CDIC

CANADA DEVELOPMENT INVESTMENT CORPORATION

Annual Report 2010

CDIC

Contents

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Report to the Minister

The Honourable James M. Flaherty
Minister of Finance

Dear Minister Flaherty:

I am pleased to report on the results of operations for Canada Development Investment Corporation ("CDIC" or the "Corporation") for the year ended December 31, 2010.

Canada GEN Investment Corporation (GEN), CDIC's wholly owned subsidiary played an active part in the initial public offering of stock of General Motors Company (GM). This highly successful issue generated C$1.17 billion net of brokerage fees to GEN. GEN retains holdings of approximately 9% in GM.

CDIC undertook five assignments under the Government's ongoing review of corporate asset holdings. Four of these were completed by year end and work has commenced on a further four reviews.

Canada Hibernia Holding Corporation (CHHC) had a successful year. The number of barrels of oil produced increased by 23% and oil prices received were 18% higher on average than in 2009. CHHC contributed $106 million in royalties to the Province of Newfoundland and Labrador, $34 million in payments to the Federal government under its net profit interest and $61 million in income taxes.

CDIC sold its holding in Air Canada warrants for total proceeds of $1.9 million.

Dividends paid by CDIC from CHHC profits, dividends from GM and the proceeds of sale of the GM shares aggregated $1.289 billion for 2010. Of this amount, $406 million was paid to Ontario as requested by you.

Canada CH Investment Corporation (CDIC's wholly owned subsidiary) continues to manage Canada's equity interest in Chrysler Group LLC.

Canada Eldor Inc. (CEI) is responsible for the administration of outstanding issues pursuant to prior divestitures.
These issues relate primarily to certain waste contingencies and outstanding litigation.

During 2010, CDIC did not borrow from Canada nor did it receive any appropriations.

On behalf of the Board of Directors,

N. William C. Ross
Chairman
Canada Development Investment Corporation

March 11, 2011

Directors and Officers as at March 11, 2011

Minister Responsible for CDIC
The Honourable James M. Flaherty
Minister of Finance

Board of Directors

N. William C. Ross, LL.M. [(2) (3)]
Chairman
Canada Development Investment Corporation
Chairman Emeritus and Partner
WeirFoulds LLP
Toronto, Ontario

John James Hillyard, MBA [(2) (3)]
Director
St. John's, Newfoundland and Labrador

Ted Howell, CA, MBA [(1) (3)]
Haronger Partners Inc.
St. John's, Newfoundland and Labrador

Mary Beth Montcalm, PhD [(2)]
Director
Toronto, Ontario

Mary Ritchie, FCA [(1)]
CEO
Richford Holdings Ltd.
Edmonton, Alberta

Benita M. Warmbold, FCA [(1) (2)]
Senior Vice-President and Chief Operations Officer
Canada Pension Plan Investment Board
Toronto, Ontario

Officers

Michael Carter
Executive Vice-President

Andrew Stafl
Vice-President, Finance

Patrice S. Walch-Watson
Corporate Secretary

Committees of the Board

(1) Audit Committee
(2) Nominating and Governance Committee
(3) Compensation Committee

Management's Responsibility For Financial Statements

The accompanying consolidated financial statements of Canada Development Investment Corporation (CDIC) are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by the Corporation in accordance with Canadian generally accepted accounting principles. The financial statements of the Corporation's four wholly-owned subsidiaries for which it has responsibility have been consolidated with those of the Corporation. 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 that in the financial statements.

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

The Board of Directors carries out its responsibilities for the financial statements in this report principally through its Audit Committee. The Audit Committee reviews CDIC'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 auditors to discuss auditing matters and financial reporting issues. Due to its size, and as permitted by Order in Council, CDIC 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 auditors, the Auditor General of Canada and KPMG LLP, whose report is presented separately.

As Executive Vice-President of CDIC, I have reviewed its consolidated financial statements and based upon my knowledge, having exercised due diligence, believe they fairly present in all material respects the financial condition, results of operations and cash flows as at December 31, 2010 and for the year then ended.

Michael Carter
Executive Vice-President
Canada Development Investment Corporation

March 11, 2011

Corporate Governance Practices

CDIC reports to Parliament through the Minister of Finance. From 1995 to November 2007, CDIC had operated under a direction to wind down its operations by divesting itself of its remaining assets in an orderly fashion. In November 2007, the Minister informed CDIC that “going forward, the operations of the CDIC should reflect a future focused on the ongoing management of its current holdings in a commercial manner, providing assistance to the government in new directions suited to CDIC’s capabilities, while maintaining the capacity to divest CDIC’s existing holdings, and any other government interests assigned to it for divestiture, upon the direction of the Minister of Finance”. Accordingly, the Corporation has readied itself for an expanded role in its area of expertise.

CDIC’s Board of Directors supervises and oversees the conduct of the business and affairs of CDIC. The Board currently consists of the Chairman and five other directors. The members of the Board bring significant public and private experience, skills and expertise to their roles. The Chairman of the Board assesses the effectiveness of the Board and its committees with input from all of the directors. All members of the Board are independent of CDIC management.

Attendance at directors’ meetings is outstanding and each director dedicates appropriate time outside of board meetings to the management of the Corporation. In 2010, there were 11 board meetings and 8 committee meetings. Each subsidiary has a separate and active board of directors that meets regularly.

The Board annually reviews and approves the Corporate Plan of the Corporation and monitors its implementation over the planning period, evaluating the strategic direction in light of changing business environment. Risks are identified and managed throughout the process. The Board conducts an annual retreat meeting where they consider, among other things, the goals and purposes of the Corporation from a strategic point of view.

To assist it in carrying out its stewardship of CDIC, the Board has established three committees, being the Nominating and Governance Committee, the Compensation Committee and the Audit Committee. The Nominating and Governance Committee deals with matters related to corporate governance. It continues to review CDIC’s governance practices in the spirit of continuous improvement and to address new requirements. In addition, this Committee assists in determining the composition and structure of the Board and recommending to the Governor in Council candidates for Board membership and for the position of Chair. The Compensation Committee reviews compensation of the employees of CDIC and its subsidiaries. The Audit Committee monitors the integrity of the Corporation’s financial statements and the maintenance of proper controls and accounting procedures of the Corporation and communicates directly with the Corporation’s auditors.

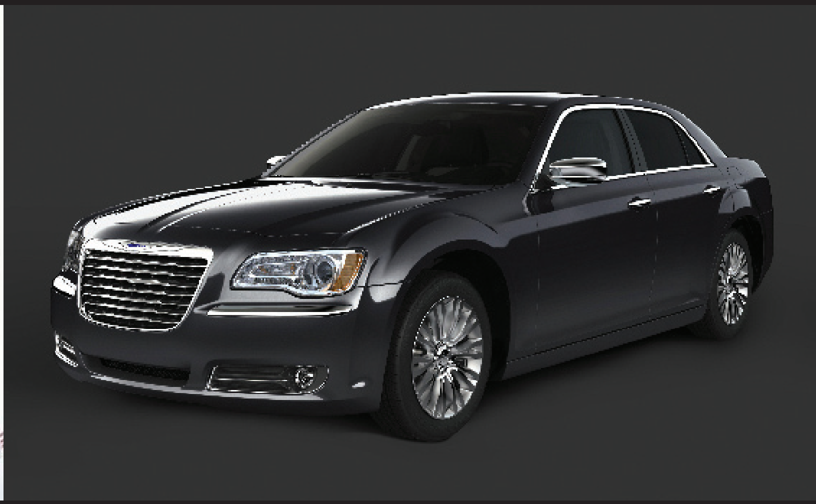
The Board has an effective working relationship with CDIC’s management. The allocation of responsibilities between the Board and management is reviewed on a regular basis. A Board of Directors’ charter has been adopted which denotes roles and responsibilities, primarily in terms of Board stewardship.

Effective communication with the Crown and the public is conducted through the Corporate Plan and Corporate Plan Summary, as approved by the Board, the Annual Report, the corporate website, and an annual meeting with stakeholders. As well, meetings are held as required with the Minister and 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 fixed per diem for travel time, attending meetings and other responsibilities as needed and are reimbursed for reasonable expenses incurred. CDIC will continue to monitor the government’s evolving guidance in governance matters and public sector best practices and will be proactive in this regard and implement changes in its governance practices as required.

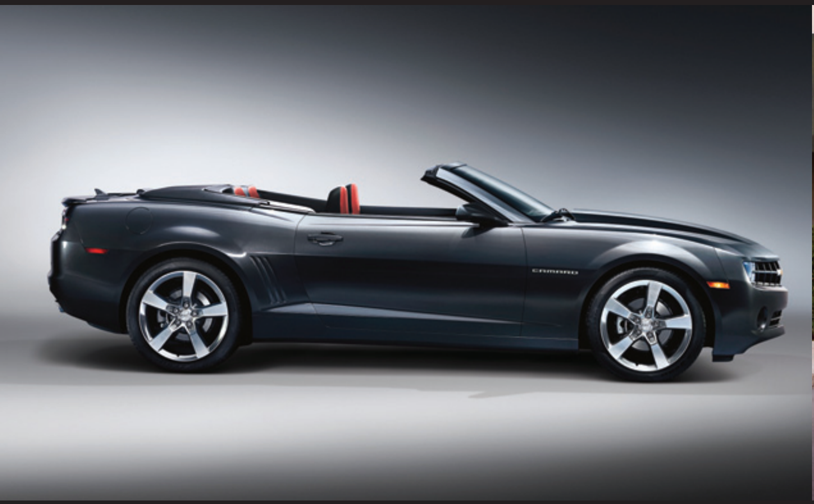
CDIC commenced projects relating to the Asset Review

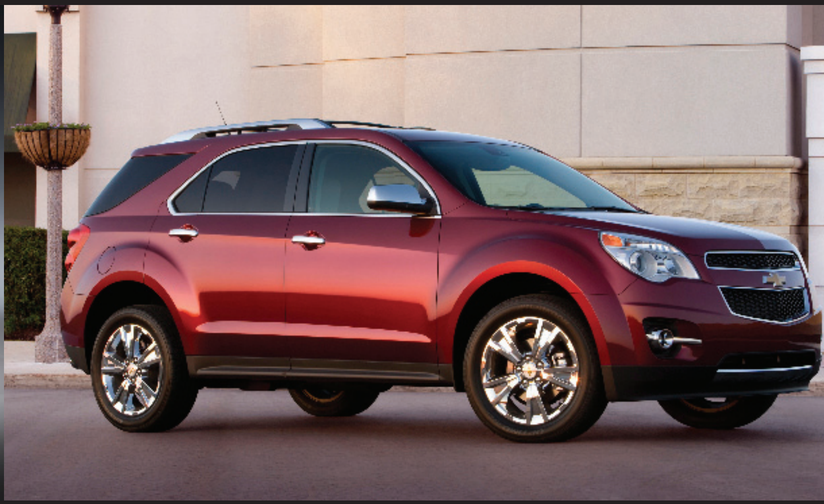
Canada Hibernia Holding Corporation revenue increased 23% to $249 million



GM initial public offering and sales proceeds of over $1 billion

Dividends forwarded to Government of approximately $1.3 Billion





Management Discussion and Analysis of Results

The public communications of CDIC, including this annual report, may include forward-looking statements that reflect management's expectations regarding CDIC'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 CDIC currently expects.

Corporate Overview

CDIC, 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. CDIC'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 its own, CDIC has four wholly-owned subsidiaries for which it is responsible: Canada Hibernia Holding Corporation (CHHC), Canada Eldor Inc. (CEI), Canada CH Investment Corporation (CH), and Canada GEN Investment Corporation (GEN). CHHC owns an 8.5% working interest in the existing Hibernia offshore oil 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. CH and GEN were incorporated in 2009 and hold respectively, interests in Chrysler Group LLC (Chrysler) and General Motors Company (GM).

Since its inception in 1982, CDIC has been effective in the management and divestiture of corporate interests of the Crown. The assets sold on behalf of the Crown by CDIC through 2009 include Canadair Limited, de Havilland Aircraft of Canada Limited, Teleglobe Canada, Fishery Products International Limited, Canada Development Corporation, Nordion International Inc., Telesat Canada, and shares of Cameco Corporation. In 2010, CDIC's subsidiary sold 20% of its holdings of General Motors common stock in an initial public offering (IPO). Proceeds to the Crown from these activities totalled approximately $2 billion through 2009, and over $1 billion in 2010. In addition, CHHC has paid a total of $1.38 billion in cumulative dividends.

In August 2009, the Minister of Finance requested that CDIC participate in the Government's on-going review of corporate asset holdings, referred to herein as the Asset Review. In this role, CDIC retains advisors to provide financial, legal or technical analysis of those corporate holdings of Canada as requested by the Minister. CDIC monitors the advisors and reviews the reports prior to their being submitted to Canada.

CDIC has a management team based in Toronto headed by the Executive Vice-President, working closely with external consultants, contractor specialists and the Board to ensure the effective functioning of the corporation and its subsidiaries. CHHC has a separate management team based in Calgary that is experienced in the oil industry. This team, headed by its President and CEO, provides expertise in technical, geological, marketing, transportation and financial areas of operation.

Corporate Performance as Compared to Plan

CDIC's performance in 2010 as compared to its key objectives, outlined in its 2010-2014 Corporate Plan is as follows:

Key Objectives:

- To manage the Corporation's investments and to oversee the management of CEI's obligations.
- To manage the portions of the Asset Review process assigned to it, and to remain prepared to assume management and divestiture of any other government interests assigned to it for divestiture, in a commercial manner.
- To increase its cash reserves in order to allow CDIC to prudently carry out its various new responsibilities.

Performance:

- Five asset review projects were commenced in 2010. Activities included preparing statements of work, issuing requests for proposals, evaluating and engaging consultants, monitoring and reviewing their work.
- CDIC increased its cash reserves to over $50 million, the amount currently required to meet its mandate.

Canada Hibernia Holding Corporation

The 2010 financial performance exceeded budget due to high production rates and a relatively stable oil price during the year. The Hibernia oilfield's average production for the year was 154,300 barrels of oil per day (BOPD), compared to budget of 105,000.

Development efforts on the Hibernia Southern Extension expansion project (HSE) continued throughout 2010. Two new significant HSE wells were drilled and placed on production. Major fiscal, equity and benefits agreements were signed between the Province, the Hibernia Owners and the provincial oil company Nalcor in February 2010. Regulatory approval for the HSE Unit Development Plan Amendment (DPA) was received in October 2010. The remaining agreements between the Government of Canada, the Province and the Hibernia Owners were completed in February 2011. Sanctioning of the project by the Unit Owners is expected to follow after the execution of these remaining government agreements. With respect to the HSE Unit, CHHC's initial HSE Unit working interest is 5.08482% which will be redetermined according to the adjustment process in the Unit Agreement.

Canada Eldor Incorporated

CEI continues to monitor and share the costs of disposing of accumulated wastes with Cameco Corporation. CEI has begun arbitration proceedings with Cameco to resolve disagreements over cost sharing.

Canada CH Investment Corporation

CH continued to manage the equity investment in Chrysler. CH received no income during 2010.

Canada GEN Investment Corporation

GEN engaged Rothschild Inc. and U.S. and Canadian legal firms to provide advisory services for GEN regarding its GM holdings as GM prepared for an IPO. On November 18, 2010, shares in GM began trading on the New York and Toronto stock exchanges. The GM IPO, with total proceeds of approximately $23 billion, was one of the world's largest. GEN sold 20% of its common share holdings in the IPO for proceeds of over $1 billion. GEN continues to evaluate alternative courses of action to monetize its remaining GM holdings in a commercial manner. GEN is a signatory to an underwriting agreement restricting share sales until May 2011.

Analysis of External Business Environment

The ongoing management of CDIC's holdings will depend on market and economic conditions specific to the underlying company or investment.

CHHC derives its cash flow exclusively from oil production from the Hibernia project assets and operations, which include Hibernia field production facilities and its time charter crude oil tanker asset. Cash flow fluctuates depending on oil production volumes, crude oil prices, foreign exchange, royalty and net profits interest burden, operating costs, income tax burden, capital expenditure levels and, in future, facility fee income.

CEI will be affected by ongoing changes in the regulatory requirements enacted in particular by the Canadian Nuclear Safety Commission ("CNSC") and the Government of Saskatchewan.

Any future realization of cash proceeds for the GM or Chrysler investments will depend upon both the capabilities of the new managements of those companies and the health of the automotive markets in which they compete. GM and Chrysler both operate in an environment that is dependent on consumer spending. Both companies performed relatively well in 2010 with respect to expectations at the time of the companies' restructurings.

Risks and Contingencies

As with any oil development, CHHC's interest in Hibernia faces geological and production interruption risks. These particularly apply to the HSE Unit and its reserves, which have not yet been fully explored. The operator of the project maintains the highest standards. While CHHC maintains the maximum insurance coverage that it regards as economically sound, risks exist for which CHHC is only partially insured.

CEI is subject to considerable liabilities due to its undertakings to Cameco as part of a 1988 Purchase and Sale agreement. Since 2007, CEI and Cameco have disagreed on the interpretation and responsibility for "Joint Waste" for which CEI is partly liable. No resolution was reached in 2010 and the issue has gone to arbitration. The outcome of this dispute could result in a wide variety of financial results ranging from no further liability to CEI to a significant liability much larger than the present provision. Cameco also informed CEI that it holds CEI partly liable for costs related to a leak at one of its facilities. CEI has not received sufficient information to assess this claim. It is unknown whether funds set aside are adequate to settle potential liabilities or other lawsuits that CEI faces.

The investment in GM common shares is subject to significant fluctuations in value due to stock market price risk. As well, CDIC's automotive investments are exposed to risks of the automobile industry and the relative performance of Chrysler and GM within it.

The majority of CDIC's assets and those of its subsidiaries are impacted by foreign exchange fluctuations. CHHC's revenues are based on US dollar prices. The assets of GEN and CH are denominated in US dollars. The US/CDN exchange rate was 1.0466 at December 31, 2009 and 0.9946 on December 31, 2010, a decrease of 5%. As assets are divested, any future cash proceeds will be impacted by changes in the exchange rate. Dividends from the GM preferred shares are also impacted by changes in the US/CDN exchange rate. Neither CDIC, nor its subsidiaries, undertake hedging activity.

Financial Statements for the Year Ending December 31, 2010

Total revenue for 2010 was $923 million compared to $221 million in 2009. The increase was primarily due to a gain on the sale of GM common shares.

With respect to CHHC, total Hibernia production during 2010 substantially exceeded forecasts as a result of new production from new wells and well workover activities on existing wells. 2010 production averaged 154,300 BOPD, a 23% increase from 125,600 BOPD in 2009. 2010 oil revenue, after royalties and net profit interest (NPI), was $249 million. Net income after taxes was $124 million, an increase over the prior year amount of $81 million. CHHC paid dividends to CDIC in the amount of $116 million during 2010 compared to $92 million in the prior year. The average oil price received in 2010 was USD$78.74 per barrel, compared to USD$66.85 received during 2009. The improved production results in 2010 compared to 2009 were partially offset by fiscal changes that occurred in 2009. As per the original agreements, the royalty rates increased from 5% gross to 30% net royalty to the Province and the Government of Canada's 10% net profits interest became effective.

CEI increased its provision for future costs of decommissioning its former mine site at Beaverlodge due to anticipated increases in monitoring activities and delays in receiving final approval for transfer of the site to the Saskatchewan Government.

CH had no revenue but incurred expenses of $0.6 million, primarily relating to consulting and advisory services. CH's operations are funded from equity investments and loans from CDIC. The historical cost carrying value of CH's interest in Chrysler remains at its cost of $20 million.

GEN received $36.9 million in preferred share dividends from GM in 2010 (2009 - $16.5 million). GEN incurred operating costs of $4.9 million in 2010, which was significantly higher than planned, as it was not anticipated at the time that GM would undertake an IPO in 2010.

GEN received 58,368,644 common shares in GM in July 2009 valued at $2.68 billion or approximately $45.92 per share. During 2010, GM completed a stock split at a ratio of 3:1 resulting in GEN holding 175,105,932 common shares at a cost of $15.31 each. GEN sold 35 million shares through the IPO at a price of US$ 33.00, less a sales commission of 0.75% resulting in proceeds of $1.17 billion and a gain on sale of investments of $636 million. The investment in GM common shares is now measured at year end at estimated fair value. The investment value increased from $2.68 billion in 2009 to $4.73 billion in 2010 as a result of the change in measurement basis offset by share sales. The increase in the value of GM common shares at year end is reflected in other comprehensive income (OCI) of $2.58 billion.

Dividends paid by GEN to CDIC in 2010 totalled $1.219 billion of which $1.171 billion related to the IPO share sales and $48.1 million related to GM preferred dividends. A summary of GM common share activity:

Acquisition value at July 2009	$2.68 Billion
Increase in value since acquisition	$3.23
Less realized gain on shares sold	(0.64)
Cost of shares sold	(0.54)
Value of remaining shares at December 2010	$4.73

CDIC's corporate and divestiture expenses were higher than the prior year due to the increased level of management effort required to participate in the Asset Review process and to manage its investments and subsidiaries. Such efforts include monitoring the investments and discussions with the investee companies and advisors. Consultant and legal costs relating to asset review totalled $1.914 million in 2010.

CDIC paid dividends to the Government during 2010 totalling $1.289 Billion. These dividends were funded from dividends received from CHHC and dividends received from GEN relating to GM IPO proceeds and preferred share dividends.

International Financial Reporting Standards

The CICA Accounting Standards Board (AcSB) has mandated all publicly accountable enterprises to report under International Financial Reporting Standards (IFRS) commencing January 1, 2011, including comparative figures for the prior period. As the Corporation is required to prepare and present quarterly financial statements under the Financial Administration Act beginning April 1, 2011, these quarterly statements will be prepared in compliance with IFRS.

In 2010, CDIC developed and began implementing an IFRS changeover plan to ensure compliance and a smooth transition. Senior management and the audit committee have been involved in the process and external advisors have been engaged to provide technical advice. The Corporation conducted a diagnostic assessment that identified the main differences between CDIC's current accounting policies and IFRS and the systems and processes that will need to be updated to issue IFRS-compliant financial statements. In 2010, the Corporation substantially completed the review of its accounting policies to determine whether a change is required or permitted under IFRS for each policy identified in the diagnostic. Certain accounting policies will change significantly, whereas in other areas no policy change is expected. CDIC will monitor new developments in standards by the International Accounting Standards Board (IASB) and consider the impact of proposed changes on current plans and decisions taken.

CDIC has identified and established the necessary processes to enable dual reporting in 2010/2011. The financial systems and processes did not require significant modifications.

CDIC currently expects IFRS to impact its consolidated financial statements related to:

International Accounting Standard 39 - Financial Instruments (IAS 39)

Under IAS 39, investments in equity instruments are measured at fair value unless the financial instrument does not have a quoted price in an active market and the fair value cannot be reliably measured. Under Canadian GAAP, the common shares in GM and the membership interest in Chrysler were measured at cost at December 31, 2009. As the fair value of these investments can be reliably measured, this will result in a change in the measurement basis on transition to IFRS. The impact on the opening balance sheet will be a significant increase of the investments to fair value (FV) with the difference recorded in Accumulated Other Comprehensive Income (AOCI) at January 1, 2010.

The membership interest in Chrysler and the GM common shares will be fair valued at each reporting period. The GM preferred shares will continue to be recorded at fair value with changes in fair value recognized in income.

International Accounting Standard 19 - Employee Future Benefits (IAS 19)

The Corporation currently uses the corridor method under Canadian GAAP to amortize actuarial gains and losses through earnings. Under IFRS, the Corporation intends to recognize actuarial gains and losses directly in equity. At the transition date, any unrecognized actuarial gains and losses will be recognized in opening retained earnings. This will result in a $0.68 million debit to retained earnings at January 1, 2010 with a corresponding credit to the accrued benefit liability.

CDIC has not yet determined if there is an impact on its IFRS-based financial statements due to IAS 37 regarding Provisions.

First-Time Adoption of IFRS (IFRS 1)

IFRS 1 provides certain exemptions and elections for Canadian GAAP reporters converting to IFRS. The Corporation has reviewed the key exemptions and elections in conjunction with each related standard. The following elections are relevant to CDIC:

- CDIC will elect under IFRS 1, to recognize all cumulative actuarial gains and losses on employee benefit plans in retained earnings at the transition date, resulting in a decrease to opening retained earnings and an increase to the accrued benefit liability of approximately $0.68 million.

- CDIC will elect to apply the IFRS 1 exemption for disclosure requirements of defined benefit plans, allowing it to disclose this information prospectively from the date of transition to IFRS.

Auditor General of Canada
Vérificatrice générale du Canada

KPMG

INDEPENDENT AUDITORS' REPORT

To the Minister of Finance

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Canada Development Investment Corporation, which comprise the consolidated balance sheet as at 31 December 2010, and the consolidated statement of income and comprehensive income, consolidated statement of equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canada Development Investment Corporation as at 31 December 2010, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, we report that, in our opinion, Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of Canada Development Investment Corporation and of its wholly-owned subsidiaries that have come to our notice during our audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, any directives issued by the Governor in Council to the entity, and the articles and by-laws of Canada Development Investment Corporation and its wholly-owned subsidiaries.

KPMG LLP

Sylvain Ricard, CA
Assistant Auditor General
For the Auditor General of Canada

11 March 2011
Ottawa, Canada

Chartered Accountants,
Licensed Public Accountants

11 March 2011
Ottawa, Canada

Consolidated Balance Sheet

As at December 31 (Thousands of Dollars)

		2010		2009
Assets				
Current assets:				
Cash and cash equivalents	$	129,884	$	105,416
Accounts receivable		35,863		15,019
Income taxes recoverable		–		7,654
Inventory		4,104		6,941
Prepaid expenses		417		374
Cash on deposit in the Consolidated Revenue Fund (note 4)		7,746		7,284
		178,014		142,688
Non-current assets:				
Cash on deposit in the Consolidated Revenue Fund (note 4)		125,904		130,752
Cash and cash equivalents held in escrow (note 5)		5,688		2,550
Property and equipment (note 6)		105,492		122,705
Investments (note 7)		5,169,802		3,147,633
		5,406,886		3,403,640
	$	5,584,900	$	3,546,328
Liabilities and Shareholder's Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	31,515	$	50,629
Current portion of capital lease obligation (note 8)		1,552		989
Current portion of other obligations (note 10)		7,553		7,072
Income taxes payable		10,044		–
		50,664		58,690
Non-current liabilities:				
Capital lease obligation (note 8)		5,042		6,967
Asset retirement obligations (note 9)		27,583		31,691
Other obligations (note 10)		19,633		17,733
Future income taxes (note 11)		2,760		5,786
		55,018		62,177
Shareholder's equity:				
Share capital:				
Authorized - unlimited number of common shares				
Issued and fully paid - 101 common shares		1		1
Contributed surplus		3,912,184		3,912,184
Accumulated deficit		(1,017,769)		(486,724)
Accumulated other comprehensive income		2,584,802		–
		5,479,218		3,425,461
Commitments and contingencies (note 14)				
Subsequent event (note 1)				
	$	5,584,900	$	3,546,328

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

On behalf of the Board:

Director

Director

Consolidated Statement of Income and Comprehensive Income

Year ended December 31 (Thousands of Dollars)

		2010		2009
Revenue:				
Gain on sale of investments (note 7)	$	637,391	$	–
Crude oil sales, net of royalties and net profits interest (note 13)		248,789		201,600
Dividend on preferred shares (note 7)		36,856		16,538
Foreign exchange gain (loss)		(1,387)		2,433
Interest		1,414		620
Management fee		–		48
		923,063		221,239
Expenses:				
Depletion and depreciation		42,478		55,148
Operating		19,427		24,509
Change in fair value of held-for-trading assets (note 7)		26,000		21,367
Corporate and divestiture expenses		10,397		6,039
Asset review expenses		1,914		–
Accretion of asset retirement obligations (note 9)		1,585		3,135
Other obligations costs		4,669		2,833
Interest on capital lease obligation		816		1,017
		107,286		114,048
Income before income taxes		815,777		107,191
Income taxes (note 11):				
Current		60,718		49,227
Future tax reduction		(3,026)		(11,665)
		57,692		37,562
Net income		758,085		69,629
Other comprehensive income:				
Unrealized gain on available-for-sale financial assets		3,229,813		–
Realized gain on available-for-sale financial assets		(645,011)		–
		2,584,802		–
Comprehensive income	$	3,342,887	$	69,629

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

Consolidated Statement of Equity

Year ended December 31 (Thousands of Dollars)

		2010		2009
Share capital	$	1	$	1
Contributed surplus, beginning of year		3,912,184		743,184
Investments from related party		–		3,169,000
Contributed surplus, end of year		3,912,184		3,912,184
Accumulated deficit, beginning of year		(486,724)		(467,353)
Net income		758,085		69,629
Dividends		(1,289,130)		(89,000)
Accumulated deficit, end of year		(1,017,769)		(486,724)
Accumulated other comprehensive income, beginning of year		–		–
Other comprehensive income		2,584,802		–
Accumulated other comprehensive income, end of year		2,584,802		–
Shareholder's equity, end of year	$	5,479,218	$	3,425,461

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

Consolidated Statement of Cash Flows

Year ended December 31 (Thousands of Dollars)

	2010	2009
Cash provided by (used in):		
Operating:		
Net income for the year	$ 758,085	$ 69,629
Items not involving cash:		
Gain on sale of investments	(637,391)	–
Future income tax reduction	(3,026)	(11,665)
Depletion and depreciation	42,478	55,148
Accretion of asset retirement obligations	1,585	3,135
Unrealized foreign exchange gain	(394)	(1,331)
Change in fair value of held-for-trading assets	26,000	21,367
Abandonment obligation settled	(2,374)	(3,166)
	184,963	133,117
Change in non-cash working capital (note 12)	(18,141)	(15,068)
	166,822	118,049
Financing:		
Dividends paid	(1,289,130)	(89,000)
Lease obligation payments	(968)	(959)
	(1,290,098)	(89,959)
Investing:		
Proceeds of sale of investments	1,174,025	–
Purchase of property and equipment	(26,260)	(17,944)
Net change in Consolidated Revenue Fund (note 4)	4,385	(547)
Cash and cash equivalents held in escrow	(3,138)	–
Change in non-cash working capital (note 12)	(1,268)	1,879
	1,147,744	(16,612)
Increase in cash and cash equivalents	24,468	11,478
Cash and cash equivalents, beginning of year	105,416	93,938
Cash and cash equivalents, end of year	$ 129,884	$ 105,416
Represented by:		
Cash	$ 1,691	$ 15,947
Cash equivalents	128,193	89,469
	$ 129,884	$ 105,416

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

Notes to Consolidated Financial Statements

Year ended December 31, 2010 (All dollar amounts are stated in thousands)

1. The Corporation and its activities:

Canada Development Investment Corporation (“the Corporation” or “CDIC”) 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 CDIC 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 (“Government”) in new policy directions suited to CDIC’s capabilities, while maintaining the capacity to divest CDIC’s existing holdings, and any other government interests assigned to it for divestiture, upon the direction of the Minister of Finance”.

The Corporation consolidates four wholly-owned subsidiaries: Canada Eldor Inc. (“CEI”) Canada Hibernia Holding Corporation (“CHHC”), Canada CH Investment Corporation (“CH”) and Canada GEN Investment Corporation (“GEN”).

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 historic waste, site restoration and retiree benefits. These obligations are discussed in note 10.

CHHC was incorporated under the provisions of the Canada Business Corporations Act and was acquired by CDIC 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. CHHC’s interest in the Hibernia Development Project has been recorded in CHHC’s financial statements which are consolidated into CDIC’s financial statements.

In 2010, CHHC and other participants signed agreements with the Province of Newfoundland and Labrador (the “Province”), and received regulatory approval from the Canada-Newfoundland and Labrador Offshore Petroleum Board (“C-NLOPB”) for further development of the Hibernia Southern Extension (“HSE”). In February, 2011, the Corporation and other participants signed the remaining necessary agreements with the Province and the Government for the project. The project will result in significant capital expenditures to develop the required facilities, add additional reserves and may extend production of the field beyond its original projected life. In February 2011, the Corporation and other participants authorized full funding of the HSE Unit development.

CH was incorporated under the provisions of the Canada Business Corporations Act and was acquired by the Corporation on May 29, 2009. CH is subject to the Financial Administration Act but is not subject to the Income Tax Act. CH owns Class A units of the membership interest in Chrysler Group LLC (Chrysler). CH’s sole activity is to hold an investment in Chrysler. The membership interest was received from Chrysler as a result of loans made by Export Development Canada’s Canada Account (“EDC”), (a related party to CDIC and CH), to Chrysler.

GEN was incorporated under the provisions of the Canada Business Corporations Act and was acquired by the Corporation on May 30, 2009. GEN is subject to the Financial Administration Act but is not subject to the Income Tax Act. GEN owns common shares in General Motors Company (“GM”) plus Series A Fixed Rate Cumulative Perpetual Preferred Stock with a liquidation preference value of US$25/preferred share. These investments are discussed in note 7.

In late 2009, the Corporation began assisting the Department of Finance in its Asset Review programme involving the review of certain Government corporate assets.

2. Significant accounting policies:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies are:

(a) Basis of consolidation:

The consolidated financial statements include the assets, liabilities, results of operations and cash flows of the Corporation and all of its subsidiaries after the elimination of intercompany transactions and balances. Subsidiaries are defined as corporations controlled by CDIC.

Although the Corporation owns the outstanding shares of PPP Canada Inc. (PPP), it does not consolidate its operations because the Corporation does not have any strategic, operational or investment control of PPP and it is not a beneficiary of PPP's operations.

(b) Use of estimates:

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues, expenses and holding gains or losses to income or other comprehensive income during the reporting period.

The fair value determination of certain financial instruments and the evaluation of impairment involve the use of significant estimates and assumptions. Some estimates relate to geological uncertainties and projections of the date and cost of abandonment usual in the oil production business, and to uncertainties related to Canada Eldor Inc.'s future costs of fulfilling its obligations under the agreement of purchase and sale as disclosed in note 10. Actual results could differ significantly from estimates.

(c) Cash and cash equivalents

Cash and cash equivalents include short-term investments, which are considered to be highly liquid investments with original maturities of three months or less. Cash and cash equivalents on the balance sheet include cash, bank indebtedness and bankers' acceptances. Cash and cash equivalents are designated as held-for-trading and are recorded at fair value.

(d) Investment in the Hibernia Development Project and Hibernia Management and Development Company Ltd. (HMDC):

Development costs charged to the Joint Account subsequent to the date of acquisition of the working interest have been capitalized. Development costs include costs of engineering, construction and installation of production facilities comprised of a Gravity Based Structure and Topsides facilities (offshore production facility) and subsequent drilling and completion costs. General and administrative costs incurred prior to the project reaching commercial production have also been capitalized.

2. Significant accounting policies: (continued)

(e) Retiree benefits:

CEI has a post retirement benefit plan and is obligated to fund certain post retirement benefits related to employees who retired prior to October 1988. These benefits include life insurance and health and dental benefits. The following policies have been adopted:

i. The cost of the retiree future benefits earned by retirees is determined as the actuarial present value of all future projected benefits based on an assumed benefit cost factor. The benefits are projected each year by an inflation rate factor, and benefits are assumed to be paid every year after retirement as long as the member or dependent lives. The valuation is based upon a market-related discount rate and other actuarial assumptions, which represent management's best estimates. The benefit obligations are not pre-funded.

ii. Actuarial gains (losses) on the accrued benefit obligation arise from differences between the actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the actuarial gain (loss) over 10% of the benefits obligation is amortized over the average remaining life expectancy of the former employees. The average remaining life expectancy of the former employees is 8.5 years.

(f) Property and equipment:

CHHC follows the full cost method of accounting for its oil and gas properties. All costs directly related to the exploration for and development of petroleum reserves, whether producing or non-producing, are capitalized into a single Canadian cost center. Such costs include property acquisition, geological and geophysical expenditures, drilling costs of both producing and non-producing wells, production equipment, asset retirement costs and overhead charges directly related to these activities. Proceeds of disposals are normally deducted from the full cost pool without recognition of a gain or loss, unless a change of 20% or more in the depletion and depreciation rate occurs.

(g) Impairment:

Oil and gas assets are evaluated in each reporting period to determine that the carrying amount is recoverable and does not exceed the fair value of the property. The carrying amounts are assessed to be recoverable when the sum of the undiscounted cash flows expected from the production of proved reserves, the lower of cost and market value of unproved properties and the cost of major development projects exceeds the carrying amount. When the carrying amount is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying amount exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves, the lower of cost and market of unproved properties and the cost of major development projects. The cash flows are estimated using expected future product prices and costs.

(h) Depletion and depreciation of oil and gas assets:

Costs are transferred to the depreciable pool as proved reserves are established and are depleted on a unit-of-production basis using proved reserves. A portion of incurred costs is excluded based on a comparison of existing proved reserves to total proved and probable reserves expected to be established upon the completion of the Project. The crude oil tanker is depreciated using a straight-line method over the estimated remaining useful life of 17 years.

2. Significant accounting policies: (continued)

(i) Foreign currency translation:

Revenue and expense transactions of CHHC denominated in foreign currencies are translated at the monthly average exchange rates in effect at the time of transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired, or obligations incurred. Foreign exchange gains or losses are included in income.

(j) Inventory:

The inventory of crude oil is valued at the lower of cost to produce, on a first-in, first-out basis, or net realizable value.

(k) Asset retirement obligations:

The fair value of an asset retirement obligation ("ARO") is recognized in the period in which it is incurred when a reasonable estimate of the fair value can be made. The fair value of the estimated ARO is recorded as a liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on the unit-of-production method based on proved reserves. The liability amount is adjusted each reporting period due to the passage of time and increased/decreased due to revisions to either timing or the amount of the original estimate of undiscounted cash flows and the amount of accretion is expensed to income in the period. Actual costs incurred upon the settlement of the ARO will be charged against the ARO.

(l) Income taxes:

Income taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using currently enacted or substantively enacted tax rates anticipated to apply in the period that the temporary differences are expected to reverse.

(m) Revenue recognition:

Revenue associated with the sale of petroleum and natural gas production owned by CHHC is recognized when title passes from CHHC to its customers and delivery has taken place. Revenue is presented net of royalties and net profits interest.

Dividend income is recognized when the shareholder's right to receive payment is established. This occurs upon the dividend payment date for preferred shares and the dividend date of record for common share dividends.

2. Significant accounting policies: (continued)

(n) Financial instruments:

Financial instruments are recognized at fair value upon initial recognition and are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial instruments or other financial liabilities. Subsequent measurement and accounting changes in fair value will depend on their classification, as follows: held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value if a market exists with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired, at which time the amounts would be recorded in net income. If a market does not exist, the available-for-sale financial instruments are measured at cost and adjusted for impairment with impairment losses charged to net income Held-to-maturity investments, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method.

The Corporation designated its cash and cash equivalents, and cash on deposit in the Consolidated Revenue Fund as held-for-trading. Accounts receivable are classified as loans and receivables. Cash equivalents held in escrow are classified as held-to-maturity. Accounts payable and accrued liabilities are classified as other financial liabilities.

The preferred shares in GM are classified as held-for-trading.

The warrants to purchase shares in Air Canada were classified as held-for-trading.

The membership interest in Chrysler is classified as available-for-sale and is carried at cost as this instrument does not have a quoted price in an active market. If a market commences for the financial instruments designated as available-for-sale, these will be valued at fair value with changes reflected in other comprehensive income.

The common shares in GM are classified as available-for-sale. In 2009, these shares were carried at cost. As the GM common shares began trading in 2010, the shares held as at the balance sheet date are measured at fair value with changes reflected in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to net income.

Purchases and sales of financial assets are recognized and derecognized, as applicable, using settlement date accounting.

Transaction costs related to the sale of financial instruments are included in corporate expenses except for brokerage fees which are netted against the gain or loss on sale.

Financial Instruments – Disclosures

Fair value measurements recognized in the balance sheet are classified using a three level fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices available in active markets for identical assets and liabilities. Fair value of assets and liabilities included in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Fair value of assets and liabilities included in Level 3 are based on inputs that are unobservable and significant to the overall fair value measurement. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The required disclosures are included in note 16(d).

3. Future accounting changes:

In February 2008, the CICA Accounting Standards Board confirmed that the changeover to International Financial Reporting Standards (IFRS) from Canadian GAAP will be required for publicly accountable enterprises for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparative figures for 2010. As a government business enterprise, the Corporation is required to adopt IFRS effective January 1, 2011.

The changeover to IFRS represents a significant change in accounting standards and the transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Corporation's reported financial position and reported results of operations. The Corporation is progressing towards completion of its IFRS changeover plan and expects to meet its target date for transition. The Corporation has completed an assessment of the differences between Canadian GAAP and IFRS and is in the process of quantifying the potential effects of IFRS to the Corporation.

The Corporation has performed an in-depth review of the significant areas of difference, in order to identify all specific Canadian GAAP and IFRS differences and select ongoing IFRS policies. Key areas identified have also been reviewed to determine any information technology issues, the impact on internal controls over financial reporting, and the impact on business activities.

The Corporation has completed a preliminary quantitative analysis of the expected changes under IFRS. The key areas impacted by the transition to IFRS include financial instruments, employee future benefits and provisions. The valuation of available-for-sale financial instruments at the transition date of January 1, 2010 using a fair value basis is expected to be materially different from the cost based values as at December 31, 2009. However these changes in value do not impact the operations, cash flow or the financial stability of the Corporation. The Corporation continues to monitor standard changes that may impact the disclosure or accounting treatments under IFRS.

4. Cash on deposit in the Consolidated Revenue Fund:

The Corporation has deposited cash in the Consolidated Revenue Fund ("CRF") of the Government of Canada established under Section 129 (1) of the Financial Administration Act. Cash on deposit in the CRF as at December 31 is as follows:

		2010		2009
CEI, beginning of year	$	44,357	$	44,181
Allocated interest		181		176
Withdrawal		(5,000)		–
CEI, end of year	$	39,538	$	44,357
CHHC, beginning of year	$	93,679	$	93,308
Deposit		–		–
Allocated interest		433		371
CHHC, end of year	$	94,112	$	93,679
CRF, end of year	$	133,650	$	138,036
Represented by:				
Current portion	$	7,746	$	7,284
Long-term portion		125,904		130,752
	$	133,650	$	138,036

CEI has deposited cash in the CRF to provide for obligations resulting from the sale of assets and other potential future liabilities related to the site restoration and the historic waste obligations. The long-term portion in the CRF has been allocated by CEI to provide for long-term liabilities and other potential future liabilities related to the site restoration and the historic waste obligations.

CHHC has deposited cash in the CRF to provide for future abandonment of the Hibernia facility and to provide for a risk fund.

Funds held in these accounts are interest bearing at a rate of 90% of the three month treasury bill tender rate. The average interest rate was 0.46 % during the year (2009 – 0.40%). Access to these funds is unrestricted.

Notes to Consolidated Financial Statements / Year ended December 31, 2010 (All dollar amounts are stated in thousands)

5. Cash and cash equivalents held in escrow:

In the granting of drilling and other work authorizations associated with Hibernia development and production, the Canada-Newfoundland Labrador Offshore Petroleum Board ("C-NLOPB") requires evidence of financial responsibility. CHHC maintains an escrow account in the amount of $2,550 (2009 - $2,550) to satisfy this requirement. The C-NLOPB has the right to make claims against the cash equivalents held in escrow under certain circumstances and CHHC retains any interest earned on the account. The current escrow agreement will expire on June 1, 2011.

Similarly the C-NLOPB requires a letter of credit as evidence that certain research and development commitments will be carried out. CHHC maintains an escrow account in the amount of $3,138 (2009 - $nil) to secure the letter of credit and satisfy this obligation. The C-NLOPB has the right to make claims on the letter of credit if sufficient qualifying commitments have not been made by the maturity date. CHHC retains any interest earned on the escrow deposit account.

6. Property and equipment:

Property and equipment is recorded at cost less accumulated depletion and depreciation.

			2010	2009
	Cost	**Accumulated depletion and depreciation**	**Net book value**	**Net book value**
Hibernia Development Project:				
Offshore production facility	$ 405,231	$ 313,518	$ 91,713	$ 109,154
Drilling costs	230,074	227,583	2,491	4
	635,305	541,101	94,204	109,158
Crude oil tanker (note 8)	39,534	28,246	11,288	13,547
Property and equipment	$ 674,839	$ 569,347	$ 105,492	$ 122,705

At December 31, 2010, the property and equipment cost has been reduced by investment tax credits in the amount of $58,327 (2009 - $58,013).

Unproved property and major development project costs of $57,706 (2009 - $60,849) have been excluded from the depletion calculation. Future development costs of $143,800 (2009 - $308,380) have been included in the depletion calculation.

The Corporation prepared a ceiling test calculation at December 31, 2010 to assess the recoverable value of property and equipment, using estimated future prices as follows:

Notes to Consolidated Financial Statements / Year ended December 31, 2010 (All dollar amounts are stated in thousands)

6. Property and equipment: (continued)

Year		Brent Crude $US/bbl
2011	$	84.46
2012		87.49
2013		89.52
2014		92.20
2015		94.05
2016		95.93
2017		97.85
2018		99.80
2019		101.80
2020		103.83

After 2020, the price forecast escalates at 2.0% per year to the end of reserve life. CHHC used a United States/Canadian dollar exchange rate of $0.95 for price conversion.

CHHC did not incur any impairment to the carrying value of its property and equipment as a result of the ceiling test calculation for 2010 (2009 - nil).

7. Investments:

		2010		2009
Held-for-trading assets:				
Preferred shares in GM	**$**	**421,000**	$	447,000
16,101,695 Series A Fixed Rate Cumulative Perpetual Preferred Stock				
Dividend rate 9.0% paid quarterly, liquidation preference value: US$25 per share				
Common share warrants in Air Canada		**–**		633
Available-for-sale assets:				
Membership interest in Chrysler		**20,000**		20,000
24,615 Class A Units				
Common shares in GM		**4,728,802**		2,680,000
140,084,746 common shares (after 3:1 stock split) (2009- 58,368,644 common shares pre split)				
	$	**5,169,802**	$	3,147,633

Notes to Consolidated Financial Statements / Year ended December 31, 2010 (All dollar amounts are stated in thousands)

7. Investments: (continued)

		2010		2009
Change in fair value of held-for-trading assets:				
Preferred shares in GM				
Unrealized foreign exchange loss	$	(22,000)	$	(48,000)
Unrealized fair value gain (loss)		(4,000)		26,000
Common share warrants in Air Canada				
Unrealized fair value gain		–		633
	$	(26,000)	$	(21,367)
Change in fair value of available-for-sale assets:				
Common shares in GM				
Unrealized foreign exchange loss	$	(313,937)	$	–
Unrealized fair value gain		2,898,739		–
	$	2,584,802	$	–
Gain on sale of investments:				
Common shares in GM				
Realized foreign exchange loss	$	(65,924)	$	–
Realized fair value gain		702,081		–
		636,157		–
Common share warrants in Air Canada				
Realized fair value gain		1,234		–
	$	637,391	$	–

Held-for-trading financial assets:

Held-for-trading assets are accounted for at fair value as at the balance sheet date.

The GM preferred shares, which do not trade publicly, have been designated as held-for-trading. They cannot be classified as available-for–sale due to the inability to measure the embedded option by the issuer to redeem the shares after December 30, 2014. Since this option cannot be reasonably valued separately, the entire preferred share instrument is fair valued at the balance sheet date. Fair value has been determined based on the net present value of cash flows discounted at an interest rate of comparable preferred equity instruments and the particular attributes of the preferred share issue including the liquidation preference value of US$25/ preferred share. The change in value has been recorded in earnings as an unrealized foreign exchange loss of $22,000 and a decrease in fair value of $4,000. There are no sales restrictions on the preferred shares. Preferred share dividends from GM are received quarterly in US dollars and the Corporation's policy is to exchange the US dollars into Canadian Dollars at the prevailing spot exchange rate. In 2010, GEN received $36,856 (2009 - $16,538) in preferred share dividends.

The warrants to purchase Air Canada shares were sold in 2010. The net proceeds were $1,867 and CDIC recognized a gain of $1,234.

Notes to Consolidated Financial Statements / Year ended December 31, 2010 (All dollar amounts are stated in thousands)

7. Investments: (continued)

Available-for-sale financial assets:

Upon initial recognition of the investments in the common shares of GM and membership interest in Chrysler in fiscal 2009, these investments were classified as available-for-sale financial assets.

As the membership interest in Chrysler does not have a quoted price in an active market, it is subsequently accounted for at cost. When an active market for the membership interest in Chrysler arises, the fair values will be recorded at each balance sheet date with any change in value recorded in other comprehensive income. CH is party to a Members Agreement of Chrysler which permits it to sell the interests under certain conditions and be obligated to sell under other conditions. CH through its holding of its membership interest is not liable or obligated to fund losses incurred by Chrysler. Voting rights are delineated in agreements signed by all holders of membership interests.

The GM common shares did not have a quoted market price in an active market in fiscal 2009 and, accordingly, was accounted for at cost as at December 31, 2009. On November 18, 2010, GM launched its initial public offering (IPO) of stock on the New York Stock Exchange and the Toronto Stock Exchange. The GM common shares had a quoted market price in an active market at this date and, accordingly, the shares held at the balance sheet date were re-measured at fair value with the difference between its initial carrying amount of $2,143,999 recorded in other comprehensive income. GEN is party to an Underwriting Agreement and other agreements which restrict it from selling the common shares under certain conditions. Therefore, fair value was determined based on the quoted market bid price of the GM common shares less a discount based on the restrictions to GEN's ability to sell the shares. Prior to the IPO, the GM shares were subject to a stock split of three to one, increasing common share holdings from 58,368,644 shares to 175,105,932 shares. In November and December 2010, GEN sold 35,021,186 of its common shares at the IPO price of $33 per share less a commission cost of 0.75% resulting in a realized gain of $636,157.

8. Capital lease obligation - crude oil tanker:

CHHC, together with two of the other participants, has contracted for the time charter and operations of a tanker for the transportation of oil from the Hibernia project. CHHC's share of annual fixed obligations for both capital and operating elements was approximately $5,960 in 2010 (2009 - $5,099). Payments commenced in 1997 for an initial term of ten years. The agreement provided for one five-year extension which was exercised in November 2007. In addition, there are five two-year optional extensions and cannot exceed a total lease term of twenty-five years. The time charter has been treated as a capital lease for accounting purposes. Accordingly, CHHC's 25.373% interest in the tanker has been capitalized assuming the first two extensions are exercised and is presented on the balance sheet under property and equipment.

8. Capital lease obligation - crude oil tanker: (continued)

The capital lease obligation represents the present value of the tanker time charter capital payments discounted at 2.92% over 17 years as follows:

2011	$	1,723
2012		1,756
2013		1,894
2014		1,614
Thereafter		–
Minimum lease payments		6,987
Less: amount representing interest		(393)
Capital lease obligation	$	6,594

The total capital lease obligation is comprised of the following:		
Current portion of capital lease obligation	$	1,552
Non-current portion of capital lease obligation		5,042
Capital lease obligation	$	6,594

CHHC has entered into a Capacity Reservation Agreement ("CRA") with another Hibernia Owner for the use of a portion of the time allocated to CHHC for the Mattea time charter. The CRA became effective November 7, 2010. The agreement provides for reimbursement of both the capital and operating elements of CHHC's Mattea time charter transportation costs. The funds received are netted against operating expense on the Statement of Income and Comprehensive Income and totaled $951 for 2010.

9. Asset retirement obligations (ARO):

CHHC's ARO are based on CHHC'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 incurred. CHHC estimates the total future undiscounted liability to be $144,904. Estimates of ARO costs can change significantly based on such factors as operating experience and changes in legislation and regulations.

These obligations will be settled based on the useful lives of the underlying assets, which currently extend up to the year 2043. A credit-adjusted risk-free rate of 5.0% and an inflation rate of 1.66% were used to calculate the fair value of the ARO.

Changes to ARO during the year ended December 31 were as follows:

		2010		2009
Asset retirement obligations, beginning of year	**$**	**31,691**	$	62,702
Accretion expense		**1,585**		3,135
Changes in estimates		**(3,319)**		(30,980)
Abandonment obligations settled		**(2,374)**		(3,166)
Asset retirement obligations, end of year	**$**	**27,583**	$	31,691

Notes to Consolidated Financial Statements / Year ended December 31, 2010 (All dollar amounts are stated in thousands)

10. Other obligations relating to the sale of assets by CEI:

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. Obligations include site restoration, historic waste and retiree benefits as follows:

		2010		2009
Current portion:				
Site restoration	$	**2,535**	$	2,039
Historic waste		**4,673**		4,673
Retiree benefits		**345**		360
		7,553		7,072
Long term portion:				
Site restoration		**11,414**		9,491
Historic waste		**6,337**		6,337
Retiree benefits		**1,882**		1,905
		19,633		17,733
Total obligations related to sale of assets	$	**27,186**	$	24,805

(a) Site restoration:

All costs relate 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 current estimate for costs and the amount accrued as at December 31, 2010 is $13,949 (2009 - $11,530).

(b) Historic waste:

Under the terms of the purchase and sale agreement in 1988 between CEI and Cameco, CEI and Cameco agreed on a formula for sharing any future joint costs, excluding normal operating costs, related to certain specified existing wastes accumulated by CEI to October 5, 1988, the date of sale of CEI's operations and assets to Cameco. Cameco assumed liability for the first $2,000 of joint costs related to the historic waste. The next $98,000 in joint costs is being shared 23/98ths by Cameco, 75/98ths by CEI. CEI assumed liability for joint costs in excess of $100,000. If CEI is unable to meet these obligations, the Government will assume responsibility for the liability, as agreed to in the 1988 purchase and sale agreement.

The Government is pursuing opportunities for the long-term management of the low-level radioactive waste. The majority of the joint costs under the indemnity provisions of the agreement relate to existing waste material located in Port Granby and Welcome waste sites, which are closed and have not accepted further wastes since October 5, 1988. The ultimate magnitude of the joint costs is largely dependent on the outcome of the Government's determination and agreement with the affected local communities of where and what type of facility will be constructed to dispose of the waste, results of detailed environmental assessments, remediation standards that will be set by the Canadian Nuclear Safety Commission ("CNSC") and the technologies that may be available to meet these standards at the time they are determined.

In March 2004, an agreement of Purchase and Sale was signed by the Government, Cameco and CEI, which allows the Government to acquire the Port Granby and Welcome waste sites. On exercise of that option, the agreement stipulates that Cameco would make payments to CEI for the remaining portion of its joint cost obligation in five equal annual instalments. When the Government assumes ownership of both waste sites, the costs of decommissioning and clean up of these sites

Notes to Consolidated Financial Statements / Year ended December 31, 2010 (All dollar amounts are stated in thousands)

10. Other obligations relating to the sale of assets by CEI: (continued)

(b) Historic waste: (continued)

would be borne by the Government and CEI would no longer have any obligation for those historic costs. As at December 31, 2010, the Government had acquired the Welcome Site but had not yet exercised its option regarding Port Granby.

CEI and Cameco are obligated for joint costs until such time as ownership of both sites transfers to the Government. The costs associated with clean up of these sites are not reasonably determinable at December 31, 2010.

CEI has an ongoing obligation relating to the miscellaneous wastes stored on site at the Port Hope location in two specific storage locations. Cameco provides CEI with estimates for joint costs expected to be incurred to store historic waste existing at the time of the 1988 Agreement of Purchase and Sale. CEI accrues their share based on the agreed upon sharing formula and this estimate.

In 2007, CEI informed Cameco that it disagreed with Cameco's interpretation of joint wastes in the 1988 Agreement. CEI has declined to pay invoices since 2005 billed by Cameco for actual costs incurred and does not intend to pay any future amounts billed until there is a resolution to the interpretation of the definition of existing wastes deemed to be covered by the joint costs provisions of the agreement. The resolution of this matter may ultimately affect the amount that CEI is responsible to share with respect to joint waste.

In September 2007, an amended proposal submitted by Cameco was approved by the CNSC estimating Cameco's cost at $96,000 for decommissioning portions of the Port Hope refinery and the miscellaneous waste storage locations ("Vision 2010"). Cameco has not formally communicated to CEI its potential share of the costs associated with decommissioning. Furthermore, the amount of CEI's share will not be determinable until the interpretation of joint costs under the 1988 Agreement of Purchase and Sale is resolved. Consequently, no additional amount has been accrued in the Corporation's financial statements as at December 31, 2010. The impact, if any, of Vision 2010 on costs associated with above ground waste is not determinable.

Cameco has informed CEI that it holds CEI liable for all or a portion of costs related to soil contamination and water contamination deriving from a plant in Port Hope. Cameco has indicated that remediation costs to date are approximately $10,000 and expects ongoing costs for groundwater treatment of $1,000 - $2,000 per year. The impact, if any, of these plant costs is not determinable.

CEI has agreed to arbitration with Cameco to try to resolve these disagreements. CEI had accrued $11,010 at December 31, 2007 for joint costs based on estimates provided by Cameco. Due to the uncertainties outlined above, no revision to the accrual can be reasonably determined. Accordingly the historic waste provision remains unchanged at December 31, 2010.

10. Other obligations relating to the sale of assets by CEI: (continued)

(c) Retiree benefits:

CEI is obligated to fund certain post retirement benefits related to former employees who retired prior to October 1988 pursuant to the terms of the purchase and sale agreement in 1988 between CEI and Cameco. CEI measures its accrued benefit obligations as at December 31 of each year. The most recent actuarial valuation of the post retirement benefit plan was September 30, 2008. The next valuation will be on or before September 30, 2011.

These benefits include life insurance and medical and dental benefits. Information about CEI's post retirement benefit plan is as follows:

		2010		2009
Accrued benefit obligation:				
Balance, beginning of year	**$**	**2,946**	$	2,694
Benefits paid		**(230)**		(238)
Interest expense		**147**		183
Actuarial loss		**156**		307
Balance, end of year	**$**	**3,019**	$	2,946
Accrued benefit liability:				
Balance, beginning of year	**$**	**2,265**	$	2,306
Benefits paid		**(230)**		(238)
Interest expense		**147**		183
Amortization of net actuarial loss		**45**		14
Balance, end of year	**$**	**2,227**	$	2,265
Accrued benefit liability represented by:				
Current portion	**$**	**345**	$	360
Long-term portion		**1,882**		1,905
	$	**2,227**	$	2,265
Other information:				
Benefit plan deficit	**$**	**(3,019)**	$	(2,946)
Unamortized net actuarial loss		**792**		681
Accrued benefit liability	**$**	**(2,227)**	$	(2,265)

Notes to Consolidated Financial Statements / Year ended December 31, 2010 (All dollar amounts are stated in thousands)

10. Other obligations relating to the sale of assets by CEI: (continued)

(c) Retiree benefits: (continued)

This benefit plan is not pre-funded resulting in a plan deficit equal to the accrued benefit obligation. The significant actuarial assumptions adopted in measuring CEI's accrued benefit obligation are:

	2010	2009
Discount rate	**4.3%**	5.2%
Rate of increase in medical benefits	**9.0%**	9.0%
Rate of increase in dental benefits	**5.0%**	5.0%

The assumed health care cost trend rate at December 31, 2010 and 2009 was 9.0% and this ultimate trend rate was reached in 2008.

Increasing or decreasing the assumed health care cost trend rates by one percentage point would have the following effect for 2010:

		Increase		Decrease
Accrued benefit obligation	$	99	$	(98)
Total of service and interest cost		5		(5)

11. Income taxes:

CDIC, CEI, CH and GEN are not subject to income tax in Canada. CHHC is subject to income tax. Dividends received by GEN are not subject to income tax within the United States. CH is subject to income tax in the United States.

CHHC has available resource-related deductions which may be carried forward and used in the prescribed manner to reduce taxable income in future years. The excess of CHHC's net book value of its assets above its income resource-related deductions has been recorded as a future income tax liability at the expected future income tax rate.

(a) The provision for income taxes for CHHC differs from the amount obtained by applying the combined Federal and Provincial income tax rate of 31.33% (2009 – 32.33%) to income before income taxes. The difference relates to the following items:

Notes to Consolidated Financial Statements / Year ended December 31, 2010 (All dollar amounts are stated in thousands)

11. Income taxes: (continued)

		2010		2009
Computed expected tax provision	$	56,965	$	38,225
Add (deduct) the following:				
Revisions to prior year returns		485		(1,599)
Adjustments to reserves		–		1,257
Effect of changes in tax rates		(300)		(9)
Foreign exchange and other		542		(312)
Total income tax expense	$	57,692	$	37,562

Current income tax expense	$	60,718	$	49,227
Future income tax reduction		(3,026)		(11,665)
Total income tax expense	$	57,692	$	37,562

(b) The components of the net future income tax liability at December 31 are as follows:

		2010		2009
Future income tax liabilities:				
Property and equipment	$	9,748	$	12,961
Inventory		696		1,460
Capital lease asset		1,329		1,584
Future income tax assets:				
Asset retirement obligations		(7,810)		(8,978)
Research and development obligation		(1,203)		(1,241)
Future income tax liability	$	2,760	$	5,786

Notes to Consolidated Financial Statements / Year ended December 31, 2010 (All dollar amounts are stated in thousands)

12. Supplemental cash flow disclosure:

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

		2010		2009
Increase in accounts receivable	$	**(20,844)**	$	(13,353)
Decrease (increase) in income taxes recoverable		**7,654**		(7,654)
Decrease (increase) in inventory		**513**		(326)
(Increase) in prepaid expenses		**(43)**		(114)
(Decrease) increase in accounts payable and accrued liabilities		**(19,114)**		42,490
Increase (decrease) in income taxes payable		**10,044**		(34,767)
Increase in other obligations		**2,381**		535
Change in non-cash working capital items	$	**(19,409)**	$	(13,189)
Relating to:				
Operating activities	$	**(18,141)**	$	(15,068)
Investing activities		**(1,268)**		1,879
Change in non-cash working capital items	$	**(19,409)**	$	(13,189)

During the year ended December 31, 2010 CHHC paid taxes of $42,426 (2009 - $91,506) and interest of $849 (2009 - $1,617) of which $ 816 (2009- $1,017) was related to capital lease obligations.

13. Royalties and net profits interest:

(a) Royalties:

Pursuant to the Hibernia Development Project Royalty Agreement and the Hibernia Development Project Royalty Amending Agreement, CHHC paid royalties on net transfer revenue at a rate of 30% with the exception of production from the designated “AA” fault blocks within the Hibernia oil reservoir, which was paid at a rate of 42.5%.

During the year ended December 31, 2010, CHHC incurred royalties of $106,189 (2009 - $46,587).

(b) Net Profits Interest:

CHHC is also party to the Net Profits Interest Agreement (NPI), which provides for a 10% NPI payment to the Government of Canada by all Hibernia owners. The NPI payment is based on each owner’s cumulative sales revenue, less cumulative eligible capital, operating and transportation costs. The NPI obligation became effective in February 2009, and CHHC’s obligation amounted to $34,488 during 2010 (2009 - $17,958).

Notes to Consolidated Financial Statements / Year ended December 31, 2010 (All dollar amounts are stated in thousands)

14. Commitments and contingencies:

(a) CHHC is party to a Reserved Capacity Services Agreement with Newfoundland Transshipment Limited whereby CHHC acquired the right to the use of the transshipment terminal for crude oil storage and transshipment. CHHC is committed to pay a portion of the cost of operation of the terminal over a ten-year period, which expires on December 31, 2020. CHHC's share of the annual obligations is subject to annual calculations and is approximately $795 annually.

(b) CHHC's share of HMDC's annual contract commitments, lease obligations for office, equipment and warehouse land and building, together with CHHC's office lease obligation, are approximately as follows:

2011	$	6,805
2012		4,513
2013		1,309
2014		551
2015		13
Thereafter		–
	$	13,191

(c) HMDC has provided a $70,000 non-negotiable demand promissory note as part of the Operator's requirement to provide proof of financial responsibility to the C-NLOPB in the event of potential claims under certain sections of the Canada Newfoundland Atlantic Accord Implementation Act, the Newfoundland Offshore Petroleum Drilling Regulations and the Newfoundland Offshore Area Petroleum Production and Conservation Regulations. The note will expire on April 30, 2013. At December 31, 2010 there have been no draws on the promissory note. CHHC's share of this commitment is $5,950.

In addition, the owners are required to provide further proof of financial responsibility by depositing letters of credit or cash in the gross amount of $30,000 with the C-NLOPB (note 5). At December 31, 2010, there have been no draws on the letters of credit.

(d) CHHC has an obligation to spend funds on qualifying research and development projects, pursuant to guidelines prescribed by C-NLOPB. CHHC currently has a shortfall in research and development spending and has recorded a liability in the amount of $4,248 (2009 - $3,837) which is included in accounts payable and accrued liabilities.

(e) CEI and the Government of Canada have been sued by Rio Algom Ltd. ("Rio") for $75,000 relating to alleged expenses incurred by Rio pursuant to contracts entered into for the delivery of Uranium ores in the 1950s and 1960s. The Government and CEI are defending the suit.

The outcome and impact, if any, of this lawsuit to CEI is currently not determinable. No accrual has been made on the balance sheet.

(f) 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 Delorno 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. The outcome and impact, if any, of this lawsuit to CEI is currently not determinable. No accrual has been made on the balance sheet.

Notes to Consolidated Financial Statements / Year ended December 31, 2010 (All dollar amounts are stated in thousands)

15. Capital management:

The Corporation considers its capital structure as the aggregate of its equity, which is composed of its share capital, contributed surplus, accumulated other comprehensive income and accumulated deficit. 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.

In the case of CHHC, so that it can continue to provide returns for shareholders and benefits for other stakeholders, CHHC is continually monitoring changes in economic conditions and the risk characteristics of the underlying petroleum industry. CEI is constantly monitoring its cash position so that it can meet its liabilities. CH and GEN have been capitalized with contributed surplus as a result of receiving equity interests without making expenditures. CH relies primarily on contributions to capital and on an interim basis on loans from its parent to fund operations. GEN relies on cash dividends received from the preferred shares its holds and on sales of common shares to fund operations. Due to the limited expenditures forecast at present for CH and GEN, these funding sources are considered adequate to maintain operations.

The Corporation's share capital is not subject to any external restrictions. There were no changes to the Corporation's approach to capital management during the year.

16. Risks to the Corporation:

Overview:

The nature of CDIC's consolidated operations expose the Corporation to credit risk, liquidity risk and market risk, and changes in commodity prices and interest rates may have a material effect on cash flows, net income and comprehensive income.

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

(a) Credit risk:

Credit risk is the risk of financial loss to the Corporation if counterparties do not fulfill their contractual obligations. The most significant exposure to this risk is relative to the sale and marketing of crude oil. During 2010, the majority of CHHC's oil production was sold through a marketing arrangement. CHHC has assessed the risk of non-collection of funds as low, as it shares cargos with the marketer. Furthermore, the marketer maintains credit surveillance over all pre-approved buyers.

Cash and cash equivalents consist of cash bank balances and short-term deposits maturing within three months valued at cost plus accrued interest from 0.10% to 1.12% (2009 -0.20% to 1.56%). The carrying amounts approximate fair value due to their short term to maturity.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Corporation did not have an allowance for doubtful accounts as at December 31, 2010 and 2009 and did not provide for any doubtful accounts nor was it required to write-off any receivables during 2010 or 2009. As at December 31, 2010 the following amounts were included in accounts receivable:

		2010		2009
Outstanding under 120 days	**$**	**35,671**	$	14,912
Outstanding greater than 120 days		**192**		107
Total accounts receivable	**$**	**35,863**	$	15,019

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its work commitments and/or other financial obligations as they become due. The Corporation's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meets its liabilities when due. Trade payables are normally payable within 30 days of invoice.

The Corporation's liquidity is dependent upon its operating cash flows. Expected future cash flow from the working interest in the Hibernia Development Project currently exceeds estimated operating expenses and future capital expenditures. Considering these circumstances and the cash and cash equivalents balance at December 31, 2010 of $129,884 (2009 - $105,416), the Corporation's liquidity risk is assessed as insignificant. Some operating expenses and commitments of subsidiaries are funded by capital contributions from the Corporation to maintain the liquidity of subsidiaries.

Notes to Consolidated Financial Statements / Year ended December 31, 2010 (All dollar amounts are stated in thousands)

16. Risks to the Corporation: (continued)

(c) Market risk:

Market risk is the risk that changes in foreign exchange rates, commodity prices and/or interest rates will affect the Corporation's cash flows, net income and/or comprehensive income.

(i) Foreign exchange risk:

Foreign exchange risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The underlying market prices in Canada for oil are impacted by changes in the exchange rate between the Canadian and United States dollar. All of CHHC's oil production is transacted in United States dollars and is converted to Canadian dollars at spot rates, exposing the Corporation to foreign exchange movements. A 1% change to the foreign exchange rate would have an impact to after-tax net income of approximately $1,400 for the year ended December 31, 2010 (2009-$1,117).

Since dividend income is received in a foreign currency (U.S. dollars), the Corporation's cash flows are exposed to foreign exchange fluctuations. The Corporation is exposed to foreign exchange rates upon any fair valuation of financial instruments with changes impacting earnings or other comprehensive income as well as impacting dividend income converted into Canadian dollars. A 1% change in the CAD/USD exchange rate would have an impact on net income of $362.

(ii) Commodity price risk:

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices, affecting results of operations and cash generated from operating activities. Prices received by CHHC for its production are impacted by world economic events that dictate the levels of supply and demand. All of CHHC's oil production is sold at spot rates, exposing CHHC to the risk of price movements. A $1.00 change to the price per barrel of oil would have an impact to after-tax net income of approximately $2,167 for the year ended December 31, 2010 (2009 - $2,293).

(iii) Interest rate risk:

Interest rate risk is the risk that 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 which bear a fixed rate of interest. The risk is not considered significant as the Corporation's interest revenue is less than 1% of total revenue.

The Corporation did not have any interest rate swaps or financial contracts in place as at or during the year ended December 31, 2010 (2009 - nil). A change of 1.0% to the interest rate would have an impact to after-tax net income of approximately $1,793 (2009 - $1,184).

(iv) Other Price risk:

Price risk is the risk that the fair value of certain financial instruments is subject to market price fluctuations.

Changes in market values will impact other comprehensive income and future earnings and cash flows when the Corporation might dispose of the share holdings. Given that some of the Corporation's held-for-trading financial instruments are denominated in a foreign currency; the adjustment due to foreign currency translation may also cause market price fluctuations. For any 10% change in the price of GM common shares, other comprehensive income would be impacted $475,447 plus any impact in the USD/CAD exchange rate.

If a market commences for the preferred GM shares and the Chrysler membership interests, the fair value of such assets will be directly exposed to other price risk and changes in market values will impact profit and loss. For any 1% change in the discount rate used to value the GM preferred shares, net income would be impacted approximately $14,000 plus any impact in the USD/CAD exchange rate.

16. Risks to the Corporation: (continued)

(d) Fair value of financial instruments:

The following table summarizes information on the fair value measurement of the Corporation's assets as of December 31, 2010 grouped by the fair value level:

	Total	**Quoted prices in active markets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Cash and cash equivalents	$ 129,884	$ 129,884	$ –	$ –
Cash on deposit in the CRF	133,650	133,650	–	–
Preferred shares in GM	421,000	–	421,000	–
Common shares in GM	4,728,802	–	4,728,802	–
Total	$ 5,413,336	$ 263,534	$ 5,149,802	$ –

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate fair value because of the short-term nature of these items.

17. Related party transactions:

The Corporation is related in terms of common ownership to all Government of Canada departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business under its stated mandate. These transactions are measured at the exchange amount, which is the actual amount agreed to by the related parties.

CDIC paid dividends to the Government of Canada for the year ended December 31, 2010 in the amount of $1,289,130 (2009 - $89,000).

Notes to Consolidated Financial Statements / Year ended December 31, 2010 (All dollar amounts are stated in thousands)

18. Supplementary information:

The consolidated financial statements of the Corporation include 100% of the assets, liabilities, revenues and expenses of CHHC as at December 31 as follows:

Balance Sheet:

	2010	2009
Assets:		
Current	$ 100,950	$ 99,447
Non-current	205,292	218,934
	$ 306,242	$ 318,381
Liabilities:		
Current	$ 39,852	$ 51,063
Non-current	35,385	44,444
	75,237	95,507
Shareholder's Equity	231,005	222,874
	$ 306,242	$ 318,381

Operations:

	2010	2009
Revenue:		
Net crude oil sales	$ 248,789	$ 201,600
Other income (loss)	(316)	2,756
Expense:		
Total expenses	(66,650)	(86,177)
Income tax	(57,692)	(37,562)
Net income after tax	$ 124,131	$ 80,617

Cash flows:

	2010	2009
Cash provided (used) by:		
Operating activities	$ 140,037	$ 106,059
Financing activities	(116,968)	(92,959)
Investing activities	(31,099)	(16,436)
Decrease in cash and cash equivalents	$ (8,030)	$ (3,336)

Notes to Consolidated Financial Statements / Year ended December 31, 2010 (All dollar amounts are stated in thousands)