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Canada Development  
Investment Corporation

La Corporation de développement  
des investissements du Canada

Third Quarter Report  
September 30, 2021



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Investment Corporation

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des investissements du Canada

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## Statement of Management Responsibility by Senior Officials

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

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

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 29, 2021.



Andrew G. Stafl, CPA, CA  
Chief Financial Officer

Toronto, Ontario  
November 29, 2021

## Management Discussion and Analysis of Results – for the period ended September 30, 2021

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

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

This Management Discussion and Analysis of Results is as of September 30, 2021 and should be read in conjunction with CDEV’s unaudited interim condensed consolidated financial statements for the period ended September 30, 2021 and CDEV’s Annual Report for the year ended December 31, 2020.

### Corporate Overview

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

On May 11, 2020 CDEV incorporated a new subsidiary, Canada Enterprise Emergency Funding Corporation (“CEEFC”), to help implement the Large Employer Emergency Financing Facility (“LEEFF”) program designed to provide bridge financing to Canada’s largest employers. The financial results for CEEFC have not been included in CDEV’s consolidated results as discussed in note 1 of the interim condensed consolidated financial statements. For CEEFC’s financial report for the period ending September 30, 2021, please see [www.ceefc-cfuec.ca](http://www.ceefc-cfuec.ca).

### Canada Development Investment Corporation

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

In the nine months ended September 30, 2021, CDEV received \$171 million in NPI payments from the Hibernia Project Owners, \$14 million of which was received from CHHC and eliminated upon consolidation. The receipts are recorded as an increase in the NPI reserve of \$157 million before dividend payments of \$68 million in the nine months ended September 30, 2021. In 2020, CDEV determined that certain NPI

## **Management Discussion and Analysis of Results – for the period ended September 30, 2021 (continued)**

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payments made by the Project Owners in previous years were higher than required as a result of an incorrect variable used in the calculation. Thus, CDEV recorded a provision for potential refunds of \$39 million at December 31, 2020 which was reflected as a decrease to the NPI reserve at December 31, 2019 (restated) and 2020. During the first nine months of 2021, CDEV recorded an additional \$5 million accrued liability against the NPI reserve and paid out NPI refunds of \$44 million.

We paid dividends of \$114 million in the first nine months of 2021. These dividends were funded by dividends received from CHHC of \$38 million of which \$8 million related to NPI paid by CHHC, and NPI receipts of \$76 million. We retain suitable levels of cash and cash equivalents and short-term investments to remain prepared to undertake future activities and to fund potential contingencies.

Upon the closing of the sale of Ridley Terminals Inc. in December 2019, CDEV received \$350 million from the purchaser on behalf of the Government. In June of 2021, the remaining \$50 million held on behalf of the Government was paid to Transport Canada.

### **Trans Mountain Corporation**

In the nine months ended September 30, 2021, TMC generated \$349 million in revenue and \$164 million in earnings before interest, taxes, and depreciation (“EBITDA”). In the comparative period TMC generated \$333 million in revenue and \$155 million in EBITDA. We note that under TMC’s continuing use of US GAAP, revenue and EBITDA were \$323 million and \$137 million respectively compared to \$317 million and \$141 million in the comparative period. For details see note 19 of the interim condensed consolidated financial statements.

In the current nine-month period TMC spent approximately \$3.5 billion on the TMEP, excluding financing costs, in addition to the \$4.3 billion spent through to December 2020 under CDEV ownership. Capital expenditures for the three-month period ended September 30, 2021 increased significantly over the comparative period, due to a higher level of construction activity on the TMEP as more contractors were mobilized on more construction spreads. Work is underway in all phases along the route and the project construction is approximately 37% complete. As of September 30, 2021, the overall project including upfront costs of permitting, regulatory approval, advance purchase of materials and financial carrying costs recorded by TMC is approximately 55% complete. TMC expects that 2022 will see peak construction for the TMEP, with thousands of people working at hundreds of sites across Alberta and British Columbia.

For further details on TMC’s operations, the TMEP project and its environment, health and safety performance please see the TMC Q3 2021 financial and management reports at [www.transmountain.com](http://www.transmountain.com).

### **Canada TMP Finance Limited**

TMP Finance is the parent of TMC and its entities. TMP Finance provides funding to TMC at a ratio of 45% equity and 55% debt. To finance these advances, TMP Finance borrows from the Canada Account administered by Export Development Canada. Certain financial requirements of TMC are provided by TMP Finance to TMC through an undrawn credit facility with the Canada Account. Effective April 1, 2021 the construction credit facility limit was increased to \$9.14 billion from \$6.1 billion, and the maturity date for all loans was extended to August 29, 2025. Effective December 31, 2021 the Construction Facility limit increases to \$9.6 billion. Given the significant ongoing expenditures expected in connection with TMC’s TMEP, TMP Finance will require normal course amendments to its Credit Agreements with the Canada Account in the near term and the continued availability of future financing from the Government in order to provide the required financing to TMC to complete the project.

## **Management Discussion and Analysis of Results – for the period ended September 30, 2021 (continued)**

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### **Canada Hibernia Holding Corporation**

CHHC's after-tax income of \$16 million and \$48 million recognized in the three and nine months ended September 30, 2021, respectively, was significantly higher than \$8 million and \$18 million recognized in the comparative periods. The increase in both periods is primarily due to higher realized oil prices and lower depletion and depreciation expenses, partially offset by lower sales volumes and higher royalties and net profits interest ("NPI").

Net crude oil revenue, calculated as crude oil sales less royalties and NPI, increased by 31% to \$113 million in the nine months ended September 30, 2021 from \$86 million in the comparative period, driven by a 64% increase in CAD sales price partly offset by a 6% decrease in sales volume, and higher royalties and NPI. Net crude oil revenue was \$34 million in the three months ended September 30, 2021 in line with \$34 million in the comparative period, as a 20% increase in gross sales revenue was offset by higher royalties and NPI. Gross Hibernia oil production averaged 100,000 barrels per day in the third quarter of 2021 and 105,000 barrels per day year-to-date in 2021, compared to 109,000 and 120,000 barrels per day in the comparative periods. Royalty and NPI expenses increased due to higher rates paid commensurate with higher oil prices. (On consolidation, net crude oil revenue for the first nine months of 2021 was \$123 million (2020 - \$91 million) due to the elimination of NPI payments made to CDEV.)

CHHC sells its oil based on the Dated Brent benchmark price for crude oil, in US dollars. The average price of Dated Brent crude increased by 71% in Q3 2021 to US\$73.46 per barrel (from US\$43.02 per barrel in Q3 2020), and by 66% in year-to-date 2021 to US\$67.76 per barrel (from US \$40.81 per barrel in year-to-date 2020). The prior year periods reflect an unprecedented decline in oil prices driven by a decline in demand due to the impacts of the Covid-19 pandemic and increased OPEC+ supply early in 2020. Oil prices have improved in 2021 in line with increased demand, optimism relating to vaccine rollouts and OPEC+ supply management. CHHC's average realized oil price in US dollars increased by a greater margin of 72% in Q3 2021 and 78% in year-to-date 2021, reflecting the increase in Dated Brent combined with an improvement in price differentials received on CHHC's sales. CHHC's CAD realized oil price increased by 62% to \$92.57 per barrel in Q3 2021 and by 64% to \$82.86 per barrel in year-to-date 2021 as the strengthening Canadian dollar (CAD) in relation to the US dollar had an unfavorable impact on CAD price realizations.

Drilling and facilities capital expenditures of \$7 million year-to-date in 2021 were comprised of well workovers and equipment upgrades.

### **Canada Eldor Inc.**

There was no significant change in the management of CEI's liabilities. CEI continues to pay for costs relating to the decommissioning of former mine site properties in Saskatchewan and for retiree benefits of certain former employees. A plan is in place that should allow for the transfer of the remaining mine site properties to the Institutional Control Program within three years. During the first nine months of 2021, expenditures for site restoration efforts were \$0.6 million and there was no significant change in the estimated cost for site restoration in the period. CEI holds cash and cash equivalents plus funds within the Consolidated Revenue Fund totaling \$13 million to pay for CEI's total estimated liabilities of \$7 million.

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

Since March 2020, management of CDEV has assisted in implementing the LEEFF facility through CEEFC, including the retention of financial and legal advisors. Please refer to the CEEFC 2020 Annual Report and 2021 Q3 report for more details on CEEFC at [www.ceefc-cfuec.ca](http://www.ceefc-cfuec.ca).

CEEFC has not been consolidated within CDEV as CDEV is not deemed to have control over CEEFC

## Management Discussion and Analysis of Results – for the period ended September 30, 2021 (continued)

based on the criteria outlined in IFRS 10. Select financial results for CEEFC are shown below:

(\$ Millions)	2020	9 months to September 30, 2021	Total to September 30, 2021
Loan commitments made	320	7,108	7,428
Loans funded	110	2,428	2,538
Equity Investments <sup>(1)</sup>	-	500	500
Preferred shares issued	200	2,890	3,090

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

Subsequent to September 30, 2021, two CEEFC borrowers repaid \$380 million in loans funded and cancelled \$510 million in loan commitments.

### Analysis of External Business Environment

The ongoing management of our holdings will depend on overall market and economic conditions as well as factors specific to the underlying company or investment. No material changes have been identified since December 31, 2020 as described in the 2020 Annual Report. There remains a level of uncertainty related to the changing economic conditions as a result of the global outbreak of the novel coronavirus (COVID-19).

### Risks and Contingencies

Further to the risks and contingencies identified and disclosed in the Annual Report for the year ended December 31, 2020, the Corporation has updated its risk exposures and analysis as a result of the COVID-19 pandemic. Given the nature of TMC's operations, it is not anticipated that the COVID-19 outbreak will have a material impact on TMC's financial results. Despite the pandemic's impact on crude oil demands and prices, the Trans Mountain pipeline operated at full capacity throughout 2020 and the first nine months of 2021, as the market access the Trans Mountain pipeline provides continues to be valuable to shippers. There continues to be a refinancing risk as TMP Finance requires further financing as the TMEP enters a very busy construction period. Completion of the TMEP will require significant capital expenditures, and TMC will require the continued availability of financing in order to complete the TMEP. CDEV is in discussions with the Government to access the required financing in the normal course.

The significant fluctuations in global crude oil prices experienced in 2020 have stabilized somewhat in the first nine months of 2021 and therefore had no negative impact on the financial results of CHHC.

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

The other risks and contingencies described in the 2020 Annual Report remain unchanged.

### Financial Statements for the Period Ended September 30, 2021

The interim condensed consolidated financial statements for the three and nine months ended September 30, 2021 with comparative figures for Q3 2020, have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to interim periods, including IAS 34, *Interim Financial*

## Management Discussion and Analysis of Results – for the period ended September 30, 2021 (continued)

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### *Reporting.*

TMC prepares its financial statements in accordance with US GAAP. To read the US GAAP Q3 2021 TMC financial statements please go to [www.transmountain.com](http://www.transmountain.com). Note 19 in CDEV's consolidated financial statements presents TMC financial results in US GAAP, adjustments made to the statements to convert these results to IFRS and the TMC financial results in IFRS as consolidated into CDEV. The most significant differences in accounting treatment are described in note 19.

Consolidated revenue for the nine months ended September 30, 2021 was \$473 million, compared to revenue of \$425 million in the comparative period. The 11% increase is due to a \$33 million increase in net crude oil revenue, plus a \$15 million increase in transportation revenue. Net crude oil revenue increased 36% primarily due to a 64% increase in average realized oil price offset by a 6% decrease in volume of oil sold. The 5% increase in transportation revenue is primarily due to higher volumes as a result of a lighter commodity mix and increase due to higher tariffs compared to prior year beginning in May 2021 when the new tariffs came into effect.

Consolidated revenue for the three months ended September 30, 2021 of \$166 million increased 18% compared to revenue of \$141 million in the comparative period. The increase is largely due to a \$23 million increase in transportation revenue plus \$3 million increase in net crude oil revenue. The higher transportation revenue in the quarter is due to higher tariffs effective May 2021 and increased volumes as a result of continued strong demand and a lighter commodity mix. Net crude oil revenue increased 8% to \$38 million from \$35 million in the comparative period primarily due to higher average realized crude oil prices.

Total expenses for the nine-month period, excluding finance costs, were \$322 million, a slight decline from \$323 million in the comparative period. The decline is primarily due to lower depletion and depreciation and lower professional fees partly offset by higher salaries and benefits and pipeline operating expenses of TMC. Depletion and depreciation decreased \$11 million primarily due to a decrease in per barrel depletion rate and crude oil production volumes at CHHC. Professional fees in the nine-month period increased by \$4 million primarily due to higher consulting fees for projects at CDEV. A \$4 million increase in salaries and benefits for the nine-month period at TMC was due to higher costs associated with an increased workforce to prepare TMC for its expanded asset post-TMEP and associated business requirements.

Total expenses for the three-month period, excluding finance costs, were \$105 million, compared to \$101 million in the comparative period. The increase is primarily due to a \$2 million increase in pipeline operating expenses of TMC mainly as a result of higher power costs. Professional fees and salaries and benefits increased by \$6 million and \$2 million respectively. This was partly offset by lower depreciation by \$6 million.

Interest expense in the nine-month period ended September 30, 2021 increased by \$4 million to \$127 million as an increase of \$143 million in gross interest costs due to higher loan balances was partly offset by higher capitalized interest of \$258 million. Interest expense of \$42 million in the three-month period ended September 30, 2021 was consistent with \$41 million in the prior year period as an increase of \$55 million in gross interest costs was partly offset by higher capitalization of interest costs.

Profit before income taxes for the nine-month period ended September 30, 2021 was \$24 million, compared to a loss of \$15 million in the comparative period primarily due to lower net interest expense of TMP Finance of \$37 million related to the higher capitalization of interest expense in the period and a \$26 million increase in pre-tax income of CHHC due mainly to higher net crude oil revenue. Profit before income taxes in the three-month period was \$20 million compared to a profit of \$0.1 million in the prior year period largely due to higher net crude oil and transportation revenue partly offset by higher depletion and depreciation and pipeline operating costs.



## Management Discussion and Analysis of Results – for the period ended September 30, 2021 (continued)

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Income tax expense for the three and nine-month periods ended September 30, 2021 increased by \$5 million and \$24 million respectively primarily due to higher pre-tax income for TMC and 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 as at September 30, 2021 increased to \$630 million compared to \$312 million at December 31, 2020 mainly due to the increase in borrowing from the Canada account of \$3,628 million in the period and operating cash flow of \$228 million, primarily generated by CHHC and TMC, plus net NPI received of \$113 million, offset by capital expenditures on property, plant and equipment of \$3,482 million largely related to TMEP and dividends paid of \$114 million.

Property, plant, and equipment of \$12,846 million increased by \$3,676 million since year end primarily due to \$3,482 million in capital expenditures including capitalized interest largely related to TMEP, net of depletion and depreciation of \$107 million.

Trade and other payables of \$763 million as at September 30, 2021 increased \$208 million from December 31, 2020 primarily due to increased capital accruals for construction costs and increased construction holdbacks primarily related to TMEP.

Total current and long-term lease liabilities increased by \$51 million to \$149 million as at September 30, 2021, largely due to TMC additions of \$96 million mainly related to camp equipment and interest of \$4 million, less payments of \$48 million.

Loans payable of \$12.7 billion as at September 30, 2021, increased by \$3.6 billion since year end due to \$3.6 billion in draws on the Construction Facility.

Interim Condensed Consolidated Financial Statements of

**CANADA DEVELOPMENT INVESTMENT  
CORPORATION**

Three and nine months ended September 30, 2021

(Unaudited)

# CANADA DEVELOPMENT INVESTMENT CORPORATION

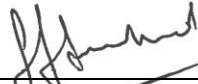

Interim Condensed Consolidated Statement of Financial Position (Unaudited)  
(Thousands of Canadian Dollars)

	September 30, 2021	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 630,493	\$ 311,707
Trade and other receivables (note 17)	76,660	114,248
Income taxes receivable	651	568
Other current assets	24,801	23,990
Investments held for future obligations	1,996	2,214
	734,601	452,727
Non-current assets:		
Property, plant, and equipment (note 5)	12,846,368	9,169,790
Goodwill (note 7)	1,015,862	1,015,862
Investments held for future obligations	170,223	172,601
Restricted cash (note 4)	84,892	84,237
Restricted investments	91,778	93,986
Right-of-use assets (note 6)	137,707	95,527
Other assets	276,893	286,524
	14,623,723	10,918,527
	\$ 15,358,324	\$ 11,371,254
<b>Liabilities and Shareholder's Equity</b>		
Current liabilities:		
Trade and other payables	\$ 763,412	\$ 555,063
Interest payable	147,074	2,847
Current portion of provision for site restoration (note 9(c))	1,865	2,074
Current portion of lease liabilities (note 6)	59,007	23,111
Current portion of Net Profits Interest ("NPI") Provision (note 9(d))	-	39,000
Other current liabilities (note 8)	93,661	147,272
	1,065,019	769,367
Non-current liabilities:		
Loans payable (note 10)	12,683,000	9,055,000
Deferred income taxes	540,308	514,564
Provision for decommissioning obligations (note 9(a), (b))	626,771	621,214
Lease liabilities (note 6)	90,143	74,672
Provision for site restoration (note 9(c))	4,518	4,732
Defined benefit obligation	77,513	100,650
Other non-current liabilities	50,695	53,466
	14,072,948	10,424,298
Shareholder's equity:		
Share capital	1	1
Contributed surplus	603,294	603,294
NPI reserve (note 11)	95,905	11,832
Accumulated deficit	(476,061)	(414,353)
Accumulated other comprehensive income	(2,782)	(23,185)
	220,357	177,589
	\$ 15,358,324	\$ 11,371,254

Commitments (note 15)

Contingencies (note 16)

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

On behalf of the Board:  Director  Director

# CANADA DEVELOPMENT INVESTMENT CORPORATION

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
<b>Revenue:</b>				
Transportation revenue (note 14)	\$ 111,001	\$ 88,444	\$ 299,203	\$284,359
Net crude oil revenue (note 13)	38,050	35,312	123,286	90,583
Lease revenue (note 14)	15,857	15,942	47,762	47,705
Other revenue	971	1,228	2,447	2,823
	165,879	140,926	472,698	425,470
<b>Other income:</b>				
Facility use and processing fees	436	513	798	1,508
Foreign exchange gains	1,108	714	2,302	3,963
	167,423	142,153	475,798	430,941
<b>Expenses:</b>				
Depletion and depreciation (note 5,6)	34,466	39,791	107,002	118,122
Pipeline operating expenses (note 14)	40,383	37,971	121,239	117,439
Crude oil operating, transportation and marketing (note 13)	4,683	5,138	17,885	17,381
Salaries and benefits	21,072	19,204	64,496	60,561
Professional fees	4,181	(2,451)	8,646	5,120
Foreign exchange losses	155	1,126	2,021	3,578
Change in provision for site restoration (note 9)	211	213	180	367
Other administrative	(94)	(327)	510	356
	105,057	100,665	321,979	322,924
<b>Finance expenses (income):</b>				
Interest expense (note 10)	41,534	41,719	127,035	123,395
Interest income	(1,804)	(1,871)	(5,230)	(6,729)
Unwind of discount on decommissioning obligations (note 9(a,b))	2,894	1,550	7,986	5,946
Unwind of discount on provision for site restoration (note 9 (c))	3	27	9	82
	42,627	41,425	129,800	122,694
<b>Net income (loss) before income taxes</b>	19,739	63	24,019	(14,677)
<b>Income taxes:</b>				
Current	5,578	2,507	20,587	12,067
Deferred	10,071	8,382	19,140	3,651
	15,649	10,889	39,727	15,718
<b>Net income (loss)</b>	\$ 4,090	\$ (10,826)	\$ (15,708)	\$ (30,395)
<b>Other comprehensive income (loss):</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Currency translation adjustment	8,257	(6,515)	380	7,725
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurements of defined benefit obligations	-	(41)	20,023	(5,821)
	8,257	(6,556)	20,403	1,904
<b>Comprehensive income (loss)</b>	\$ 12,347	\$ (17,382)	\$ 4,695	\$ (28,491)

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

# CANADA DEVELOPMENT INVESTMENT CORPORATION

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020*	2021	2020*
<b>Share capital</b>				
Balance, beginning and end of period	\$ 1	\$ 1	\$ 1	\$ 1
<b>Contributed surplus</b>				
Balance, beginning and end of period	603,294	603,294	603,294	603,294
<b>Net Profits Interest Reserve</b>				
Balance, beginning of period	37,636	(22,165)	11,832	(34,174)
NPI received	58,269	13,798	157,291	80,436
NPI Provision, net (note 9(d))	-	-	(5,218)	-
Dividends	-	-	(68,000)	(54,629)
Balance, end of period	95,905	(8,367)	95,905	(8,367)
<b>Accumulated deficit</b>				
Balance, beginning of period	(480,151)	(313,534)	(414,353)	(286,965)
Net income (loss)	4,090	(10,826)	(15,708)	(30,395)
Dividends	-	-	(46,000)	(7,000)
Balance, end of period	(476,061)	(324,360)	(476,061)	(324,360)
<b>Accumulated other comprehensive income</b>				
Balance, beginning of period	(11,039)	(2,132)	(23,185)	(10,592)
Other comprehensive income (loss)	8,257	(6,556)	20,403	1,904
Balance, end of period	(2,782)	(8,688)	(2,782)	(8,688)
<b>Total shareholder's equity</b>	<b>\$ 220,357</b>	<b>\$ 261,880</b>	<b>\$ 220,357</b>	<b>\$ 261,880</b>

\*(Restated note 20)

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

# CANADA DEVELOPMENT INVESTMENT CORPORATION

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
<b>Cash provided by (used in):</b>				
<b>Operating activities:</b>				
Net income (loss)	\$ 4,090	\$ (10,826)	\$ (15,708)	\$ (30,395)
Adjustments for:				
Depletion and depreciation	34,466	39,791	107,002	118,122
Loss (gain) on assets	(4)	-	16	-
Income tax expense	15,649	10,889	39,727	15,718
Interest income	(1,804)	(1,987)	(5,230)	(6,839)
Net change in defined benefits	1,432	1,367	3,694	2,424
Lease interest expense	466	420	1,242	1,358
Change in provision for site restoration	211	213	180	367
Unwind of discount on provisions	2,897	1,577	7,995	6,028
Payment of lease liabilities, interest portion	(1,666)	(980)	(5,697)	(3,016)
Interest received	1,804	1,980	5,230	6,838
Provisions settled	(309)	(321)	(639)	(2,998)
Income taxes recovered (paid)	(8,466)	897	(20,676)	(12,855)
	48,766	43,020	117,136	94,752
Change in non-cash working capital (note 12)	159,335	(2,401)	111,103	3,341
	208,101	40,619	228,239	98,093
<b>Financing activities:</b>				
Proceeds from loans	1,423,000	830,000	3,628,000	2,020,000
Dividends paid	-	-	(114,000)	(61,629)
NPI received	58,269	13,798	157,291	80,436
NPI refunds paid	-	-	(44,218)	-
Payment of lease liabilities, principal portion	(13,763)	(5,199)	(44,691)	(15,724)
	1,467,506	838,599	3,582,382	2,023,083
<b>Investing activities:</b>				
Purchase of property, plant and equipment	(1,378,715)	(826,253)	(3,482,269)	(2,073,225)
Internal use software expenditures	(1,469)	(3,294)	(3,087)	(9,033)
Change in restricted cash	7,117	(15,422)	(655)	(13,308)
Purchase of restricted investments	(1,753)	(2,799)	(8,829)	(11,729)
Withdrawal from CRF	-	-	3,000	-
Capital Contribution in non-consolidated subsidiary	-	-	-	(1)
Change in investments held for future obligations	(138)	(311)	(404)	(1,368)
	(1,374,958)	(848,079)	(3,492,244)	(2,108,664)
Effects of FX translation on cash	2,422	(1,256)	408	1,007
Change in cash and cash equivalents	303,071	29,883	318,786	13,519
Cash and cash equivalents, beginning of period	327,422	570,745	311,707	587,109
<b>Cash and cash equivalents, end of period</b>	<b>\$ 630,493</b>	<b>\$ 600,628</b>	<b>\$ 630,493</b>	<b>\$ 600,628</b>
<b>Represented by:</b>				
Cash	\$ 470,674	\$ 545,055	\$ 470,674	\$ 545,055
Cash equivalents	159,819	55,573	159,819	55,573
	\$ 630,493	\$ 600,628	\$ 630,493	\$ 600,628

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

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2021

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

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## 1. Reporting entity:

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

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

In August 2019, the GoC transferred to CDEV its activities related to the management of the Net Profits Interest ("NPI") and Incidental Net Profits Interest ("INPI") agreements under the Hibernia Development Project which were previously managed by Natural Resources Canada. Refer to notes 9 and 11 for details.

On May 10, 2020 CDEV was issued a directive (P.C. 2020-305) pursuant to section 89 of the *Financial Administration Act* to incorporate a subsidiary, Canada Enterprise Emergency Funding Corporation which was incorporated in compliance with the directive. CEEFC was incorporated under the *Canada Business Corporations Act* to administer, approve and fund transactions in accordance with terms approved by the Minister of Finance in relation to the Large Employer Emergency Financing Facility program. CEEFC is subject to the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. CEEFC has not been consolidated within CDEV as CDEV is not deemed to have control over CEEFC based on the criteria outlined in IFRS 10.

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

### **Subsidiaries**

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

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

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2021

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

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## 1. Reporting entity (continued):

TMP Finance is the parent company of TMC. It provides debt and equity financing to TMC funded by loans from Her Majesty in Right of Canada, administered by Export Development Canada (“EDC”). See note 10 for loan details.

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

CHHC was incorporated under the provisions of the *Canada Business Corporations Act* and was acquired by CDEV in March 1993. CHHC is subject to the *Financial Administration Act* and the *Income Tax Act*. CHHC’s sole purpose is the holding and management of its interest in the Hibernia Development Project (“Hibernia Project”) which is an oil development and production project located offshore Newfoundland and Labrador. The Hibernia Project comprises the original Hibernia Development Project area, where CHHC has an 8.5% working interest, and the Hibernia Southern Extension Unit (“HSE Unit”), where CHHC has a current 5.67% working interest. CHHC’s working interest in the HSE Unit is subject to adjustment in accordance with the applicable provisions in the HSE Unit Agreement. As a result of the Unit operator’s implementation of the HSE Unit First Redetermination, CHHC’s working interest increased from 5.62665% to 5.66521% effective March 1, 2021.

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

## 2. Basis of preparation:

### a) Statement of compliance:

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to interim periods, including International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2020.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 29, 2021.



# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2021

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

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## 2. Basis of preparation (continued):

### b) Basis of measurement:

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

### c) Functional and presentation currency:

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

### d) Use of estimates and judgments:

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Critical judgments and key sources of estimation uncertainty are the same as those disclosed in note 3(y) of the Corporation's annual consolidated financial statements for the year ended December 31, 2020.

The changing circumstances of the COVID-19 pandemic has required certain reassessments of the significant judgements and estimates used to prepare the interim condensed consolidated financial statements. The pandemic has resulted in significant economic uncertainty, with more volatile commodity prices and foreign exchange rates, and a marked decline in long-term interest rates. During the three months ended September 30, 2021, the global economy showed signs of recovery from the impacts of the COVID-19 pandemic and the outlook for crude oil demand has improved due to the easing of restrictions combined with the distribution of vaccines in developed countries. While there have been recent recoveries in global crude oil demand and current and forecasted crude oil prices, the global economic impacts of COVID-19 and the estimated length of the pandemic continues to evolve.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2021

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

### 3. Significant accounting policies:

These interim condensed consolidated financial statements have been prepared following the same accounting policies and methods of application as those presented in note 3 of the annual audited consolidated financial statements for the year ended December 31, 2020, except for those policies which have changed as a result of the adoption of new accounting standards, amendments or interpretations effective January 1, 2021, as described below. In addition, income taxes on earnings or loss in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual earnings or loss.

#### Changes in accounting policies:

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

### 4. Restricted cash:

	September 30, 2021	December 31, 2020
Restricted cash – TMC letters of credit	\$ 73,385	\$ 73,983
Restricted cash – TMC held for future abandonment costs	1,807	554
Restricted cash – TMC held as security	1,200	1,200
Restricted cash – CHHC letters of credit	8,500	8,500
	\$ 84,892	\$ 84,237

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2021

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

## 5. Property, plant, and equipment:

	Construction work in progress	Pipeline	Oil development assets and production facilities	TOTAL
<b>Cost:</b>				
Balance at December 31, 2019	\$ 2,481,918	\$ 3,530,639	\$ 582,624	\$6,595,181
Additions for the period	3,260,567	-	14,042	3,274,609
Transfers	(82,886)	82,886	-	-
Decommissioning adjustments	-	(524)	2,649	2,125
Derecognition	-	-	(7,140)	(7,140)
Retirements	-	(2,467)	-	(2,467)
Foreign exchange movements	(10)	(5,838)	-	(5,848)
Balance at December 31, 2020	\$ 5,659,589	\$ 3,604,696	\$ 592,175	\$9,856,460
Additions for the period	3,771,662	-	6,673	3,778,335
Transfers	(4,502)	4,502	-	-
Decommissioning adjustments	-	-	(2,440)	(2,440)
Retirements	-	(29)	-	(29)
Foreign exchange movements	5	184	-	189
Balance at September 30, 2021	\$9,426,754	\$3,609,353	\$596,408	\$13,632,515
<b>Accumulated depletion and depreciation:</b>				
Balance at December 31, 2019	\$ -	\$ 138,811	\$ 402,305	\$541,116
Depletion and depreciation	-	101,452	45,836	147,288
Derecognition	-	-	(1,004)	(1,004)
Foreign exchange movements	-	(730)	-	(730)
Balance at December 31, 2020	\$ -	\$ 239,533	\$ 447,137	\$686,670
Depletion and depreciation	-	77,260	22,097	99,357
Retirements	-	(13)	-	(13)
Foreign exchange movements	-	133	-	133
Balance at September 30, 2021	\$ -	\$316,913	\$ 469,234	\$786,147
<b>Carrying amounts:</b>				
At December 31, 2020	\$ 5,659,589	\$ 3,365,163	\$ 145,038	\$ 9,169,790
At September 30, 2021	\$ 9,426,754	\$ 3,292,440	\$ 127,174	\$12,846,368

At September 30, 2021, costs related to oil development assets and production facilities subject to the calculations of depletion and depreciation included future development costs of \$389,627 (\$395,100 - December 31, 2020) and excluded the cost of equipment currently under construction of nil (December 31, 2020 - \$3,104).

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

During the nine months ended September 30, 2021 capitalized interest of \$258,254 was included in additions to construction work in progress – pipeline (2020 - \$118,763).

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2021

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

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

At September 30, 2021, an assessment of indicators of impairment was conducted for the Corporation's cash generating units ("CGUs"). Indicators of impairment include (but are not limited to) significant changes with an adverse effect on the entity that have taken place during the year or will take place in the near future in the market or economic environment in which the entity operates.

As of September 30, 2021, as a result of significant factors which may have a material effect on TMEP including, but not limited to, a voluntary safety stand-down, COVID-19, wildfires in British Columbia, labor market challenges and contractor changes, management performed a goodwill impairment test, which did not result in an impairment charge. See Goodwill, note 7.

No indicators of impairment were noted for the oil development assets and production facilities at September 30, 2021 and December 31, 2020 and accordingly an impairment test was not required.

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

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

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

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

The category of buildings includes the monthly fixed lease payments made for the Corporation's office building spaces in Alberta, B.C. and Ontario. The leases extend to the year 2025. It also included CHHC's proportionate working interest share of HMDC's office building space in St. John's, NL. This lease expired in 2020 and was not replaced by a lease arrangement.

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

The Corporation is not exposed to any significant additional potential cash outflows that are not included in the reported amount of the lease liabilities, other than certain termination penalties which the Corporation considers not reasonably certain to be incurred as at September 30, 2021.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2021

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

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

Statement of Financial Position:

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

	Equipment and Vehicles	Land and Buildings	Total
January 1, 2020	\$ 22,619	\$ 67,670	\$ 90,289
Additions	2,373	26,326	28,699
Lease modifications	351	48	399
Depreciation	(4,066)	(19,766)	(23,832)
Foreign exchange	(28)	-	(28)
December 31, 2020	\$ 21,249	\$ 74,278	\$ 95,527
Additions	86,853	12,551	99,404
Lease modifications	61	(35)	26
Depreciation	(36,128)	(15,152)	(51,280)
Incentives	-	(5,970)	(5,970)
Foreign exchange	-	-	-
September 30, 2021	\$ 72,035	\$ 65,672	\$ 137,707

Details of lease liabilities are as follows:

	Nine months ended September 30, 2021	Year ended December 31, 2020
Lease liabilities, beginning of period	\$ 97,783	\$ 91,920
Additions	96,033	28,700
Lease modification	26	398
Interest expense	5,696	4,024
Lease payments	(50,388)	(27,224)
Foreign exchange movements	-	(35)
Lease liabilities, end of period	\$ 149,150	\$ 97,783
Current portion	\$ 59,007	\$ 23,111
Long-term portion	90,143	74,672
	\$ 149,150	\$ 97,783

Maturity analysis – contractual undiscounted cash flows:

	2021	2022-2025	Thereafter	Total
Lease liabilities	\$ 15,939	\$ 94,657	\$ 116,489	\$ 227,085

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2021

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

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

Statement of Comprehensive Income and Statement of Cash Flows:

	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Statement of Comprehensive Income:		
Interest on lease liabilities	\$ 5,697	\$ 3,016
Less: capitalized lease liabilities	(4,455)	(1,662)
Net interest on lease liabilities	1,242	1,358
Short term and variable cost	2,578	2,269
Statement of Cash Flows:		
Total cash outflow for leases	\$ (50,388)	\$ (18,742)

### Lessor

Operating leases in which the Corporation is the lessor relate to merchant tanks owned by the Corporation and housing located along the pipeline right of way or in the proximity of pump stations. For the nine months ended September 30, 2021, lease income for merchant tank operating leases recognized in "Lease revenue" totaled \$47,762 (2020 - \$47,705), and lease income related to housing operating leases recognized in "Other revenue" totaled \$182 (2020 - \$162).

## 7. Goodwill:

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

Balance at December 31, 2019	\$ 1,015,781
Effect of foreign exchange	81
Balance at December 31, 2020	1,015,862
Effect of foreign exchange	-
Balance at September 30, 2021	\$ 1,015,862

b) Impairment test

For the purposes of impairment testing, goodwill has been allocated to TMC's CGU. As a result of significant factors which may have a material effect on TMEP including, but not limited to, a voluntary safety stand-down, COVID-19, wildfires in British Columbia, labor market challenges and contractor changes, as of September 30, 2021, management performed a goodwill impairment test, which did not result in an impairment charge.

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2021

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

## 7. Goodwill (continued):

The recoverable amount or valuation of the reporting unit was estimated using an income-based approach based on the discounted cash flows. The estimate of fair value required the use of significant unobservable inputs, including assumptions related to the discount rate, the timing and cost to complete the TMEP, and the extent cash flows will be re-contracted at the end of the initial TMEP term contracts, and therefore, the fair value is representative of a Level 3 fair value. For purposes of determining the fair value, the estimate of discounted cash flows included probability-weighted scenarios of various in-service dates for the TMEP. The estimate of discounted cash flows was determined using a discount rate of 7.25% 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.

Changes in these key assumptions would impact the fair value of the reporting unit which could result in impairment. In reference to a base valuation, sensitivity analysis of key assumptions was performed. An increase in the assumed discount rate by 25 basis points on the expected cash flows, while reducing the fair value does not result in an impairment. An increase in project costs by \$3.0 billion, and a three month delay to the commencement of commercial service of the project, while reducing the fair value also does not result in an impairment. A decrease in the percentage of re-contracted cash flows at the end of the initial TMEP term contracts of 10%, while reducing the fair value, does not result in an impairment.

## 8. Other current liabilities:

	September 30, 2021	December 31, 2020
Dock premiums	\$ 81,522	\$ 133,532
Environmental accrual	3,732	6,096
Defined benefit obligation	1,497	1,497
Other	6,910	6,147
	\$ 93,661	\$ 147,272

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2021

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

## 9. Provisions:

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

	Decommissioning Obligations			Site restoration
	Pipeline	Wells & Facilities	Total	
Balance at December 31, 2019	\$ 465,751	\$ 147,809	\$ 613,560	\$ 9,770
Additional provisions	-	-	-	114
Changes in estimates	(524)	(21,084)	(21,608)	(222)
Obligations settled	-	(1,273)	(1,273)	(2,783)
Changes in discount rate	-	23,733	23,733	(182)
Effect of foreign exchange	(870)	-	(870)	-
Unwind of discount	6,075	1,597	7,672	109
Balance at December 31, 2020	\$ 470,432	\$ 150,782	\$ 621,214	\$ 6,806
Additional provisions	-	-	-	1,312
Changes in estimates	-	23,452	23,452	(1,089)
Obligations settled	-	(27)	(27)	(612)
Changes in discount rate	-	(25,892)	(25,892)	(43)
Effect of foreign exchange	38	-	38	-
Unwind of discount	5,918	2,068	7,986	9
Balance at September 30, 2021	\$ 476,388	\$ 150,383	\$ 626,771	\$ 6,383
Current	\$ -	\$ -	\$ -	\$ 1,865
Non-current	476,388	150,383	626,771	4,518
	\$ 476,388	\$ 150,383	\$ 626,771	\$ 6,383

### 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 \$246,477 at September 30, 2021 (\$204,430 - December 31, 2020). Estimates of decommissioning obligation costs can change significantly based on factors such as operating experience and changes in legislation and regulations.

These obligations will be settled based on the expected timing of abandonment, which currently extends up to the year 2049 and is based upon the useful lives of the underlying assets. The provision was calculated at September 30, 2021 using an average inflation rate of 1.88% (1.12% - December 31, 2020) and was discounted using an average risk-free rate of 1.88% (1.12% - December 31, 2020).

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

The provision for decommissioning obligations for the pipeline properties is based on management's estimate of costs to abandon which is estimated to be \$476,388 at September 30, 2021 (December 31, 2020 - \$470,432) discounted at a risk-free rate of 1.98% (December 31, 2020 - 1.21%). The undiscounted decommissioning liability is estimated to be \$3,200,000 (December 31, 2020 - \$1,500,000), with an inflation rate of 1.98% and an expected remaining useful life of 97 years.



# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2021

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

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## 9. Provisions (continued):

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

### c) Provision for site restoration:

Under the terms of the purchase and sale agreement in 1988 between CEI and Cameco, CEI is responsible for obligations relating to the sale of assets to Cameco. Provision for site restoration as at the date of the interim condensed consolidated statement of financial position is related to the decommissioning of a former mine site. Cameco is responsible for the monitoring and management of this site. CEI accrues for these costs based on estimates provided by Cameco. These estimates are based on variables and assumptions which are subject to uncertainty including the time to completion and the costs over this period. The future estimate of costs for site restoration has been discounted at a rate of 0.42% (December 31, 2020 – 0.24%) and an inflation rate of 0.42% was used to calculate the provision at September 30, 2021 (December 31, 2020 – 0.24%).

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

Under the terms of the 1990 Hibernia Development Project NPI Agreement and the MOU executed with NRCan, the Corporation is responsible for any payable due to Hibernia Project owners due to determination, redetermination or calculation by Canada. The NPI Provision as at December 31, 2020 is related to a recalculation. The Provision was based on management's recalculation of the amount due to Hibernia Project owners plus interest payable. The Corporation settled the \$39,000 provision during the period ended March 31, 2021. The Corporation accrued and paid an additional \$5,218 relating to the provision during the first nine months of 2021.

## 10. Loans payable:

On August 29, 2018, TMP Finance entered into Credit Agreements with Her Majesty in Right of Canada. The facilities are part of the Canada Account of the Government of Canada, administered by EDC. The Acquisition facility was used to fund the acquisition of the Trans Mountain Pipeline entities. The Construction Facility is used primarily to finance the TMPL construction. The NEB Facility allows TMP Finance to borrow funds for the purpose of providing financial assurance for the TMPL as required by the Canada Energy Regulator ("CER").

The availability of the Construction Credit Facility is limited to any borrowing authority issued by the Minister of Finance. On July 30, 2019, an Amended Credit Agreement was executed between Her Majesty in Right of Canada, as administered by EDC and Canada TMP Finance Ltd. The Construction facility limit increased to \$4,000,000 in January 2020, until December 31, 2020 as detailed in a revised borrowing authority letter received from the Minister of Finance. On October 1, 2020, a Second Amending Agreement was executed which resulted in an increase to the available

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2021

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

## 10. Loan payable (continued):

credit on the Construction Facility to \$5.1 billion on October 1, 2020 and to \$6.1 billion on January 1, 2021. On March 31, 2021, a further amendment was executed increasing the available credit on the Construction Facility to \$9.14 billion effective April 1, 2021 through to December 30, 2021. Effective December 31, 2021 the Construction Facility limit increases to \$9.6 billion. The maturity date for all loan facilities was amended to August 29, 2025 effective April 1, 2021. See note 8.

The loans are due on the respective maturity dates and may be repaid early without premium or penalty subject to certain conditions. Details of the facilities at September 30, 2021 are as follows:

Facility	Total Available Credit September 30, 2021	Outstanding Amounts September 30, 2021	Outstanding Amounts December 31, 2020	Interest Rate Disbursed amounts	Standby Fee Undisbursed amounts	Maturity Date
Acquisition	\$ 4,670,000	\$ 4,670,000	\$ 4,670,000	4.7%	0.065%	August 29, 2025
Construction	9,140,000	8,013,000	4,385,000	4.7%	0.065%	August 29, 2025
NEB	500,000	-	-	4.7%	0.300%	August 29, 2025
		<b>\$ 12,683,000</b>	<b>\$ 9,055,000</b>			

Total interest expense for the periods ended September 30 is comprised of the following:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Interest on Loans payable	\$ 144,216	\$ 88,932	\$ 381,981	\$ 238,760
Interest on leases	466	420	1,242	1,358
Interest capitalized	(103,794)	(48,197)	(258,254)	(118,763)
Standby fees	646	564	2,066	2,040
	<b>\$ 41,534</b>	<b>\$ 41,719</b>	<b>\$ 127,035</b>	<b>\$ 123,395</b>

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Corporation's general borrowings during the period of 4.7% (2020 – 4.7%).

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2021

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

## 11. Net Profits Interest Reserve:

NPI payments received under the NPI agreements for the nine months ended September 30, 2021 totalled \$171,270 of which \$13,979 was received from CHHC and eliminated upon consolidation (2020 – \$88,706, of which \$8,270 was eliminated).

## 12. Supplemental cash flow disclosure:

Changes in non-cash working capital balances for the periods ended September 30 include the following:

	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Trade and other receivables	\$ 39,850	\$ (3,945)	\$ 37,588	\$ 56,184
Inventory	(739)	(375)	123	(1,180)
Other current assets	11,027	9,043	(531)	(1,183)
Deferred charges and other assets	(22,765)	(92,796)	6,371	(155,763)
Trade and other payables	120,677	72,238	208,355	131,924
Interest payable	144,853	89,487	144,227	89,704
Other current liabilities	(14,315)	(17,673)	(53,611)	(20,350)
Other deferred credits	2,789	(14,020)	8,265	(49,055)
Change in non-cash working capital items	\$ 281,377	\$ 41,959	\$ 350,787	\$ 50,281
Relating to:				
Operating activities	\$ 159,335	\$ (2,401)	\$ 111,103	\$ 3,341
Investing activities	122,042	44,360	239,684	46,940
	\$ 281,377	\$ 41,959	\$ 350,787	\$ 50,281

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
PPE additions (note 5)	\$(1,516,748)	\$ (878,545)	\$(3,778,335)	\$(2,142,687)
Change in non-cash investing working capital related to PPE	123,511	47,655	242,771	55,974
Capitalized lease amortization and interest	14,522	4,637	53,295	13,488
Cash used for PPE expenditures	\$(1,378,715)	\$ (826,253)	\$(3,482,269)	\$(2,073,225)

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

a) Net crude oil revenue for the periods ended September 30 is comprised as follows:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Crude oil sales	\$ 52,988	\$ 44,196	\$ 175,632	\$ 113,873
Less: royalties	(14,938)	(8,884)	(52,346)	(23,290)
Net crude oil revenue	\$ 38,050	\$ 35,312	\$ 123,286	\$ 90,583

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
United States	\$ 25,917	\$ 35,095	\$ 111,980	\$ 63,095
Europe	27,071	8,874	39,618	17,359
South America	-	-	24,034	-
Canada	-	227	-	18,178
Asia	-	-	-	15,241
	\$ 52,988	\$ 44,196	\$ 175,632	\$ 113,873

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

	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Hibernia Project operating expenses	\$ 3,375	\$ 4,011	\$ 13,581	\$ 12,147
Crude oil transportation and transshipment	1,239	1,033	4,044	4,882
Crude oil marketing	69	94	260	352
	\$ 4,683	\$ 5,138	\$ 17,885	\$ 17,381

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

For the period ended September 30 revenues and operating expenses from TMC's operations, disaggregated by revenue source and type of revenue, are comprised as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2021	2020	2021	2020
Transportation revenue	\$ 111,001	\$ 88,444	\$ 299,203	\$ 284,359
Lease revenue	15,857	15,942	47,762	47,705
Other revenue	821	428	1,997	1,273
<b>Total</b>	<b>\$ 127,679</b>	<b>\$ 104,814</b>	<b>\$ 348,962</b>	<b>\$ 333,337</b>
Operating and production expenses	\$ 40,383	\$ 37,971	\$ 121,239	\$ 117,439
Salaries and benefits	20,206	18,364	61,873	57,867
Other general and administration costs	335	(110)	2,251	1,700
Total operating expenses excluding finance costs and depreciation	\$ 60,924	\$ 56,225	\$ 185,363	\$ 177,006

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

## 15. Commitments:

CDEV's commitments at September 30, 2021 are summarized in the table below and include TMC's purchase of PPE, crude oil transportation and transshipment service arrangements, and CHHC's share of Hibernia Project contractual commitments related to capital investments and operations.

	Remainder 2021	2022-2025	Thereafter	Total
Crude oil transportation and transshipment services	\$ 1,263	\$ 13,771	\$ 19,355	\$ 34,389
Hibernia Project contracts	448	3,311	3,047	6,806
Pipeline PPE	77,287	247	-	77,534
Other operating commitments	791	817	5,536	7,144
<b>Total Commitments</b>	<b>\$ 79,789</b>	<b>\$ 18,146</b>	<b>\$ 27,938</b>	<b>\$ 125,873</b>

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## 16. Contingencies:

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

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

The TMEP has been subject to various legal actions to challenge the federal government's approval of the TMEP. As a result of a decision from the BC Court of Appeal, the BC Environmental Assessment Office ("EAO") was directed to consider any adjustments to the BC Environmental Assessment Certificate that may be required due to the CER's court directed reconsideration process and subsequent issuance of Order in Council-065 approving the TMEP. In April 2020 the BC EAO announced a process for the reconsideration of any consequential adjustments. The EAO prepared a draft report for the Minister of Environment and Climate Change Strategy and the Minister of Energy, Mines and Low Carbon Innovation (the "Ministers") and released a draft for public comment. After receiving and incorporating public comment, the EAO prepared a final draft report and will be submitting recommendations to the Ministers for consideration.

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

## 17. Risks to the Corporation:

The nature of CDEV's consolidated operations expose the Corporation to risks arising from its financial instruments that may have a material effect on cash flows, profit, and comprehensive income (loss). A description of the nature and extent of risks arising from the Corporation's financial assets and liabilities can be found in the notes to the Corporation's annual consolidated financial statements as at December 31, 2020.

CDEV is exposed to financial risks including market risk relating to commodity prices, foreign exchange rates and interest rates, as well as credit and contract risk and liquidity risk.

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

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

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

As at September 30, 2021 and December 31, 2020 there were no significant accounts receivable past due or impaired. The composition of the Corporation's trade and other receivables is as follows:

	September 30, December 31,	
	2021	2020
Contracts with pipeline shippers	\$ 26,947	\$ 30,317
Contracts with crude oil customers	13,539	26,468
Hibernia joint arrangement	2,721	2,879
HST/GST input tax credits	28,932	37,353
Other	4,268	17,231
Related party receivable	253	-
Trade and other receivables	\$ 76,660	\$ 114,248
Amount outstanding greater than 90 days	\$ 2,787	\$ 814

The Corporation applies a simplified approach to providing for expected credit losses ("ECLs"), using the lifetime ECLs provision for all trade receivables. To measure the ECLs provision related to trade receivables, the Corporation applies a provision matrix based on the number of days past due. Due to the high credit quality of the Corporation's counterparties, the ECL provision at September 30, 2021 is insignificant.

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

The Corporation's cash and cash equivalents (including those held in escrow and investments held for future abandonment and risk fund) are exposed to investment-grade Canadian banks and financial institutions and the Government of Canada. All cash equivalents and short-term investments are purchased from issuers with a credit rating of R1 High by Dominion Bond Rating Service. Accordingly, the ECLs provision at September 30, 2021 related to cash and cash equivalents and investments is insignificant.

The Corporation realized no actual impairment losses during the nine months ended September 30, 2021 or 2020.

Liquidity risk is the risk that the Corporation will not be able to meet its work commitments and/or other financial obligations as they become due. The Corporation's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due. The Corporation forecasts cash requirements to ensure funding is available to settle financial liabilities when they become due. The primary sources of liquidity and capital resources are funds generated from operations and the credit facilities.

The Corporation continues to retain cash and short-term investments that provide it with financial flexibility to meet its obligations as they come due. The Corporation may be exposed to long-term downturns in the energy industry and economic volatility which is mitigated by the current regulatory frameworks governing TMC's pipeline operations and the competitive position of its pipeline and oil producing assets. Expected future cash flow from the present operations currently exceeds estimated operating expenses and future capital expenditures, aside from TMEP. The Corporation has requested incremental funding authority to continue to advance the TMEP in the fourth quarter of 2021. Given significant ongoing expenditures in connection with the TMEP, the Corporation will require the continued availability of future financing in order to complete the project.

Fair value of financial instruments:

The following table shows the carrying amounts and fair values of restricted investments and loans payable including their levels in the fair value hierarchy at September 30, 2021 and December 31, 2020:

	Classification	Hierarchy	Carrying amounts		Fair value	
			2021	2020	2021	2020
<b>Financial assets</b>						
Restricted investments	FVTPL	Level 2	\$ 91,778	\$ 93,986	\$ 91,778	\$ 93,986
<b>Financial liabilities</b>						
Loans payable	Amortized cost	Level 2	\$12,683,000	\$9,055,000	\$ 13,387,300	\$ 9,495,665



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

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

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

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

## 18. Related party transactions:

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

CDEV paid dividends to the Government of Canada during the three and nine months ended September 30, 2021 of \$nil and \$114,000 respectively (2020 - \$nil and \$61,629).

At September 30, 2021, CDEV has a related party receivable from CEEFC of \$253 (December 31, 2020 – payable of \$187).

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## 19. Supplementary information:

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

	Nine months ended September 30, 2021						
	TMC (US GAAP)	IFRS Adjustments	TMC (IFRS)	CHHC	Others	Eliminations	Consolidated
<b>Statement of Comprehensive Income:</b>							
<b>Revenues:</b>							
Transportation revenue	\$ 273,047	\$ 26,156 <sup>(1)</sup>	\$ 299,203				\$ 299,203
Lease revenue	47,762		47,762				47,762
Net crude oil revenue				113,429	-	9,857	123,286
Other income/ FX	2,222		2,222	2,785	2,143	(1,603)	5,547
	323,031	26,156	349,187	116,214	2,143	8,254	475,798
<b>Expenses:</b>							
Depletion and depreciation	76,618	5,940 <sup>(2)</sup>	82,558	24,351	93		107,002
Operating and production	121,715	(476)	121,239	17,885	-		139,124
Salaries and benefits	60,373	1,500 <sup>(3)</sup>	61,873	1,277	1,346		64,496
General and admin Other and FX	4,171	(1,904)	2,267	2,529	6,672	(111)	11,357
	262,877	5,060	267,937	46,042	8,111	(111)	321,979
<b>Finance Costs:</b>							
Equity AFUDC	255,928	(255,928) <sup>(4)</sup>	-	-	-		-
Other, net	655	(655)	-	-			-
Unwind of discount	-	(5,918) <sup>(4)</sup>	(5,918)	(2,068)	(9)		(7,995)
Net Interest (expense)	(66,514)	67,795 <sup>(4)</sup>	1,281	643	91,655	(215,384)	(121,805)
	190,069	(194,706)	(4,637)	(1,425)	91,646	(215,384)	(129,800)
<b>Net income before income taxes</b>	<b>250,223</b>	<b>(173,610)</b>	<b>76,613</b>	<b>68,747</b>	<b>85,678</b>	<b>(207,019)</b>	<b>24,019</b>
Income taxes (recovery)	61,422	(42,795) <sup>(5)</sup>	18,627	21,100	-		39,727
<b>Net Income</b>	<b>188,801</b>	<b>(130,815)</b>	<b>57,986</b>	<b>47,647</b>	<b>85,678</b>	<b>(207,019)</b>	<b>(15,708)</b>
<b>Other Comprehensive Income</b>	<b>\$ 872</b>	<b>\$ 19,531</b> <sup>(6)</sup>	<b>\$ 20,403</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,403</b>
<b>Statement of Financial Position:</b>							
<b>Assets:</b>							
Current assets	434,525	(11,216) <sup>(7)</sup>	423,309	121,065	272,943	(82,716)	734,601
Non-current assets	14,264,126	(85,627) <sup>(8)</sup>	14,178,499	313,353	13,289,027	(13,157,156)	14,623,723
	<b>\$14,698,651</b>	<b>\$ (96,843)</b>	<b>\$14,601,808</b>	<b>\$ 434,418</b>	<b>\$13,561,970</b>	<b>\$ (13,239,872)</b>	<b>\$ 15,358,324</b>
<b>Liabilities</b>							
Current liabilities	982,616	-	982,616	15,107	151,302	(84,006)	1,065,019
Non-current liabilities	7,739,888	248,282 <sup>(9)</sup>	7,988,170	162,568	12,688,310	(6,766,100)	14,072,948
	<b>\$ 8,722,504</b>	<b>\$ 248,282</b>	<b>\$ 8,970,786</b>	<b>\$ 177,675</b>	<b>\$12,839,612</b>	<b>\$ (6,850,106)</b>	<b>\$ 15,137,967</b>
<b>Shareholder's Equity</b>							
	5,976,147	(345,125) <sup>(10)</sup>	5,631,022	256,743	722,358	(6,389,766)	220,357
	<b>\$14,698,651</b>	<b>\$ (96,843)</b>	<b>\$14,601,808</b>	<b>\$ 434,418</b>	<b>\$13,561,970</b>	<b>\$ (13,239,872)</b>	<b>\$ 15,358,324</b>

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## 19. Supplementary information (continued):

	Nine months ended September 30, 2020 (restated note 20)						
	TMC (US GAAP)	IFRS Adjustments	TMC (IFRS)	CHHC	Others	Eliminations	Consolidated
<b>Statement of Comprehensive Income:</b>							
<b>Revenues:</b>							
Transportation revenue	\$ 267,922	\$ 16,437 <sup>(1)</sup>	\$ 284,359				\$ 284,359
Lease revenue	47,705		47,705		-		47,705
Net crude oil revenue				86,367	\$ -	\$ 4,216	90,583
Other income/ FX	1,272		1,272	5,343	3,261	(1,582)	8,294
	<b>316,899</b>	<b>16,437</b>	<b>333,336</b>	<b>91,710</b>	<b>3,261</b>	<b>2,634</b>	<b>430,941</b>
<b>Expenses:</b>							
Depletion and depreciation	73,411	6,046 <sup>(2)</sup>	79,457	38,583		82	118,122
Operating and production	117,879	(440)	117,439	17,381	-		134,820
Salaries and benefits	54,673	3,194 <sup>(3)</sup>	57,867	1,279	1,415		60,561
General and admin Other and FX	6,510	(3,414)	3,096	2,861	3,576	(112)	9,421
	<b>252,473</b>	<b>5,386</b>	<b>257,859</b>	<b>60,104</b>	<b>5,073</b>	<b>(112)</b>	<b>322,924</b>
<b>Finance Costs:</b>							
Equity AFUDC	123,544	(123,544) <sup>(4)</sup>	-	-	-		-
Unwind of discount	-	(4,770) <sup>(4)</sup>	(4,770)	(1,176)	(82)		(6,028)
Net Interest (expense)	(63,322)	290 <sup>(4)</sup>	(63,032)	1,920	15,551	(71,105)	(116,666)
	<b>60,222</b>	<b>(128,024)</b>	<b>(67,802)</b>	<b>744</b>	<b>15,469</b>	<b>(71,105)</b>	<b>(122,694)</b>
<b>Net income before income taxes</b>	<b>124,648</b>	<b>(116,973)</b>	<b>7,675</b>	<b>32,350</b>	<b>13,657</b>	<b>(68,359)</b>	<b>(14,677)</b>
Income taxes (recovery)	30,239	(28,824) <sup>(5)</sup>	1,415	14,303	-		15,718
<b>Net Income</b>	<b>\$ 94,409</b>	<b>(88,149)</b>	<b>\$ 6,260</b>	<b>\$ 18,047</b>	<b>\$ 13,657</b>	<b>\$ (68,359)</b>	<b>\$ (30,395)</b>
<b>Other Comprehensive Income</b>	<b>\$ 8,290</b>	<b>\$ (6,386)</b> <sup>(6)</sup>	<b>\$ 1,904</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,904</b>
<b>Statement of Financial Position:</b>							
<b>Assets:</b>							
Current assets	\$ 428,585	\$ (4,613) <sup>(7)</sup>	\$ 423,972	\$ 145,256	\$ 176,674	\$ (51,757)	\$ 694,145
Non-current assets	9,236,305	118,096 <sup>(8)</sup>	9,354,401	336,627	8,341,704	(8,251,439)	9,781,293
	<b>\$ 9,664,890</b>	<b>\$ 113,483</b>	<b>\$ 9,778,373</b>	<b>\$ 481,883</b>	<b>\$ 8,518,378</b>	<b>\$ (8,303,196)</b>	<b>\$ 10,475,438</b>
<b>Liabilities</b>							
Current liabilities	\$ 701,202	\$ (3,395)	\$ 697,807	\$ 10,815	\$ 128,911	\$ (52,202)	\$ 785,331
Non-current liabilities	5,190,610	323,330 <sup>(9)</sup>	5,513,940	164,442	8,082,195	(4,332,350)	9,428,227
	<b>\$ 5,891,812</b>	<b>\$ 319,935</b>	<b>\$ 6,211,747</b>	<b>\$ 175,257</b>	<b>\$ 8,211,106</b>	<b>\$ (4,384,552)</b>	<b>\$ 10,213,558</b>
<b>Shareholder's Equity</b>							
	<b>\$ 3,773,078</b>	<b>\$ (206,452)</b> <sup>(10)</sup>	<b>\$ 3,566,626</b>	<b>\$ 306,626</b>	<b>\$ 307,272</b>	<b>\$ (3,918,644)</b>	<b>\$ 261,880</b>
	<b>\$ 9,664,890</b>	<b>\$ 113,483</b>	<b>\$ 9,778,373</b>	<b>\$ 481,883</b>	<b>\$ 8,518,378</b>	<b>\$ (8,303,196)</b>	<b>\$ 10,475,438</b>

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## 19. Supplementary information (continued):

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

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

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

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

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

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

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## 19. Supplementary information (continued):

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

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

8) Non-current assets are higher under IFRS primarily due to adjustments to goodwill and property, plant, and equipment. Upon TMC's acquisition, goodwill was recognized for the excess of the fair value of the consideration paid over the estimated fair value of the net assets acquired. There are differences in the fair value of the net assets under US GAAP and IFRS primarily related to ARO, regulatory liabilities, and deferred taxes upon acquisition. Following the acquisition, property, plant, and equipment is higher due to the recognition of the ARO and the corresponding asset retirement cost. TMC also records proceeds from certain contracts (Firm 50 premiums) as contributions in aid of construction under US GAAP ASC980, which reduces fixed assets. These contributions are recognized as revenue under IFRS.

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

10) The cumulative impact of the IFRS adjustments to shareholder's equity total \$345 million with \$11 million being the impact on the 2021 net income and OCI, and the balance due to the adjustments to equity in prior periods.

## 20. Restatement of prior period:

During 2020, the Corporation discovered a historical error in the calculation approach used to determine NPI amounts payable each month by Hibernia Project Owners under the NPI agreements. This calculation error existed prior to CDEV assuming responsibility for administering the NPI agreements in August 2019 and resulted in overpayments by Hibernia Project Owners in prior years. As a result, when CDEV assumed administrative responsibility for the NPI agreements, the NPI Reserve balance was overstated as a result of an obligation to refund the Hibernia Project Owners the overpaid amounts plus interest. Therefore, the September 30, 2020 comparative information for the NPI Reserve balances has been restated to reflect this refund obligation. The following table summarizes the impact on the Corporation's interim condensed consolidated financial statements:

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three and nine months ended September 30, 2021

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

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

Consolidated Statement of Changes in Shareholder's Equity:

September 30, 2020	Impact of restatement		
	As previously reported	Adjustments	As restated
Net Profits Interest Reserve			
Balance, beginning of period	\$ 826	\$ (35,000)	\$ (34,174)
Balance, end of period	26,633	(35,000)	(8,367)
<b>Total Shareholder's equity</b>	<b>\$ 296,880</b>	<b>\$ (35,000)</b>	<b>\$ (261,880)</b>

There was no impact on the Consolidated Statement of Financial Position, Consolidated Statement of Comprehensive Income or the Consolidated Statement of Cash Flows for the period ended September 30, 2020. The note disclosure impacted by this restatement are notes 9 and 19.