



Canada Development  
Investment Corporation

La corporation de développement  
des investissements du Canada

CANADA DEVELOPMENT INVESTMENT CORPORATION

**2018 to 2022  
CORPORATE PLAN SUMMARY**

and  
**2018 CAPITAL BUDGET**

**A Summary of the October 2017  
Corporate Plan**

**CDEV CORPORATE PLAN SUMMARY**  
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## 1.0 EXECUTIVE SUMMARY AND CORPORATE PROFILE

### WHO WE ARE

Canada Development Investment Corporation ("the Corporation" or "CDEV") 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* ("FAA") and is not subject to the provisions of the *Income Tax Act*. CDEV reports to Parliament through the Minister of Finance ("the Minister"). In 2013 we changed our brand initials to "CDEV" from "CDIC". CDEV has three wholly-owned subsidiaries: Canada Hibernia Holding Corporation ("CHHC"), Canada Eldor Inc. ("CEI"), and Canada GEN Investment Corporation ("GEN").

### WHAT WE DO

**Our Vision:** To be the Government of Canada's primary resource for the evaluation, management and divestiture of its commercial assets.

**Our Mission:** Acting in the best interests of Canada, on behalf of the Minister of Finance, we bring excellent business judgement and commercial practices to the evaluation, management and divestiture of assets of the Government of Canada.

CDEV's activities are driven by the priorities of the Government through discussions with and mandates received from the Minister of Finance and through the Government's budget and policy pronouncements. CDEV has historically been used as a means of ensuring that the Government's interests that are assigned to it have been managed with a commercial focus. To date we have managed and sold some fifteen companies for the Government with total proceeds exceeding \$9 billion. We currently manage Canada's interest in the Hibernia oil field, liabilities of CEI, and are managing the sales processes of Government assets. We also assist the government in the analysis of government assets as requested.

In September 2016 the majority owner of the Norman Wells project publically announced its intention to market its interests in the operation. CDEV is monitoring the developments of this process and is conducting due diligence to support the Government of Canada as it considers its options.

In 2016, CDEV received a mandate to review government assets.

### OUR RECENT ACTIVITIES

From mid-2016 through 2017 CDEV undertook projects involving the review of the Government's interest in airports and ports.

The ownership interest of CHHC in the Hibernia field continues to perform well with forecast 2017 sales volumes of 3.5 million barrels, 10% lower than 2016 due to production being lower by 1.5% and the expected timing of large cargo sales near year end. 2017

forecast gross oil revenue of \$232 million is near plan of \$234 million. CHHC's 2017 net income is forecast at \$64 million, compared to plan of \$69 million and 2016 net income of \$63 million.

CEI continues to manage the liabilities resulting from past activities of Eldorado Nuclear, the assets of which were merged with Saskatchewan Mining and Development Corporation in 1988 to form Cameco Corporation. CEI continues to pay for costs relating to the decommissioning of the former Beaverlodge mine site and for retiree benefits of certain former employees. The provision for site restoration at Beaverlodge increased \$1 million at the end of 2017 based on higher expected regulatory fees from the Canada Nuclear Safety Commission ("CNSC").

We held our annual public meeting on October 11, 2017 in Toronto, ON fulfilling requirements under the FAA.

#### WHAT WE PLAN TO DO IN THE NEXT FIVE YEARS

We are supporting the Government and conducting due diligence with our financial advisor as it considers options for the Norman Wells project. In the financial plans attached, we have included the expected expenditures for advisory services. We have assumed that all advisory and transaction expenditures incurred as agent will be recovered through the sales process when complete.

We will assist in the review of government assets. Our primary functions include advising the Department of Finance, preparing well-defined statements of work in conjunction with the Department of Finance, conducting a thorough and fair advisor selection process, and managing relationships with the advisor and the management team of the asset under review. We will ensure that the process produces insightful reports on a timely basis that will provide a sound basis for decision making by the Government.

In order to perform our mandate we will retain suitable funds should we no longer have assets that earn income or can be monetized. In the attached financial projections we show a cash position (at the CDEV level) of approximately \$100 million at the end of 2017 and through the plan period to fund potential contingencies. These include the Panama lawsuit, which has a total claim of over \$300 million; expected project costs in the plan period; and potential transaction costs for a divestiture that might not be recovered through the sales process. CDEV cannot receive appropriations so it must retain funds as necessary.

CHHC was established in March 1993, for the sole purpose of holding, managing, administering and operating an 8.5% working interest in the Hibernia project. CHHC's primary goal is to manage its ownership in the Hibernia project and other Hibernia-related developments assuring that the shareholder's interest is protected and its value is maximized where possible. An expert management team based in Calgary performs this function. CDEV's role is to maintain the asset in a state of readiness should Canada elect to divest of the asset and, should Canada decide to divest, to take appropriate steps to fulfill that decision. Toward this goal, CHHC retained its technical advisor to prepare a

technical and economic reserve evaluation report with an effective date of December 31, 2017.

Dividends from CHHC in the plan period are expected to average \$58 million per year which is lower than the average in the last plan period of \$69 million per year. CHHC's share of production is expected to average 8,100 barrels per day in the plan period, with declines in the latter years. Given the increasing cost estimates for decommissioning obligations for the Hibernia project, CHHC has begun to set aside, in addition to the Consolidated Revenue Fund ("CRF"), suitable financial assets (\$12 million in 2017, 2018 and 2019) that will be available to fund decommissioning in the future, as well as act as a reserve against other risks. Since CHHC is a one asset company it cannot rely on cash flows from other assets to fund the decommissioning costs.

Through Cameco, the manager and licensee of the Beaverlodge mine site, CEI continues to manage the properties for which it has been granted a license. Projects are being undertaken to reach the goal of transferring the properties to the Institutional Control programme of the Government of Saskatchewan within six years. The majority of costs for the period 2018 to 2022 relate to regulatory fees, costs paid to the Province of Saskatchewan upon site transfers, and other routine monitoring and study costs. There is limited physical activity projected, given the state of the properties for transfer. The total expected costs of these projects and other fees are approximately \$12 million. CEI will continue to pay Cameco for certain expenses regarding retirement benefits.

In 2009, GEN was established to hold and manage Canada's equity interest in General Motors ("GM"). On April 6, 2015 GEN sold all of its remaining common shares by way of an unregistered block trade for proceeds of \$3.3 billion. A dividend of \$3.2 billion was paid to the Government from the proceeds. GEN also earned dividend income of \$28 million in 2015 from the common shares of GM. We have not budgeted any revenue or expenses for GEN after 2017 and expect that the remaining assets of GEN would be distributed to CDEV.

A Special Examination of CDEV and its subsidiaries is being conducted by our Joint Auditors, the Office of the Auditor General and KPMG, and will be completed in the second half of 2018.

## **2.0 MANDATE AND FUTURE ROLE**

The Articles of Incorporation give CDEV a broad mandate. We were incorporated to provide a commercial vehicle for Government equity investment and to manage commercial holdings of Canada. Our primary objective is to carry out our activities in the best interests of Canada, operating in a commercial manner.

In November 2007, the Minister of Finance wrote the Chairman and indicated that the future operations of CDEV “should reflect a future focused on the ongoing management of its current holdings in a commercial manner, providing assistance to the Government in new policy directions suited to CDEV’s capabilities, while maintaining the capacity to divest CDEV’s existing holdings, and any other Government interests assigned to it for divestiture, upon the direction of the Minister of Finance”.

### **3.0 CORPORATE GOVERNANCE**

CDEV is managed by a team based in Toronto headed by the Executive Vice-President, who work closely with consultants, legal counsel, the Board and management of its subsidiaries to ensure the effective functioning of the Corporation and its subsidiaries. Led by the Executive-Vice President we have six employees plus one contractor. CHHC has separate management based in Calgary that is experienced in the oil industry.

The Corporation reports to Parliament through the Minister of Finance. CDEV's Board of Directors supervises and oversees the conduct of the business and affairs of CDEV. The Board of CDEV currently consists of the Chairman and five other directors. See Appendix A for the Corporation's organization chart and current listing of CDEV's directors and officers. All members of the Board are independent of CDEV management. The Board carries out its responsibilities regarding the financial statements of the Corporation through its Audit Committee.

Corporate governance is dealt with by the Nominating and Governance ("N and G") Committee, which continues to review CDEV's governance practices in the spirit of continuous improvement and to address new requirements. In addition, the N and G Committee assists in determining the composition and structure of the Board. In 2017 the Chair, with the assistance of management, participated in a process led by the Privy Council Office to identify potential new candidates for the Board. The Board also has a Human Resources and Compensation Committee that assists the Board in matters pertaining to the human resources and compensation strategy, policies and practices of CDEV and its subsidiaries. CDEV will continue to closely monitor the evolving guidance in governance matters and public sector best practices and implement changes in its governance practices as appropriate. Directors dedicate appropriate time outside of board meetings to the governance of the Corporation. There is currently one vacancy on the Board. All advisors for asset reviews or sales roles are hired through a competitive process with ultimate approval by the Board of Directors.

Effective communication with the Government and the public is conducted through the Corporate Plan and Corporate Plan Summary, as approved by the Board, the Annual Report, the interim quarterly reports, the corporate website, and an annual public meeting. As well, meetings are held as required with the Minister of Finance and officials of the Government of Canada.

## 4.0 CORPORATE PERFORMANCE

### 4.1 Assessment of 2017 Results

Our actual performance in 2017 as compared to the objectives outlined in our 2017-2021 Corporate Plan is as follows:

**Our 2017 Objectives** - Our main objectives were to manage the interests of the Government assigned to us, in a commercial manner. These were the main areas of focus for 2017:

- Manage our working interest in the Hibernia oil field through our subsidiary CHHC and ensure that this asset is ready for sale when deemed appropriate.
- Manage the sales process of assets assigned to CDEV for divestiture.
- Assist in the review of government assets, as requested by the Minister.
- Manage our operations to maintain our ability to perform all tasks given to us in an efficient manner. This includes the use of contracted experts and consultants to undertake projects that are specialized and short-term in nature.
- Continue to identify and implement new ways to reduce operating expenditures that are under our control but which do not adversely impact our performance under the mandates given to us.
- Remain committed to keep travel costs at an appropriate level given our level of activity. This includes continued controls and management of our travel costs in alignment with TBS' travel *Directive, Guideline and Special Travel Authorities*.
- Remain available and prepared to address the needs of the Government for any future endeavour that is suitable given our capabilities and expertise.
- Retain sufficient funds to fulfill our mandate and be prepared for any contingencies, including the Panama lawsuit.
- Manage the site restoration liabilities of CEI through Cameco including monitoring the progress on transferring properties to Institutional Control under the Government of Saskatchewan.

#### **Our 2017 Performance:**

- a) We continued to oversee, as shareholder, CHHC's 8.5% working interest in the original Hibernia project and interests in other Hibernia-related developments. The working interest is managed through our subsidiary CHHC. CHHC forecasts \$79 million in dividends in 2017, compared to plan of \$74 million. 2017 net income is forecast at \$64 million compared to Plan of \$69 million. 2017 revenue was relatively flat compared to 2017 Plan with sales volume up by 7% offset by Canadian dollar oil prices down 7%.
- b) During 2017 we and our financial advisor undertook due diligence to support the Government as it considers options for its interest in the Norman Wells oil project.



- c) CDEV continues to retain a financial advisor to help CDEV remain prepared in case the Government indicates an intention to sell CHHC in the future. In 2017 CHHC, in consultation with CDEV, requested our oil reserve consultant, RPS, to prepare an oil reserve report with an effective date of December 31, 2017.
- d) In 2017 CDEV undertook and completed reviews of government assets.
- e) CDEV continued to manage its operations in an efficient manner by using contractors and consultants to manage its uneven workload. Expenses, other than project costs, are almost equal at \$2.4 million in 2017 and 2016. We reduced our FTE by one to match our resources to the required workload.
- f) Cameco continues to monitor and manage the Beaverlodge site and provides CEI with monthly invoices indicating costs incurred. These were paid after review by CEI. For 2017, payments to Cameco are forecast at \$3 million including payments to cover claims and administrative costs for the benefit plan of retired employees. CEI has monitored the progress of site restoration through discussions and reports prepared by Cameco.

## **4.2 Analysis of External Business Environment**

The ongoing management of our holdings will depend, in part, on market conditions specific to the underlying company or investment.

The volume of work required of CDEV management is difficult to predict as it depends significantly on the requests of the Minister for assistance with the review of government assets or any divestment mandates.

Some of the Government's interests for which CDEV has been acting as agent to sell, could be impacted by fluctuations in commodities markets, and the outcomes of consultations and agreements reached with stakeholders such as adjacent land owners, First Nations, landlords, and other governments.

For CHHC specifically, its performance is impacted by the normal variability associated with crude oil pricing, specifically the "Brent" price of crude oil, the CAD/USD foreign exchange rate, production rates, capital expenditures, operating expenditures and reservoir performance. However, given the relatively low cost structure of the Hibernia project, the sustainability of the project is not impacted by expected crude oil prices and foreign exchange fluctuations.

CEI's financial obligations to Cameco may be affected by ongoing changes in the regulatory requirements enacted in particular by the CNSC and the Government of Saskatchewan, including fees charged by the CNSC.

## 5.0 OBJECTIVES AND STRATEGIES FOR THE PERIOD 2018 TO 2022

### Canada Development Investment Corporation

Our main objectives are to manage the interests of the Government assigned to us, in a commercial manner. These are the main areas of focus for 2018 and beyond:

- Manage our working interest in the Hibernia oil field through our subsidiary CHHC and ensure that this asset is ready for sale when deemed appropriate.
- Continue to undertake due diligence of proposals for the Norman Wells project.
- Manage our operations to maintain our ability to perform all tasks given to us in an efficient manner. This includes the use of contracted experts and consultants to undertake projects that are specialized and short-term in nature and identifying ways to keep costs low and flexible. We will remain in alignment with the TBS' travel *Directive, Guideline and Special Travel Authorities*.
- Assist in the review of government assets as requested by the Minister of Finance and remain available and prepared to address the needs of the Government for any future endeavour that is suitable given our capabilities and expertise.
- Retain sufficient funds to be able to fulfill our mandate and be prepared for any contingencies including the Panama lawsuit and any potentially expensive divestiture mandate.

Section 6.3 further discusses key financial assumptions for the pro-forma financial statements and schedules included as part of this Corporate Plan.

#### Panama Lawsuit

In 2015, CDEV was served with Panama-based litigation. CDEV is a co-defendant in this litigation with Nordion Inc. and Multidata Systems International Corp. The litigation relates to medical devices manufactured by Nordion and its predecessor Theratronics that were improperly used and delivered excessive radiation to cancer patients in Panama in 2000. Nordion and Theratronics were both previously owned by CDEV, which fully divested Nordion in 1991 and Theratronics in 1998. CDEV had previously been served with litigation in the United States in 2001 for the same Panama-based facts, but had succeeded in achieving a dismissal of CDEV as defendant in 2003. The plaintiff's claims are for US \$300 million jointly against all defendants.

CDEV has engaged counsel in Panama and has filed a response with the court denying any liability. CDEV management believes that it is not probable there will be an outflow of resources in relation to this lawsuit. We will continue to monitor the situation locally at minimal cost.

### 5.1 Canada Hibernia Holding Corporation

Please see the attached Appendix B for detailed information on the objectives and strategies of CHHC. CDEV assists CHHC, as necessary, regarding activities that might be required to ensure that the investment in the Hibernia project is ready when a divestiture

decision is made. At a high level, we note that planned CHHC 2018 sales volume of 3.23 million barrels is lower than 2017 forecast of 3.47 million barrels due to lower production levels partially impacted by the scheduled 40 day (11% of production days) production shutdown at Hibernia. CHHC's share of production in Plan 2018 will be 8,900 barrels per day compared to 2017 production of 10,000 barrels per day, or 11% lower. CHHC 2018 Plan net income is \$48 million, lower than the 2017 forecast net income of \$64 million. Dividends from CHHC are expected to be \$48 million in 2018 compared to \$79 million forecast in 2017. The decrease in 2018 dividends from 2017 is due to the higher 2017 dividends including surplus cash available at the beginning of 2017, and the increase in working capital at year-end 2018 which reduces cash available for dividends.

## **5.2 Canada GEN Investment Corporation**

GEN holds approximately \$0.5 million in cash which is its only asset. Its liabilities consist of accrued legal fees, director fees and management fees payable to CDEV.

## **5.3 Canada Eldor Inc.**

CEI has mine site restoration liabilities related to a decommissioned uranium mine of Eldorado Nuclear in northern Saskatchewan and costs related to post-employment benefits of former employees. CEI is also a defendant in a class action lawsuit going back several years in the Deloro township of Ontario.

### **5.3.1 CEI – Mine Site Restoration (near Beaverlodge Lake, Saskatchewan)**

Beaverlodge is a former uranium mine site which has been inactive since prior to the sale of Eldorado assets to Cameco. Pursuant to the Purchase and Sale Agreement, CEI is responsible for all costs associated with the decommissioning of this site which was transferred to Cameco at the time of the sale. Cameco is responsible for the monitoring and management of the site and CEI reimburses Cameco for actual costs plus a 15% management fee. CEI accrues these costs based on estimates provided by Cameco. CEI evaluates any potential efforts by Cameco staff in managing the process. CEI has hired independent consultants where necessary to assist it in monitoring Cameco's performance.

#### **Status of Overall Project and Outstanding Issues**

The CNSC approved a license renewal for the Beaverlodge properties in 2013 for a period of ten years to 2023. It is expected that by the end of the license term, most or all 65 individual properties will be transferred to the Institutional Control ("IC") programme of the Government of Saskatchewan.

Cameco updates its work plan annually, in October, with cost estimates for the balance of this project. As at December 31, 2017, costs are estimated at \$11.4 million and the project is scheduled to be completed in 2023. The cost estimates for 2018 total \$2.58 million.

### **5.3.2 CEI - Defined Benefit Obligations**

Pursuant to the Purchase and Sale Agreement, CEI is responsible for the management of the benefit plan for all Eldorado and Eldor employees who retired prior to October 1988. These benefits include life insurance, health and dental benefits. The retirement benefit obligations are \$2 million forecast at December 31, 2017.

### 5.3.3 CEI - Contingency: Litigation related to the Deloro lawsuit

In 2000, CEI was named a party to a class action lawsuit relating to contamination in the Deloro area in Ontario. The Statement of Claim was filed against the Province of Ontario, the Attorney General of Canada, the Atomic Energy Control Board, BOC Canada Limited (a private company) and CEI. CEI was included in this action as a result of an allegation that Eldorado Mining and Refining Limited sold some waste (in the 1940's) to BOC who then further refined the waste. The remnants of this are alleged to have been a part of the creation of the contamination. Previous conversations with officials at Natural Resources Canada indicate that this is substantially an issue for the Province of Ontario. The Department of Justice was appointed as counsel and a Notice of Intent to Defend was served on the plaintiffs. For several years there has been no activity on this matter and the outcome remains undeterminable at this time.

## 5.4 Review of Government Assets and Sales Roles

### 5.4.1 Review of Government Assets

In 2016 and 2017 CDEV assisted the Government in the analysis of government assets. At the time of writing CDEV has not received any review mandates for 2018; however, we remain capable to undertake new projects which might include further analysis or implementation of the first projects. For budgeting purposes, we have included potential costs for more, but unspecified, projects in 2018 and beyond.

### 5.4.2 Sales Roles

For current and future mandates to act as agent in the sale of a corporate asset, we identify and hire required financial and other advisors to evaluate the asset, provide advice to the Government on the possibilities and requirements to undertake a sale, manage a sales process as required, and help facilitate the execution of a potential sale. The timing for potential transactions is not known. In the financial projections in Section 6, we have included the expected expenditures for financial and other advisory services. We have assumed that all advisory and transaction expenditures incurred as agent will be recovered by CDEV through the sales process, when complete and hence on a net basis there is no impact on our planned results if a transaction closes in the plan period.

## 5.5 Risks and risk mitigation

We and our subsidiaries are subject to a number of risks. Those risks related to CHHC are detailed in its Corporate Plan (see Appendix B).

CEI is subject to considerable liabilities, as discussed above, due to its undertakings to Cameco as part of the 1988 Purchase and Sale Agreement. Provisions for the future costs related to the Beaverlodge mine site and defined benefits are currently estimated at \$13 million. CEI has approximately \$4 million in cash and short-term investments and \$16 million in funds deposited with the CRF to fund these liabilities. Whether these funds are adequate is unknown due to the potential but unknown liabilities related to the 1988 agreement including site restoration, retiree benefits and a lawsuit which CEI faces.

#### 5.5.1 Retaining Surplus Cash

CDEV and CHHC each maintain a cash balance of \$100 million. CHHC derives its revenue from crude oil sales and its ability to remit dividends to CDEV depends on factors such as crude oil prices, crude oil production volumes, sales volumes and the USD/CAD exchange rate. If oil production is halted for an extended period of time, if oil sales fall drastically, or if the price of crude oil becomes depressed, CHHC must have adequate cash reserves in order to continue servicing its capital expenditure, mechanical repair and operating cost obligations.

CDEV (non-consolidated) also retains \$100 million in cash assets to ensure that it can, at all times, fulfill current and future asset sales roles on behalf of the Canadian Government.

## **6.0 FINANCIAL SECTION**

### **6.1 Financial Overview for 2017**

Consolidated profit is forecast for 2017 at \$58 million which is comprised of CHHC's income of \$64 million, less costs to operate CDEV, as shown in detail on Schedule 4. The 2017 Plan profit was \$61 million. Dividends paid to the Government (please see Schedules 2 or 3 below) are forecast in 2017 at \$77 million, compared to Plan of \$65 million.

Included in this plan are five-year pro-forma financial projections as follows (December year-end) (On the following Schedules, numbers may not add due to rounding):

Schedule 1 - Consolidated Statements of Financial Position

Schedule 2 - Consolidated Statements of Cash Flows

Schedule 3 - Consolidated Statements of Changes in Shareholder's Equity

Schedule 4 - Consolidated Statements of Comprehensive Income

Key assumptions for the above schedules are outlined below in Section 6.3.

### **6.2 Quarterly Financial Reporting**

We issue Quarterly Financial Statements which are posted in both English and French on our website ([www.cdev.gc.ca](http://www.cdev.gc.ca)) within 60 days of a quarter end.

## 6.3 Commentary, Highlights and Key Assumptions in Financial Projections

### 6.3.1 Financial Summary in the Plan Period

Condensed operations and cash flow of CDEV (2017 – 2022):

\$ Million	2017 F	2018 P	2019 P	2020 P	2021 P	2022 P
CHHC Production interest (kbopd)	10000	8900	9300	8100	7000	7100
CHHC Oil Sales (M bbl)	3.5	3.2	3.4	3.0	2.6	2.6
Price per Bbl (C\$)	67	60	66	72	72	72
Net Crude Revenue	170	143	161	153	136	137
CHHC Total Revenue	175	150	168	159	142	143
CHHC Net Income	64	47	59	52	44	43
CHHC Operating Cash Flow	102	83	119 **	87	76	74
Capital Investments	(38)	(35)	(30)	(27)	(30)	(23)
CHHC Net cash flow	64	48	89	60	46	51
CHHC Dividend to CDEV	79 *	48	88	61	45	51
CDEV Operating Loss	(5)	(7)	(6)	(6)	(6)	(6)
Dividends to Government	77	41	82	55	39	44

\* primarily due to opening cash \*\* primarily due to collection of accounts receivable

### CHHC Revenue Projections

CHHC has a single revenue source crude oil sales. As shown above, CHHC earnings and ultimately CDEV net income and dividends to the Government, are driven by CHHC's crude oil sales volume and crude oil prices. Sales volume is expected to peak in 2019 due to higher Hibernia main field production and then decline through to 2022. At the same time, we expect crude oil prices to increase \$6 per barrel in 2019 and another \$6 in 2020 and then remain flat. From 2020 to 2022 the decrease in crude oil production and flat prices cause the decline in revenue and earnings compared to 2019.

Dividends received by CDEV and paid to the Government

CHHC pays dividends to CDEV based on its operating cash flow after the payment of its capital expenditures or other cash requirements. After receiving CHHC dividends, CDEV retains cash to pay for its operating costs and project expenses. The remaining surplus cash is paid as a dividend to the Government.

CDEV (non-consolidated) retains \$100 million to ensure it can continue to operate and fulfill government mandates in the event that it no longer receives dividend payments from CHHC or CHHC earnings decrease significantly.

### 6.3.2 Assumptions for the Plan Period

This Corporate Plan is based on the following assumptions:

#### Canada Development Investment Corporation (non-consolidated)

1) Operating Costs - Financial projections assume management and the Board continue to closely manage costs. Forecast administration costs (Salary, Benefits and Other) are approximately \$2.4 million annually throughout the planning period which is approximately the same as the 2017 forecast. Government asset review costs are projected to be approximately \$3 million per year for 2018 to 2022. Costs for sales roles, excluding success-based financial advisory fees from 2018 to 2022 are planned at \$3-4 million each year. Any advisory or success-based fees are expected to be recovered through the sales processes in the period they are incurred but this is not included in the attached financial projections due to the inability to predict the amount or timing of any transaction.

2) Projected dividends declared and paid

<b>\$ Million</b>	<b>Dividends Received by CDEV Parent</b>		<b>Dividends Paid to Government</b>
	CHHC	GEN	
<b>2017</b>	79	0	77
<b>2018</b>	48	1	41
<b>2019</b>	88	0	82
<b>2020</b>	61	0	55
<b>2021</b>	45	0	39
<b>2022</b>	51	0	44

See section 5.1 or Appendix B for explanation of changes in projected dividends from CHHC. CDEV will retain some of the dividends from CHHC to maintain its cash balances of \$100 million which will be used to fund operations, future projects and any contingencies.



- 3) Professional fees are expected to increase from \$5.2 million in 2017 to \$8.6 million in 2018 in large part because CDEV expects to receive additional work related to asset review projects. Given the uncertainty around the timing of CDEV's mandates, the value CDEV assigns to planned government asset review activities and costs for sales roles is determined by past levels of expenditure and the expected cost associated with potential future asset review projects and sales roles.
- 4) Foreign Exchange Rate – For 2018 through 2022: C\$ 1.20 per USD is used for CDEV and all of its subsidiaries.

### **Canada Hibernia Holding Corporation**

- 5) Operating Revenues and Costs – CHHC's revenues and costs are discussed in detail in Appendix B.
- 6) Dividends paid – CHHC will pay dividends to its parent as discussed above.

### **Canada Eldor Inc.**

- 7) Operating Expenses - CEI's operating expenses are projected at \$0.2 million in 2018 to 2022. These are primarily management fees charged by CDEV plus director fees.
- 8) Site Restoration (Beaverlodge) - CEI has accrued anticipated costs of approximately \$11 million for the decommissioning of the Beaverlodge site which is anticipated to be completed by 2023 but may be extended depending on plans developed with Cameco. Most of the costs are incurred when properties are transferred to Institutional Control and for long-term monitoring and regulator fees.
- 9) Retiree Benefits – Annual benefits and administration payments are estimated at \$0.2 million which are provided for in the defined benefit obligation liability.
- 10) Litigation - No payments are assumed for the lawsuit which CEI is defending other than for minimal legal advisor costs.
- 11) CRF - Interest is accrued on CEI's funds on deposit in the CRF at a rate equal to 90% of the Government's 90-day Treasury Bill rate.

### **Canada GEN Investment Corporation**

- 12) We do not expect any further operating revenue and expenses associated with GEN in 2018 and beyond.

## **6.4 Capital Budget**

Neither we, nor our wholly owned subsidiaries CHHC, CEI or GEN, require any capital funding for the 2018 fiscal year. CDEV, GEN and CEI are not involved in capital intensive activities. Any capital outlays by CHHC are funded from operating cash flow. The capital expenditures by CHHC are discussed in greater detail in the 2018-2022 CHHC Corporate Plan and the amounts are noted in Schedule 2 line item: "Purchase of property and equipment".

**Schedule 1 - Proforma Consolidated Statements of Financial Position**

\$ millions (Dec 31)

	2016 Actual	2017 Plan	2017 Forecast	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
<b>Assets</b>								
<b>Currents assets:</b>								
Cash and cash equivalents	219.91	205.61	204.14	200.98	204.54	201.74	200.85	204.86
Accounts receivable	43.82	14.66	28.12	37.31	14.03	14.03	14.03	14.03
Inventory	2.45	5.25	2.45	2.45	2.45	2.45	2.45	2.45
Prepaid expenses	0.30	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Cash on deposit in CRF	3.16	1.85	2.69	1.77	1.84	1.31	1.49	3.22
	<b>269.64</b>	<b>227.62</b>	<b>237.65</b>	<b>242.76</b>	<b>223.11</b>	<b>219.78</b>	<b>219.07</b>	<b>224.81</b>
<b>Non current assets:</b>								
Cash on deposit in CRF (CEI)	18.57	14.94	14.05	15.22	10.35	11.06	11.06	4.48
Abandonment and risk fund (CHHC)	110.27	122.87	122.95	136.87	151.05	153.51	156.02	158.57
Property & equipment	221.12	250.52	196.26	177.88	157.84	146.77	144.40	135.35
Cash and equivalents held in escrow	14.23	16.28	14.23	14.23	8.50	8.50	8.50	8.50
Deferred tax asset	13.47	12.49	13.98	16.55	20.94	24.22	26.01	28.67
	<b>377.65</b>	<b>417.10</b>	<b>361.47</b>	<b>360.75</b>	<b>348.68</b>	<b>344.06</b>	<b>345.99</b>	<b>335.57</b>
	<b>647.29</b>	<b>644.72</b>	<b>599.12</b>	<b>603.51</b>	<b>571.79</b>	<b>563.84</b>	<b>565.06</b>	<b>560.38</b>
<b>Liabilities and Shareholder's Equity</b>								
<b>Current liabilities</b>								
Accounts payable and accrued liabilities	27.25	15.59	19.57	21.58	17.52	17.52	17.50	17.50
Income tax payable	13.67	0.40	(4.46)	(1.33)	(1.33)	(1.33)	(1.32)	(1.31)
Current portion of provision for decommissioning	2.81	-	-	-	-	-	-	-
Current portion defined benefit obligation	0.15	0.16	0.15	0.15	0.15	0.15	0.15	0.15
Current portion of site restoration obligation	2.99	1.69	2.54	1.61	1.69	1.16	1.34	3.07
	<b>46.87</b>	<b>17.84</b>	<b>17.80</b>	<b>22.01</b>	<b>18.03</b>	<b>17.50</b>	<b>17.67</b>	<b>19.41</b>
<b>Long term liabilities</b>								
Provision for decommissioning obligation	126.12	159.11	127.00	130.16	133.48	136.97	140.63	144.47
Provision for site restoration obligation	9.98	9.04	8.89	7.43	5.87	4.81	3.56	0.55
Defined benefit obligation	1.72	1.56	1.62	1.53	1.44	1.35	1.25	1.15
	<b>137.82</b>	<b>169.71</b>	<b>137.51</b>	<b>139.12</b>	<b>140.79</b>	<b>143.13</b>	<b>145.44</b>	<b>146.17</b>
<b>Shareholder's Equity</b>								
Share capital	-	-	-	-	-	-	-	-
Contributed surplus	603.29	603.29	603.29	603.29	603.29	603.29	603.29	603.29
Accumulated deficit	(140.70)	(146.12)	(159.48)	(160.91)	(190.32)	(200.08)	(201.34)	(208.49)
	<b>462.60</b>	<b>457.17</b>	<b>443.81</b>	<b>442.38</b>	<b>412.97</b>	<b>403.21</b>	<b>401.95</b>	<b>394.80</b>
	<b>647.29</b>	<b>644.72</b>	<b>599.12</b>	<b>603.51</b>	<b>571.79</b>	<b>563.84</b>	<b>565.06</b>	<b>560.38</b>

Note - see Appendix B for CHHC detailed Financial Statement

Schedule 2 - Proforma Consolidated Statements of Cashflow

\$ millions (Dec 31)

	2016 Actual	2017 Plan	2017 Forecast	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
<b>Cash provided by (used in):</b>								
<b>Operating activities:</b>								
Profit for the year	60.44	61.06	58.20	39.56	52.59	45.24	37.73	36.85
Adjustments for								
Depletion and depreciation	50.80	41.64	50.06	46.70	48.78	42.61	36.96	37.26
Income tax expense	28.65	28.87	26.54	19.43	24.40	21.37	18.27	17.93
Defined benefits paid in excess of expenses	(0.08)	(0.12)	(0.10)	(0.09)	(0.09)	(0.09)	(0.10)	(0.10)
Interest income from CRF	(0.53)	(0.08)	(0.14)	(0.25)	(0.21)	(0.18)	(0.18)	(0.15)
Unwind of discount on decommissioning obligations	2.64	2.31	3.01	3.16	3.32	3.49	3.66	3.84
Change in provision for site restoration	(1.23)	(2.46)	(1.66)	(2.38)	(1.48)	(1.59)	(1.08)	(1.28)
Provisions settled	(2.43)	(1.76)	(2.86)	(2.76)	(2.60)	(2.82)	(2.82)	(2.82)
Income taxes paid	(9.15)	(42.06)	(45.18)	(18.87)	(28.79)	(24.65)	(20.05)	(20.58)
	129.11	87.40	87.87	84.51	95.91	83.38	72.39	70.94
Change in non-cash working capital	(16.08)	22.54	8.32	(7.19)	19.24	-	-	-
	<b>113.03</b>	<b>109.94</b>	<b>96.19</b>	<b>77.32</b>	<b>115.15</b>	<b>83.38</b>	<b>72.39</b>	<b>70.94</b>
<b>Financing activities:</b>								
Dividends paid	(51.00)	(65.00)	(77.00)	(41.00)	(82.00)	(55.00)	(39.00)	(44.00)
	<b>(51.00)</b>	<b>(65.00)</b>	<b>(77.00)</b>	<b>(41.00)</b>	<b>(82.00)</b>	<b>(55.00)</b>	<b>(39.00)</b>	<b>(44.00)</b>
<b>Investing activities:</b>								
Purchase of property and equipment	(65.28)	(37.21)	(27.28)	(25.56)	(26.14)	(28.72)	(31.77)	(25.39)
Withdrawal from CRF	-	-	5.00	-	5.00	-	-	5.00
Change in cash equivalents held in escrow	(9.62)	-	-	-	5.73	-	-	-
Cash equivalents held in abandonment & risk fund	(12.00)	(12.60)	(12.68)	(13.92)	(14.18)	(2.46)	(2.51)	(2.55)
	<b>(86.91)</b>	<b>(49.81)</b>	<b>(34.96)</b>	<b>(39.48)</b>	<b>(29.59)</b>	<b>(31.18)</b>	<b>(34.28)</b>	<b>(22.94)</b>
Change in cash & cash equivalents	(24.89)	(4.87)	(15.77)	(3.16)	3.56	(2.80)	(0.89)	4.00
Cash and cash equivalents, beginning of year	244.80	210.48	219.91	204.14	200.98	204.54	201.74	200.85
<b>Cash and cash equivalents, end of year</b>	<b>219.91</b>	<b>205.61</b>	<b>204.14</b>	<b>200.98</b>	<b>204.54</b>	<b>201.74</b>	<b>200.85</b>	<b>204.86</b>

**Schedule 3 - Proforma Consolidated Statements of Changes in Shareholder's Equity**

\$ millions (Dec 31)

	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>Actual</b>	<b>Plan</b>	<b>Forecast</b>	<b>Plan</b>	<b>Plan</b>	<b>Plan</b>	<b>Plan</b>	<b>Plan</b>
<b>Share Capital</b>								
Balance, beginning and end of year	-	-	-	-	-	-	-	-
<b>Contributed Surplus</b>								
Balance, beginning of year	603.29	603.29	603.29	603.29	603.29	603.29	603.29	603.29
Dividends	-	-	-	-	-	-	-	-
Balance, end of year	603.29	603.29	603.29	603.29	603.29	603.29	603.29	603.29
<b>Accumulated deficit</b>								
Balance, beginning of year	(150.13)	(142.18)	(140.69)	(159.48)	(160.91)	(190.32)	(200.08)	(201.34)
Profit	60.44	61.06	58.20	39.56	52.59	45.24	37.73	36.85
Dividends	(51.00)	(65.00)	(77.00)	(41.00)	(82.00)	(55.00)	(39.00)	(44.00)
Balance, end of year	(140.69)	(146.12)	(159.48)	(160.91)	(190.32)	(200.08)	(201.34)	(208.49)
<b>Total Shareholder's equity</b>	<b>462.60</b>	<b>457.17</b>	<b>443.81</b>	<b>442.38</b>	<b>412.97</b>	<b>403.21</b>	<b>401.95</b>	<b>394.80</b>

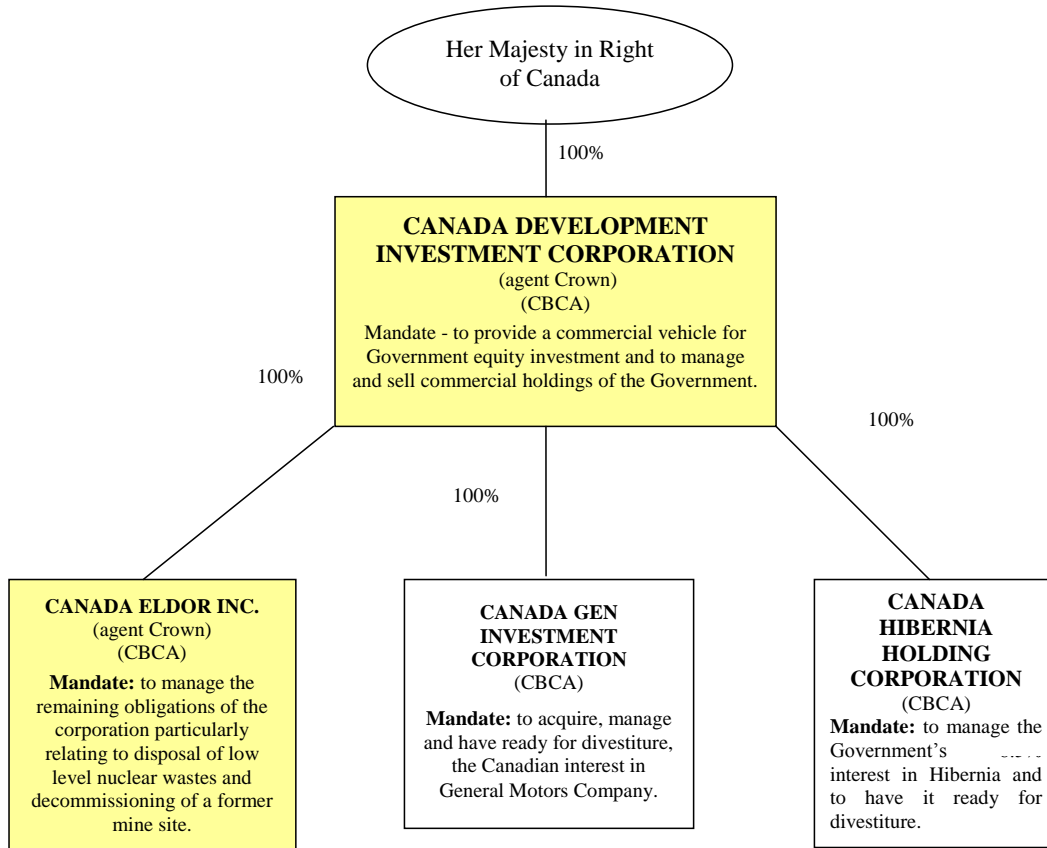
**Schedule 4 - Proforma Consolidated Statements of Comprehensive Income**

\$ millions (Dec 31)

	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<u>Actual</u>	<u>Plan</u>	<u>Forecast</u>	<u>Plan</u>	<u>Plan</u>	<u>Plan</u>	<u>Plan</u>	<u>Plan</u>
<b>Revenue</b>								
Net crude oil revenue	174.27	170.77	170.20	143.09	161.82	152.50	135.94	137.06
Interest income	2.68	2.93	3.08	6.74	6.45	6.70	6.76	6.72
	<u>176.95</u>	<u>173.70</u>	<u>173.28</u>	<u>149.83</u>	<u>168.27</u>	<u>159.20</u>	<u>142.70</u>	<u>143.78</u>
<b>Expenses</b>								
Depletion and depreciation	50.80	41.64	50.06	46.70	48.78	42.61	36.96	37.26
Production and operating expenses	25.66	27.73	23.89	27.60	27.12	34.77	33.92	35.66
Professional fees	3.79	7.55	5.17	8.63	7.47	7.13	7.53	7.58
Foreign exchange loss (gain)	1.73	-	0.73	-	-	-	-	-
Salaries and benefits	3.45	3.33	3.38	3.48	3.35	3.36	3.40	3.45
Change in estimates of provision for site restoration	(1.23)	-	1.12	-	-	-	-	-
Other expenses	0.97	1.06	1.02	1.04	1.05	1.07	1.09	1.11
Defined benefit expense	0.05	0.05	0.05	0.06	0.06	0.06	0.05	0.05
	<u>85.22</u>	<u>81.36</u>	<u>85.42</u>	<u>87.51</u>	<u>87.83</u>	<u>89.00</u>	<u>82.95</u>	<u>85.11</u>
<b>Finance costs</b>								
Unwind of discount on decommissioning obligations	2.54	2.31	3.01	3.16	3.32	3.49	3.66	3.84
Unwind of discount on provision for site restoration	0.10	0.10	0.12	0.16	0.13	0.10	0.08	0.06
	<u>2.64</u>	<u>2.41</u>	<u>3.13</u>	<u>3.32</u>	<u>3.45</u>	<u>3.59</u>	<u>3.74</u>	<u>3.90</u>
<b>Profit before income taxes</b>	<b>89.10</b>	<b>89.93</b>	<b>84.74</b>	<b>58.99</b>	<b>76.99</b>	<b>66.61</b>	<b>56.00</b>	<b>54.78</b>
<b>Income taxes</b>								
Current	30.74	28.70	27.05	22.00	28.79	24.65	20.06	20.59
Deferred	(2.09)	0.17	(0.51)	(2.57)	(4.39)	(3.28)	(1.79)	(2.66)
	<u>28.65</u>	<u>28.87</u>	<u>26.54</u>	<u>19.43</u>	<u>24.40</u>	<u>21.37</u>	<u>18.27</u>	<u>17.93</u>
<b>Profit</b>	<b>60.44</b>	<b>61.06</b>	<b>58.20</b>	<b>39.56</b>	<b>52.59</b>	<b>45.24</b>	<b>37.73</b>	<b>36.85</b>

## Appendix A

### CANADA DEVELOPMENT INVESTMENT CORPORATION



## Appendix A (cont.)

### Board of Directors

**Michael P. Mackasey, MBA** <sup>(2) (3)</sup>  
Chair  
Canada Development Investment Corporation  
Vice Chairman  
Macquarie Capital Markets Canada  
Mississauga, Ontario

**Mary Ritchie, FCPA FCA** <sup>(1)</sup>  
CEO  
Richford Holdings Ltd.  
Edmonton, Alberta

**Ted Howell, CPA CA, MBA** <sup>(1) (3)</sup>  
Director  
St. John's, Newfoundland and Labrador

**Sandra Rosch, MBA** <sup>(2) (3)</sup>  
President  
Stonecrest Capital Inc.  
Toronto, Ontario

**Jennifer Reynolds, MBA** <sup>(1)</sup>  
President and CEO  
Toronto Financial Services Alliance  
Toronto, Ontario

**Nicholas Wemyss, PGeo** <sup>(2) (3)</sup>  
Director  
Victoria, British Columbia

### Committees of the Board

- (1) Audit Committee
- (2) Nominating and Governance Committee
- (3) Human Resources and Compensation Committee

### Officers

**Michael Carter**  
Executive Vice-President

**Andrew Stafi, CPA CA, MBA**  
Vice-President, Finance

**Zoltan Ambrus, CFA, LL.B, MBA**  
Vice-President

**Noreen Flaherty, BA, LLB**  
Corporate Secretary



**Appendix B**

**CHHC**

**CANADA HIBERNIA HOLDING CORPORATION**

A wholly owned subsidiary of

**Canada Development Investment Corporation**

**2018 CORPORATE PLAN SUMMARY  
Of the 2018 Corporate Plan**

**FOR THE YEARS 2018 – 2022**

**A Summary of the October 2017  
Corporate Plan**

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## 1.0 Hibernia Project - Summary

Canada Hibernia Holding Corporation (CHHC), a wholly-owned subsidiary of Canada Development Investment Corporation (CDEV), was formed in March 1993 for holding, managing, administering and operating the Government of Canada's then 8.5% working interest in the Hibernia offshore oil project, located 315 km east of St. John's, Newfoundland and Labrador.

Hibernia continues to be a very successful venture. By the end of 2017, CHHC forecasts to have paid cumulative dividends of \$2.1 billion<sup>1</sup>, \$250 million in federal Net Profits Interest (NPI) and \$687 million in federal income tax. Dividend payments commenced after CHHC had returned \$431 million in appropriations to the Government of Canada for CHHC's share of the project's capital costs.

For 2017, CHHC is forecasting dividends of \$79 million which is 7% higher than the Plan amount of \$74 million. The positive variance is due mainly to lower capital expenditures. CHHC maintained the company's operating cash reserve at a minimum of \$100 million during 2017 and plans to exit 2017 at this level. Lower Dated Brent crude oil prices (US \$53 per barrel (bbl) vs. Plan of US \$55 per bbl) and a stronger Canadian dollar were largely offset by higher sales volumes.

For 2018, dividends are forecasted at \$48 million which is \$31 million lower than 2017 due mainly to a \$15 million reduction in projected opening cash reserves and a \$15 million net working capital change. Included in the net working capital change is \$19 million of receivables related to late 2018 oil sales that are projected to be collected in 2019. The collection of this \$19 million in 2019 is a main factor in the large increase in 2019 dividends, to \$88 million.

CHHC's primary goal is to manage the shareholder's ownership in the Hibernia project assuring that the shareholder's interest is protected, its value is maximized, and all decision-making is conducted in a commercially prudent manner.

CHHC pursues this goal by active participation in all Hibernia committees which oversee the strategic direction of the project, by providing input on operational matters including safety and environmental protection, by managing the revenue stream, by ensuring adherence to all government regulations and contractual obligations, through diligent involvement in transporting and marketing activities for CHHC's share of oil production, and by setting aside funds to provide for the eventual abandonment of Hibernia.

CHHC is a single asset company deriving its cash flow solely from its Hibernia production operating assets and activities which include its share of Hibernia oil production, Hibernia facility use and processing fees, and operating contracts for local tanker transport and reserved capacity at the NTL oil transshipment terminal.

While CHHC's initial share of funding was obtained through appropriations from the Government of Canada until the commencement of production in 1997, funding since 1998 has been

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<sup>1</sup> All financial data is in Canadian dollars unless otherwise noted.

generated from internal cash flow derived from CHHC's interests in Hibernia. CHHC is responsible for having sufficient cash available to fund its capital, operating and transportation costs, royalties, NPI, income taxes, administrative costs and future abandonment costs without requiring additional government appropriations. CHHC is responsible for paying federal and provincial income taxes, royalties and the NPI on the same basis as private sector companies.

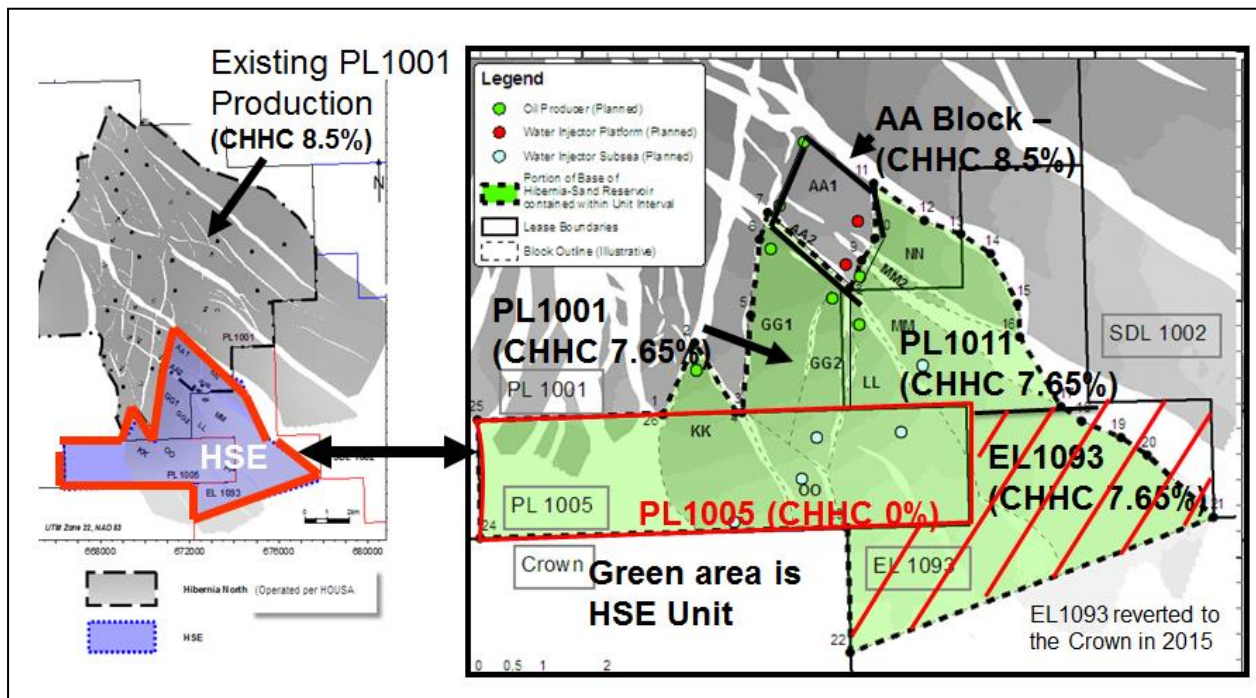
CHHC has an 8.5% working interest in the portion of the Hibernia field PL1001 production license area originally approved for development and shown in the gray color on the diagram on the left below within the dashed lines. CHHC also has an 8.5% working interest in the AA block shown in gray in the right-hand diagram below. The other owners in these PL1001 areas (Main Field) are: ExxonMobil (33.125%), Chevron (26.875%), Suncor (20.0%), Murphy (6.5%) and Statoil (5.0%). The Main Field owners are also the owners of HMDC and the Gravity Base Structure (GBS) platform and facilities in proportion to their Main Field ownership.

The unitization<sup>2</sup> of a portion of PL1001, PL1011 (originally EL1093) and PL1005 resulted in the formation of the Hibernia Southern Extension Unit (HSE Unit). The HSE Unit lands for the Hibernia sands formation and CHHC's working interest for each lease are shown by the green area on the right-hand diagram.

CHHC's initial HSE Unit working interest was 5.08482%, subsequently adjusted to 5.7265% on December 1, 2015 resulting from the First Interim Reset and more recently to 5.62665% on May 1, 2017, resulting from the Second Interim Reset. Although CHHC's Unit working interest changes, the CHHC working interest in each lease does not change. The HSE Unit Agreement (UA) specifies the process and timing for all adjustments to owners' working interests.

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<sup>2</sup> A common oilfield practice where owners reach a contractual agreement to share production, costs and investments on lands and assets with different ownership to enable co-coordinated development of a common reservoir(s) or pool(s)



Note 1: The “Main Field” is the “Existing PL1001 Production” (CHHC 8.5%) area shown in gray on the left diagram above plus the “AA Block (CHHC 8.5%)” portion of the HSE area shown in gray on the diagram on the right.

Note 2: The “HSE Unit” area at the Hibernia sands level is shown in the above right-hand diagram in the green color.

Note 3: A portion of EL1093 was converted into PL1011. The remaining area expired as shown by the cross-hatch.

The HSE Unit came about because of development drilling that demonstrated that the oil-water contact was much lower than first anticipated and extended the field limits into the PL1005 lease, which has different ownership than the rest of the field.

On February 16, 2010, Nalcor acquired a 10% working interest in defined Unit lands with proportionate contributions from all the Hibernia owners.

The project is operated by the Hibernia Management and Development Company (HMDC) on behalf of the owners, with the management, administrative and technical staff provided under contract from ExxonMobil Corporation. The HSE Unit is operated in a similar manner. While the day-to-day operations of the field are managed by ExxonMobil, all owners play an active role in decision-making processes.

All activities undertaken to date and contemplated in this Corporate Plan Summary remain within the mandate of CHHC.

## 2.0 Review of 2017 Operations

Forecast results for 2017 are based on eight months of actual and four months of forecast results. Accordingly, actual full year results may differ from this forecast. Notably, the actual timing of cargo deliveries can have a substantial effect on the actual year end numbers.

For 2017, CHHC is forecasting dividends of \$79 million which is 7% higher than the Plan amount of \$74 million. The positive variance is due mainly to lower capital expenditures. While the opening cash balance for the year was higher than Plan, it was offset by changes in non-cash working capital balances. Lower Dated Brent crude oil prices (US \$53 per bbl vs. Plan of US \$55 per bbl) and a stronger Canadian dollar were largely offset by higher sales volumes.

For 2017, CHHC is forecasting gross crude oil revenue of \$232 million, net crude oil revenue of \$170 million, and net income of \$64 million (see Schedule II). CHHC's working interest production in 2017 is forecast to be 9,990 barrels of oil per day (bopd) primarily due to higher production in the HSE Unit but also from the Main Field.

The oil price for 2017 is expected to average CAD \$67 per barrel (bbl), vs. the planned amount of CAD \$72 per bbl.

During 2017, CHHC forecasts to have paid to the Province an average effective royalty rate (expressed as total royalties as a percentage of total crude oil sales) of 21% (consistent with 21% in the Plan), derived from: a 30% net royalty rate for the vast majority of the Hibernia Main Field, a 42.5% net royalty rate for the AA blocks portion of the Main Field, a sliding scale net royalty rate of 37.5% on the PL1001 portion of the HSE Unit and a 5% gross royalty rate on the PL1011 portion of the HSE Unit. Royalties are calculated and paid net of allowable cost deductions resulting in the lower effective rates. In addition, CHHC pays a maximum 10% NPI to Canada on PL1001 production. The stated NPI rate is 10% of oil sales less eligible cost deductions, and the rate decreases in low oil price environments according to an oil indexing factor. The result is a forecasted effective NPI rate (expressed as total NPI as a percentage of total oil sales) of 6% (consistent with 6% in the Plan).

On a combined basis, 2017 forecast operating and transportation costs totaling \$27 million were \$4 million lower than Plan. Operating costs are forecast to be \$5 million lower than Plan offset by transportation costs being \$1 million higher than Plan.

CHHC's share of capital spending for 2017 is forecast to be \$27 million, which is \$10 million lower than Plan. Most of the variance, \$7 million, relates to the earlier than expected completion of HSE Unit subsea water injection well (WIW) drilling with the West Aquarius mobile offshore drilling unit (MODU). The remaining \$3 million of the variance reflects the HSE Unit Second Interim Reset capital adjustment, where CHHC received a \$3 million refund of past capital expenditures due a reduction in its working interest to 5.62665% from 5.7265% previously.

Hibernia has an excellent safety and environment performance, operates a safe workplace and complies with regulations. There have been no lost time incidents at Hibernia since 2013.

With respect to environmental compliance, there was an unauthorized release of 6,000 liters of hydrocarbons on December 18, 2013, from the offshore loading system. HMDC was charged in 2015 by the offshore regulator with four charges. On October 6, 2017, HMDC and the Crown appeared in Provincial court to ask for Court approval of a settlement. The Crown read in the agreed statement of facts, outlined the joint submission whereby HMDC plead guilty to charge #4, and the Crown withdrew charges #1, #2 and #3 (as agreed). HMDC will pay an \$80,000 fine and pay \$170,000 into the Environmental Contribution Fund.

### **3.0 Objectives for 2018**

CHHC's major business objectives for 2018 are to deliver operating and financial performance in accordance with the budget, continue effective implementation of HSE Unit development, to encourage the development of secondary producing zone (BNA<sup>3</sup>) resources, continue to play an active role in monitoring and implementation of the basin wide transportation and transshipment system (BWTTS), and promote the profitable diversification of markets for sales of Hibernia crude.

### **4.0 Marketing and Transportation**

The price that CHHC receives for its oil production is based on the Dated Brent benchmark which is used for crude supply to refineries with access to offshore crude imports. Brent fluctuates with global supply and demand issues, including a wide range of geopolitical factors and is priced in U.S. dollars.

CHHC continues to jointly market its oil with Suncor and others. The new (2015) BWTTS is operated by Teekay and NTL in a way that each owner nominates capacity as operationally needed, no longer requiring direct ownership or capital lease of a tanker.

### **5.0 Risks**

This Corporate Plan has the normal variability associated with crude oil pricing, foreign exchange rates, capital expenditures, operating expenses and reservoir performance. Of these variables, the following are deemed most important to CHHC for the 2018 Plan.

- a) Operational and Technical Risks
- b) Commodity Price Risk
- c) Foreign Currency Risk
- d) Regulations and Royalties Risk
- e) Environmental Risks
- f) Abandonment and Risk Fund
- g) Information and Data Security
- h) Credit Risk
- i) Single Asset

For the HSE Unit and planned BNA expansion projects, the major subsurface uncertainties are related to reservoir quality, water injection rates, sand control, reservoir faults, inter-block

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<sup>3</sup> Ben Nevis - Avalon (BNA) sands are shallower in depth than the main producing Hibernia sands



connectivity, and oil-water contact depth. For drilling from the platform rigs, the complexity factors are increasing for platform drilled wells. The future wells are being completed at greater distances from the platform, with more complex trajectories and with more technically difficult completion techniques.

CHHC has elected not to engage in hedging to protect against crude price volatility and has elected not to engage in foreign exchange hedging. The current marketing arrangement with Suncor and the sharing of revenues from multiple cargoes reduces the exposure to fluctuating prices over the year.

## **6.0 Financial Section**

CHHC's working interest production is expected to be 8,850 bopd in 2018, which is 11% (1,140 bopd) lower than 9,990 bopd in 2017 due to a decline in the HSE Unit and a decline in the Main Field. In 2018, the triennial platform shut-down occurs for 40 days or 11% of the producing days of the year and could be said to account for 11% of the 19% decline from 2017. Fortunately, the Main Field is declining slower than expected in last year's Plan for 2018. Both the HSE Unit and the Main Field are projected to produce more in 2018 than expected for 2018 in last year's Plan.

When integrated with the transportation and lifting schedule, the 2018 Plan production is expected to result in the sale for CHHC's account of 3.23 million barrels of oil.

Gross crude oil revenue for 2018 is projected to total \$194 million, 16% lower than 2017 due to a 7% decline in sales volumes and a 10% reduction in average sales price. The decline in sales volumes is directly related to the impact of the triennial platform shutdown of 40 days (11% of the year). The oil price assumption for 2018 is a Canadian realized price of \$60 per bbl compared to \$67 per bbl forecasted in 2017.

Royalties and NPI expense in 2018 are expected to decrease more significantly (decrease of 18%) than the 16% decrease in gross oil revenue, due to higher operating and transportation expenses which are deducted from revenue for royalty and NPI purposes. Consequently, the effective average combined royalty and NPI rate of 26% in 2018 is lower compared to 27% in 2017 (computed as total royalties plus NPI as a percentage of total oil revenue).

Net income is expected to decline to \$47 million in 2018 from \$64 million forecast in 2017, due mainly to lower net crude oil revenue and higher operating expenses, partially offset by lower depletion, depreciation and tax expenses and increased interest income.

CHHC's share of planned capital expenditures in 2018 is \$26 million, 4% lower than 2017 forecast capital expenditures of \$27 million. The decrease relates mainly to the completion of the HSE Unit subsea water injection well drilling program at the end of the MODU contract in April 2017 and the one-time effect of \$3 million capital expenditure refund from the HSE Unit Second Interim Reset in 2017, partially offset by greater drilling activity in the Hibernia Main Field. The \$26 million of planned 2018 working interest capital expenditures is composed of \$22 million for drilling (100% Main Field) and \$4 million for projects (facilities and other) (75% Main Field).



2018 Plan dividends of \$48 million are \$31 million lower than 2017 forecast dividends, due mainly to the 2017 dividends being relatively high due to high opening cash reserves in 2017 (from 2016 year-end cash of \$115 million) and a \$15 million net working capital change. Included in the net working capital change is \$19 million of receivables related to late 2018 oil sales that are not projected to be collected until 2019.

CHHC's cash flows are sensitive to fluctuations in crude oil prices, exchange rates and production volumes.

A US \$5 per bbl change in oil price results in a change of approximately \$8 million in net cash flow and resulting dividends in 2018 and a 10,000 bopd change (about an 8% change) in gross Hibernia oil production would result in a \$9 million change in CHHC's net cash flow.

## **7.0 Organization**

Since its inception in 1993, CHHC has been staffed by a modest number of experienced energy industry professionals. At the end of 2017, the staff is forecast to consist of 8 full- and part-time employee positions (6.1 full-time equivalent), and 2 part-time contractors. Reservoir evaluation, legal, audit, insurance, administrative and other advisory services are also accessed when required.

## **8.0 Pro forma Financial Statements**

CHHC prepares its financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), with effect from January 1, 2010.

Attached to this Plan are the pro-forma financial statements, Schedules I, II and III.

Canada Hibernia Holding Corporation  
Proforma Statements of Financial Position  
December 31, 2016 To 2022  
Cdn\$ millions

Schedule I

	2016 Actual	2017 Plan	2017 Forecast	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
<b>Assets</b>								
<b>Current assets:</b>								
Cash and short term investments	115.23	100.66	100.22	100.10	100.75	100.15	100.96	100.91
Accounts receivable	43.60	14.66	28.12	37.31	14.03	14.03	14.03	14.03
Prepaid expenses	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Inventory	2.45	5.25	2.45	2.45	2.45	2.45	2.45	2.45
<b>Total current assets</b>	<b>161.53</b>	<b>120.82</b>	<b>131.04</b>	<b>140.11</b>	<b>117.48</b>	<b>116.88</b>	<b>117.69</b>	<b>117.64</b>
<b>Property and equipment:</b>								
Hibernia project facilities and wells at cost	484.13	556.51	509.33	537.65	566.39	597.93	632.52	660.73
Less accumulated depletion and depreciation	(263.01)	(305.99)	(313.07)	(359.77)	(408.55)	(451.16)	(488.12)	(525.38)
<b>Net property and equipment</b>	<b>221.12</b>	<b>250.52</b>	<b>196.26</b>	<b>177.88</b>	<b>157.84</b>	<b>146.77</b>	<b>144.40</b>	<b>135.35</b>
<b>Other assets:</b>								
Deferred tax asset	13.47	12.49	13.98	16.55	20.94	24.22	26.01	28.67
Cash held in escrow	14.23	16.28	14.23	14.23	8.50	8.50	8.50	8.50
Abandonment and risk fund	110.27	122.87	122.95	136.87	151.05	153.51	156.02	158.57
<b>Total other assets</b>	<b>137.97</b>	<b>151.64</b>	<b>151.16</b>	<b>167.65</b>	<b>180.49</b>	<b>186.23</b>	<b>190.53</b>	<b>195.74</b>
	<b>520.62</b>	<b>522.98</b>	<b>478.46</b>	<b>485.64</b>	<b>455.81</b>	<b>449.88</b>	<b>452.62</b>	<b>448.73</b>
<b>Liabilities and Shareholder's Equity</b>								
<b>Current liabilities:</b>								
Accounts payable and accrued liabilities	26.79	15.60	19.62	21.62	17.58	17.58	17.58	17.58
Income taxes payable	13.67	0.40	(4.46)	(1.33)	(1.33)	(1.33)	(1.32)	(1.31)
<b>Total current liabilities</b>	<b>40.46</b>	<b>16.00</b>	<b>15.16</b>	<b>20.29</b>	<b>16.25</b>	<b>16.25</b>	<b>16.26</b>	<b>16.27</b>
<b>Other liabilities:</b>								
Deferred tax liability	-	-	-	-	-	-	-	-
Decommissioning liability	128.93	159.11	127.00	130.16	133.48	136.97	140.63	144.47
<b>Total other liabilities</b>	<b>128.93</b>	<b>159.11</b>	<b>127.00</b>	<b>130.16</b>	<b>133.48</b>	<b>136.97</b>	<b>140.63</b>	<b>144.47</b>
<b>Shareholder's equity:</b>								
Retained earnings	351.23	347.87	336.30	335.19	306.08	296.66	295.73	287.99
<b>Total shareholder's equity</b>	<b>351.23</b>	<b>347.87</b>	<b>336.30</b>	<b>335.19</b>	<b>306.08</b>	<b>296.66</b>	<b>295.73</b>	<b>287.99</b>
	<b>520.62</b>	<b>522.98</b>	<b>478.46</b>	<b>485.64</b>	<b>455.81</b>	<b>449.88</b>	<b>452.62</b>	<b>448.73</b>

Canada Hibernia Holding Corporation  
Proforma Statements Of Income And Retained Earnings  
Years Ended December 31, 2016 To 2022  
Cdn\$ millions

Schedule II

	2016 Actual	2017 Plan	2017 Forecast	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan
<b>Revenue</b>								
Gross crude oil revenue	224.29	234.31	231.77	193.92	222.82	212.33	184.18	185.69
Marketing fees	(0.53)	(0.34)	(0.38)	(0.41)	(0.42)	(0.38)	(0.35)	(0.35)
Royalty	(40.25)	(49.14)	(47.66)	(38.79)	(48.14)	(46.71)	(36.84)	(37.14)
Net profits interest	(9.24)	(14.06)	(13.53)	(11.63)	(12.44)	(12.74)	(11.05)	(11.14)
Net crude oil revenue	174.27	170.77	170.20	143.09	161.82	152.50	135.94	137.06
Interest income	1.74	2.02	1.88	4.42	4.18	4.46	4.51	4.55
Facility use and processing fee income	2.10	2.82	3.31	2.29	2.11	1.94	1.58	1.27
<b>Total revenue</b>	<b>178.11</b>	<b>175.61</b>	<b>175.39</b>	<b>149.80</b>	<b>168.11</b>	<b>158.90</b>	<b>142.03</b>	<b>142.88</b>
<b>Expenses</b>								
Field operating	22.32	24.28	19.88	22.91	21.53	29.63	29.36	30.74
Transportation	5.44	6.27	7.32	6.98	7.70	7.08	6.14	6.19
Administration	3.40	3.12	3.78	3.73	3.49	3.14	3.57	3.66
Depletion and depreciation	50.80	41.64	50.06	46.70	48.78	42.61	36.96	37.26
Accretion	2.54	2.31	3.01	3.16	3.32	3.49	3.66	3.84
Other	1.72	-	0.73	-	-	-	-	-
<b>Total expenses</b>	<b>86.22</b>	<b>77.62</b>	<b>84.78</b>	<b>83.48</b>	<b>84.82</b>	<b>85.95</b>	<b>79.69</b>	<b>81.69</b>
<b>Net income before tax</b>	<b>91.89</b>	<b>97.99</b>	<b>90.61</b>	<b>66.32</b>	<b>83.29</b>	<b>72.95</b>	<b>62.34</b>	<b>61.19</b>
<b>Income taxes</b>								
Deferred income tax	(2.09)	0.17	(0.51)	(2.57)	(4.39)	(3.28)	(1.79)	(2.66)
Current income tax	30.74	28.70	27.05	22.00	28.79	24.65	20.06	20.59
Total income taxes	28.65	28.87	26.54	19.43	24.40	21.37	18.27	17.93
<b>Net income</b>	<b>63.24</b>	<b>69.12</b>	<b>64.07</b>	<b>46.89</b>	<b>58.89</b>	<b>51.58</b>	<b>44.07</b>	<b>43.26</b>
<b>Retained earnings:</b>								
Beginning of year	343.99	352.75	351.23	336.30	335.19	306.08	296.66	295.73
Dividends	(56.00)	(74.00)	(79.00)	(48.00)	(88.00)	(61.00)	(45.00)	(51.00)
<b>End of year</b>	<b>351.23</b>	<b>347.87</b>	<b>336.30</b>	<b>335.19</b>	<b>306.08</b>	<b>296.66</b>	<b>295.73</b>	<b>287.99</b>

**Canada Hibernia Holding Corporation**  
**Proforma Statements Of Cash Flow**  
**Years Ended December 31, 2016 To 2022**  
Cdn\$ millions

**Schedule III**

	<b>2016</b>	<b>2017</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>Actual</b>	<b>Plan</b>	<b>Forecast</b>	<b>Plan</b>	<b>Plan</b>	<b>Plan</b>	<b>Plan</b>	<b>Plan</b>
<b>Operating activities:</b>								
Net income for year	63.24	69.12	64.07	46.89	58.89	51.58	44.07	43.26
Depletion and depreciation	50.80	41.64	50.06	46.70	48.78	42.61	36.96	37.26
Accretion	2.54	2.31	3.01	3.16	3.32	3.49	3.66	3.84
Interest, net	(1.74)	(2.02)	(1.88)	(4.42)	(4.18)	(4.46)	(4.51)	(4.55)
Income tax expense	28.65	28.87	26.54	19.43	24.40	21.37	18.27	17.93
Abandonment activities	(0.06)	(1.76)	(2.86)	(2.76)	(2.60)	(2.82)	(2.82)	(2.82)
Income taxes paid	(9.15)	(42.06)	(45.18)	(18.87)	(28.79)	(24.65)	(20.05)	(20.58)
Changes in non-cash working capital	(16.61)	22.54	8.31	(7.19)	19.24	-	-	-
<b>Cash from operating activities</b>	<b>117.67</b>	<b>118.64</b>	<b>102.07</b>	<b>82.94</b>	<b>119.06</b>	<b>87.12</b>	<b>75.58</b>	<b>74.34</b>
<b>Investing activities:</b>								
Hibernia project facilities and wells	(50.56)	(37.21)	(27.28)	(25.56)	(26.14)	(28.72)	(31.77)	(25.39)
Interest received	1.74	2.02	1.88	4.42	4.18	4.46	4.51	4.55
Cash held in escrow	(9.62)	-	-	-	5.73	-	-	-
Abandonment and risk fund	(12.44)	(12.60)	(12.68)	(13.92)	(14.18)	(2.46)	(2.51)	(2.55)
Changes in non-cash working capital	(14.73)	-	-	-	-	-	-	-
<b>Cash used in investing activities</b>	<b>(85.61)</b>	<b>(47.79)</b>	<b>(38.08)</b>	<b>(35.06)</b>	<b>(30.41)</b>	<b>(26.72)</b>	<b>(29.77)</b>	<b>(23.39)</b>
<b>Financing activities:</b>								
Dividends paid to CDEV	(56.00)	(74.00)	(79.00)	(48.00)	(88.00)	(61.00)	(45.00)	(51.00)
<b>Cash used in financing activities</b>	<b>(56.00)</b>	<b>(74.00)</b>	<b>(79.00)</b>	<b>(48.00)</b>	<b>(88.00)</b>	<b>(61.00)</b>	<b>(45.00)</b>	<b>(51.00)</b>
<b>Change in cash</b>	<b>(23.94)</b>	<b>(3.15)</b>	<b>(15.01)</b>	<b>(0.12)</b>	<b>0.65</b>	<b>(0.60)</b>	<b>0.81</b>	<b>(0.05)</b>
<b>Cash, beginning of year</b>	<b>139.17</b>	<b>103.81</b>	<b>115.23</b>	<b>100.22</b>	<b>100.10</b>	<b>100.75</b>	<b>100.15</b>	<b>100.96</b>
<b>Cash, end of year</b>	<b>115.23</b>	<b>100.66</b>	<b>100.22</b>	<b>100.10</b>	<b>100.75</b>	<b>100.15</b>	<b>100.96</b>	<b>100.91</b>