEV is exempt from the requirement to carry out internal audits but has carried them out periodically on the direction of the Board.

These consolidated financial statements have been audited by the Corporation's joint auditors, the Auditor General of Canada and PricewaterhouseCoopers LLP, whose report is presented separately.

As President and CEO and Chief Financial Officer of CDEV, we have reviewed its consolidated financial statements and based upon our knowledge, having exercised due diligence, believe they fairly present in all material respects the financial position as at December 31, 2023, and financial performance and cash flows for the year ended December 31, 2023.

Elizabeth A. Wademan
President & Chief Executive Officer
CDEV

Carlos Gallardo, CPA, CA
Chief Financial Officer
CDEV

Toronto, Ontario
March 19, 2024

Consolidated Financial Statements of Canada Development Investment Corporation

Year ended December 31, 2023

Office of the Auditor General of Canada | Bureau du vérificateur général du Canada

pwc

INDEPENDENT AUDITORS' REPORT

To the Minister of Finance

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Canada Development Investment Corporation and its subsidiaries (the Corporation), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income (loss), consolidated statement of changes in shareholder's equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the consolidated financial statements which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of Canada Development Investment Corporation and its wholly-owned subsidiaries coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the articles and by-laws of Canada Development Investment Corporation and its wholly-owned subsidiaries, and the directives issued pursuant to section 89 of the *Financial Administration Act* described in Note 1 to the consolidated financial statements.

In our opinion, the transactions of Canada Development Investment Corporation and its wholly-owned subsidiaries that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in IFRS Accounting Standards have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for Canada Development Investment Corporation and its wholly-owned subsidiaries' compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Canada Development Investment Corporation and its wholly-owned subsidiaries to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

PricewaterhouseCoopers LLP

Firyal Awada, CPA, CA
Principal
for the Auditor General of Canada

Chartered Professional Accountants,
Licensed Public Accountants

Ottawa, Canada
19 March 2024

Consolidated Statement of Financial Position

As at December 31
(Thousands of Canadian Dollars)

		2023		2022
Assets				
Current assets:				
Cash and cash equivalents (note 6)	$	**321,331**	$	309,906
Short-term investments (note 6)		**63,808**		31,625
Trade and other receivables (note 28)		**173,915**		160,543
Income taxes recoverable		**2,196**		1,695
Other current assets		**28,190**		26,009
Current portion of Investments held for future obligations (note 7)		**1,809**		1,428
		591,249		531,206
Non-current assets:				
Property, plant and equipment (note 10)		**33,740,735**		23,822,098
Goodwill (note 13)		**-**		1,015,862
Investments held for future obligations (note 7)		**132,464**		149,850
Restricted cash (note 8)		**15,463**		87,246
Restricted investments (note 9)		**105,428**		90,481
Right-of-use assets (note 11)		**60,529**		82,108
Other assets (note 12)		**283,821**		325,671
		34,338,440		25,573,316
	$	**34,929,689**	$	26,104,522
Liabilities and Shareholder's Equity				
Current liabilities:				
Trade and other payables (note 20)	$	**1,029,615**	$	1,144,192
Current portion of loans payable (note 17)		**-**		7,199,232
Current portion of lease liabilities (note 11)		**19,874**		33,537
Current portion of Net Profits Interest ("NPI") Provision		**5,000**		-
Current portion of provision for decommissioning obligations (note 15(a), (b))		**4,193**		3,988
Current portion of provision for site restoration (note 15)		**1,680**		1,300
Other current liabilities (note 14)		**61,342**		89,793
		1,121,704		8,472,042
Non-current liabilities:				
Loans payable (note 17)		**32,975,494**		16,127,573
Long-term interest payable (note 17, 29)		**62,671**		36,808
Deferred income taxes (note 19)		**694,995**		624,190
Provision for decommissioning obligations (note 15(a), (b))		**641,749**		502,814
Lease liabilities (note 11)		**54,617**		64,473
Provision for site restoration (note 15)		**1,524**		2,831
Defined benefit obligation (note 16)		**58,285**		51,522
Other non-current liabilities (note 18)		**67,708**		46,813
		34,557,043		17,457,024
Shareholder's equity (deficit):				
Share capital (note 21)		**1**		1
Contributed surplus		**603,294**		603,294
NPI reserve (note 21)		**27,731**		5,463
Accumulated deficit		**(1,410,993)**		(483,038)
Accumulated other comprehensive income		**30,909**		49,736
		(749,058)		175,456
	$	**34,929,689**	$	26,104,522

Going Concern (note 2). Commitments (note 25). Contingencies (note 26). The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board: ______________________ Director ______________________ Director

Consolidated Statement of Comprehensive Income (Loss)

Year ended December 31
(Thousands of Canadian Dollars)

	2023	2022
Revenue:		
Transportation revenue (note 24)	$ **667,013**	$ 605,354
Net crude oil revenue (note 23)	**154,515**	223,361
Lease revenue (note 24)	**71,331**	67,127
Other revenue	**8,193**	9,513
	901,052	905,355
Other income:		
Insurance proceeds (note 26)	**36,528**	27,200
Facility use and processing fees	**1,334**	1,632
Foreign exchange gains	**2,813**	7,529
	941,727	941,716
Expenses:		
Goodwill Impairment (note 13)	**1,015,862**	-
Depletion and depreciation (note 10, 11)	**139,928**	129,382
Pipeline operating expenses (note 24)	**208,285**	193,050
Crude oil operating, transportation and marketing (note 23)	**23,045**	29,180
Salaries and benefits	**117,542**	97,051
Professional fees	**18,837**	17,366
Loss on derecognition of property, plant and equipment (note 10)	**2,417**	1,342
Foreign exchange losses	**3,086**	3,134
Change in estimates of provision for site restoration (note 15)	**358**	(563)
Other administrative expenses	**11,851**	(702)
	1,541,211	469,240
Finance expenses (income):		
Interest expense (note 17)	**212,656**	155,085
Interest income	**(42,007)**	(22,707)
Unwind of discount on provisions (note 15)	**17,093**	14,986
	187,742	147,364
Net income (loss) before income taxes	**(787,226)**	325,112
Income taxes (note 19):		
Current	**33,605**	41,494
Deferred	**75,124**	72,923
	108,729	114,417
Net income (loss)	**(895,955)**	210,695
Other comprehensive income (loss):		
Items that may be reclassified subsequently to profit or loss		
Currency translation adjustment	**(6,395)**	15,777
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit obligations, net of tax (note 16)	**(12,432)**	31,107
Total other comprehensive income (loss)	**(18,827)**	46,884
Comprehensive income (loss)	$ **(914,782)**	$ 257,579

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

Consolidated Statement of Changes in Shareholder's Equity

Year ended December 31
(Thousands of Canadian Dollars)

	2023	2022
Share capital		
Balance, beginning and end of year	**$ 1**	$ 1
Contributed surplus		
Balance, beginning and end of year	**603,294**	603,294
Net Profits Interest reserve		
Balance, beginning of year	**5,463**	19,455
NPI Provision – additional provisions	**(5,000)**	(5,869)
NPI received	**185,268**	261,877
Dividends	**(158,000)**	(270,000)
Balance, end of year	**27,731**	5,463
Accumulated deficit		
Balance, beginning of year	**(483,038)**	(549,733)
Net income (loss)	**(895,955)**	210,695
Dividends	**(32,000)**	(144,000)
Balance, end of year	**(1,410,993)**	(483,038)
Accumulated other comprehensive income		
Balance, beginning of year	**49,736**	2,852
Other comprehensive income (loss)	**(18,827)**	46,884
Balance, end of year	**30,909**	49,736
Total shareholder's equity (deficit)	**$ (749,058)**	$ 175,456

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

Consolidated Statement of Cash Flows

Year ended December 31
(Thousands of Canadian Dollars)

		2023		2022
Cash provided by (used in):				(note 31)
Operating activities:				
Net income (loss)	$	(895,955)	$	210,695
Adjustments for:				
Goodwill impairment (note 13)		1,015,862		-
Depletion and depreciation		139,928		129,382
Loss on derecognition of property, plant and equipment		2,417		1,342
Insurance proceeds (note 26)		(36,528)		(27,200)
Income tax expense		108,729		114,417
Interest income		(42,007)		(22,707)
Non-capitalized unpaid interest		206,956		153,270
Unwind of discount on provisions		17,093		14,986
Net change in defined benefits		3,104		5,502
Change in provision for site restoration		358		(563)
Interest received		41,391		22,707
Provisions settled		(5,029)		(2,700)
Income taxes paid		(31,529)		(44,421)
		524,790		554,710
Change in non-cash working capital (note 22)		(99,222)		(57,420)
Total cash provided by operating activities		425,568		497,290
Financing activities:				
Proceeds from loans payable		8,890,000		9,944,000
Repayment of debt		-		(1,595,000)
Debt issuance costs		(12,758)		(2,553)
Dividends paid		(190,000)		(414,000)
NPI received (note 21)		185,268		261,877
NPI refunds paid (note 21)		-		(5,869)
Payment of lease liabilities, principal portion (note 11)		(37,600)		(60,026)
Total cash provided by financing activities		8,834,910		8,128,429
Investing activities:				
Purchase of property, plant and equipment (note 22)		(9,285,567)		(8,605,297)
Insurance proceeds		5,995		24,495
Withdrawal from Consolidated Revenue Fund		3,000		-
Net change in short-term investments		(31,568)		(612)
Internal-use software expenditures		(16,158)		(10,981)
Purchase of restricted investments		(8,955)		(16,162)
Sale of investments held for future obligations		14,005		(2,753)
Change in restricted cash		71,783		(5,985)
Total cash used in investing activities		(9,247,465)		(8,617,295)
Effects of FX translation on cash		(1,588)		1,950
Change in cash and cash equivalents		11,425		10,374
Cash and cash equivalents, beginning of year		309,906		299,532
Cash and cash equivalents, end of year	$	321,331	$	309,906

Total interest and standby fees paid in 2023 on the loans payable was $739,858 (2022 - $98,546).
The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended December 31, 2023
(All dollar amounts are stated in thousands of Canadian dollars)

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”), Trans Mountain Corporation (“TMC”) and Canada Innovation Corporation (“CIC”). The subsidiaries Canada Growth Fund Inc. (“CGF”) and Canada Enterprise Emergency Funding Corporation (“CEEFC”) are 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 His 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(u) for details.

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 161 Bay Street, Suite 4540, Toronto, Ontario, M5J 2S1.

Subsidiaries

i. 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*. TMP Finance is an agent of His Majesty in Right of Canada. TMC is also subject to the *Income Tax Act*.

TMC is a non-agent Crown corporation which allows it to borrow from parties other than the GoC.

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”).

TMPL has operated since 1953, and transports crude oil and refined petroleum from Edmonton, Alberta to Burnaby, British Columbia. The Puget Pipeline interconnects with TMPL at the international border near Sumas, British Columbia, and transports products to refineries in Washington State.

The Canada Energy Regulator (“CER”), formerly known as the National Energy Board (“NEB”) regulates TMC’s operations. The CER exercises statutory authority over matters such as construction and operation of facilities, rates and ratemaking, and accounting practices for Canadian pipelines crossing a provincial or international border. Puget’s operations are regulated by the United States Federal Energy Regulatory Commission and the US Department of Transportation Office of Pipeline Safety.

ii. TMP Finance is the parent company of TMC. Until the second quarter of 2022, it provided debt and equity financing to TMC funded by loans from His Majesty in Right of Canada, administered by Export Development Canada ("EDC"). The existing loans remain outstanding. See note 17 for loan details.

iii. CEI was incorporated under the provisions of the *Canada Business Corporations Act*. It is subject to the *Financial Administration Act*, is an agent of His 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.

iv. 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.

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.

v. On May 10, 2020 CDEV was issued a directive (P.C. 2020-0305) 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*.

vi. CDEV was issued a directive (P.C. 2022-1269) on December 2, 2022 under section 89 of the *Financial Administration Act* to procure the incorporation of a wholly-owned subsidiary to be named Canada Growth Fund Inc. and to take such steps as necessary to facilitate the subsidiary's establishment as a new public investment fund making investment decisions within its mandate, on an arm's length basis from the GoC, and in accordance with the terms of directive (P.C. 2022-1272) given to the subsidiary. CGF was consolidated in CDEV's results until November 16, 2023. Refer to note 4(x) for details.

On December 13, 2022, Canada Growth Fund Inc. was incorporated under the *Canada Business Corporations Act* and authorized to issue Common Shares and Class A Preference Shares. CGF had no activity during the 2022 fiscal year. CGF's mandate is to make investments that catalyze substantial private sector investment in Canadian businesses and projects to help transform and grow Canada's economy at speed and scale on the path to net-zero. As announced in Budget 2023, CGF has engaged the services and expertise of the Public Sector Pension Investment Board ("PSP Investments") and its personnel in the implementation of the CGF mandate. A wholly-owned subsidiary of PSP Investments, Canada Growth Fund Investment Management Inc. will act as the independent investment manager of CGF.

1. REPORTING ENTITY (CONTINUED):

Subsidiaries (continued):

vii. CDEV was issued a directive (P.C. 2023-0039) on January 31, 2023 under section 89 of the *Financial Administration Act* to procure the incorporation of a wholly-owned subsidiary and to take such steps as are necessary to facilitate the subsidiary's implementation of its objects. On February 8, 2023 the Corporation incorporated Canada Innovation Corporation under the *Canada Business Corporations Act*. CIC was given the mandate to maximize business investment in research and development across all sectors, and in all regions of Canada, to promote innovation-driven economic growth. An interim CIC team was established to build up the Corporation's internal capabilities and processes. The government of Canada announced in December 2023 that the full implementation of the CIC is scheduled for no later than 2026–2027.

2. GOING CONCERN:

The consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). The going concern basis of presentation assumes that the Corporation will continue in operation for at least one year after the date of the consolidated statement of financial position and contemplates the realization of assets and settlement of liabilities as they become due in the normal course of business.

The Corporation's ability to continue as a going concern is dependent upon its ability to service its existing debt and working capital obligations and fund the remaining construction costs of the TMEP. 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. As a result, TMC entered into a credit agreement with a syndicate of lenders (the "Syndicated Credit Agreement"), which as of December 31, 2023, contains two facilities with a total combined available credit of $18.0 billion and matures on March 24, 2025.

See note 17 for details on the Corporation's debt.

In order to meet obligations as they become due, TMC will require additional funding through external financing. The Corporation expects the external financing will be obtained in a timely manner and on terms satisfactory to the Corporation. However, there is no assurance that external financing will be obtained. The above factors cause material uncertainty that casts significant doubt as to the Corporation's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments to the carrying value of the assets and liabilities, the reported revenues and expenses or the consolidated statement of financial position classifications that might be necessary if the Corporation was unable to obtain the necessary funds to service its existing debt and working capital obligations and finance the remaining construction costs of the TMEP. Such adjustments could be material.

3. BASIS OF PREPARATION:

a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements were authorized for issue by the Board of Directors on March 19, 2024.

b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis as set out in the accounting policies below, except as permitted by IFRS and otherwise indicated within these notes.

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.

4. MATERIAL ACCOUNTING POLICY INFORMATION:

The accounting policies set out below have been applied consistently by the Corporation and its subsidiaries to all years presented in these consolidated financial statements, unless otherwise disclosed in (a) below.

a) Changes in accounting policies:

The following 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, 2023 in accordance with the applicable transitional provisions.

(i) Amendments to IAS 1, Presentation of Financial Statements – *Disclosure of Accounting Policies*

The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements, by applying materiality judgments. The amendments require entities to disclose "material" accounting policy information rather than "significant" accounting policies. The application of these amendments had no significant impact on the Corporation's consolidated financial statements. Although the amendments did not result in any changes to accounting policies, management reviewed the accounting policies and made updates to the disclosure of Material Accounting Policy information (2022 - Significant Accounting policies) in line with the amendments.

(ii) Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors – *Definition of Accounting Estimates*

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of, and clarifications about, accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively whereas changes in accounting policies are generally applied retrospectively. The application of these amendments had no impact on the Corporation's consolidated financial statements.

(iii) Amendments to IAS 12, Income Taxes – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets (to the extent it is probable that they can be utilized) and deferred tax liabilities.

For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings (or other components of equity, as appropriate) at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The application of these amendments had no impact on the Corporation's consolidated financial statements but may have an impact in the future.

b) Basis of consolidation:

The consolidated financial statements include the assets, liabilities, results of operations and cash flows of the parent and all subsidiaries after the elimination of intercompany transactions and balances. Subsidiaries are defined as corporations controlled by CDEV. CDEV controls an entity when it is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the entity.

c) Unconsolidated structured entities:

A structured entity is designed to achieve a specific business purpose and has been set up so that any voting or similar rights are not the dominant factor in deciding who controls the entity. An example is when voting rights relate only to administrative tasks and the relevant activities are directed by contractual arrangements.

Structured entities are not consolidated when the substance of the relationship between the Corporation and the structured entities indicate that the structured entities are not controlled by the Corporation.

CEEFC and CGF have been determined to be unconsolidated structured entities. CEEFC and CGF have not been consolidated within CDEV as CDEV is not deemed to have control over CEEFC or CGF based on the criteria outlined in IFRS 10. (See note 4(x), Use of estimates and judgments).

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED):

d) Undivided working interests:

The Hibernia Project activities are conducted jointly with other parties, and the Corporation has determined this relationship to be one of undivided working interests. CHHC accounts for its undivided working interests by recognizing its proportionate share of the assets, liabilities, revenues and expenses of the Hibernia Project in its financial statements.

The Hibernia Project explores for, develops, and produces oil reserves from the Hibernia offshore oilfield, which is located east of St. John's, NL, Canada. The activities of Hibernia are conducted jointly, primarily through HMDC, as operator and agent of the Hibernia Development Project joint account. HMDC's principal place of business is located in St. John's, NL, Canada.

CHHC has an 8.5% undivided working interest in the original Hibernia Project area and a current 5.67% undivided working interest in the HSE Unit development. CHHC records in its financial statements its proportionate share of the assets, liabilities, revenues and expenses of the Hibernia Project.

CHHC also has an 8.5% equity interest in HMDC and considers HMDC to be an associate. An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture. Since all assets, liabilities, revenues and expenses of the Hibernia Project are proportionately owned by the project's owners, HMDC holds no beneficial interest in the joint property and has nil assets, liabilities, revenues and expenses of its own. Accordingly, there are no amounts recognized in the Corporation's consolidated financial statements related to its equity ownership in HMDC.

e) Business combinations:

The acquisition method of accounting is used to account for business combinations. Net assets acquired and the liabilities assumed are recorded at fair value. Any excess of the purchase price over the fair value of the net assets acquired is recorded as goodwill. The operating results of the acquired business are reflected in the Corporation's consolidated financial statements after the acquisition date. Acquisition-related costs are expensed as incurred and included in professional fees.

f) Goodwill:

Goodwill is the excess of the consideration paid in excess of the net identifiable assets acquired and liabilities assumed. Goodwill is not amortized, but it is tested for impairment annually, or if events or conditions indicate there is a risk of impairment and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing (see note 13 for details).

g) Cash and cash equivalents and short-term investments

Cash and cash equivalents include funds in bank accounts and investments which are considered to be highly liquid investments with original maturities of three months or less.

Short-term investments are highly liquid investments with maturities greater than three months but are cashable after 90 days with maturities of less than 365 days.

h) Restricted cash:

Cash and cash equivalents that are restricted as to withdrawal or usage are presented as restricted cash on the consolidated statement of financial position. Restricted cash consists of cash held as security for letters of credit (see note 8).

i) Investments held for future obligations:

The Corporation's investments held for future obligations are comprised from time to time of short-term investments with a maturity of three months or less and other investments and are held primarily for funding future abandonment obligations. Although a portion of the underlying investments is short-term and highly liquid, the funds have been classified outside of cash and cash equivalents since they are not held for the purpose of meeting short-term cash commitments. There is no external restriction on the use of the investments.

j) Restricted Investments:

Restricted investments are long-term investments held in the Trans Mountain Pipeline Reclamation Trust (the "Trust") that is to be used to satisfy the CER's directives on future abandonment costs. The assets of the Trust are consolidated by TMC. The CER sets Land Matters

Consultation Initiative tolls to collect cash for investment in the Trust. The restricted assets are measured at fair value with offsetting adjustments recorded to deferred revenue.

k) Property, plant and equipment ("PPE"):

i. Recognition and measurement:

Items of PPE, which include oil development and production assets, and oil pipeline assets, are measured at acquisition cost less accumulated depletion and depreciation and accumulated impairment losses.

Expenditures are capitalized for construction, expansion, major renewals and betterments. Maintenance and repair costs are expensed as incurred. Expenditures are capitalized for project development if they are expected to have future benefit.

Gains and losses on disposal or derecognition of an item of PPE are determined by comparing the proceeds, if any, from disposal or derecognition with the carrying amount of PPE and are recognized in the consolidated statement of comprehensive income (loss).

ii. Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of PPE are recognized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in the consolidated statement of comprehensive income (loss) as incurred. Capitalized oil interests represent costs incurred in developing proven and/or probable reserves and bringing in or enhancing production from such reserves and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing PPE are recognized in the consolidated statement of comprehensive income (loss) as incurred.

iii. Depletion and depreciation:

The net carrying value of crude oil PPE is depleted and depreciated using the unit of production method by reference to the ratio of production in the period to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. Estimates of reserves are reviewed by independent reserve engineers at least annually.

Proven and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

The Corporation has estimated the useful life of the offshore production facilities, which includes the gravity base structure, topsides, offshore loading system and related assets including subsea assets, to be consistent with the reserve lives of the areas for which they serve, with the exception of facility turnarounds and major overhauls which may be necessary to extend the life of these facilities. As a result, the Corporation includes the cost of these assets within their associated major component for the purpose of depletion using the unit of production method.

Depreciation on pipeline assets is on a straight-line basis over the useful life of the asset as follows:

Asset	Useful Life in Years
Pipelines	30–64
Tanks and Station Equipment	5–51
Other	5–40

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Depletion and depreciation on assets under construction begins only when the asset is complete and is put into service.

l) Internal-use software:

The Corporation has intangible assets related to internal-use software and included in "Other assets" on the consolidated statement of financial position. Internal-use software projects are recorded at cost less accumulated amortization and impairment losses. The Corporation capitalizes costs incurred during the development stage of internal-use software projects which include employee costs directly attributable to the project. Amortization is calculated on a straight-line basis over the asset's useful life, commencing when the asset is available for use and recorded in "Other assets".

The useful life of the software is estimated to be five years based on the expected technical obsolescence of such assets.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED):

m) Leases:

As a lessee

All leases are accounted for by recognizing a right-of-use asset and lease liability at the lease commencement date, except for short term leases (original lease term of 12 months or less) and leases of low-value assets. As a practical expedient, these types of leases are expensed or (if appropriate) capitalized as incurred, depending on the activity in which the leased asset is used. Low-value assets comprise IT and office equipment.

Right-of-use assets are initially measured at cost comprised of the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before the commencement date, initial direct costs incurred, and the estimated costs to dismantle, remove or restore the leased asset where the Corporation is contractually required to do so.

Right-of-use assets are subsequently depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of PPE. Right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of assets*.

Lease liabilities are initially measured at the present value of the contractual payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if this is not readily determinable, the Corporation's incremental borrowing rate. The Corporation's incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The lease liability is subsequently measured at amortized cost using the effective interest method. Lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. The lease liability will be remeasured if there is a change in the lease term due to a change in assessment of whether the Corporation will exercise a purchase, extension or termination option, a change in the estimate of the amount expected to be payable under a residual value guarantee or a change in future lease payments arising from a change in an index or rate.

As a lessor

Leases where the Corporation is the lessor and retains substantially all of the risks and benefits incidental to ownership of the asset are classified as operating leases. Operating lease payments are recognized as lease revenue in the consolidated statements comprehensive income.

n) Financial instruments:

Financial instruments comprise financial assets (cash and cash equivalents, short-term investments, restricted cash and investments, investments held for future obligations and trade and other receivables) and financial liabilities (trade and other payables, long-term interest payable and loans payable).

Financial instruments are initially recognized on the date at which the Corporation becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value and subsequently measured in accordance with their classification. The classification is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. If the Corporation's business model changes, the classification of the financial instruments would be reassessed.

The following table presents the measurement categories for the Corporation's financial assets and financial liabilities:

Financial Instrument	Classification
Financial assets:	
Cash and cash equivalents	Amortized cost
Short-term investments	Amortized cost
Trade and other receivables	Amortized cost
Restricted cash	Amortized cost
Restricted investments	Fair value through profit and loss
Investments held for future obligations	Amortized cost
Financial liabilities:	
Trade and other payables	Amortized cost
Long-term interest payable	Amortized cost
Loans payable	Amortized cost

The Corporation classifies its financial assets as at amortized cost if both of the following criteria are met: (i) the asset is held within a business model whose objective is to collect the contractual cash flows, and (ii) the contractual terms give rise to cash flows that are solely payments of principal and interest. The carrying amounts of financial instruments measured at amortized cost is determined using the effective interest method.

Transaction costs directly attributable to the acquisition of financial instruments at fair value through profit or loss are recognized in the consolidated statement of comprehensive income (loss) immediately. Transaction costs of other financial instruments are included in the initial measurement of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability. The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

o) Impairment:

(i) Financial assets:

The Corporation measures its loss allowance on its financial assets at an amount equal to the lifetime expected credit losses ("ECLs") when the credit risk on that financial asset has increased significantly since initial recognition. In the event that credit risk on the financial asset has not increased significantly since initial recognition, the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The Corporation uses a combination of historical, present and forward-looking information to determine the appropriate loss allowance provision.

A simplified approach is used when measuring the loss allowance on the Corporation's trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Corporation's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

An impairment loss is reversed if the reversal can be attributed objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in the consolidated statement of comprehensive income (loss) as the lower of the recoverable amount or the carrying amount net of depreciation if no impairment had initially been recognized.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED):

o) Impairment (continued):

(ii) Non-financial assets:

Goodwill

Goodwill is tested for impairment annually as at December 31 at the cash generating unit ("CGU") level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Other non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets are grouped into CGUs. A CGU is the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The Corporation has grouped its oil development and production assets into one CGU and oil pipeline assets into another CGU. When significant parts of an item of PPE have different useful lives, they are accounted for as separate components within the CGU.

The recoverable amount of an asset or a CGU is the greater of its value in use ("VIU") and its fair value less costs of disposal to sell ("FVLCD"). FVLCD is defined as the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal.

The Corporation calculates FVLCD for its oil CGU by reference to the after-tax future cash flows expected to be derived from production of proven and probable reserves, less estimated selling costs. The estimated after-tax future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For its pipeline CGU the recoverable amount is calculated using an income-based approach based on discounted cash flows under different expected scenarios for the development of its asset base.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. VIU is computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves.

An impairment loss is recognized in the consolidated statement of comprehensive income (loss) if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

p) Foreign currency transactions:

Transactions in foreign currencies are translated to Canadian dollars at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using exchange rates prevailing at the end of each reporting period. Non-monetary items which are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items that are measured at a revalued amount in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign currency differences arising on retranslation are recognized in the consolidated statement of comprehensive income (loss) unless they are from the consolidation of a foreign operation where foreign currency differences arising on translation are recognized in other comprehensive income.

q) Provisions and contingencies:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are not recognized for future operating losses.

The Corporation recognizes a decommissioning provision for dismantling, decommissioning and site disturbance remediation obligations related to the Hibernia Project and the Puget pipeline and the TMEP pipeline. The amount recognized is the present value of the estimated future expenditures to settle the present obligation, determined in accordance with local conditions and requirements.

Decommissioning costs are based on management's best estimates, considering current regulations and technology. The discount rate used in the calculation of the decommissioning provision is a risk-free rate based on the applicable time horizon of the underlying cash flows. When a provision for a decommissioning cost is recognized, a corresponding amount is recognized to increase the related PPE and is subsequently depreciated as part of the costs of the PPE.

Subsequent to the initial measurement, the provision is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as unwind of discount on decommissioning obligations within finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized in PPE in the consolidated statement of financial position. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

Environmental expenditures are capitalized or expensed, as appropriate. Certain environmental expenditures required in obtaining rights-of-way, regulatory approvals or permitting as part of construction are capitalized. Environmental costs that relate to an existing condition caused by past operations, which do not contribute to current or future revenue generation are accrued and expensed. Generally environmental liabilities are not discounted to a net present value and are recorded as environmental liabilities when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, recording of these accruals coincides with completion of a feasibility study or commitment to a formal plan of action. Receivables are recognized for anticipated associated insurance recoveries when such recoveries are deemed to be virtually certain. Environmental liabilities assumed in a business combination are recorded at estimated fair value, where appropriate.

Reviews of potential environmental issues and claims that could impact the Corporation's assets or operations are routinely conducted. These reviews assist in identifying environmental issues and estimating the costs and timing of remediation efforts. Environmental liabilities are also routinely adjusted to reflect changes in previous estimates. In making environmental liability estimations, the material effect of environmental compliance, pending legal actions against the Corporation, and potential third-party liability claims are considered. Often, as the remediation evaluation and effort progresses, additional information is obtained, requiring revisions to estimated costs. These revisions are reflected in income in the period in which they are reasonably determinable. (See note 26) Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Corporation, or present obligations where it is not probable that an outflow of economic resources will be required, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED):

r) Defined benefit obligation:

The defined benefit obligation includes pension and other post-employment benefits for employees and retirees of TMC and post-employment benefit obligations of CEI. For further details of these plans see note 16.

The Corporation's net obligation in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income ("OCI").

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of comprehensive income (loss). Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the consolidated statement of comprehensive income (loss) as past service costs.

s) Income taxes:

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in the consolidated statement of comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax is the expected tax payable on income before income taxes for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

t) Revenue from contracts with customers:

Crude oil sales:

Nature of contracts with customers:

CHHC generates revenue from the sale of crude oil to customers in the ordinary course of its activities. CHHC uses a marketing agent to obtain its crude oil sales contracts and participates in a marketing group whereby the participants (one of which is the marketing agent) combine their crude oil to facilitate sales of full cargo shipments of crude oil to customers. CHHC's contracts with customers are distinct and short-term in nature, whereby typically one contract represents one cargo sale.

Payment terms vary by contract but are typically 30 calendar days following the cargo's bill of lading date. The customer's payment is made to the marketing agent. Two business days thereafter, the marketing agent pays to CHHC its share of the consideration from the cargo sale, less a marketing fee, in accordance with the terms of the marketing agreement.

Revenue recognition:

Revenue is recognized when control of the crude oil is transferred to a customer, which is generally when title passes from CHHC to the customer, at contractual delivery points. Each sale represents one performance obligation, and CHHC normally satisfies its performance obligation upon delivery of crude oil, which occurs at a point in time. The crude oil is considered delivered upon loading to a vessel or alternatively upon reaching the customer's destination point, depending on the delivery terms. The delivery terms and title transfer location are stated in each contract.

Revenue is measured at the transaction price, which is the amount of consideration to which CHHC expects to be entitled. The consideration specified in CHHC's contracts with customers includes a component of variable consideration. The variable consideration reflects floating sales prices based on benchmark crude oil prices at future dates, thus the transaction price is not known at the time the contract is signed.

CHHC pays the marketing agent a fixed price marketing fee per barrel of crude oil sold and expenses these costs when incurred.

NPI and INPI paid by CHHC are eliminated upon consolidation with the Parent, who became responsible for managing the NPI agreements. Royalties and NPI are paid and remitted by CHHC. Royalties and NPI are measured according to the terms of the various agreements and reflect the provincial and federal Governments' interests in Hibernia Project resources.

Pipeline services:

Nature of contracts with customers:

TMC provides crude oil and refined petroleum transportation services. The regulated tariffs for the TMPL and the Puget Pipeline are designed to provide revenues sufficient to recover the costs of providing transportation services to shippers, including a return on invested capital. The TMPL and the Puget Pipeline are common carrier pipelines, generally providing services on a non-firm basis.

Revenue recognition:

Non-firm, interruptible ("spot") transportation services are provided on the TMPL and the Puget Pipeline when and to the extent that it is determined capacity is available in these pipeline systems. The shippers pay a per-unit rate for actual quantities of product delivered from the transportation system.

TMC is a lessor of space in storage tanks under long-term contracts. While the CER does not economically regulate these tank leases like the transportation services, the lease rates are designed to recover the operating costs of the tanks and to provide a return on invested capital.

The customer service contracts primarily include transportation service contracts. Generally, for the majority of these contracts: (i) the promise is to transfer a series of distinct integrated services over a period of time, which is a single performance obligation; (ii) the transaction price includes fixed and/or variable consideration, which amount is determinable at contract inception and/or at each month end based on the right to invoice at month end for the value of services provided to the customer that month; and (iii) the transaction price is recognized as revenue over the service period specified in the contract (which can be a day, including each day in a series of promised daily services, a month, a year, or other time increment, including a deficiency makeup period) as the services are rendered using a time-based (passage of time) or units-based (units of service transferred) method for measuring transfer of control of the services and progress towards satisfying the performance obligation, based on the nature of the promised service (e.g., firm or non-firm) and the terms and conditions of the contract (e.g., contracts with or without makeup rights).

Firm services (also called "uninterruptible services") are services that are promised to be available to the customer at all times during the period(s) covered by the contract, with limited exceptions. The firm service contracts are typically structured with take-or-pay or minimum volume provisions, which specify minimum service quantities a customer will pay for even if it chooses not to receive or use them in the specified service period. The transaction price is recognized as revenue in the specified service period as the promised units of services are transferred to the customer.

Non-firm services (also called "interruptible services") are the opposite of firm services in that such services are provided to a customer on an "as available" basis. Generally, there is no obligation to perform these services until a customer's periodic request for service is accepted. For the majority of the non-firm service contracts, the customer will pay only for the actual quantities of services it chooses to receive or use, and the transaction price is typically recognized as revenue as those units of service are transferred to the customer in the specified service period (typically a daily or monthly period).

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED):

t) Revenue from contracts with customers (continued):

Pipeline abandonment Trust surcharges collected from shippers are recorded as deferred revenue (see note 18). The Trust was established in 2015 in the Province of Alberta. As the use of funds is restricted to pay future abandonment costs, the deferred surcharges collected are retained in the Trust as restricted cash and restricted investments and will be recognized as revenue when the funds in the Trust are used for future abandonment activities.

Firm 50 Contracts

The majority of TMC's transportation services are non-firm, however, in 2010 the CER approved TMC to enter into 10-year, take-or-pay contracts which commenced in 2012 with 5 shippers, allowing the shippers fixed capacity per day at a fixed premium per barrel in addition to the standard per-unit tariff rates. TMC typically promises to transport on a stand-ready basis the shipper's minimum volume commitment amount. The shipper is obligated to pay for the fixed premium amount, regardless of whether or not it flows quantities on the pipeline. Revenue related to these contracts is recognized in the period the service is provided. These contracts, which were set to terminate either upon the TMEP in service date or following a 10-year term, were re-contracted with four shippers for a two-year term commencing on February 1, 2022 and again for a six-month term commencing on February 1, 2024.

u) Net Profits Interest:

On August 20, 2019, the GoC, through a letter from the Minister of Finance, prescribed the transfer of Canada's responsibility pursuant to the Hibernia Development Project's NPI agreements from the Minister for Natural Resources ("NRCan") to the Corporation. To this effect, the Corporation and NRCan entered into a memorandum of understanding ("MOU") on August 23, 2019. Under the NPI Agreements, the GoC, now the Corporation, is entitled to receive NPI from each owner of Hibernia (the "Project Owners"), including the Corporation's subsidiary, CHHC. The NPI payment is based on a percentage of net crude oil sales (crude oil sales adjusted for eligible transportation, operating and capital costs), up to a maximum of 10%.

The GoC has instructed CDEV to pay all declared dividends that are derived from the NPI agreement to GoC. Amounts received under the NPI Agreements are recorded as capital contributions when the Corporation receives the cash from the Project Owners.

v) Other liabilities:

Redirect fees

In some instances, shippers may redirect dock volumes to an alternative delivery point for a redirect fee. These fees do not result in revenue, because they are collected on behalf of the shippers merely as a means of organizing scheduling and are not compensation for providing services. Redirect fees collected are recorded as a liability at the time of collection as they are fully refundable to shippers in future periods through tariff reductions.

Dock Premiums

To facilitate the management of dock capacity on the Trans Mountain pipeline system, through CER's directive the dock capacity is auctioned to the highest bidder each month. The funds collected through this process in a given year are to be returned to the shippers in the form of reduced tolls for service for all shippers. The amounts collected are recorded as a liability at the time of collection, and the liability is reduced in subsequent periods as toll surcredits are issued. The timing of such tariff reductions varies depending on the toll filing which is agreed with the shippers and approved annually by the CER but is generally one year or more.

w) Finance expenses and income:

Finance expenses comprise unwinding of the discount on decommissioning obligations and the provision for site restoration and interest expense on loans payable and lease liabilities.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized until such time as substantially all the necessary activities to prepare that asset for its intended use or sale are complete. The Corporation's indebtedness is considered general borrowings and the borrowing costs eligible for capitalization are calculated by applying a capitalization rate to the cumulative expenditures on such assets, or in the Corporation's case, Construction work in progress. Capitalized amounts are limited each period to the actual borrowing costs incurred. Capitalized borrowing costs are classified under investing activities in the consolidated statement of cash flows.

Other financing costs are expensed in the period in which they are incurred and reported in finance expenses. Interest income is recognized as it accrues in the consolidated statement of comprehensive income (loss), using the effective interest method.

x) Use of estimates and judgments:

The timely preparation of the Corporation's consolidated financial statements in conformity with IFRS 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 as well as disclosure. Actual results may differ materially from these estimates.

The long-term consequences of climate changes on the consolidated financial statements are difficult to predict and require entities to make significant assumptions and develop estimates. Climate change, and the evolving worldwide demand for energy and global advancement of alternative sources of energy that are not sourced from fossil fuels, could impact the estimation of the Corporation's oil reserves; could change the assumptions used to determine the recoverable amount of the Corporation's property and equipment and could affect the carrying value of those assets; may affect future development; may curtail the expected useful lives of oil assets thereby accelerating depletion and depreciation charges; and may accelerate decommissioning obligations increasing the present value of the associated provision. The timing in which global energy markets transition from carbon-based sources to alternative energy is uncertain.

Key sources of estimation uncertainty:

Reserves

The Corporation's estimate of oil reserves is considered in the measurement of depletion, depreciation, impairment, and decommissioning obligations. The estimation of reserves is an inherently complex process and involves the exercise of professional judgment. The Corporation's reserves have been evaluated at December 31, 2023 by an independent qualified reserves evaluator. Reserve estimates are based on a range of geological, technical and economic factors, including projected future rates of production, projected future oil prices, engineering data, HSE Unit working interest redeterminations, and the timing and amount of future expenditures, all of which are subject to uncertainty. Estimates reflect market and regulatory conditions existing at December 31, 2023, which could differ from other points in time through the year, or future periods.

Pursuant to the HSE Unit Agreement dated February 16, 2010, HSE unit interest ownership is subject to change as a result of revised tract factor allocations. These tract factors are subject to interim resets, a first redetermination, and a final redetermination. The first and second interim resets occurred in 2015 and 2017, respectively, and there will be no further interim resets. Historical capital costs were adjusted following each interim reset. Redeterminations likewise result in an adjustment to historical capital and other costs, as well as an adjustment to historical production which will be settled prospectively. The first redetermination was implemented effective March 1, 2021, and is used to estimate CHHC's working interest reserves in the HSE Unit. The final redetermination is currently expected to be complete in 2030 and this date is subject to annual revision.

Leases

The Corporation uses judgment in determining who the lessee is in Hibernia Project lease contracts for the purpose of recognizing right-of-use assets and lease liabilities and in determining the lease term for certain contracts, including whether extension or termination options are reasonably certain to be exercised. Accordingly, the Corporation recognizes its proportionate share of the Hibernia Project leases entered into by the operator, as the Corporation is considered to share responsibility for the lease liabilities.

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED):

x) Use of estimates and judgments (continued):

In measuring the present value of lease liabilities, judgment is used to estimate the Corporation's incremental borrowing rate when the interest rate implicit in the lease cannot be readily determined. Factors include the GoC's borrowing rates, credit risk spreads applicable to the Corporation or its subsidiaries, and the duration of the lease term. Refer to note 11 for further lease disclosures.

Decommissioning obligations

The Corporation recognizes a provision for future decommissioning of property and equipment based on estimated future decommissioning costs. Management applies judgment in assessing the expected method of reclamation of the Corporation's decommissioning obligations at the end of each reporting period. Actual costs are uncertain and estimates may vary as a result of changes to relevant laws and regulations, the use of technologies and emergence of new technologies, operating experience, prices, and closure plans. The estimated timing of future decommissioning may change due to certain factors, including development plans and reserves life. Changes to estimates related to future expected costs, discount rates, inflation rates, and timing may have a material impact on the amounts presented.

The Corporation has recognized a provision for decommissioning obligations associated with future removal and site restoration costs. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected pipeline abandonment cost and the expected timing of those costs. However, the actual timing and the nature and extent of abandonment activities that will ultimately be required to comply with regulations at the end of the pipelines' life in future is uncertain and these estimates may change significantly as new information becomes available. See note 15 for details of decommissioning obligations.

Income taxes

Tax interpretations, regulations and legislation in the various jurisdictions in which TMC and CHHC operates are subject to change. As such income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. Details related to the Income tax expense and the reconciliation of effective tax rate are disclosed in note 19.

Business combinations

Accounting for business combinations requires significant judgment, estimates and assumptions at the acquisition date. Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination.

Impairment of Goodwill and PPE

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future discounted cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. The key assumptions used to determine the recoverable amount for the CGU, including a sensitivity analysis, are disclosed in notes 10 and 13.

Defined benefit obligation

The cost of the defined benefit obligation is determined using actuarial valuations which involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details about pension obligations are provided in note 16.

Critical judgments in applying accounting policies:

Unconsolidated structured entity

CDEV has investments in unconsolidated structured entities, CEEFC and CGF. Management exercises judgment in determining whether or not the Corporation has control of CEEFC and CGF, which are wholly owned subsidiaries, and consequently whether or not it should consolidate the financial results of CEEFC and CGF.

CDEV and the GoC both have an investment in CEEFC: the former through its common voting share investment and the latter through its significant preferred share investments. The preferred shares are issued at the request of CEEFC directly with the GoC pursuant to a Funding Agreement between CEEFC and the GoC.

CDEV and the GoC both have an investment in CGF; the former through its one common voting share and the latter through its preferred share investments.

CDEV, through its common voting interests, has power over certain relevant activities of CEEFC. CDEV through its common voting interest, has power over a number of key relevant activities of CGF, with certain power delegated to PSP Investments as Manager. While the GoC has control over CDEV and thus can indirectly control CEEFC and CGF, it cannot explicitly do so directly by virtue of its preferred shares interest or direct interests/arrangements with CEEFC and CGF. CDEV is however not meaningfully exposed to variability returns from these subsidiaries' operations.

Accordingly, while CDEV has power over certain relevant activities of CEEFC and CGF it is not able to use those powers to influence their returns. Therefore, although the Corporation owns the outstanding common shares of CEEFC and CGF, it does not consolidate their operations because the Corporation does not have the ability to affect the returns from the common share investments through its power over the entities. At December 31, 2023, CEEFC had loans receivable with a face value of $2,385,418 and preferred shares issued with a face value of $3,090,000 (December 31, 2022 - $2,688,128 and $3,090,000 respectively). In November 2023, CGF issued $115 million in preferred shares to the GoC to fund its investments and CDEV was assessed to no longer have control over CGF and therefore ceased to consolidate it. In December 2023, CGF issued a further $175 million in preferred shares to the GoC.

The maximum exposure to loss is determined by considering the nature of the interests in the unconsolidated structured entities. At December 31, 2023, the maximum exposure to CDEV for financial risk related to CEEFC and CGF is reflected by the carrying amount of its investments in the consolidated statement of financial position of $1 and $1, respectively.

Undivided working interests

CHHC's Hibernia Project activities are conducted jointly with other parties. Judgment is involved in determining whether the Hibernia Project represents a joint arrangement pursuant to IFRS 11, Joint Arrangements ("IFRS 11"), which is an arrangement over which two or more parties involved have joint control.

The Corporation has determined that the Hibernia Project arrangement is not jointly controlled, because unanimous consent is not required among all parties involved and no single group of parties has joint control over the relevant activities. Joint activities where control can be achieved through agreement between more than one combination of involved parties are considered to be outside the scope of IFRS 11. The Corporation considers the Hibernia Project relationship as being one of "undivided working interests" rather than as a joint arrangement pursuant to IFRS 11. The Corporation recognizes its proportionate share of the assets, liabilities, revenues, and expenses of the Hibernia Project in its financial statements. Currently there are no differences in CHHC's accounting for undivided working interests whether classified as a joint arrangement in scope of IFRS 11 or not.

Cash in the Consolidated Revenue Fund of the Government of Canada

The Corporation uses judgment in determining the amounts held in the Consolidated Revenue Fund (CRF) to be a cash equivalent and in its classification within "Investments held for future abandonment and risk fund" on the consolidated statement of financial position, considering such factors as the intended purpose and accessibility of the funds. Refer to note 7 for additional details.

NPI and INPI

Management used significant judgement in determining the appropriate accounting treatment for the NPI and INPI payments received. Based on the nature of the transaction, Management determined that the payments should be recognized directly in equity, rather than in the consolidated statement of comprehensive income (loss) as CDEV is required under the MOU to administer the program on behalf of the GoC, expects to ultimately dividend to the GoC all NPI and INPI payments received from Hibernia Project Owners. These transactions therefore lack commercial substance for CDEV, as they are not expected to result in any net economic benefits or losses for CDEV.

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

5. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE:

Certain new accounting standards, amendments and interpretations are effective for future annual periods, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Corporation are set out below. The Corporation does not plan to adopt these pronouncements early.

(i) Amendments to IAS 1, Presentation of Financial Statements, Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments also address the classification (as current or non-current), presentation and disclosures of liabilities for which an entity's right to defer settlement for at least twelve months is subject to the entity complying with conditions after the reporting period. The amendments are applied retrospectively effective for annual periods beginning on or after January 1, 2024. CDEV does not expect the amendments to have a significant impact on its consolidated financial statements.

6. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS:

Interest income arising on cash and cash equivalents was earned at annual interest rates ranging from 3.95% to 5.55% in 2023 (2022 – 0.20% to 4.80%). The carrying amount of cash and cash equivalents approximates fair value due to the short term to maturity. At December 31, 2023 and 2022, the balance was held in deposit accounts at Canadian banks and financial institutions.

Included in cash and cash equivalents at December 31, 2023 is $47,025 (2022 - $34,575) of cash in savings accounts that the corporation has internally designated as forming part of its future abandonment and risk fund, as further described in note 7.

Short-term investments include short-term highly liquid investments including banker's acceptances and GICs. Interest was earned on short-term investments at annual interest rates ranging from 0.20% to 5.90% in 2023 (2022 – 0.20% to 4.80%).

7. INVESTMENTS HELD FOR FUTURE OBLIGATIONS:

The Corporation has deposited cash in the Consolidated Revenue Fund ("CRF") of the GoC established under Section 129(1) of the *Financial Administration Act*. The Corporation has set aside funds in the CRF and investments to provide for future obligations as follows:

		2023		2022
CRF balance, beginning of year	**$**	**113,457**	$	111,481
Allocated interest		**4,845**		1,976
Withdrawals		**(3,000)**		-
CRF balance, end of year		**115,302**		113,457
Investments		**18,971**		37,821
	$	**134,273**	$	151,278
Current	**$**	**1,809**	$	1,428
Non-current		**132,464**		149,850
	$	**134,273**	$	151,278

At December 31, 2023, the balance of investments held for future obligations consists of cash on deposit and investments held for future abandonment and risk fund and site restoration. This is comprised of cash on deposit in the CRF of $6,859 held for CEI and $108,443 held for CHHC (2022 - $9,467 and $103,990 respectively) and investments of $18,971 held by CHHC (2022 - $37,821).

The Corporation has deposited cash in the CRF and holds investments to provide for future abandonment obligations of the Hibernia facility and to provide for security against future risks. The Corporation has reduced a portion of its third-party insurance coverage as a result of the risk fund.

The investments are comprised of term deposits maturing within 365 days of inception and earned interest income at interest rates ranging from 4.53% to 6.12% during the year (2022 – 0.67% to 4.82%). The Corporation also holds $47,025 of cash in savings accounts, included in cash and cash equivalents on the Consolidated statement of financial position at December 31, 2023 (2022 - $34,575) which have been internally designated as forming part of the future abandonment and risk fund.

Funds held in the CRF are interest bearing at a rate of 90% of the three-month treasury bill tender rate. Interest income was earned at annual interest rates ranging from 3.81% to 4.64% during 2023 (2022 - 0.10% to 3.71%). The interest is retained in the CRF. Access to these funds is unrestricted.

8. RESTRICTED CASH:

		2023		2022
Restricted cash – TMC held for future abandonment costs	**$**	**5,981**	$	1,444
Restricted cash – TMC letters of credit		**-**		76,320
Restricted cash – TMC held as security		**750**		750
Restricted cash – CHHC letters of credit		**8,732**		8,732
	$	**15,463**	$	87,246

The restricted cash balance includes $8,732 and $6,731 (2022 - $8,732 and $77,521) used to collateralize letters of credit associated with the Hibernia Project and TMC, respectively.

9. RESTRICTED INVESTMENTS:

Restricted investments of $105,428 (2022 - $90,481) held at TMC are long-term investments in Canadian Government and Federal agency bonds held in trust. The restricted investments are to be used solely for the purposes of satisfying future abandonment costs of the pipeline under the CER's directives. The interest is retained in the Trust and the Corporation does not have access to it until it performs approved abandonment activities.

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

10. PROPERTY, PLANT AND EQUIPMENT:

	Construction work in progress	Pipeline	Oil development assets, production facilities and corporate	Total
Cost				
Balance at January 1, 2022	$ 11,109,858	$ 3,632,752	$ 564,468	$ 15,307,078
Additions	9,504,480	-	11,926	9,516,406
Transfers	(114,583)	114,583	-	-
Decommissioning adjustments	-	(92,260)	(15,110)	(107,370)
Derecognition	-	(2,097)	-	(2,097)
Foreign exchange movements	100	19,420	-	19,520
Balance at December 31, 2022	$ 20,499,855	$ 3,672,398	$ 561,284	$ 24,733,537
Additions	9,902,541	-	24,097	9,926,638
Transfers	(69,657)	69,657	-	-
Decommissioning adjustments	-	108,875	17,584	126,459
Derecognition	-	(4,036)	-	(4,036)
Foreign exchange movements	(103)	(6,804)	-	(6,907)
Balance at December 31, 2023	$ 30,332,636	$ 3,840,090	$ 602,965	$ 34,775,691
Accumulated depletion and depreciation				
Balance at January 1, 2022	$ -	$ 321,464	$ 470,585	$ 792,049
Depletion and depreciation	-	104,329	13,382	117,711
Derecognition	-	(755)	-	(755)
Foreign exchange movements	-	2,434	-	2,434
Balance at December 31, 2022	$ -	$ 427,472	$ 483,967	$ 911,439
Depletion and depreciation	-	105,173	21,154	126,327
Derecognition	-	(1,642)	-	(1,642)
Foreign exchange movements	-	(1,168)	-	(1,168)
Balance at December 31, 2023	$ -	$ 529,835	$ 505,121	$ 1,034,956
Carrying amounts:				
At December 31, 2022	$ 20,499,855	$ 3,244,926	$ 77,317	$ 23,822,098
At December 31, 2023	$ 30,332,636	$ 3,310,255	$ 97,844	$ 33,740,735

At December 31, 2023, costs related to oil development assets and production facilities subject to the calculations of depletion and depreciation included future development costs of $532,200 (2022 - $409,000). Oil development assets and production facilities include $99,701 at December 31, 2023 (2022 - $82,117) of capitalized costs relating to the future decommissioning obligations, which will be depreciated over the life of the asset.

For details on decommissioning adjustments, see note 15, Provisions.

During the year ended December 31, 2023 capitalized interest of $1,347,187 was included in the additions to construction work in progress (2022 - $731,883).

At each reporting date, the Corporation assesses its CGUs for indicators of impairment or when facts and circumstances suggest the carrying amount may exceed the recoverable amount. Impairment losses recognized in prior periods, other than goodwill impairments, are assessed at each reporting date for any indicators that the impairment losses may no longer exist or may have decreased. Goodwill is tested for impairment at least annually. For the purposes of impairment testing, goodwill is allocated to the Corporation's Pipeline CGU.

Oil development and production facility CGU

There were no indicators of impairment noted for the oil development and production facility CGU at December 31, 2023 and December 31, 2022 and accordingly no impairment tests were required.

Pipeline CGU

i. As at September 30, 2023, the Corporation identified indicators of impairment for the Corporation's Pipeline CGU as at September 30, 2023 and performed an impairment test that resulted in the entire goodwill balance being written off. There was no impairment of PP&E as a result of the impairment testing performed as at that date. Refer to Note 13 for details of goodwill impairment recognized during the year.

ii. As at December 31, 2023, the Corporation identified indicators of impairment for its Pipeline CGU relating to increased constructions costs and delays to the in-service date for TMEP as compared to the assumptions used in the impairment test performed at September 30, 2023. An impairment test was performed and the recoverable amount was determined to exceed the carrying value for the CGU. Accordingly, no impairment was recognized.

The recoverable amount of the CGU was based on FVLCD estimated using an income-based approach based on discounted cash flows. The estimate of FVLCD requires 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, future tolls and the likelihood that cash flows will be re-contracted at the end of the initial TMEP term contracts. For purposes of determining the FVLCD of the Pipeline CGU at December 31, 2023, the estimate of discounted cash flows included the total project cost estimate for the TMEP as disclosed by TMC, which includes financing costs under TMC's accounting framework of $34.2 billion of which 27.7% are considered uncapped for purposes of toll calculations (December 31, 2022 - $30.9 billion, 27.5% uncapped) and assumes an in-service date in the second quarter of 2024 (December 31, 2022 - first quarter of 2024). Cash flows used to determine the recoverable amount are based on the tolling methodology approved by the CER. Probability-weighted scenarios were applied to estimate tolling revenues after the initial contract period through the remaining life of the Pipeline CGU with higher weighting assumed for renewal of a similar contract model. The estimate of discounted cash flows was determined using a discount rate of 8.00% (December 31, 2022 - 8.00%) which reflects the time value of money based on the risks associated with the Corporation’s assets that have not otherwise been incorporated in the cash flow estimates.

Sensitivity analysis:

Changes in key assumptions would impact the FVLCD of the Pipeline CGU which could result in an impairment. A sensitivity analysis for potential changes in key assumptions, as compared to the base valuation described above is shown below. An increase in the assumed discount rate by 50 basis points on the base expected cash flows, would result in an impairment of approximately $1.5 billion.

Change in Assumption	Impact on FVLCD ($ Billions)
0.5% increase in discount rate	(2.5)
1% decrease in 'uncapped costs' as a percentage of total project costs	(0.8)
20% decrease in the likelihood of re-contracted cash flows at the end of the initial TMEP term contracts	(1.3)

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

11. 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 2104. 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 2031.

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 December 31, 2023.

Consolidated Statement of Financial Position:

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

	Equipment and Vehicles	Land and Buildings	Total
January 1, 2022	$ 61,786	$ 62,796	$ 124,582
Additions	903	18,118	19,021
Lease modifications	432	1	433
Depreciation*	(41,115)	(20,909)	(62,024)
Foreign exchange	96	-	96
December 31, 2022	$ 22,102	$ 60,006	$ 82,108
Additions	3,635	949	4,584
Lease modifications	6,676	2,870	9,546
Incentives	-	(547)	(547)
Depreciation*	(15,346)	(19,784)	(35,130)
Foreign exchange	(32)	-	(32)
December 31, 2023	$ 17,035	$ 43,494	$ 60,529

*Includes depreciation costs capitalized as additions to PPE of $27,277 and $55,309 for the years ended December 31, 2023 and 2022 respectively.

Details of lease liabilities are as follows:

	2023	2022
Lease liabilities, opening	**$ 98,010**	$ 138,440
Additions	**4,584**	19,021
Lease modification	**9,546**	433
Interest expense	**4,265**	4,903
Lease payments	**(41,865)**	(64,929)
Foreign exchange movements	**(49)**	142
Lease liabilities, closing	**$ 74,491**	$ 98,010
Current	**$ 19,874**	$ 33,537
Non-current	**54,617**	64,473
	$ 74,491	$ 98,010

The weighted average incremental borrowing rate applied to lease liabilities at December 31, 2023 is 5.56% (2022- 4.27%).

Maturity analysis – contractual undiscounted cash flows:

	2024	2025–2028	Thereafter	Total
Lease liabilities	$ 20,978	$ 30,596	$ 112,806	$ 164,380

Consolidated Statement of Comprehensive Income (Loss) and Statement of Cash Flows:

	2023	2022
Consolidated Statement of Comprehensive Income (Loss):		
Interest on lease liabilities	**$ 4,265**	$ 4,903
Less: capitalized lease interest	**(1,947)**	(3,025)
Net interest on lease liabilities	**$ 2,318**	$ 1,878
Consolidated Statement of Cash Flows:		
Total cash outflow for leases	**$ (41,865)**	$ (64,868)

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

11. RIGHT-OF-USE ASSETS AND LEASES (CONTINUED):

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.

These leases have remaining lease terms of up to 15 years, some of which have extension options of up to 5 years per the renewal term. The agreement terms on certain merchant tanks are subject to automatic renewal for successive 5-year terms unless terminated by either party within the specified notice period. In relation to the same merchant tanks, the Corporation retains the right to relinquish the right of the lessee to use any specified tank, or multiples of such, if the assets are required for regulated service and the appropriate notice period of approximately 2 years is given. During the year ended December 31, 2023, Trans Mountain recalled two tanks for regulated service. Options for a lessee to renew the contract are not included as part of future minimum operating lease revenues. None of the Corporation's leases allow the lessee to purchase the leased asset.

Some leases contain payments for both lease and non-lease components, such as the services associated with the operation of the various merchant tanks. Variable lease payments related to the service of operating certain merchant tanks have been excluded from the future operating lease revenues as their variability is dependent on the use of the merchant tanks, market conditions and pricing, occurrence or non-occurrence of certain events or based on other factors controlled by the corporation as lessor.

For the year ended December 31, 2023, lease income for merchant tank operating leases recognized in "Lease revenue" totaled $71,331 (2022 - $67,127), which included the variable lease payments described above.

The future undiscounted minimum operating lease revenues based on contractual agreements are as follows:

2024	$	48,642
2025		42,567
2026		40,910
2027		39,281
2028		37,681
Thereafter		294,456
Total	**$**	**503,537**

12. OTHER ASSETS:

		2023		2022
Prepaid construction advances	$	-	$	116,887
Payments to be recovered through tolls		194,171		131,111
Internal-use software		36,260		24,892
Recoverable projects		46,312		34,178
Other		7,078		18,603
	$	283,821	$	325,671

Payments to be recovered through tolls includes $194,171 (2022 - $131,111) relating to the Bulk Oil Cargo Fee ("BOCF") which provides the Western Canada Marine Response Corporation ("WCMRC") with funds for spill response and is collected from shippers based on volume of commodities moved through WCMRC's marine response area. BOCF related to TMEP is to be recovered from shippers through tolls in the 5 years after TMEP in-service. The pension asset of $3,814 (2022 - $13,513) is included in Other above. Recoverable Projects relates to costs for projects that are reimbursable by third parties.

Depreciation and amortization expense charged against "Other assets" related to internal-use software was $4,732 for the year ended December 31, 2023 (2022 – $3,983).

13. GOODWILL:

During the year ended December 31, 2023, a goodwill impairment loss of $1,015,862 was recognized for the full carrying value of goodwill. Goodwill previously related to the acquisition of the TMPL and the Puget Pipeline on August 31, 2018. Management is required to evaluate goodwill at least annually, or more frequently if indicators of impairment exist. As a result of significant factors, primarily a rise in the cost of capital from increased domestic interest rates, as well as changes in the timing of the commencement of service of the TMEP and related increases in construction costs, management performed an impairment test as of September 30, 2023.

For the purposes of impairment testing, goodwill was allocated to the Corporation's Pipeline CGU. The recoverable amount of the CGU was based on fair value less costs of disposal (FVLCD) estimated using an income-based approach based on discounted cash flows. The estimate of FVLCD requires 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, estimated future tolls and the likelihood that cash flows will be re-contracted at the end of the initial TMEP term contracts. For purposes of determining the FVLCD of the CGU, the estimate of discounted cash flows were based on the tolling methodology approved by the CER and included probability-weighted scenarios of various in-service dates for the TMEP and related cost estimates. Probability-weighted scenarios were applied to estimate tolling revenues after the initial contract period through the remaining life of the pipeline with higher weighting assumed for renewal of a similar contract model. The estimate of discounted cash flows was determined using a discount rate of 8.25% (2022 - 8.00%) which reflects the time value of money based on the risks associated with the Corporation's assets that have not otherwise been incorporated in the cash flow estimates. The carrying value of the Pipeline CGU after the goodwill impairment was $31.3 billion at September 30, 2023.

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

14. OTHER CURRENT LIABILITIES:

	2023	2022
Dock premiums	$ 41,138	$ 72,840
Environmental accrual	9,722	7,461
Defined benefit obligation (note 16)	1,870	1,734
Other	8,612	7,758
	$ 61,342	$ 89,793

Please see note 4(v) for a description of Dock premiums.

15. PROVISIONS:

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

	Decommissioning Obligations			
	Pipeline	Wells & Facilities	Total	Site Restoration
Balance at January 1, 2022	**$ 478,532**	**$ 119,305**	**$ 597,837**	**$ 6,087**
Additional provisions	-	-	-	170
Changes in estimates	443,800	21,314	465,114	(459)
Obligations settled	-	(1,263)	(1,263)	(1,437)
Changes in discount rate	(536,060)	(36,424)	(572,484)	(274)
Effect of foreign exchange	2,656	-	2,656	-
Unwind of discount	11,835	3,107	14,942	44
Balance at December 31, 2022	**$ 400,763**	**$ 106,039**	**$ 506,802**	**$ 4,131**
Additional provisions	-	-	-	575
Changes in estimates	(1,109)	11,707	10,598	(226)
Obligations settled	-	(3,677)	(3,677)	(1,352)
Changes in discount rate	109,984	5,877	115,861	9
Effect of foreign exchange	(668)	-	(668)	-
Unwind of discount	13,305	3,721	17,026	67
Balance at December 31, 2023	**$ 522,275**	**$ 123,667**	**$ 645,942**	**$ 3,204**
Current	$ -	$ 4,193	$ 4,193	$ 1,680
Non-current	522,275	119,474	641,749	1,524
	$ 522,275	**$ 123,667**	**$ 645,942**	**$ 3,204**

Sensitivity Analysis:

Changes to the discount rate or the inflation rate would have the following impact on the provision for decommissioning obligations of the Corporation at December 31, 2023:

	One percent increase	One percent decrease
Discount rate	$ (333,893)	$ 822,553
Inflation rate	$ 810,898	$ (336,052)

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 $224,710 at December 31, 2023 (2022 - $217,248). Estimates of decommissioning obligation costs can change significantly based on factors such as operating experience and changes in laws and regulations.

These obligations will be settled based on the expected timing of abandonment, which currently extends up to the year 2048 and is based upon the useful lives of the underlying assets. The provision was calculated at December 31, 2023 using an average inflation rate of 2.5% (2022 - 2.5%) and was discounted using an average risk-free rate of 3.11% (2022 - 3.35%).

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 $522,275 at December 31, 2023 (2022 - $400,763) discounted at a risk-free rate of 3.02% (2022 - 3.28%). The undiscounted decommissioning liability is estimated to be $8,820,000 (2022 - $8,880,000) with an inflation rate of 3.00% (2022 - 3.00%) and an expected remaining economic life of 95 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 95 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.

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

16. DEFINED BENEFIT OBLIGATION:

		2023		2022
TMC (see detailed schedule below):				
- Pension plan	$	**38,722**	$	20,555
- Other post-employment benefits		**15,447**		13,977
CEI retiree benefits		**426**		456
Net defined benefit obligation	$	**54,595**	$	34,988
Current liabilities[(a)]	$	**1,870**	$	1,734
Non-current liabilities[(b)]		**58,285**		51,522
Non-current assets[(c)]		**(5,560)**		(18,268)
	$	**54,595**	$	34,988

(a) Amounts included in Other current liabilities on the consolidated statement of financial position (see note 14).
(b) Amounts included in Defined benefit obligation on the consolidated statement of financial position.
(c) Amounts included in Other assets on the consolidated statement of financial position.

Trans Mountain Canada Inc. ("TMCI"), a subsidiary of TMC, sponsors pension plans covering eligible Canadian employees and retirees (the Legacy and TMCI plans). Legacy plans are closed to new participants. The plans include registered defined benefit pension plans (the Legacy plan includes a defined contribution component and is included in the following disclosures), and supplemental unfunded arrangements (which provide pension benefits in excess of *Income Tax Act* limits). Post-employment benefits other than pension are also provided for qualified retired employees.

Retirement benefits under the defined benefit plans are based on employees' years of credited service and pensionable earnings. Contributions for the defined benefit component of the plans are based on independent actuarial valuations. The most recent actuarial valuation for the defined benefit pension plans for funding purposes was completed as of December 31, 2022. Contributions for the defined contribution component of the Legacy plan were based on pensionable earnings.

Certain employees are eligible to receive supplemental benefits under the defined benefit plans. The supplemental plans provide pension benefits in excess of *Income Tax Act* limits, but consistent with the plan formula. The TMCI supplemental plan is unfunded and the Legacy supplemental plan is secured by a letter of credit.

Other post-employment benefits ("OPEB") are provided to current and future retirees and their dependents, including depending on circumstance, supplemental health, dental and life insurance coverage. Medical benefits under those OPEB plans may be subject to deductibles, co-payment provisions, dollar caps and other limitations on the amount of employer costs, and the Corporation reserves the right to change these benefits. Post-employment benefits are unfunded and annual expense is recorded on an accrual basis based on independent actuarial determination, considering, among other factors, health care cost escalation. The most recent actuarial valuation for accounting purposes was completed as of December 31, 2023.

Under the terms of the purchase and sale agreement in 1988 between CEI and Cameco, CEI is responsible for defined benefit obligations related to certain retirees. These benefits include life insurance and health and dental benefits.

	2023		2022	
	Pension	OPEB	Pension	OPEB
Change in defined benefit obligation:				
Defined benefit obligation at end of prior year	$ 252,184	$ 13,977	$ 314,919	$ 18,055
Current service cost	8,733	332	12,702	563
Past service cost				
Interest expense	12,847	710	8,721	489
Benefit payments from plan assets	(10,122)		(10,741)	
Benefit payments from employer	(2,018)	(637)	(1,680)	(712)
Participant contributions	5,161		4,071	
Effect of changes in demographic assumptions				
Effect of changes in financial assumptions	23,029	1,223	(80,384)	(4,464)
Effect of experience assumptions	1,675	(158)	4,576	46
Defined benefit obligation at end of year	$ 291,489	$ 15,447	$ 252,184	$ 13,977
Change in fair value of plan assets:				
Fair value of plan assets at end of prior year	233,332		264,300	
Interest income	12,267		7,498	
Return on plan assets (excluding interest income)	9,595		(38,749)	
Employer contributions	5,308		7,701	
Employer direct benefit payments	2,018	637	1,680	712
Participant contributions	5,161		4,071	
Benefit payments from plan assets	(10,122)		(10,741)	
Benefit payments from employer	(2,018)	(637)	(1,680)	(712)
Administrative expenses paid from plan assets	(550)		(748)	
Fair value of plan assets at end of year	$ 254,991	$ -	$ 233,332	$ -
Change in asset ceiling				
Asset ceiling at end of prior year	1,703		1,123	
Interest expense	89		30	
Remeasurements:				
Change in asset ceiling (excluding interest)	432		550	
Asset ceiling at end of year	$ 2,224	$ -	$ 1,703	$ -
Funded status reflected in the consolidated statement of financial position:				
Defined benefit obligation	291,489	15,447	252,184	13,977
Fair value of pension plan assets	254,991		233,332	
Funded status	$ 36,498	$ 15,447	$ 18,852	$ 13,977
Effect of the asset ceiling from remeasurement	2,224	-	1,703	-
Net defined benefit liability at end of year	$ 38,722	$ 15,447	$ 20,555	$ 13,977

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

16. DEFINED BENEFIT OBLIGATION (CONTINUED):

	2023		2022	
	Pension	OPEB	Pension	OPEB
Presented as follows:				
Current benefit liability[a]	951	819	839	795
Non-current benefit liability[b]	43,331	14,628	37,984	13,182
Non-current benefit asset[c]	(5,560)	-	(18,268)	-
Net defined benefit liability	$ 38,722	$ 15,447	$ 20,555	$ 13,977

(a) Amounts included in Other current liabilities on the consolidated statement of financial position.
(b) Amounts included in Defined benefit obligation on the consolidated statement of financial position.
(c) Amounts included in Other assets on the consolidated statement of financial position.

The components of defined benefits cost recognized in net income and other comprehensive income related to the pension and OPEB plans are as follows:

	2023		2022	
	Pension	OPEB	Pension	OPEB
Components of defined benefit cost:				
Service cost				
Current service cost	$ 8,733	$ 332	$ 12,702	$ 563
Total service cost	8,733	332	12,702	563
Net interest cost				
Interest expense on DBO	12,847	710	8,721	489
Interest (income) on plan assets	(12,267)		(7,498)	
Interest expense of effect of asset ceiling	89		30	
Total net interest cost	669	710	1,253	489
Administrative expenses and/or taxes (not reserved within DBO)	650		650	
Defined benefit cost included in net income	$ 10,052	$ 1,042	$ 14,605	$ 1,052
Remeasurements (recognized in OCI)				
Effect of changes in demographic assumptions				
Effect of changes in financial assumptions	23,029	1,223	(80,384)	(4,464)
(Return) on plan assets (excluding interest income)	(9,695)		38,847	
Effect of experience adjustments	1,675	(158)	4,576	46
Changes in asset ceiling (excluding interest income)	432		550	
Total remeasurements included in OCI	15,441	1,065	(36,411)	(4,418)
Total defined benefit cost	$ 25,493	$ 2,107	$ (21,806)	$ (3,366)

Net defined benefit liability reconciliation

	2023		2022	
	Pension	OPEB	Pension	OPEB
Net defined benefit liability	**$ 20,555**	**$ 13,977**	$ 51,742	$ 18,055
Defined benefit cost included in P&L	**10,052**	**1,042**	14,605	1,052
Total remeasurements included in OCI	**15,441**	**1,065**	(36,411)	(4,418)
Cash flows				
a. Employer contributions	**(5,308)**		(7,701)	
b. Employer direct benefit payments	**(2,018)**	**(637)**	(1,680)	(712)
Net defined benefit liability, end of year	**$ 38,722**	**$ 15,447**	$ 20,555	$ 13,977

Defined benefit obligation by participant status - OPEB

	2023	2022
Actives	**$ 6,210**	$ 5,321
Retirees	**9,237**	8,656
	$ 15,447	$ 13,977

Plan Assets

The investment policies and strategies for the assets of the pension plans are established by the Pension Committee (the "Committee"), which is responsible for investment decisions and management oversight of the plans. The stated philosophy of the Committee is to manage these assets in a manner consistent with the purpose for which the plans were established and the time frame over which the plans' obligations need to be met. The objectives of the investment management program are to (i) meet or exceed plan actuarial earnings assumptions over the long term and (ii) provide a reasonable return on assets within established risk tolerance guidelines and to maintain the liquidity needs of the plans with the goal of paying benefit and expense obligations when due. In seeking to meet these objectives, the Committee recognizes that prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the targeted investment returns. In order to reduce portfolio risk and volatility, the Committee has adopted a strategy of using multiple asset classes.

As at December 31, 2023 and 2022, the target asset allocation for the Legacy plans was 95% fixed income and 5% equity and the target allocation for the TMCI plans was 40% fixed income, 50% equity, and 10% real estate.

Below are the details of the pension plan assets by class and a description of the valuation methodologies used for assets measured at fair value.

- Level 1 assets' fair values are based on quoted market prices for the instruments in actively traded markets. Included in this level are cash and exchange traded mutual funds. These investments are valued at the closing price reported on the active market on which the individual securities are traded.
- Included in Level 2 are real estate investment funds for which the fair value is determined using inputs other than quoted prices included in Level 1 that are observable for the assets.

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

16. DEFINED BENEFIT OBLIGATION (CONTINUED):

Plan Assets (continued):

Listed below are the fair values of the pension plans' assets that are recorded at fair value by class and categorized by fair value measurement:

	2023	2022
Measured within Level 1 of fair value hierarchy		
Cash	$ 4,504	$ 4,914
Mutual funds	233,459	211,374
Measured within Level 2 of fair value hierarchy		
Real estate	17,028	17,044
	$ 254,991	$ 233,332

Plan Assets by Asset Category:	2023	2022
Domestic Equity	6%	6%
International Equity	27%	26%
Domestic Fixed Income	54%	54%
Other	13%	14%
Total	100%	100%

Includes assets for the TMCI RPP and Legacy RPP and excludes assets for the Legacy SPP which is not invested.

Expected Payment of Future Benefits and Employer Contributions

Following are the expected future benefit payments:

	2023		2022	
	Pension	OPEB	Pension	OPEB
Expected employer contributions	8,401	819	11,177	795
Expected total benefit payments				
Year 1	13,545	819	12,845	795
Year 2	13,846	835	13,519	817
Year 3	14,261	844	13,933	833
Year 4	14,618	856	14,307	842
Year 5	14,820	872	14,671	854
Next 5 years	76,984	4,598	76,453	4,502

Significant actuarial assumptions

Benefit obligations and net benefit cost are based on actuarial estimates and assumptions. The following table details the weighted-average actuarial assumptions used in determining the benefit obligation and net benefit costs of the pension and OPEB plans as at year end:

	2023		2022	
	Pension	OPEB	Pension	OPEB
Assumptions related to defined benefit:				
Effective discount rate for defined benefit obligation	**4.64%**	**4.64%**	5.27%	5.27%
Immediate health care cost trend rate		**5.10%**		5.14%
Ultimate health care cost trend rate		**4.00%**		4.00%
Year rate reaches ultimate trend rate		**2040**		2040
Assumptions related to benefit costs:				
Effective discount rate for benefit obligations	**5.27%**	**5.27%**	3.20%	3.23%
Effective rate for net interest cost	**5.23%**	**5.23%**	2.78%	2.77%
Effective discount rate for service cost	**5.27%**	**5.27%**	3.33%	3.41%
Effective rate for interest on service cost	**5.25%**	**5.27%**	3.07%	3.33%
Immediate health care cost trend rate		**5.14%**		5.18%
Ultimate health care cost trend rate		**4.00%**		4.00%
Year rate reaches ultimate trend rate		**2040**		2040

Sensitivity analysis

Assumed health care cost trends have a significant effect on the amounts reported for OPEB plans. A sensitivity analysis was performed for significant assumptions. A one-percentage point change in assumed rates would have the following effects as at year end:

	2023		2022	
Present value of defined benefit obligation	One percent increase	One percent decrease	One percent increase	One percent decrease
Health care cost trend rate				
i. Effect on total service cost and interest cost components	**83**	**(65)**	121	(89)
ii. Effect on benefit obligation	**904**	**(731)**	768	(625)
iii. Effect on net benefit periodic cost	**83**	**(65)**	121	(130)
Discount rate				
i. Effect on benefit obligation	**(1,815)**	**2,263**	(1,558)	1,925
ii. Effect on net benefit periodic cost	**(30)**	**38**	(41)	54

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

16. DEFINED BENEFIT OBLIGATION (CONTINUED):

Sensitivity analysis (continued):

A sensitivity analysis of the most material assumptions for the Pension plan is as follows:

	2023		2022	
Present value of defined benefit obligation	**One percent increase**	**One percent decrease**	**One percent increase**	**One percent decrease**
Salary scale	**303,042**	**281,325**	261,514	243,995
Discount rate	**257,679**	**333,629**	222,934	288,553

17. 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 GoC 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 was 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 GoC loan facilities was amended to August 29, 2025 effective March 29, 2021. Details of the facilities at December 31, 2023 are as follows:

Facility	Total Available Credit 2023	Outstanding Amounts 2023	Outstanding Amounts 2022	Interest Rate Disbursed Amounts	Standby Fee Undisbursed Amounts	Maturity Date
Acquisition	$ 4,670,000	$ 4,670,000	$ 4,670,000	4.7%	-	August 29, 2025
Construction[a]	13,500,000	12,224,470	11,457,573	4.7%	-	August 29, 2025
CER[3]	550,000	-	-	4.7%	0.30%	August 29, 2025
Total with GoC		$ 16,894,470	$ 16,127,573			
Syndicated Facility	$ 10,000,000	-	$ 7,199,232	Variable[1]	0.04%[2]	April 29, 2023
Amended Syndicated Facility	$ 18,000,000	$ 16,081,024	-	Variable[1]	0.125%[2]	March 24, 2025
Total		**$ 32,975,494**	**$ 23,326,805**			
Presented as:						
Current		$ -	$ 7,199,232			
Non-current		$ 32,975,494	$ 16,127,573			

[1] TMC is charged a guarantee fee equal to 0.25% of the outstanding loan amount on the syndicated bank facility by the Canada Account managed by EDC.
[2] Standby fee was 0.04% to Mar 23, 2023, and 0.125% thereafter.
[3] 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.

March 24, 2022 amendments to the Construction Credit Facility include the requirement to repay advances from EDC on the Canada Account pursuant to any funding request made after February 18, 2022. On April 29, 2022, TMC closed external financing 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. The credit limit for the Construction Facility was increased to $13.5 billion. Effective for the June 30, 2022 interest payment date, all interest will be paid in kind and added to the Construction Facility balance semi-annually. Commitment fees, previously charged at 0.065%, were discontinued on April 28, 2022, upon repayment of advances related to the funding requests made after February 18, 2022 and no further cash draws are permitted.

During the year ended December 31, 2023, interest paid in kind of $766,897 was added to the Construction Facility balance (2022 - $732,573).

As a result of the increased CER financial capacity requirements under the expanded pipeline system, on October 27, 2023 the Corporation increased the Financial Capacity Line of Credit to $550,000 from $500,000.

Credit Agreement with Syndicated Lenders

TMC has a credit agreement with a syndicate of lenders (the "Syndicated Credit Agreement") dated April 29, 2022 which contains an unsecured revolving facility (the "Syndicated Facility") and includes a guarantee provided from the Government of Canada. See Note 29 for more information on the guarantee and associated fees.

On March 24, 2023, the Corporation amended and restated the Syndicated Credit Agreement to include a letter of credit facility ("LC Facility") for $100 million and to amend the Syndicated Facility. The Syndicated Facility, which originally matured on April 29, 2023 and had available credit of $10.0 billion, was amended to a two year senior unsecured Equator Principles 4 ("EP4") compliant revolving facility and the available credit was increased to $10.9 billion. EP4 is a risk management framework adopted by financial institutions for identifying, assessing, and managing environmental and social risks for large infrastructure projects. The facilities under the Syndicated Credit Agreement mature March 24, 2025, with the ability for TMC to request certain extension terms up to August 31, 2025. The Syndicated Credit Agreement allows TMC to elect for reallocation of the available credit under the LC Facility to the Syndicated Facility. There are no financial covenants.

The available credit on the Syndicated Facility was increased to $12.9 billion on May 2, 2023, to $15.9 billion on July 20, 2023, and further increased to $17.9 billion on November 30, 2023. Each increase to the Syndicated Facility included a corresponding increase to the guarantee provided from the Government of Canada. The total combined available credit under the two facilities as of December 31, 2023 was $18 billion. Borrowings under the Syndicated Facility bear interest at the Canadian Prime Rate or the Canadian Dollar Offered Rate ("CDOR") plus applicable margins and commitment fees. The effective interest rate for the year ended December 31, 2023 and 2022 was 6.2% and 3.3%, respectively.

Under the LC Facility as of December 31, 2023, TMC has letters of credit of $69,288 issued and outstanding from the available $100 million facility.

Total interest expense is comprised of the following:

	2023	2022
Interest on Loans payable*	**$ 1,523,990**	$ 843,419
Amortization of debt issuance costs*	**4,293**	1,571
Interest on leases	**2,318**	1,878
Interest and fees capitalized (note 10)	**(1,347,187)**	(731,883)
Guarantee fees	**25,863**	36,808
Standby fees	**3,379**	3,292
	$ 212,656	$ 155,085

*Certain comparative figures have been reclassified to conform to the current year's presentation.

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 year of 5.4% (2022 – 4.8%). Loans from the Canada Account were charged interest of 4.7%, and the syndicated loan facility had a variable interest rate.

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

18. OTHER NON-CURRENT LIABILITIES:

		2023		2022
Deferred revenue	$	**65,607**	$	46,414
Environmental liabilities		**2,101**		399
	$	**67,708**	$	46,813

Deferred revenue is comprised of approximately $3,565 (2022 – $3,779) related to upfront fees or capital improvements paid for in advance by certain customers which are subsequently recognized as revenue on a straight-line basis over the initial term of the related customer contract as well as $62,042 (2022 – $42,635) paid by customers related to the Trust which will be recognized as revenue when the funds in the Trust are used for future abandonment activities.

19. INCOME TAXES:

CHHC is subject to income tax in Canada. TMC is subject to income tax in Canada and one of its subsidiaries is subject to tax in the United States. The other entities of the group are not subject to income tax in Canada.

a) Income tax expense:

The components of income tax expense are as follows:

		2023		2022
Current tax expense				
Current period	$	**32,565**	$	43,138
Adjustment related to prior periods		**1,563**		(1,191)
Investment tax credits		**(523)**		(453)
		33,605		41,494
Deferred tax expense				
Origination and reversal of temporary differences		**74,662**		73,492
Adjustment related to prior periods		**246**		(332)
Changes in tax rates applied to temporary differences		**216**		(237)
		75,124		72,923
Total income tax expense	$	**108,729**	$	114,417

b) Reconciliation of effective tax rate:

The statutory combined federal and provincial income tax rates applicable to TMC remained at 24.67% in 2023 and 2022. The statutory combined federal and provincial tax rate applicable to CHHC decreased modestly to 28.48% in 2023 from 28.72% in 2022. The blended statutory rate in 2023 was 25.00% (2022 – 26.02%).

		2023		2022
Profit (Loss) before income taxes	**$**	**(787,226)**	$	325,112
Income tax using blended statutory rate of 25.00% (2022 - 26.02%)		**(196,810)**		84,592
Expenses of non-taxable entities		**49,276**		32,441
Non-deductible goodwill impairment		**250,613**		-
Non-deductible expenses and other		**219**		292
Adjustments related to prior periods		**1,286**		(1,975)
Change in unrecognized deferred tax asset		**(928)**		(207)
Rate differences and other		**5,073**		(726)
	$	**108,729**	$	114,417

Recognized deferred income tax assets (liabilities):

The significant components of the Corporation's deferred income tax assets (liabilities) and deferred income tax recovery (expense) are as follows:

		Property and Equipment		Provisions		Accrued Liability and Other		Non-Capital Losses		Total
At December 31, 2021	**$**	**(876,143)**	**$**	**114,004**	**$**	**19,025**	**$**	**202,495**	**$**	**(540,619)**
Credited/ (charged) to the statement of comprehensive income (loss)		(183,391)		137		257		110,074		(72,923)
Credited/ (charged) to the statement Other Comprehensive Income						(10,073)				(10,073)
Credited/ (charged) to CTA		(966)		100		6		285		(575)
At December 31, 2022	**$**	**(1,060,500)**	**$**	**114,241**	**$**	**9,215**	**$**	**312,854**	**$**	**(624,190)**
Credited/ (charged) to the statement of comprehensive income (loss)		(316,246)		(12,775)		(1,011)		254,908		(75,124)
Credited/ (charged) to the statement Other Comprehensive Income						4,071				4,071
Credited/ (charged) to CTA		490		(33)		(5)		(204)		248
At December 31, 2023	**$**	**(1,376,256)**	**$**	**101,433**	**$**	**12,270**	**$**	**567,558**	**$**	**(694,995)**

Expiration Periods for Deferred Tax Assets:

As of December 31, 2023, there were non-capital loss carry forwards of $2,300,596 ($1,268,477 as of December 31, 2022), which will start to expire in 2037.

Unrecognized deferred tax assets (liabilities):

At December 31, 2023, TMC had no unrecognized deferred tax assets.

CHHC has an unrecognized net deferred income tax asset of $24,940 at December 31, 2023 (2022 - $25,868) related to its provision for decommissioning obligations, as estimated future taxable income is not expected to be sufficient to realize the deferred income tax asset in the allowable timeframes.

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

20. TRADE AND OTHER PAYABLES:

	2023	2022
Trade payables and accrued liabilities	$ 139,920	$ 160,823
Interest payable	40,265	19,647
PPE accrued liabilities and contractor retainage	849,430	963,722
	$ 1,029,615	$ 1,144,192

Information about the Corporation's exposure to currency and liquidity risks is included in note 28 (b).

21. SHARE CAPITAL AND NET PROFITS INTEREST RESERVE:

a) Share capital

	2023	2022
Share Capital:		
Authorized – unlimited number of common shares		
Issued and fully paid – 101 common shares	$ 1	$ 1

The holder of common shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Corporation.

b) Net Profits Interest reserve

During the year, NPI payments received under the NPI agreements totalled $201,234 of which $15,966 was received from CHHC and eliminated upon consolidation (2022 – $287,537 of which $25,660 was eliminated). A provision of $5,000 was set up during the year for future refund payments. NPI refund payments to owners were $nil in 2023 (2022 – $5,982 of which $113 was paid to CHHC and eliminated upon consolidation).

22. SUPPLEMENTAL CASH FLOW DISCLOSURE:

Changes in non-cash working capital and other balances for the years ended December 31 include the following:

		2023		2022
Trade and other receivables	$	(13,372)	$	(54,994)
Other current assets*		(288)		(2,969)
Deferred charges and other assets		21,463		(24,748)
Trade and other payables and interest payable		(91,289)		274,209
Other current liabilities		(28,587)		(735)
Other non-current liabilities		14,902		12,309
Change in non-cash working capital and other items	$	(97,171)	$	203,072
Relating to:				
Operating activities*	$	(99,222)	$	(57,420)
Financing activities		(273)		(368)
Investing activities*		2,324		260,860
Change in non-cash working capital and other items	$	(97,171)	$	203,072

*Certain comparative figures have been reclassified to conform to the current year's presentation (note 31).

PPE expenditures comprise the following:

		2023		2022
PPE additions (note 10)	$	(9,926,638)	$	(9,516,406)
Change in non-cash items related to PPE		613,247		855,800
Capitalized lease amortization and incentives		27,824		55,309
Cash used for PPE expenditures	$	(9,285,567)	$	(8,605,297)

The changes in the liabilities arising from financing activities can be classified as follows:

		2023		2022
Opening balance	$	23,326,805	$	14,246,000
Cash movements:				
Proceeds from loan payable		8,890,000		9,944,000
Repayment of debt		-		(1,595,000)
Debt issuance costs		(12,758)		(2,553)
Non-cash movements:				
Paid in kind interest (note 17)		766,897		732,573
Debt issuance costs amortization (note 17)		4,293		1,571
Other		257		214
Closing balance	$	32,975,494	$	23,326,805

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

23. NET CRUDE OIL REVENUE AND OPERATING, TRANSPORTATION AND MARKETING EXPENSES:

a) Net crude oil revenue for the years ended December 31 is comprised as follows:

		2023		2022
Crude oil sales	$	201,651	$	315,337
Less: royalties		(47,136)		(91,976)
Net crude oil revenue	$	154,515	$	223,361

b) Gross 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:

		2023		2022
United States	$	109,259	$	196,356
Europe		92,392		118,981
	$	201,651	$	315,337

c) Royalties:

CHHC pays royalties monthly to the Province of Newfoundland and Labrador on the revenues generated from Hibernia Project production in accordance with royalty and associated agreements which govern the applicable license areas. The royalty agreements consist of tiered royalty structures including gross royalty, net royalty, supplementary royalty, and certain additional royalties some of which are based on oil price. While the stated royalty rates range from 5% of gross transfer revenue to over 50% of net transfer revenue depending on the royalty area, the majority of CHHC's revenue in 2023 was encumbered by a royalty rate of 30% of net transfer revenue, as defined in the royalty agreements. Gross transfer revenue reflects crude oil sales less eligible transportation costs, while net transfer revenue reflects gross transfer revenue less eligible operating and capital costs. In 2023, total royalties averaged 23% of crude oil sales (2022 – 29%).

d) Net Profits Interest:

CHHC is also party to an NPI Agreement, which provides for a monthly NPI payment to the GoC by all Hibernia Development Project owners. The NPI payment is based on a percentage of net crude oil sales, as defined in the NPI Agreement (crude oil sales less eligible transportation, operating and capital costs). The rate is a maximum of 10% but may be adjusted downward based on oil price environments according to an oil index factor. The adjusted rate averaged 10% in both 2023 and 2022. In 2023, NPI payments averaged 7% of crude oil sales (2022 – 9%). NPI payments are paid to CDEV and upon consolidation are not recognized as a deduction to revenue since it is an intercompany charge.

e) Operating, transportation and marketing expenses for the years ended December 31 are comprised as follows:

	2023	2022
Hibernia Project operating expenses	$ 18,068	$ 24,252
Crude oil transportation and transshipment	4,717	4,628
Crude oil marketing	260	300
Total operating, transportation and marketing	$ 23,045	$ 29,180

24. REVENUE AND OPERATING EXPENSES FROM PIPELINE OPERATIONS:

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

	2023	2022
Transportation revenue	$ 667,013	$ 605,354
Lease revenue	71,331	67,127
Other revenue	3,357	3,213
Total	$ 741,701	$ 675,694
Pipeline operating and production expenses	$ 208,285	$ 193,050
Salaries and benefits	109,547	92,804
Other general and administration costs	14,184	5,255
Total operating expenses excluding finance costs and depreciation	$ 332,016	$ 291,109

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

Revenue Allocated to Remaining Performance Obligations

The contractually committed revenue primarily consists of service customer contracts, which have minimum volume commitment payment obligations. The actual revenue recognized on these customer contracts can vary depending on the service provided and the contractually committed revenue for purposes of the tabular presentation below is generally limited to the minimum revenue committed to under these customer contracts. Based on the following practical expedients that were elected to be applied, the contractually committed revenue amounts generally exclude remaining performance obligations for: (i) contracts with index-based pricing or variable volume attributes in which such variable consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct service that forms part of a series of distinct services; (ii) contracts with an original expected duration of one year or less; and (iii) contracts for which revenue is recognized at the amount for which there is a right to invoice for services performed.

The following table presents the estimated revenue allocated to remaining performance obligations for contracted revenue that has not yet been recognized, representing the "contractually committed" revenue as of December 31, 2023 that will be invoiced or transferred from contract liabilities and recognized in future periods.

Year	Estimated Revenue
2024	$ 158,845
2025	213
2026	213
2027	213
2028	213
Thereafter	64,756
Total	**$ 224,453**

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

24. REVENUE AND OPERATING EXPENSES FROM PIPELINE OPERATIONS (CONTINUED):

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. Contract assets are recognized in those instances where billing occurs subsequent to revenue recognition and the right to invoice the customer is conditioned on something other than the passage of time. For the years ended December 31, 2023 and 2022, there were no contract assets recognized. Contract liabilities are substantially related to capital improvements paid for in advance by certain customers, which are subsequently recognized as revenue on a straight-line basis over the initial term of the related customer contracts as well as pipeline abandonment surcharges collected by customers and recognized as revenue in the future once the abandonment costs are incurred.

The following table presents the activity in contract liabilities:

		2023		2022
Opening balance	$	46,626	$	54,308
Additions and modifications		20,288		(7,024)
Transfer to Revenues		(1,094)		(658)
Ending Balance	$	65,820	$	46,626
Other current liabilities		213		213
Other non-current liabilities	$	65,607	$	46,413
	$	65,820	$	46,626

25. COMMITMENTS:

The Corporation's commitments at December 31, 2023 are summarized in the table below:

		2024		2025–2028		Thereafter		Total
Crude oil transportation and transshipment services (i)	$	4,707	$	23,440	$	9,217	$	37,364
Hibernia Project contracts		1,782		4,673		1,992		8,447
Pipeline PPE (ii)		12,402		-		-		12,402
Other operating commitments		293		1,214		7,074		8,581
Total Commitments	$	19,184	$	29,327	$	18,283	$	66,794

(i) CHHC is committed to crude oil transportation services pursuant to a Contract of Affreightment ("COA"), as part of the *Basin Wide Transportation and Transshipment System* ("BWTTS") which also involves other East Coast Canada oil producers. Also, in conjunction with the BWTTS, CHHC is committed to crude oil transshipment services pursuant to a Reserved Capacity Services agreement with Newfoundland Transshipment Ltd., also for a term of June 1, 2015 to May 31, 2030.

CHHC is committed to paying its working interest share of the 2024 capital, operating and abandonment costs of the Hibernia Project estimated at $67,580, which is inclusive of amounts shown for 2024 in the commitments table above. The actual funded amount is dependent on the nature of the underlying contracts or purchase orders that have yet to be negotiated by HMDC, and the actual signed authorities for expenditure for capital projects.

(ii) Pipeline PPE includes commitments for purchases of PPE which consists primarily of commitments related to TMEP.

In addition to the commitments included above, TMC has entered into various agreements related to the engineering, procurement and construction of the TMEP. These contracts can be cancelled by TMC upon notice without penalty, subject to the costs incurred up to and in respect of the cancellation.

26. 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.

In 2021, 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 Notice of Dispute in relation to amounts it claimed were outstanding pursuant to the Contract. The Corporation subsequently entered into discussions with the GCC and agreed to pay for some work that had been completed. However, the Corporation notified the GCC of its position that it was entitled to reimbursement for costs resulting from the termination. In 2022, the Corporation provided a Notice of Dispute to the GCC. Discussions between the parties are ongoing. Both parties have formally exchanged legal positions and have entered a Standstill Agreement. The final settlement amount cannot be reasonably estimated at this time.

Flood Insurance Proceeds

In 2021 there was widespread flooding in British Columbia and Washington State, which resulted in financial losses, including damage to TMC's assets, delays to the TMEP construction, and business interruption. During the year ended December 31, 2023, insurance proceeds on the flood related claims were recognized for $57,681 (2022 - $30,300). Of the total recognized for the year ended December 31, 2023, $36,528 was recognized in "Other income" related to a recovery of capital costs, $16,687 was recognized as a recovery within "Pipeline operating expenses", and $4,466 was recognized within "Other administrative expenses" in the consolidated statement of income. For the year ended December 31, 2022, $27,200 was recognized as "Other income" related to a recovery of capital costs and $3,100 was recognized as a recovery within "Pipeline operating expenses. The amount receivable as of December 31, 2023 was $54,391 (2022 - $2,940). While certain claims included in the amounts recognized have reached final settlement, there is a claim remaining where the proceeds recognized represent the interim settlements. The amount and timing of any future insurance proceeds on claims in progress cannot be reasonably estimated.

27. CAPITAL MANAGEMENT:

The Corporation considers its capital structure as the aggregate of its shareholder's equity (deficit) of $(749,058) (2022 - $175,456), which is comprised of its share capital, contributed surplus, Net Profits Interest reserve, accumulated deficit and accumulated other comprehensive income (loss) and its loans payable of $32,975,494 (2022 - $23,326,805). The Corporation and its subsidiaries' objectives when managing capital are to prudently manage its revenues, expenses, assets, liabilities and general dealings to ensure that it effectively achieves its objectives and purpose, while remaining a going concern. The Corporation's share capital is not subject to any external restrictions. CHHC monitors changes in economic conditions and the risk characteristics of the underlying petroleum industry so that it can continue to provide returns for shareholders and benefits for other stakeholders. In 2023, capital, operating and other commitments were fully funded by cash flow from operating activities. Management believes that cash flows from operating activities will continue to be sufficient to meet CHHC's needs for capital, operating and other commitments in 2024. To improve liquidity, CHHC can reduce or defer dividends. CHHC can also access additional funding from its abandonment and risk fund.

CEI monitors its cash and cash equivalents position and its cash held in the CRF so that it can meet its liabilities.

TMC targeted a capital structure mix of 55% debt, 45% equity, and had two sources of funding: amounts generated from operations, and amounts borrowed from its parent TMP Finance. TMC's capital management strategy is to maintain its target debt/equity ratio, maintain sufficient cash and working capital to self-fund operations and maintenance capital projects, and use funds advanced from TMP Finance to fund construction of the TMEP. Given the significant expenditures expected in connection with the TMEP, TMC will require the continued availability of future financing in order to proceed with the project. Since April 2022, project funding has been provided through a syndicated credit facility held at TMC.

28. 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. This note provides information about the Corporation's exposure to each of these risks as well as the Corporation's objectives, policies and processes for measuring and managing them.

(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 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.

The Corporation's allowance for doubtful accounts was insignificant as at December 31, 2023 and 2022. As at December 31, the composition of trade and other receivables is as follows:

	2023	2022
Contracts with pipeline shippers	**$ 70,406**	$ 78,095
Contracts with crude oil customers	**17,737**	30,960
Hibernia Project joint account	**4,340**	2,902
HST/GST input tax credits	**25,297**	42,080
Other	**56,135**	6,506
Trade and other receivables	**$ 173,915**	$ 160,543
Amount outstanding greater than 90 days	**$ 1,747**	$ 2,954

Of the total amount of trade and other receivables 83% (2022 – 72%) relates to contracts with customers, which was all collected subsequent to year end. Due to the high credit quality of the Corporation's counterparties, the ECLs provision at December 31, 2023 is insignificant.

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

Cash and cash equivalents, short-term investments, restricted cash and restricted investments, and investments held for future obligations balances are held by investment-grade Canadian banks and financial institutions and the GoC. 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 December 31, 2023 related to cash and cash equivalents and investments is insignificant. The Corporation realized no actual impairment losses during the years ended December 31, 2023 or 2022.

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. 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 issuance of debt.

The Corporation continues to retain cash and cash equivalents 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 the TMEP. Given the significant ongoing expenditures expected in connection with the TMEP, the Corporation will require continued financing in order to complete the project and service its existing debt and working capital obligations as further described in note 2.

Trade and other payables are generally due within one year from the date of the consolidated statement of financial position.

28. RISKS TO THE CORPORATION (CONTINUED):

(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. It is estimated that a 1% strengthening or weakening in the Canadian dollar relative to the U.S. dollar would not result in a material impact to the Corporation's profit for the year ended December 31, 2023.

The continuing operations had realized foreign exchange gains of $2,813 and losses of $3,086 for the year ended December 31, 2023 ($7,529 and $3,134 respectively for December 31, 2022). The Corporation did not have any foreign exchange rate contracts in place as at or during the year ended December 31, 2023 or 2022.

(ii) Commodity price risk:

Commodity price risk is the risk that the fair value of assets or liabilities or future cash flows will fluctuate as a result of changes in commodity prices. CHHC's production is sold at spot crude oil prices, however its financial instruments do not fluctuate with commodity prices and CHHC does not use derivative instruments. The sensitivity to commodity price risk on CHHC's financial instruments is insignificant.

(iii) 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 market 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 approximately 4% of total revenue.

The Corporation is exposed to interest rate risk on its outstanding debt borrowings. The Corporation manages interest rate risk by holding both fixed and variable interest rate debt. Borrowings under the Credit Agreement with the EDC are fixed at of rate of 4.7%. Borrowings under the Syndicated Credit Agreement have variable interest rates and a related fixed rate guarantee fee. Variable interest rates are based on CDOR or Prime rates plus applicable margins. Significant changes in such rates can result in a material impact to the Corporation's financial results and cash flows. The Corporation does not use derivative instruments to manage its exposure to this risk.

(d) Fair value of financial instruments:

The Corporation classifies the fair value of its financial instruments according to the following hierarchy based on the amounts of observable inputs used to value the financial instrument:

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities that can be assessed at the measurement date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 2 valuations are based on inputs which can be substantially observed or corroborated in the marketplace.

- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change has occurred. There were no movements between levels in the fair value hierarchy during the period.

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

The carrying amounts for the investments held for future obligations approximate their fair value as the amounts are either cash on deposit or investments with a maturity of 365 days or less.

The following table shows the carrying amounts and fair values of restricted investments and loans payable including their levels in the fair value hierarchy:

	Classification	Hierarchy	Carrying amounts		Fair value	
			2023	**2022**	**2023**	**2022**
Financial assets						
Restricted investments	FVTPL	Level 2	**105,428**	90,481	**105,428**	90,481
Financial liabilities						
Loans payable	Amortized cost	Level 2	**32,975,494**	23,326,805	**32,547,762**	22,682,532

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.

29. 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.

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.

The GoC has provided TMC with a guarantee in relation to its Syndicated Credit Agreement (see note 17) in exchange for a guarantee fee. On March 24, 2023, the guarantee was amended for changes to the borrowing limits under the amended Syndicated Credit Agreement and for changes to the guarantee fee. Prior to the amendment on March 24, 2023, the guarantee fee was 5% per annum less the daily weighted average interest rate per annum payable by TMC in accordance with the Syndicated Credit Agreement. The amended guarantee fee is accrued at a fixed rate of 0.25% based on the outstanding balance under the Syndicated Credit Agreement. For the year ended December 31, 2023, TMC incurred $25,863 in guarantee fees (2022 - $36,808). Guarantee fees are included in interest expense and are payable on August 31, 2025, or upon certain events of default. As of December 31, 2023, the guarantee fee payable was $62,671 and recorded in "Long-term interest payable" (2022 – $36,808).

In 2023, CDEV recovered $4,306 in expenses from CGF which were incurred in the prior year. This amount is included in Other income for 2023 (2022 – nil).

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

29. RELATED PARTY TRANSACTIONS (CONTINUED):

a) Key management personnel compensation:

Key management personnel are comprised of the directors and executive officers of CDEV and its subsidiaries. In addition to their salaries, the Corporation also provides non-cash benefits to executive officers.

		2023		2022
Key management personnel compensation comprised of: Salaries, termination, other short-term benefits, director fees and post-employment benefits	$	16,527	$	11,622

b) Parent:

		2023		2022
Loan from the GoC (Canada Account) (note 17)	$	16,894,470	$	16,127,573
Interest/standby fees (note 17)		768,424		738,284
Dividends		190,000		414,000
Cash on deposit in the CRF		115,302		113,457
Guarantee fees (note 17)		25,863		36,808
Guarantee fees payable		62,671		36,808
CRF Interest income		4,845		1,976

c) Subsidiaries:

		2023		2022
Accounts receivable from CEEFC	$	279	$	224
Management fees - CEEFC		800		600
Accounts receivable from CGF		49		-
Other income – CGF		4,306		-

30. SUPPLEMENTARY INFORMATION:

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

	2023						
	TMC (US GAAP)	IFRS Adjustments	TMC (IFRS)	CHHC	Others	Eliminations	Consolidated
Statement of Comprehensive Income:							
Revenues:							
Transportation revenue	$ 447,980	$ 219,033 [1]	$ 667,013	-	-	-	$ 667,013
Lease revenue	71,331	-	71,331	-	-	-	71,331
Net crude oil revenue	-	-	-	140,035	-	14,480	154,515
Other revenue	2,492	865	3,357	-	6,987	(2,151)	8,193
Other income/ FX	-	36,528	36,528	4,094	1	52	40,675
	521,803	256,426	778,229	144,129	6,988	12,381	941,727
Expenses:							
Goodwill impairment	888,098	127,764 [2]	1,015,862	-	-	-	1,015,862
Depletion and depreciation	109,274	7,594 [3]	116,868	22,433	627	-	139,928
Operating and production	210,555	(2,270)	208,285	23,045	-	-	231,330
Salaries and benefits	108,168	1,379 [4]	109,547	1,688	6,307	-	117,542
General and admin Other and FX	14,138	306	14,444	3,805	16,507	(624)	34,132
	1,330,233	134,773	1,465,006	50,971	23,441	(624)	1,538,794
Finance Costs:							
Equity AFUDC	1,165,361	(1,165,361) [5]	-	-	-	-	-
Other, net	1,435	(3,852)	(2,417)	-	-	-	(2,417)
Unwind of discount	-	(13,305) [5]	(13,305)	(3,721)	(67)	-	(17,093)
Net Interest (expense)	(343,538)	354,377 [5]	10,839	12,098	405,098	(598,684)	(170,649)
	823,258	(828,141)	(4,883)	8,377	405,031	(598,684)	(190,159)
Net income before income taxes	14,828	(706,488)	(691,660)	101,535	388,578	(585,679)	(787,226)
Income taxes (recovery)	223,242	(142,707) [6]	80,535	28,194	-	-	108,729
Net Income	**$ (208,414)**	**$ (563,781)**	**$ (772,195)**	**$ 73,341**	**$ 388,578**	**$ (585,679)**	**$ (895,955)**
Other Comprehensive Income	**$ (21,090)**	**$ 2,263 [7]**	**$ (18,827)**	**$ -**	**$ (37,654)**	**$ 37,654**	**$ (18,827)**
Statement of Financial Position:							
Assets:							
Current assets	285,146	(4,000) [8]	281,146	142,104	171,781	(3,782)	591,249
Non-current assets	34,889,501	(1,320,931) [9]	33,568,570	241,991	17,931,883	(17,404,004)	34,338,440
	$ 35,174,647	**$ (1,324,931)**	**$ 33,849,716**	**$ 384,095**	**$ 18,103,664**	**$ (17,407,786)**	**$ 34,929,689**
Liabilities:							
Current liabilities	1,105,095	(23,524)	1,081,571	25,923	19,182	(4,972)	1,121,704
Non-current liabilities	25,760,013	22,258 [10]	25,782,271	125,904	16,899,181	(8,250,313)	34,557,043
	$ 26,865,108	**$ (1,266)**	**$ 26,863,842**	**$ 151,827**	**$ 16,918,363**	**$ (8,255,285)**	**$ 35,678,747**
Shareholder's Equity	**$ 8,309,539**	**$ (1,323,665) [11]**	**$ 6,985,874**	**$ 232,268**	**$ 1,185,301**	**$ (9,152,501)**	**$ (749,058)**
	$ 35,174,647	**$ (1,324,931)**	**$ 33,849,716**	**$ 384,095**	**$ 18,103,664**	**$ (17,407,786)**	**$ 34,929,689**

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

30. SUPPLEMENTARY INFORMATION (CONTINUED):

	2022						
	TMC (US GAAP)	IFRS Adjustments	TMC (IFRS)	CHHC	Others	Eliminations	Consolidated
Statement of Comprehensive Income:							
Revenues:							
Transportation revenue	$ 408,248	$ 197,106 [1]	$ 605,354	-	-	-	$ 605,354
Lease revenue	67,127	-	67,127	-	-	-	67,127
Net crude oil revenue	-	-	-	196,533	-	26,828	223,361
Other revenue	2,629	584	3,213	-	5,700	-	8,913
Other income/FX	1,836	27,200	29,036	7,012	2,385	(1,472)	36,961
	479,840	224,890	704,730	203,545	8,085	25,356	941,716
Expenses:							
Depletion and depreciation	104,331	7,420 [3]	111,751	17,509	122	-	129,382
Operating and production	193,685	(635)	193,050	29,180	-	-	222,230
Salaries and benefits	91,062	1,742 [4]	92,804	1,616	2,631	-	97,051
General and admin Other and FX	6,604	(2,690)	3,914	3,865	11,605	(148)	19,236
	395,682	5,837	401,519	52,170	14,358	(148)	467,899
Finance Costs:							
Equity AFUDC	704,334	(704,334) [5]	-	-	-	-	-
Other, net	1,934	(3,275)	(1,341)	-	-	-	(1,341)
Unwind of discount	-	(11,835) [5]	(11,835)	(3,107)	(44)	-	(14,986)
Net Interest (expense)	(82,352)	88,474 [5]	6,122	5,369	336,888	(480,757)	(132,378)
	623,916	(630,970)	(7,054)	2,262	336,844	(480,757)	(148,705)
Net income before income taxes	708,074	(411,917)	296,157	153,637	330,571	(455,253)	325,112
Income taxes (recovery)	174,076	(101,561) [6]	72,515	41,902	-	-	114,417
Net Income	**$ 533,998**	**$ (310,356)**	**$ 223,642**	**$ 111,735**	**$ 330,571**	**$ (455,253)**	**$ 210,695**
Other Comprehensive Income	**$ 45,551**	**$ 983 [7]**	**$ 46,534**	**$ -**	**$ 93,768**	**$ (93,418)**	**$ 46,884**
Statement of Financial Position:							
Assets:							
Current assets	325,871	(16,465) [8]	309,406	134,905	87,472	(577)	531,206
Non-current assets	25,657,195	(686,295) [9]	24,970,900	239,296	17,954,535	(17,591,415)	25,573,316
	$ 25,983,066	**$ (702,760)**	**$ 25,280,306**	**$ 374,201**	**$ 18,042,007**	**$ (17,591,992)**	**$ 26,104,522**
Liabilities:							
Current liabilities	1,239,641	7,198,648	8,438,289	33,559	3,394	(3,200)	8,472,042
Non-current liabilities	16,204,383	(7,139,262) [10]	9,065,121	110,715	16,133,956	(7,852,768)	17,457,024
	$ 17,444,024	**$ 59,386**	**$ 17,503,410**	**$ 144,274**	**$ 16,137,350**	**$ (7,855,968)**	**$ 25,929,066**
Shareholder's Equity	**$ 8,539,042**	**$ (762,146) [11]**	**$ 7,776,896**	**$ 229,927**	**$ 1,904,657**	**$ (9,736,024)**	**$ 175,456**
	$ 25,983,066	**$ (702,760)**	**$ 25,280,306**	**$ 374,201**	**$ 18,042,007**	**$ (17,591,992)**	**$ 26,104,522**

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. Also, during the year ended December 31, 2023, insurance proceeds were recognized related to interim settlements on the flood related claims. Under US GAAP $37 million of the proceeds were recognized as a recovery of capital costs on rate-regulated assets. In the absence of rate-regulated accounting under IFRS, these proceeds are recognized as other income.

2. Goodwill impairment is higher under IFRS due to difference in the carrying value of goodwill which is primarily related to treatment of decommissioning liabilities recorded on acquisition under IFRS but not recognized under US GAAP. The full carrying value of goodwill was impaired under both US GAAP and IFRS

3. Depreciation is higher under IFRS partially 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. Depreciation is also higher due to treatment of leases under IFRS and differences in the recognition of PPE.

4. 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.

5. Under US GAAP ASC 980, an Allowance for Funds Used During Construction ("AFUDC") is included in the cost of PPE 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.

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

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

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

30. SUPPLEMENTARY INFORMATION (CONTINUED):

9. 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, PPE 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.

10. 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. Under US GAAP debt issuance costs are recognized as an asset while they are netted against debt under IFRS. TMC has also classified the syndicated loan facility as non-current under US GAAP as an amendment was made before the release of the financial statements. Additionally, there is an ongoing difference in deferred income taxes related to differences in net income and the tax expense recognized.

11. The cumulative impact of the IFRS adjustments to shareholder's equity total $1,324 million with $564 million being the impact on the 2023 net loss.

31. CHANGE IN CLASSIFICATION:

Certain comparative figures in the consolidated financial statements and notes were reclassified to conform to this year's presentation.

In 2023 the Corporation reclassified an amount from "Change in non-cash working capital" to "Non-capitalized unpaid interest" within the "Operating activities" of the consolidated statement of cash flows. This change was made to group the entire impact of the unpaid non-capitalized interest on the consolidated statement of cash flows. Comparative amounts were reclassified for consistency, which resulted in an increase of "Non-capitalized unpaid interest" by $96,730 and a decrease of "Change in non-cash working capital" by the same amount in 2022. This reclassification had no impact on the total cash used in operating activities. The reclassification also impacted figures disclosed in note 22.

CANADA DEVELOPMENT INVESTMENT CORPORATION

Toronto Head Office
161 Bay Street, Suite 4540
Toronto ON M5J 2S1

Ottawa Office
50 O'Connor Street, Suite 1601
Ottawa ON K1P 6L2

Telephone: (416) 966-2221
Website: www.cdev.gc.ca