Canada Development Investment Corporation

ANNUAL REPORT

2020

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See www.transmountain.com

APPENDIX

Canada Enterprise Emergency Funding Corporation - 2020 Annual Report

A non-consolidated wholly-owned subsidiary of Canada Development Investment Corporation, a Federal Crown Corporation.

For more information, see www.ceefc-cfuec.ca

CORPORATE ADDRESS

Canada Development Investment Corporation
La Corporation de développement des investissements du Canada

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Toronto, ON M5R 2A7
Telephone: (416) 966-2221
Facsimile: (416) 966-5485
Website: www.cdev.gc.ca

DIRECTORS AND OFFICERS AS AT MARCH 10, 2021

MINISTER RESPONSIBLE FOR CDEV

The Honourable Chrystia Freeland
Deputy Prime Minister and Minister of Finance

BOARD OF DIRECTORS

Steve Swaffield, BA, MA, MBA, CEng [2]
Chair of CDEV
President
CarbEx Consulting Inc.
Whistler, British Columbia

Carole Malo, BComm, CFA [1] [2] [3]
Director, Humber River Hospital,
York University
Toronto, Ontario

Jennifer Reynolds, ICD.D [1] [3]
President and CEO
Toronto Finance International
Toronto, Ontario

Mary Ritchie, FCPA, FCA [1] [2]
CEO
Richford Holdings Ltd.
Edmonton, Alberta

Sandra Rosch, MBA [2] [3]
Executive Vice President and Director
Labrador Iron Ore Royalty Corporation
Toronto, Ontario

Robert Wener, MBA, FCPA, FCA [1] [2]
President
Wener Advisory Group Ltd.
Ottawa, Ontario

OFFICERS [1]

Steve Swaffield, BA, MA, MBA, CEng.
Chair of CDEV

Andrew Stafl, CPA, CA
Vice-President, Finance

Zoltan Ambrus MBA, LL.B, CFA, ICD.D
Vice-President

Noreen E. Flaherty, BA, LL.B
Legal Counsel and Corporate Secretary

Al Hamdani, MBA, CFA
Vice-President

(1) The position of President and
Chief Executive Officer is currently vacant.

COMMITTEES OF THE BOARD

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

REPORT TO THE MINISTER

THE HONOURABLE CHRYSTIA FREELAND
DEPUTY PRIME MINISTER AND MINISTER OF FINANCE

Dear Minister Freeland:

2020 has been a busy and successful year for Canada Development Investment Corporation ("CDEV") primarily because of the COVID-19 pandemic, but also due to our other responsibilities on behalf of your Department.

Shortly after the COVID-19 pandemic arrived in Canada, CDEV began working with Government officials to develop a program to assist large Canadian companies facing financial challenges. In May 2020, under a directive from the Government, CDEV incorporated a new subsidiary Canada Enterprise Emergency Funding Corporation ("CEEFC") to administrate the Large Employer Emergency Financing Facility ("LEEFF") program. CEEFC issued its first loan in September and also implemented policies and procedures to operate the LEEFF program and manage its loan portfolio. By February 2021, CEEFC made loan commitments totaling almost $1 billion to four Canadian companies requiring emergency funding.

CDEV continues to work with both the Board and management of Trans Mountain Corporation ("TMC") to help further the continued operational excellence of the Trans Mountain Pipeline System and the completion of the Trans Mountain Expansion Project ("TMEP"). I attended all TMC Board meetings to maintain involvement in all relevant governance matters. TMC generated $201 million in Earnings before Interest, Taxes and Depreciation ($188 million under its US GAAP accounting framework) in 2020. Since acquisition TMEP has spent $4.3 billion financed by borrowings from the Canada Account. We worked with the company to provide an increased level of assurance to Canadians regarding the project's development and viability.

During 2020, construction activities increased significantly along TMEP from the Westridge Marine Terminal in the west through to Edmonton, AB with project expenditures of $3 billion. As of December 31, 2020, construction on the project is approximately 22% complete. During the fourth quarter, TMC enacted a project-wide stand down after two serious incidents affecting workers on the construction site. Construction has now recommenced with a renewed and reinvigorated focus on safely executing the project with an in service date of December 2022. We will work with your department and with Export Development Canada ("EDC") to ensure there is suitable financing available to complete the project on time. We continue to work towards satisfying the mandate you gave us in August of 2018 to help develop the project on a commercial basis, respect all laws and rules and to operate in a manner consistent with Canada's commitment to advance reconciliation with Indigenous peoples.

Canada Hibernia Holding Corporation ("CHHC") generated $21 million of profit as the Hibernia field produced 118 thousand barrels of oil per day in 2020. This was up from 102 thousand barrels in 2019 as the platform encountered two production shutdowns in 2019 due to discharges from the platform. Sales were negatively impacted in 2020 due to a 40% drop in oil price as a result of the pandemic and other market factors. The Hibernia project has decided to cease all new drilling for the near term, with production continuing from existing wells. The project operator has undertaken new safety protocols in light of COVID-19.

CDEV continues to receive and manage the Net Profits Interest payments from the Hibernia owners. We received $105 million during 2020. We paid a dividend of $55 million related to these NPI receipts during the year. CDEV is working with the Government to further investigate a potential error in the calculation of previous NPI payments, and will consult Hibernia owners if and when appropriate. We note that NPI receipts continue to vary significantly with global oil prices. CDEV will pay dividends from surplus NPI funds as appropriate.

In 2020 CDEV paid a total of $124 million in dividends to the Government. TMP Finance, our subsidiary borrowed an additional $3 billion during the year from the Canada Account, administered by EDC, to finance TMEP.

In fall 2020, a process to appoint a President and Chief Executive Officer of CDEV was launched. CDEV is working with the Privy Council Office and your department with regard to this key appointment.

On behalf of the Board of Directors

Steve Swaffield
Chair
Canada Development Investment Corporation

March 10, 2021

Above:
Aerial view of the Westridge Marine Terminal expansion in Burnaby, BC.

Opposite Left:
Pipe on the right-of-way in Kamloops, BC.

Opposite Centre:
Excavator backfilling pipeline trench in Edson, AB.

Opposite Right:
Hibernia platform and support boat

CDEV 2020 OVERVIEW

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 provided its subsidiary Trans Mountain Corporation with financing to continue its pipeline expansion project. During 2020, TMC spent $3.0 billion to further develop the project.**

- **Trans Mountain Corporation generated $201 million in Earnings before Interest, Taxes and Depreciation under IFRS in 2020.**
- **CDEV, through its new subsidiary CEEFC, administered the Government of Canada's Large Employer Emergency Financing Facility. In 2020, CEEFC funded $110 million of a total $320 million in loans issued to two borrowers.**

- **Canada Hibernia Holding Corporation generated a profit of $21 million in 2020 on net crude oil revenue of $114 million on sales volume of 3.0 million barrels.**
- **CDEV paid dividends to the Government of $124 million in 2020.**
- **CDEV received $105 million in Net Profits Interest receipts in 2020.**

IMPACT ASSESSMENT ACT COMPLIANCE

Under the *Impact Assessment Act, 2019 (IAA 2019)*, CDEV is required to conduct a determination of the significance of adverse environmental effects of any project it carries out or permits to be carried out on federal lands. CDEV undertakes a process to evaluate any such projects that would require an assessment and consequently, reporting. CDEV has determined that none of its activities in 2020 trigger these assessments or reporting obligations under IAA 2019.

ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG) REPORTING

CDEV'S ESG PRACTICES

Society and governments around the world continue to increase their expectations of corporations' ESG performance and practices. In alignment with Canada Development Investment Corporation's ("CDEV")'s mission to act in the best interests of Canada, bringing excellent business judgement and commercial practices to the evaluation, management and divestiture of assets, we have begun to evaluate the ESG practices of our corporate holdings. The following pages describe the current ESG practices of our two most active subsidiaries Trans Mountain Corporation ("TMC") and Canada Hibernia Holding Corporation ("CHHC"). Canada Enterprise Emergency Funding Corporation ("CEEFC") was only recently created and is in the process of initiating its environmental and social reporting criteria including those to be provided by CEEFC's borrowers. CDEV has always had a strong focus on governance which is led by the CDEV Board and the boards of its subsidiaries.

CDEV's oversight of its subsidiaries

Stephen Swaffield, Chair of CDEV, attended all TMC Board meetings to maintain involvement in all relevant governance matters. The Boards of CDEV's other subsidiaries have significant CDEV director participation. The management of CDEV is also involved in the observation of TMC and CHHC management through meetings and discussions. Other subsidiaries have management teams which include CDEV employees.

TMC'S APPROACH TO ESG

In 2021, TMC will publish its first ESG report sharing the company's ESG performance for the last two years and describing the practices below in more detail.

Environment

TMC has a robust and proactive asset integrity program that includes inline inspections, integrity digs and a control centre that monitors pipeline operations 24/7. In case of an incident, TMC has emergency response plans and its own inventory of emergency response equipment, covering the pipeline, pump stations and the Westridge Marine Terminal. Although the greenhouse gas ("GHG") emissions associated with operating a pipeline are relatively small, TMC has set a target to reduce and/or offset its scope 1 and scope 2 emissions by 2050. This target supports the Government of Canada's goal to reach net zero by 2050.

For the execution of the Trans Mountain Expansion Project ("TMEP"), TMC uses a variety of leading-edge environmental practices and technologies. TMC has evaluated and sought to minimize the impacts on land, water and air of construction activities, including considerations of traditional knowledge and heritage resources. Construction of TMEP will generate emissions. As part of TMC's regulatory approvals, TMC has committed to offset these construction-related emissions.

TMC has started to evaluate climate-related physical and transition risks (i.e., risks related to the transition to a low carbon economy). Physical risks such as wildfires, winter storms, floods and rising sea levels are evaluated and managed in alignment with TMC's asset integrity program. Two important transition-related risks for TMC are carbon tax and oil demand reduction. Carbon tax can have an indirect impact on TMC since it can make Canadian oil and gas production more costly while changes in oil demand can potentially have more direct impacts. However, TMC has several long-term "take-or-pay" contract commitments in place with its shippers, ranging from 15 to 20 years, which makes TMC more resilient to those impacts.

Social

In alignment with the mandate to operate in a manner consistent with Canada's commitment to advance reconciliation with Indigenous Peoples, TMC endeavours to look for places where they can maximize opportunities for Indigenous people. TMC's hope is that Indigenous communities are in a more sustainable position than when they first engaged with them, and that a positive legacy endures beyond the Expansion Project.

To promote safe operations and construction, TMC has stringent safety regulations, high expectations of its contractors, and is always working to improve its safety practices.

Governance

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

CHHC'S APPROACH TO ESG

The Hibernia oilfield off the coast of Newfoundland and Labrador is a joint operation in which CHHC has a minority non-operated working interest of 8.5% in the Hibernia Main field and 5.6% in the Hibernia Southern Extension Unit. The Hibernia offshore operation is operated by Hibernia Management and Development Company Limited ("HMDC"). More information can be found at www.hibernia.ca.

Environment

The principles of environmental responsibility and stewardship are integrated throughout the Hibernia organization and are reflected in HMDC's actions and initiatives. HMDC is applying measures to prevent and clean up oil spills. Production, storage, off-loading and transportation systems have been designed to minimize the likelihood of any oil spill, large or small, and an effective Oil Spill Response Plan has been incorporated into the project's overall emergency response procedures[1]. In 2019, the Hibernia platform experienced two hydrocarbon releases resulting in a shutdown of operations for approximately 10 weeks. As part of CDEV's due diligence, we conducted enquiries with CHHC management as to the operator's response and environmental and safety practices and concluded that HMDC was taking appropriate remedial and mitigation steps to prevent future occurrences.

CHHC monitors HMDC performance and plans for GHG emissions monitoring strategies through capital projects, technology development and ongoing operations. HMDC reduces flaring of natural gas by reinjecting produced natural gas back into the reservoir to maintain reservoir pressure with a small amount of natural gas redirected to the platform main power generators to meet the platform own energy needs[1]. The platform also has a fugitive emissions monitoring program. HMDC also prepares a forecast of platform direct emissions for Hibernia, prepares its GHG reduction plans and addresses the provincial cost of carbon.

The Government of Newfoundland and Labrador's carbon pricing plan took effect on January 1, 2019 with a carbon price of $20 per tonne of CO_2e. The plan is a hybrid system combining performance standards for large industrial facilities and a consumer carbon tax on transportation, building fuels, electricity generation and other fuels combusted in the province. Through its participation in Hibernia, CHHC pays carbon compliance fees, including a carbon fuel tax related to fuel usage on vessels. The Hibernia platform operates on the edge of the Atlantic windstorm area, which is subject to hurricanes and icebergs. The risk of hurricane season is managed by HMDC through a continuous weather tracking service that monitors storm systems in the North Atlantic. The risk of floating icebergs causing damage to the platform is managed through the robust design of the platform and a continuous monitoring system tracking iceberg locations.

Social

Safety has been, and continues to be, an integral part of the way the Hibernia conducts its business. Lessons learned from other offshore developments have been incorporated into the design and operability of the Hibernia production facilities. Safety is an expectation for every decision made by personnel working at Hibernia. Precautions are taken to prevent accidents. Every team member is expected to identify hazards and take appropriate action to ensure that no hazards are left unattended. Audits and inspection of Hibernia workplaces and activities are conducted on a continuing basis[1].

Governance

CHHC participates in the various committees which have collective oversight over the Hibernia operation. This includes CHHC's attendance at all management committee meetings and meetings of the Hibernia Safety, Security, Health and Environmental Committee.

[1] hibernia.ca website

CDEV'S CORPORATE GOVERNANCE PRACTICES

CDEV (formerly "CDIC") reports to Parliament through the Minister of Finance. In November 2007, the Minister informed CDEV 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". Since 2007, the Corporation has carried out new assignments, including acquiring and divesting assets and providing advice to the government on other government interests.

CDEV's Board of Directors supervises and oversees the conduct of the business and affairs of CDEV. The Board currently consists of the Chair Stephen Swaffield, and five other directors. The members of the Board bring significant public and private experience, skills and expertise to their roles. The Chair of the Board assesses the effectiveness of the Board and its committees with input from all of the directors. All members of the Board are independent of CDEV management. Attendance at directors' meetings is near 100% and each director dedicates appropriate time outside of board meetings to the affairs and governance of the Corporation. CDEV and each subsidiary have separate and active boards of directors that meet regularly. The boards of CEI, CHHC and TMP Finance are composed of directors of CDEV. TMC's board was appointed by CDEV and is responsible for the oversight of and governance of TMC. TMC's board is chaired by William Downe and includes the CEO of TMC, the Chair of CDEV, the Deputy Minister of Finance and eight other independent directors. CEEFC's board was similarly appointed by CDEV and is responsible for the oversight and governance of the Large Employer Emergency Financing Facility ("LEEFF") program and the CEEFC management team. The CEEFC board is chaired by Sandra Rosch, a CDEV director and is comprised of the CEEFC CEO, CDEV representatives and other outside independent directors.

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 the changing business environment and assignments provided to it. Risks are identified and managed throughout the year. The Board conducts an annual retreat where the directors consider, among other things, the goals of the Corporation from a strategic point of view.

To assist it in carrying out its stewardship of CDEV, the Board has established three committees, being the Nominating and Governance Committee, the Human Resources and Compensation Committee and the Audit Committee. The Nominating and Governance Committee deals with matters related to corporate governance and the appointment of a CEO. It continues to review CDEV's governance practices in the spirit of continuous improvement and to address new requirements. In addition, this Committee assists in determining the desired composition and structure of the Board and its committees and the boards of directors of CDEV's subsidiaries. The Human Resources and Compensation Committee assists the Board in matters pertaining to human resources and compensation strategy, policies and practices, including reviewing executive compensation. The Audit Committee monitors the integrity of the Corporation's consolidated financial statements and the maintenance of proper controls and accounting procedures of the Corporation and communicates directly with the Corporation's auditors. Work plans are updated annually for each board and committee.

The Board has an effective working relationship with CDEV's management. The allocation of responsibilities between the Board and management is reviewed on a regular basis. At present CDEV management is led by the Chair of CDEV while a search is conducted to hire an Order-in-Council appointed President and CEO. A Board of Directors' charter has been adopted which denotes roles and responsibilities, primarily in terms of Board stewardship. The Board reviews and approves policies of the Corporation.

Effective communication with the Crown and the public is conducted through the board-approved Corporate Plan, Corporate Plan Summary, and the Annual Report, as well as through the corporate website and an annual public stakeholders meeting. As well, meetings are held as required with the Minister of Finance and other officials of the Government of Canada.

Compensation paid to directors is set by Order in Council. The Board members receive an annual retainer for their services, plus a per diem for travel time, preparing for and attending meetings and other responsibilities as needed. Directors are also reimbursed for reasonable expenses incurred. CDEV will continue to monitor the government's evolving guidance in governance matters and public sector best practices and implement changes in its governance practices as required. To this end, CDEV implemented a directive regarding travel expenditures in 2015.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS

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

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

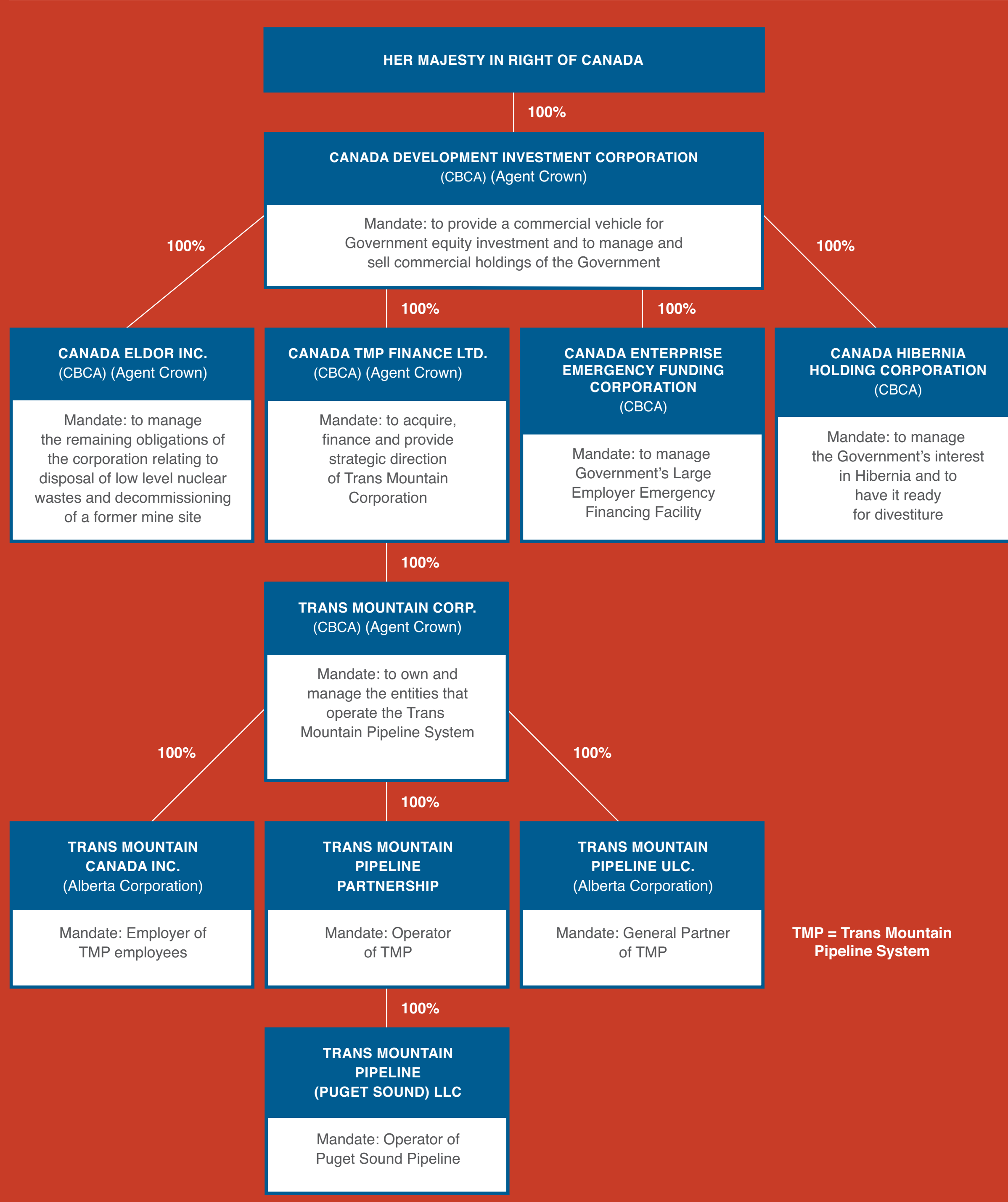
CORPORATE OVERVIEW

CDEV, a federal Crown corporation, was incorporated in 1982 to provide a commercial vehicle for Government equity investment and to manage commercial holdings of the Government. CDEV's primary objective is to carry out its activities in the best interests of Canada, operating in a commercial manner. In addition to certain activities of our own, we have four primary wholly-owned subsidiaries for which we are responsible: Canada Hibernia Holding Corporation ("CHHC"), Canada Eldor Inc. ("CEI"), Canada TMP Finance Limited ("TMP Finance") and its subsidiary Trans Mountain Corporation ("TMC"), and Canada Enterprise Emergency Funding Corporation ("CEEFC"). CHHC owns and manages the federal government's interests in the Hibernia Development Project ("Hibernia"). CEI has no operations, but has responsibility for servicing liabilities, chiefly arising from an agreement of purchase and sale with Cameco Inc. entered into in 1988. TMP Finance's primary responsibility is to provide financing to TMC. TMC has a mandate to operate the existing Trans Mountain Pipeline and to complete the Trans Mountain Expansion Project ("TMEP") in a timely and commercially viable manner. Commencing September 2019, CDEV receives and is responsible for Net Profits Interest ("NPI") payments from the Hibernia Project Owners after it signed a Memorandum of Understanding with Natural Resources Canada.

CDEV incorporated a new subsidiary, CEEFC on May 11, 2020 to help implement the Government's Large Employer Emergency Financing Facility ("LEEFF") program designed to provide bridge financing to Canada's largest employers. The financial results for CEEFC have not been included in CDEV's consolidated results as discussed in note 3c) of the consolidated financial statements. For CEEFC's annual report for the period ending December 31, 2020 please see www.ceefc-cfuec.ca.

Since CDEV's inception in 1982, we have been effective in the management and divestiture of corporate interests of the Crown. The assets sold on behalf of the Crown by CDEV through 2017 include Canadair Limited, de Havilland Aircraft of Canada Limited, Teleglobe Canada, Fishery Products International Limited, Canada Development Corporation, Nordion International Inc., Telesat Canada, shares of Cameco Corporation, interests in Chrysler and common and preferred shares of General Motors. In 2019, acting as agent for the Government, CDEV closed the sale of Ridley Terminals Inc. a federal Crown corporation. Cash proceeds to the Crown from these divestment activities totaled approximately $8.5 billion through 2020. In addition, CHHC has paid a total of $2.3 billion in cumulative dividends from operations. CDEV has received $117 million in NPI receipts since September 2019, excluding receipts from CHHC.

CDEV has a management team based in Toronto headed on an interim basis by the Chair of the Board of Directors ("Board") while a process is underway to hire an Order-in-Council appointed President and CEO. Management works closely with external consultants, contractor specialists and the Board to ensure the effective functioning of CDEV and its subsidiaries. CHHC has a management team based in Calgary that is experienced in the oil industry which provides expertise in technical operations, marketing, transportation and finance. TMC has a corporate structure with approximately 400 employees led by a seasoned executive team. CEEFC is led by a President and CEO. Employees of CDEV provide management services to CEEFC through a services agreement, along with external legal and financial advisors.


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

CORPORATE PERFORMANCE

Key Objectives from the 2020 Corporate Plan:

- Oversee, monitor and provide strategic support of TMC operations and the development of its expansion project.
- Through TMP Finance, provide financing to TMC to help it execute its expansion project.
- Manage our working interest in the Hibernia oil field through our subsidiary CHHC and ensure that this asset is ready for sale when deemed appropriate.
- Continue to oversee the management of CEI's obligations.
- Continue to manage responsibilities related to the assignment of the NPI to CDEV including any audit functions and receipt of any NPI proceeds from Hibernia owners.
- Continue to manage other issues which may arise and to remain prepared to assume management and divestiture of any other interests of Canada assigned to us for divestiture, in a commercial manner.
- Maintain our ability to perform all tasks given to us in an efficient manner.
- Assist in the development of the LEEFF program and set-up of CEEFC.

PERFORMANCE

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

CANADA DEVELOPMENT INVESTMENT CORPORATION

In 2020 CDEV assisted in the development of the Government's LEEFF program and set up the CEEFC subsidiary to implement LEEFF. The program became active in May after two months of significant development activity with the assistance of legal and financial advisors.

In 2020 CDEV continued to work on its mandate for TMC, including: to pursue the Trans Mountain expansion project to protect the Government's investment, to ensure compliance with applicable laws and rules, and thirdly to operate in a manner consistent with Canada's commitment to advance reconciliation with Indigenous peoples. CDEV worked with external experts to evaluate the expansion project and provide assurance activities related to the project to ensure it protects and enhances the interest of Canadians. Our financing subsidiary amended its credit agreement with Export Development Canada ("EDC") to allow for continued availability of funds for TMC's expansion project.

Upon the closing of the sale of Ridley Terminals Inc. in December 2019, CDEV received $350 million from the purchaser on behalf of the Government. To year end 2020, CDEV has paid $260 million to the Government and recovered costs and made payments related to the closing of the transaction. As at December 31, 2020 $50 million was still held on behalf of the Government.

In 2020, CDEV received $114 million in NPI payments from the Hibernia project owners, $10 million of which was received from CHHC and eliminated upon consolidation. The receipts are recorded as in an increase in the NPI reserve of $105 million before a dividend payment of $55 million in March 2020. During the year, CDEV determined that certain NPI payments made by the owners in previous years and in 2020 were higher than required as a result of an incorrect variable used in the calculation. Thus, CDEV recorded a provision for potential refunds of $39 million at December 31, 2020 which is reflected as a decrease to the NPI reserve in 2019 (restated) and 2020.

We paid dividends of $124 million in 2020. These dividends were funded by dividends received from CHHC of $69 million and NPI receipts of $55 million. We retain suitable levels of cash and cash equivalents and short-term investments to remain prepared to undertake future activities and to fund potential contingencies.

CANADA HIBERNIA HOLDING CORPORATION

CHHC's after-tax profit of $21 million in 2020 was lower than the $46 million recorded in 2019.

Net crude oil revenue (crude oil sales less royalties and NPI) decreased by 32% or $54 million to $114 million in 2020 from $168 million in 2019. (On consolidation, Net crude oil revenue for 2020 was $121 million (2019-$173 million) due to the elimination of NPI payments made to CDEV.) A $91 million or 37% decrease in crude oil sales was driven by 40% lower oil prices partly offset by slightly higher sales volumes. Gross Hibernia production averaged 118,000 barrels per day in 2020, higher than 102,000 barrels per day in 2019 due to better well productivity and less unscheduled downtime. Production was shut down for much of the third quarter of 2019 to respond to two unrelated oil discharge incidents.

CHHC sells its oil based on the Dated Brent benchmark price for crude oil, in US dollars. The average price of Dated Brent crude decreased by 35% to average US $41.68 per barrel from US $64.30 per barrel in 2019. On a Canadian dollar basis, CHHC's average realized oil price decreased by 40% to $52.39 per barrel in 2020 from $86.81 per barrel in 2019, due to a larger average discount to Dated Brent largely due to low demand as a result of the COVID-19 pandemic and other market factors.

During 2020, capital investment was $14 million, primarily directed to the drilling of new wells in the first half of the year. In response to market conditions, discretionary expenditures were significantly reduced including the suspension of drilling activities at the end of June. Production operations are continuing.

CANADA ELDOR INC.

There was no significant change in the management of CEI's liabilities. CEI continues to pay for costs relating to the decommissioning of former mine site properties in Saskatchewan and for retiree benefits of certain former employees. In 2020, the liability for site restoration decreased by $3.0 million due to the settlement of $2.8 million in obligations and a decrease in the provision estimate of $0.2 million.

During the third quarter, we transferred twenty of the mine site properties to the Institutional Control Program of the Province of Saskatchewan. A plan is in place that should allow for the transfer of the remaining mine site properties to the Institutional Control Program within three years. CEI holds cash and cash equivalents plus funds within the Consolidated Revenue Fund totaling $14 million to pay for CEI's total estimated liabilities of $8 million.

CANADA TMP FINANCE LIMITED

Canada TMP Finance Limited is the parent of TMC and its entities. Canada TMP Finance Limited provides funding to TMC to fund its expansion project capital expenditures at a ratio of 45% equity and 55% debt. To finance these advances, TMP Finance borrows from the Canada Account administered by EDC, a federal Crown corporation. Certain financial requirements of TMC are provided by TMP Finance to TMC through an undrawn credit facility with the Canada Account. On January 1, 2020, the facility limit for the Construction Facility increased to $4 billion in accordance with the Amended Credit Agreement of July 30, 2019. On October 1, 2020, an amendment to the Construction Facility was executed which increased the facility limit to $5.1 billion through to December 31, 2020 and $6.1 billion through the first quarter of 2021. At year end, the outstanding amount on the Construction Facility was $4.4 billion. In 2020 gross loan interest expense was $339 million, of which $178 million was capitalized and added to the capital cost of the project and will be depreciated over the useful life of the pipeline. Further financing sources will be required by TMP Finance to continue to finance the TMEP before March 31, 2021 and TMP Finance is in discussion with the Department of Finance in this regard.

TRANS MOUNTAIN CORPORATION

In year ended December 31, 2020 TMC generated $440 million in revenue and $201 million in earnings before interest, taxes, and depreciation ("EBITDA"). In the comparative period TMC generated $476 million in revenue and $250 million in adjusted EBITDA. We note that under TMC's continuing use of US GAAP, revenue and EBITDA were $428 million and $188 million respectively compared to $420 million and $194 million in the comparative period. For details see note 30 of the consolidated financial statements.

In 2020 TMC spent approximately $3.0 billion on the TMEP, excluding financing costs, in addition to the $1.3 billion spent through to December 2019 under CDEV ownership. Activity in 2020 included continued work at the Burnaby and Westridge terminals located in the Lower Mainland, BC and the Edmonton terminal in Alberta as well as work in various stages of construction along the pipeline route in Alberta. Pipeline sections have been substantially completed heading west from Edmonton. Service is expected to start by the end of 2022.

In June, the pipeline incurred a release of approximately 190 m^3 of light crude oil near Sumas, BC. The pipeline was shut down for one day. Clean-up costs of $18 million were incurred in the period. Effective December 18, 2020, in response to two major safety incidents, including the fatal injury of an employee of a TMEP contractor at a work site near Edmonton, Alberta, TMC enacted a voluntary project-wide safety stand down that temporarily suspended all construction activity on TMEP. The objective of the safety stand down was to review, reset and refocus TMC's efforts, and those of its contractors and workers. Construction on TMEP resumed in the first quarter of 2021. In conjunction with restarting construction, TMC completed a number of organizational changes to align safety responsibilities.

For further details please see the TMC 2020 financial and management reports at www.transmountain.com.

CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION

Since March 2020, management of CDEV has assisted in implementing the LEEFF program on behalf of the Government through CEEFC, including the retention of financial and legal advisors. On May 20, 2020, CEEFC and CDEV received a mandate letter and term sheet from the Minister of Finance detailing the objective for LEEFF to help protect Canadian jobs, help Canadian businesses weather the current economic downturn and avoid bankruptcies of otherwise viable firms where possible. As well, Orders in Council were received regarding the establishment of the CEEFC subsidiary. During the second quarter of 2020, a board of directors was appointed for CEEFC and a President and CEO was hired to lead CEEFC.

CEEFC is financed through preferred shares issued directly to the Government in addition to any interest income received. On June 18, 2020, CEEFC entered into a Funding Agreement with Her Majesty in Right of Canada, as represented by the Minister of Finance, to provide financing to CEEFC by way of subscription for preference shares of CEEFC for the administration and implementation of the program. In 2020, CEEFC received $200 million through the issuance of 200 thousand Class A preferred shares pursuant to the Funding Agreement.

During the year, CEEFC received and analyzed several loan applications from Canadian companies. In 2020, CEEFC made loan commitments for $320 million and advanced $110 million.

As discussed in note 3(c) of the consolidated financial statements, CEEFC has not been consolidated within CDEV as CDEV is not deemed to have control over CEEFC based on the criteria outlined in IFRS 10. For details on the financial and operating results of CEEFC please see the CEEFC Annual Report at www.ceefc-cfuec.ca. CEEFC prepares its financial statements using Public Sector Accounting Standards. Costs incurred by CDEV related to the development of LEEFF have been recovered from CEEFC.

SUMMARY OF 2020 OPERATIONAL METRICS

$ Millions (unless noted otherwise)	2020 Plan	2020 Actual	2019 Actual	Actual Y/Y Change**	Explanation of changes Year/Year or to Plan
TMC throughput (K bpd)	316	312	314	(1%)	Pipeline system remains in high demand given 300 k bpd nominal capacity
TMC EBITDA (IFRS)	223	201	250	(19%)	Decreased revenue mainly due to lower tariffs on TMPL and increased pipeline operating costs related to the Sumas release
TMEP Capital Expenditures excluding capitalized interest (IFRS)	2,737	3,022	1,130	167%	Significant ramp up of construction in 2020. Additional spending due to greater ramp up compared to plan in certain areas, as well as additional scope and costs not included in the plan
Interest Costs before capitalization	357	339	248	36%	2020 loan balances outstanding were lower than Plan
Net crude oil revenue (deducting all NPI paid by CHHC)	99	114	168	(32%)	2020 actual revenue affected by significantly lower sales prices partly offset by 5% higher sales volume.
Oil Sales Volume (million barrels)	3.25	2.96	2.83	5%	Higher sales volume due to higher production and less downtime
Realized Oil Sale Price ($US/barrel) ***	33.00	41.68	64.30	(35%)	World oil prices declined in 2020 due to COVID-19 pandemic and other market forces.
Oil Capital Expenditures	18	14	34	(59%)	Due to the cancellation and deferral of projects, capital expenditures were lower than plan.
Professional Fees and Administration Expenses (ex. TMC, CEEFC)*	9	9	15	(14%)	2019 costs included $7 million in costs related to RTI sale which were recovered in Other Income in 2019

* Includes professional fees, salaries and benefits and other expenses.

** Percentages may differ due to rounding.

*** The oil price forecast was revised in May 2020 before the Plan was approved.

ANALYSIS OF EXTERNAL BUSINESS ENVIRONMENT

The ongoing management of our holdings will depend on overall market and economic conditions as well as factors specific to the underlying company or investment. Material changes have been identified since March 2020 related to the changing economic conditions brought on by the global outbreak of the novel coronavirus (COVID-19) and the sharp decrease in world crude oil prices.

The market and economic conditions of the oil and petroleum products business do not have a significant impact on the operations of TMC since the transportation revenue is derived from tolls set by a regulator and shipper volumes are expected to be fairly constant and limited by pipeline capacity for the near term and are not expected to vary significantly based on economic conditions. TMC operating expenses do not vary significantly based on market or economic conditions. The majority of costs are recovered through current and future tolls. The external business environment for the construction of the TMEP is unpredictable with a number of potential difficulties which may have significant impact on the completion schedule and cost of the project including the COVID-19 related restrictions, and the attainment of land and permits on a timely basis. The detailed development schedule and cost estimate developed by TMC management addresses some of these impacts and the construction progress made throughout 2020 reduces the uncertainties associated with construction completion. The loans payable have fixed interest rates and are not impacted by economic conditions that may affect interest rates.

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

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

The impact of changing climatic conditions may have a material adverse effect on CHHC's and TMC's future financial results. The Corporation continues to monitor significant world events and how these may impact its operations including the economic impact of the COVID-19 world health emergency. For more detail on the Corporation's Environmental, Social and Governance activities please see the relevant section within the annual report.

RISKS AND CONTINGENCIES

The Corporation has updated its risk exposures and analysis as a result of the COVID-19 pandemic. Given the nature of TMC's operations, it is not anticipated that the COVID-19 outbreak will have a material impact on TMC's financial results. The development of TMEP faced various legal and regulatory challenges. The COVID-19 pandemic may increase certain risks related to development of the TMC expansion project schedule. At this time, these are not expected to have a material impact on the project's completion schedule or project cost. In 2020, direct costs related to Trans Mountain's COVID-19 response totaled $18.9 million on the TMEP to ensure safe project execution and $1.6 million related to existing operations. Despite the crude price declines, the Trans Mountain pipeline operated at full capacity throughout 2020.

The significant fluctuations in global crude oil prices experienced in 2020 have had a significant impact on the financial results of CHHC thus increasing financial risks for the Corporation.

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

TMP Finance is a borrower of over $9 billion dollars which creates financial risk for CDEV. As the loans are from the Government, this risk is assessed as low. We note that refinancing risk exists as the TMEP requires further financing as the expansion project continues.

As with any oil development project, CHHC's interest in the Hibernia project faces geological and production risks. These risks arise due to the drilling of more complex wells and development of Ben Nevis-Avalon resources. The operator of the project maintains high standards in all aspects of the operation including safety, efficiency and environmental protection. CHHC employs prudent risk management practices in consultation with the operator and maintains suitable insurance coverage that it regards as economically sound.

Another significant risk to CHHC's earnings and cash flow is the change in crude oil prices which can fluctuate due to global economic events and conditions. A $1.00 per barrel change in the price of oil realized by CHHC is estimated to impact its earnings before tax by $2.2 million ($1.9 million in 2019). CHHC does not engage in crude oil hedging activities. Given the relatively low cost of production, CHHC is easily able to meet its obligations.

The present value of CHHC's share of decommissioning and abandonment of the Hibernia wells and facilities of $151 million is estimated based on known regulations, procedures and costs today for undertaking the decommissioning, the majority of which is projected to be incurred in the year 2049. It is possible that these costs may change materially before decommissioning due to regulatory changes, technological changes and inflation among other variables. CHHC has set aside funds totaling $162 million ($102 million deposited in the Consolidated Revenue Fund and $60 million in low risk investments) to specifically provide for decommissioning and abandonment costs.

The revenues of CHHC are impacted by foreign exchange fluctuations as CHHC's crude oil sales are priced in US dollars. The average USD/CAD exchange rate increased slightly to 1.34 in 2020 compared to 1.33 in 2019 which did not significantly impact revenue.

CHHC bears credit risks on relatively large cargo sales. CHHC deals primarily with purchasers with established credit history and utilizes credit risk mitigation tools when necessary. TMC bears credit risk with its customers. The terms of TMPL's tariff allow it to require potential customers to provide reasonable financial assurance, which greatly mitigates TMC's exposure to credit risk. There exists some concentration risk where two customers represent approximately 25% of consolidated invoiced revenues, however both have investment grade credit ratings.

The present value cost for decommissioning and abandonment of the TMC pipeline of $470 million is estimated based on the current expected costs to abandon the pipeline at the end of its economic life in 98 years. There is significant variability in this cost estimate and in determining the economic life of the asset. TMC retains restricted investments deposited in a trust specifically set up to fund future abandonment activities.

While CEEFC is subject to significant credit risk through potential credit losses on the loans it issues to borrowers, the maximum exposure to CDEV is its common share investment in CEEFC of $1,000 as discussed in note 3(c).

CEI is subject to liabilities due to its undertakings to Cameco as part of a 1988 Purchase and Sale agreement. The $7 million provision determined for mine site restoration is based on estimates for expected restoration and monitoring work over a four-year period. The actual costs may vary materially due to changes in inflation, changes in cost estimates in a difficult northern environment and changes in regulatory requirements. CEI has $14 million in total assets to settle its $8 million in liabilities.

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

The consolidated financial statements for the year ended December 31, 2020 with comparative figures for 2019, have been prepared in accordance with International Financial Reporting Standards (IFRS).

TMC prepares its financial statements in accordance with US GAAP. To read the US GAAP 2020 TMC financial statements please go to www.transmountain.com. US GAAP is the typical accounting method used by TMC's Canadian peer rate-regulated companies. Note 30 presents TMC financial results in US GAAP, adjustments made to the statements to convert these results to IFRS and the TMC financial results in IFRS as consolidated into CDEV. The most significant differences in accounting treatment include:

- Under US GAAP TMC recognizes revenue ratably over time based on TMC's annual revenue requirement whereas IFRS recognizes revenue based on volume shipped. The IFRS adjustment related to differences in timing of revenue recognition for 2020 decreases revenue by $22 million. There was also a $35 million IFRS adjustment to increase revenue to recognize Firm 50 commitment receipts and system optimization project contribution surcharges.
- Under US GAAP TMC recognizes an Allowance for Funds Used During Construction ("AFUDC") where a regulated return on capital and regulated amounts of debt interest are added to the total cost of an asset under construction. Capital return is added to income and capitalized debt interest reduces interest cost. Under IFRS no AFUDC for capital return is added to the asset value nor income and only actual debt interest incurred can be capitalized. The IFRS adjustments to AFUDC and interest in 2020 increased net finance costs by $162 million before the capitalization of interest by TMP Finance.
- IFRS requires that a provision for decommissioning obligations be recognized. Under US GAAP such an obligation is not required to be recognized as a result of the significant uncertainty as to the timing and scope of cash outflows.

Consolidated revenue for the year ended December 31, 2020 was $562 million, compared to revenue of $659 million in the prior year. The decline is primarily due to lower net crude oil revenue and lower transportation revenue in the current year. TMC transportation revenues declined by $38 million due to lower tariffs as well as the product mix and delivery points of shipments. In addition, we incurred a $52 million decrease in net crude oil revenue largely due to a 40% drop in Canadian dollar oil prices, partly offset by a 5% increase in sales volume and reduced royalty payments.

Total expenses for the year excluding finance costs were $437 million, compared to $433 million in the prior year. The increase was driven by higher pipeline operating expenses by $11 million and a loss of $9 million on derecognition of capitalized project costs net of lower crude oil operating costs by $4 million, lower depletion and depreciation by $7 million and lower administrative costs. The increase in pipeline operating expenses of TMC is largely due to $18 million in remediation costs related to the oil release in the second quarter offset by decreased pipeline integrity and power costs.

We recorded interest expense of $165 million for the year, a decrease from $203 million in 2019 as $339 million in gross interest costs due to higher loan balances was offset by higher capitalized interest of $178 million ($248 million and $49 million respectively in 2019).

We incurred a loss before income taxes of $34 million in 2020 compared to a profit of $26 million in the prior year period due to lower net crude oil and transportation revenue by $95 million and higher expenses by $4 million, partly offset by lower interest net expense by $38 million. Tax expense for the year ended December 31, 2020 increased by $33 million primarily due to a $43 million increase in deferred tax expense. This is largely due to a significant deferred tax recovery recognized in the prior year as a result of the decrease in the Alberta corporate tax rate in 2019. Current tax expense decreased by $11 million in due to a $53 million decrease in CHHC's net income before taxes, net of an increase of $24 million in TMC's net income before tax.

Cash and cash equivalents as at December 31, 2020 decreased to $312 million compared to $587 million at December 31, 2019 largely due to capital expenditures related to TMEP net of cash increase from borrowings from the Canada account of $3.0 billion in the period and operating cash flow in the period of $32 million, primarily generated by CHHC and TMC. See the statement of cash flows.

Accounts receivable decreased by $5 million at December 31, 2020, primarily due a $26 million decrease at CHHC partly offset by $21 million increase in receivables at TMC primarily due to increased GST recoverable on increased TMEP spending.

Property, plant and equipment increased $3.1 billion primarily due to the capital expenditures on the TMC expansion project, net of depletion and depreciation of $154 million.

Other non-current assets increased $190 million as at December 31, 2020 from year end primarily due to a $130 million increase in prepaid construction advances.

Trade payables increased $225 million primarily due to a $208 million increase in trade payables and accrued liabilities of TMC primarily due to increased payables for construction costs. Other current liabilities of TMC decreased by $47 million, of which $46 million is a decrease in Westridge dock premiums as refunds exceeded collections.

Total loans payable increased $3.0 billion due to an increase in borrowings under the construction credit facility to fund construction costs of TMC's expansion project.

The $10 million increase in non-current provisions is primarily due to the $8 million unwind of discount on decommissioning obligations. The current provision for NPI refunds increased $4 million from a restated amount of $35 million in 2019 due to the identification of overpayments in 2020. The 2019 provision of $35 million relates to errors in the factors used to calculate NPI payments previously made to the Government of Canada prior to the transfer of the NPI program to CDEV.

The defined benefit obligation increased $12 million primarily due to the increase in pension plan obligations of $32 million increasing more than the return on financial assets within the pension plan of $20 million.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Canada Development Investment Corporation ("CDEV") are the responsibility of management and were authorized for issue by the Board of Directors on March 10, 2021. The consolidated financial statements have been prepared by the Corporation in accordance with International Financial Reporting Standards. The financial statements of the Corporation's subsidiaries for which it has responsibility have been consolidated with those of the Corporation, excluding Canada Enterprise Emergency Funding Corporation as it does not meet the definition of a controlled entity. When alternative accounting methods exist, the Corporation has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on best estimates and judgments. The Corporation has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with information contained in the consolidated financial statements.

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

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

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

As Vice-President, Finance, 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 position as at December 31, 2020, and financial performance and cash flows for the year ended December 31, 2020.

Original signed

Andrew Stafl, CPA, CA
Vice-President, Finance
Canada Development Investment Corporation

March 10, 2021

CONSOLIDATED FINANCIAL STATEMENTS OF CANADA DEVELOPMENT INVESTMENT CORPORATION

YEAR ENDED DECEMBER 31, 2020

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

INDEPENDENT AUDITORS' REPORT

To the Minister of Finance

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Canada Development Investment Corporation and its subsidiaries (the Corporation), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in shareholder's equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 31 to the consolidated financial statements, which explains that certain comparative information presented for the year ended 31 December 2019 has been restated. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

Report on Compliance with Specified Authorities

Opinion

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

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

Responsibilities of Management for Compliance with Specified Authorities

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

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

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

Marise Bédard

Marise Bédard, CPA, CA
Principal
for the Auditor General of Canada

PricewaterhouseCoopers LLP

Chartered Professional Accountants,
Licensed Public Accountants

Ottawa, Canada
10 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

(THOUSANDS OF CANADIAN DOLLARS)

	2020	2019 (Restated - note 31)
Assets		
Current assets:		
Cash and cash equivalents (note 5)	**$ 311,707**	$ 587,109
Trade and other receivables (note 28)	**114,248**	119,271
Income taxes receivable (note 19)	**568**	4,173
Other current assets (note 7)	**23,990**	19,583
Investments held for future obligations (note 6)	**2,214**	3,552
	452,727	733,688
Non-current assets:		
Property, plant and equipment (note 10)	**9,169,790**	6,054,065
Goodwill (note 13)	**1,015,862**	1,015,781
Investments held for future obligations (note 6)	**172,601**	159,745
Restricted cash (note 8)	**84,237**	71,515
Restricted investments (note 9)	**93,986**	70,911
Right-of-use assets (note 11)	**95,527**	90,289
Other assets (note 12)	**286,524**	95,675
	10,918,527	7,557,981
	$ 11,371,254	$ 8,291,669
Liabilities and Shareholder's Equity		
Current liabilities:		
Trade and other payables (note 20)	**$ 557,910**	$ 332,571
Current portion of provision for decommissioning obligations (note 15(a), (b))	**-**	3,659
Current portion of provision for site restoration (note 15(c))	**2,074**	3,351
Current portion of lease liabilities (note 11)	**23,111**	20,258
Current portion of Net Profits Interest ("NPI") Provision (note 15(d), 31)	**39,000**	35,000
Other current liabilities (note 14)	**147,272**	194,390
	769,367	589,229
Non-current liabilities:		
Loans payable (note 17)	**9,055,000**	6,055,000
Deferred income taxes (note 19)	**514,564**	507,498
Provision for decommissioning obligations (note 15(a), (b))	**621,214**	609,901
Lease liabilities (note 11)	**74,672**	71,662
Provision for site restoration (note 15(c))	**4,732**	6,419
Defined benefit obligation (note 16)	**100,650**	88,694
Other non-current liabilities (note 18)	**53,466**	91,702
	10,424,298	7,430,876
Shareholder's equity:		
Share capital (note 21)	**1**	1
Contributed surplus	**603,294**	603,294
NPI reserve (note 21)	**11,832**	(34,174)
Accumulated deficit	**(414,353)**	(286,965)
Accumulated other comprehensive income	**(23,185)**	(10,592)
	177,589	271,564
	$ 11,371,254	$ 8,291,669

Commitments (note 25)

Contingencies (note 26)

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

On behalf of the Board: ________ Director ________ Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31

(THOUSANDS OF CANADIAN DOLLARS)

	2020	2019
Revenue:		
Transportation revenue (note 24)	$ **374,759**	$ 413,196
Net crude oil revenue (note 23)	**120,581**	172,845
Lease revenue (note 24)	**63,647**	60,146
Other revenue	**2,733**	13,026
	561,720	659,213
Other income:		
Facility use and processing fees, net of incidental Net Profits Interest	**1,914**	1,812
Foreign exchange gains	**4,094**	1,915
	567,728	662,940
Expenses:		
Depletion and depreciation (note 10, 11)	**153,868**	160,623
Pipeline operating expenses (note 24)	**162,719**	152,270
Crude oil operating, transportation and marketing (note 23)	**23,172**	27,440
Salaries and benefits	**77,909**	71,614
Professional fees	**6,962**	12,427
Loss on derecognition of property and equipment (note 10)	**8,603**	-
Foreign exchange losses	**3,883**	3,268
Change in estimates of provision for site restoration (note 15)	**(290)**	1,150
Other administrative expenses	**175**	4,202
	437,001	432,994
Finance expenses (income):		
Interest expense (note 17)	**165,348**	203,346
Interest income	**(8,250)**	(11,804)
Unwind of discount on provisions (note 15)	**7,781**	12,871
	164,879	204,413
Net income (loss) before income taxes	**(34,152)**	25,533
Income taxes (note 19):		
Current	**14,721**	25,367
Deferred	**9,515**	(33,771)
	24,236	(8,404)
Net income (loss)	**(58,388)**	33,937
Other comprehensive income (loss):		
Items that may be reclassified subsequently to profit or loss		
Currency translation adjustment	**(6,255)**	(14,772)
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit obligations (note 16)	**(6,338)**	(6,578)
Total other comprehensive income (loss)	**(12,593)**	(21,350)
Comprehensive income (loss)	$ **(70,981)**	$ 12,587

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

YEAR ENDED DECEMBER 31

(THOUSANDS OF CANADIAN DOLLARS)

	2020	2019 (Restated - note 31)
Share capital		
Balance, beginning and end of year	**$ 1**	$ 1
Contributed surplus		
Balance, beginning and end of year	**603,294**	603,294
Net Profits Interest Reserve		
Balance, beginning of year	**(34,174)**	-
NPI Provision – at transfer of NPI program (note 15(d), 31)	**-**	(32,000)
NPI Provision – addition for the period (note 15(d), 31)	**(4,000)**	(3,000)
NPI received	**104,635**	12,826
Dividends	**(54,629)**	(12,000)
Balance, end of year	**11,832**	(34,174)
Accumulated deficit		
Balance, beginning of year	**(286,965)**	(269,902)
Net income (loss)	**(58,388)**	33,937
Dividends	**(69,000)**	(51,000)
Balance, end of year	**(414,353)**	(286,965)
Accumulated other comprehensive income		
Balance, beginning of year	**(10,592)**	10,758
Other comprehensive income (loss)	**(12,593)**	(21,350)
Balance, end of year	**(23,185)**	(10,592)
Total shareholder's equity	**$ 177,589**	$ 271,564

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31

(THOUSANDS OF CANADIAN DOLLARS)

	2020	2019
Cash provided by (used in):		
Operating activities:		
Net income (loss)	**$ (58,388)**	$ 33,937
Adjustments for:		
Depletion and depreciation	**153,868**	160,623
Loss on derecognition of property and equipment	**8,603**	–
Income tax expense	**24,236**	(8,404)
Interest income	**(8,250)**	(11,804)
Unwind of discount on provisions	**7,781**	12,871
Net change in defined benefits	**2,302**	2,329
Lease interest expense	**1,756**	2,049
Unrealized foreign exchange gain	**-**	(149)
Change in provision for site restoration	**(290)**	1,150
Payment of lease liabilities, interest portion (note 11)	**(4,024)**	(3,726)
Interest received	**8,250**	11,612
Provisions settled	**(4,056)**	(3,748)
Income taxes paid	**(12,849)**	(27,395)
	118,939	169,345
Change in non-cash working capital (note 22)	**(85,268)**	400
Total cash provided by operating activities	**33,671**	169,745
Financing activities:		
Proceeds from loans payable	**3,000,000**	1,265,000
Repayments of loans payable	**-**	(500,000)
Dividends paid	**(123,629)**	(63,000)
NPI received (note 21)	**104,635**	12,826
Payment of lease liabilities, principal portion (note 11)	**(23,200)**	(15,401)
Total cash provided by financing activities	**2,957,806**	699,425
Investing activities:		
Purchase of property, plant and equipment (note 22)	**(3,212,009)**	(1,114,959)
Working capital settlement from acquisition	**-**	37,020
Withdrawal from Consolidated Revenue Fund	**-**	5,000
Internal use software expenditures	**(12,064)**	(10,094)
Purchase of restricted investments	**(16,278)**	(13,957)
Purchase of investments held for future obligations	**(11,518)**	(14,354)
Capital Contribution in non-consolidated subsidiary	**(1)**	-
Change in restricted cash	**(12,722)**	485,828
Total cash used in investing activities	**(3,264,592)**	(625,516)
Effects of FX translation on cash	**(2,287)**	(1,402)
Change in cash and cash equivalents	**(275,402)**	242,252
Cash and cash equivalents, beginning of year	**587,109**	344,857
Cash and cash equivalents, end of year	**$ 311,707**	$ 587,109

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

1. REPORTING ENTITY:

The Corporation is comprised of its parent, Canada Development Investment Corporation ("the Corporation" or "CDEV") and its wholly-owned subsidiaries: Canada Eldor Inc. ("CEI"), Canada Hibernia Holding Corporation ("CHHC"), Canada TMP Finance Ltd. ("TMP Finance"), and Trans Mountain Corporation ("TMC").

Parent

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

In July 2015, CDEV was issued a directive (P.C. 2015-1107) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments in a manner that is consistent with CDEV's legal obligations. CDEV aligned its policies, guidelines and practices as of October 2015 and will continue to report on the status of the directive in its corporate plan.

In August 2019, the GoC transferred to CDEV its activities related to the management of the Net Profits Interest ("NPI") and Incidental Net Profits Interest ("INPI") agreements under the Hibernia Development Project which were previously managed by Natural Resources Canada. Refer to note 3(v) for details.

On May 10, 2020 CDEV was issued a directive (P.C. 2020-305) pursuant to section 89 of the *Financial Administration Act* to incorporate a subsidiary, Canada Enterprise Emergency Funding Corporation ("CEEFC") which was incorporated in compliance with the directive as discussed below.

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

Subsidiaries

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

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

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

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

TMP Finance is the parent company of TMC. It provides debt and equity financing to TMC funded by loans from Her Majesty in Right of Canada, administered by Export Development Canada ("EDC"). See note 17 for loan details.

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

iii. CHHC was incorporated under the provisions of the *Canada Business Corporations Act* and was acquired by CDEV in March 1993. CHHC is subject to the *Financial Administration Act* and the *Income Tax Act*.

CHHC's sole purpose is the holding and management of its interests in the Hibernia Development Project ("Hibernia Project"), which is an oil development and production project located offshore Newfoundland and Labrador. The Hibernia Project comprises the original Hibernia Development Project area, where CHHC has an 8.5% working interest, and the Hibernia Southern Extension Unit ("HSE Unit"), where CHHC has a current 5.6% working interest. CHHC's working interest in the HSE Unit is subject to adjustment in accordance with the applicable provisions in the HSE Unit Agreement.

The Hibernia Project is of strategic importance to CHHC as it is CHHC's sole business activity from which it derives all of its crude oil revenues.

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

2. BASIS OF PREPARATION:

a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as set out in Part I of the Chartered Professional Accountants ("CPA") Canada Handbook.

The consolidated financial statements were authorized for issue by the Board of Directors on March 10, 2021.

b) Basis of measurement:

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

c) Functional and presentation currency:

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

3. SIGNIFICANT ACCOUNTING POLICIES:

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

a) Changes in accounting policies:

The following accounting standards, issued by the International Accounting Standards Board ("IASB"), and set out in the CPA Canada Handbook, are effective for the first time in the current financial year and have been adopted effective January 1, 2020 in accordance with the applicable transitional provisions.

i. Amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (Definition of Material)

The amendments clarify and align the definition of "material" and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS. The changes emphasize that information should not be aggregated or disaggregated in a way that obscures material information, and highlight that materiality applies to all aspects of financial statements, including the primary statements, the notes and specific disclosures required by individual IFRSs. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. The application of these amendments had no impact on the Corporation's consolidated financial statements.

ii. Revised Conceptual Framework for Financial Reporting

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies other important concepts. While not a standard, and none of the concepts override the concepts or requirements in any standard, the Conceptual Framework assists standard setters in developing standards and helps preparers develop consistent accounting policies where there is no applicable standard in place. The application of the revised Conceptual Framework had no impact on the Corporation's financial statements.

iii. Amendments to IFRS 3: *Business Combinations, Definition of a Business*

The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Corporation.

b) Basis of consolidation:

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

c) Unconsolidated structured entities:

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

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

Canada Enterprise Emergency Funding Corporation was incorporated on May 11, 2020, under the *Canada Business Corporations Act* to administer, approve and fund transactions in accordance with terms approved by the Minister of Finance in relation to the Government's Large Employer Emergency Financing Facility ("LEEFF") program designed to provide bridge financing to Canada's largest employers in response to the COVID-19 emergency. CEEFC is subject to the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. CEEFC has not been consolidated within CDEV as CDEV is not deemed to have control over CEEFC based on the criteria outlined in IFRS 10. (see note 3(y), Use of estimates and judgments).

d) Undivided working interests:

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

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

CHHC has an 8.5% undivided working interest in the original Hibernia Project area and a current 5.6% undivided working interest in the HSE Unit development. CHHC records in its financial statements its proportionate share of the assets, liabilities, revenues and expenses of the Hibernia Project.

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

e) Business combinations:

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

f) Goodwill:

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

g) Cash and cash equivalents:

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

h) Restricted cash:

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

i) Investments held for future obligations:

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

j) Restricted Investments:

Restricted investments are long-term investments held in the Trans Mountain Pipeline Reclamation Trust (the "Trust") that is to be used to satisfy the CER's directives on future abandonment costs. The assets of the Trust are consolidated by TMC. The CER sets Land Matters Consultation Initiative tolls to collect cash for investment in the Trust. The restricted assets are measured at fair value with offsetting adjustments recorded to deferred revenue.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

k) Inventory:

Inventory of crude oil is an asset that is held for sale in the ordinary course of business and is valued at the lower of cost to produce or net realizable value. Cost to produce includes operating and transportation costs and depletion and depreciation. Crude oil lifted below or above CHHC's working interest share of production results in production underlifts or overlifts. Net underlifts are recorded at the lower of cost to produce or net realizable value in inventory and net overlifts are recorded in trade and other payables at fair market value. CHHC follows the first-in, first-out basis of accounting for inventories.

The cost of pipeline inventory which consists of materials and supplies held for TMC's own consumption, is determined using weighted-average cost. The inventories are periodically reviewed for physical deterioration and obsolescence.

l) Property, plant and equipment (PPE):

i. Recognition and measurement:

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

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

Gains and losses on disposal or derecognition of an item of PPE are determined by comparing the proceeds if any, from disposal or derecognition with the carrying amount of property, plant and equipment and are recognized in profit or loss.

ii. Subsequent costs:

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

iii. Depletion and depreciation:

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

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

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

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

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The depreciation rates for pipeline assets were revised effective January 1, 2020 as a result of a depreciation study that lowered the overall depreciation rate for the year ended December 31, 2020 and for future periods. Depletion and depreciation on assets under construction begins only when the asset is complete and is put into service.

m) Internal-use software:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

n) Leases:

As a lessee

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

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

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

Lease liabilities are initially measured at the present value of the contractual payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if this is not readily determinable, the Corporation’s incremental borrowing rate. The Corporation’s borrowing rate is the rate it would incur to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

As a lessor

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

o) Financial instruments:

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

p) Impairment:

(i) Financial assets:

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

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

An impairment loss is reversed if the reversal can be attributed objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss.

(ii) Non-financial assets:

Goodwill

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

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

Other non-financial assets

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

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

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

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

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

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

q) Foreign currency transactions:

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

r) Provisions and contingencies:

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

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

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

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

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

Reviews of potential environmental issues and claims that could impact the Corporation's assets or operations are routinely conducted. These reviews assist in identifying environmental issues and estimating the costs and timing of remediation efforts. Environmental liabilities are also routinely adjusted to reflect changes in previous estimates. In making environmental liability estimations, the material effect of environmental compliance, pending legal actions against the Corporation, and potential third-party liability claims are considered. Often, as the remediation evaluation and effort progresses, additional information is obtained, requiring revisions to estimated costs. These revisions are reflected in income in the period in which they are reasonably determinable.

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Corporation, or present obligations where it is not probable that an outflow of economic resources will be required, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

s) Defined benefit obligation:

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

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

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

t) Income taxes:

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

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

u) Revenue from contracts with customers:

Crude oil sales:

Nature of contracts with customers:

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

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

Revenue recognition:

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

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

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

Starting September 2019, NPI and INPI paid by CHHC are eliminated upon consolidation with the Parent, who became responsible for managing the NPI agreements. Royalties and NPI are paid and remitted by CHHC. Royalties and NPI are measured according to the terms of the various agreements and reflect the provincial and federal governments' interests in Hibernia Project resources. Net crude oil revenue is presented after deducting royalties and NPI from January to August 2019.

Pipeline services:

Nature of contracts with customers:

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

Revenue recognition:

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

u) Revenue from contracts with customers (continued):

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

Firm 50 Contracts

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

v) Net Profits Interest:

On April 1, 2019, the GoC and the Province of Newfoundland and Labrador signed an agreement which commits Canada to make annual payments to the Province of Newfoundland and Labrador. The GoC has instructed CDEV to pay all declared dividends otherwise payable to Canada that are derived from dividends received from CHHC, or other sources of income that the GoC may prescribe up to the amount of the annual payments agreed to.

On August 20, 2019, the GoC, through a letter from the Minister of Finance, prescribed the transfer of Canada's responsibility pursuant to the Hibernia Development Project's NPI agreements from the Minister for Natural Resources ("NRCan") to the Corporation. To this effect, the Corporation and NRCan entered into a memorandum of understanding ("MOU") on August 23, 2019.

Under the NPI Agreements, the GoC, now the Corporation, is entitled to receive NPI from each owner of Hibernia (the "Project Owners"), including the Corporation's subsidiary, CHHC. The NPI payment is based on a percentage of net crude oil sales (crude oil sales adjusted for eligible transportation, operating and capital costs), up to a maximum of 10%.

Amounts received under the NPI Agreements are recorded as capital contributions when the Corporation receives the cash from the Project Owners.

w) Other liabilities

Redirect fees

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

Dock Premiums

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

x) Finance expenses and income:

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

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

Other financing costs are expensed in the period in which they are incurred and reported in finance expenses. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

y) Use of estimates and judgments:

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

In March 2020, the World Health Organization declared a global pandemic following the outbreak of a novel strain of the coronavirus ("COVID-19"). Responses to the spread of COVID-19 have resulted in a significant increase in economic uncertainty, with more volatile commodity prices and foreign exchange rates, and a marked decline in long-term interest rates. Particularly, there has been an unprecedented global crude oil demand reduction for 2020 that has resulted in a significant decrease in current and forecasted crude oil prices. The current information surrounding the global economic impacts of COVID-19 and the estimated length of the pandemic continues to evolve.

These events have resulted in a challenging economic climate which led to additional measurement uncertainty in the estimate of the length or severity, and the resulting financial impacts. The COVID-19 outbreak has increased the complexity of estimates and assumptions used to prepare the consolidated financial statements, particularly related to the following:

- Impairment: The impact of COVID-19 on the Corporation's customers or operations may change cash flows and impact the recoverability of the Corporation's assets. Furthermore, COVID-19 is a rapidly evolving situation and may have an impact on management's ability to accurately use historical sales trends and cash flows to forecast future results, leading to additional estimation uncertainty with respect to impairment testing. Impairment testing is further discussed in notes 10 and 13.
- Credit risk: COVID-19 may cause more of the Corporation's customers to experience liquidity issues and this may result in higher expected credit losses or slower collections. The estimation of such credit losses is complex because of limited historical precedent for the current economic situation. The Corporation will continue to reassess forward looking information and the impact on our customers in subsequent periods. Credit risk is further discussed in note 28(a).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

y) Use of estimates and judgments: (continued)

Key sources of estimation uncertainty:

Reserves

Amounts recorded for depletion and depreciation and amounts used for impairment calculations are based on estimates of oil reserves. By their nature, the estimates of reserves, including the estimates of future oil prices, exchange rates, operating and capital costs, royalties and Net Profits Interest, HSE Unit working interest adjustments, discount rates and the related future cash flows, as well as the interpretation of complex geological and geophysical models and data, are subject to measurement uncertainty.

Pursuant to the HSE Unit Agreement dated February 16, 2010, HSE unit interest ownership is subject to change as a result of revised tract factor allocations. These tract factors have been subject to two interim resets once the required oil production and water injection wells were drilled and completed and sustained production was established. The first and second interim resets occurred in 2015 and 2017, respectively, and there will be no further interim resets. Historical capital costs were adjusted following each interim reset. The agreement also has provisions for a first and a final redetermination of the HSE Unit working interests. These redeterminations provide for an adjustment to historical capital and other costs, as well as an adjustment to historical production which will be settled prospectively. The first redetermination was triggered in 2020, with the adjusted working interests anticipated to take effect on March 1, 2021. The final redetermination is currently expected to be complete in 2028 and this date is subject to annual revision. Estimates of ultimate recovery of reserves and the impact of those estimates on eventual redetermination of tract factors are used to estimate the Corporation's working interest reserves in the HSE Unit.

Leases

Management uses judgment in determining who the lessee is in Hibernia Project lease contracts for the purpose of recognizing right-of-use assets and lease liabilities. The Corporation used judgment in concluding that although the operator, HMDC, is the sole signatory to the Hibernia Project lease contracts, it does so implicitly or explicitly on behalf of the working interest owners. Accordingly, the Corporation recognizes its proportionate share of the Hibernia Project leases entered into by the operator, as the Corporation is considered to share responsibility for the lease liabilities.

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

Decommissioning obligations

A provision is set up for decommissioning costs which will be incurred primarily when certain of the Corporation's tangible long-lived assets are retired. Assumptions, based on current economic factors which management believes are reasonable, have been made to estimate the future obligation. However, the actual cost and timing of decommissioning is uncertain, and these estimates may change in response to numerous factors including changes in legal requirements, technological advances, inflation and the timing of expected decommissioning and restoration which incorporates drilling and development plans. The impact to comprehensive income over the remaining economic life of the assets could be significant due to changes in the estimates of costs and timing as new information becomes available. In addition, the Corporation determines the appropriate discount rate at the end of each reporting period. This discount rate, which is a risk-free rate, is used to determine the present value of the estimated future cash outflows required to settle the obligation and may change in response to numerous market factors.

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

Income taxes

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

Business combinations

Accounting for business combinations requires significant judgment, estimates and assumptions at the acquisition date. Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. Estimates include consideration for factors such as future estimated cost of the TMEP expansion, prevalent market discount rate, timing of construction and future cash flows, and indicators of impairment.

Impairment of Goodwill

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

Defined benefit obligation

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

Critical judgments in applying accounting policies:

Unconsolidated structured entity

CDEV has an investment in an unconsolidated structured entity, CEEFC. Management exercises judgment in determining whether or not the Corporation has control of CEEFC, its wholly-owned subsidiary, and consequently whether or not it should consolidate the financial results of CEEFC.

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

CDEV through its common voting interest has power over certain relevant activities of CEEFC. While the Government has control over CDEV and thus can indirectly control CEEFC, it cannot explicitly do so directly by virtue of its preferred shares interest or direct interests/arrangements with CEEFC. CDEV is however not meaningfully exposed to variability returns from CEEFC's operations.

Accordingly, while CDEV has power over certain relevant activities of CEEFC it is not able to use those powers to influence its returns. Therefore, although the Corporation owns the outstanding common shares of CEEFC, it does not consolidate its operations because the Corporation does not have the ability to affect the returns from the common share investment through its power over the entity. At December 31, CEEFC had loans receivable with a face value of $110,000 and preferred shares issued with a face value of $200,000. The maximum exposure to loss is determined by considering the nature of the interest in the unconsolidated structured entity. At December 31, 2020, the maximum exposure to CDEV for financial risk related to CEEFC is reflected by the carrying amount of its investment in the consolidated statement of financial position of $1.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

y) Use of estimates and judgments (continued):

Undivided working interests

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

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

Revenue

The Corporation uses judgment in determining when control of crude oil transfers to a customer in a contract, its performance obligations in its contracts with customers, and the level of disaggregation of revenue for disclosure purposes.

NPI Reserve

Management used significant judgement in determining the appropriate accounting treatment for the post-August 2019 NPI and INPI payments received. Based on the nature of the transaction, Management determined that the payments should be recognized directly in equity, rather than in profit or loss as CDEV is required under the MOU to administer the program on behalf of the Government, which lacks commercial substance for CDEV and as a result there are no net economic benefits or losses for CDEV.

4. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE:

Certain new accounting standards, amendments and interpretations are effective for future annual periods, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Corporation are set out below. These new standards, amendments and interpretations not adopted in the current year are not expected to have a material impact on the Corporation's financial statements in future reporting periods. The Corporation does not plan to adopt these pronouncements early.

(i) Amendments to IAS 16, *Property, Plant and Equipment - Proceeds before Intended Use*
The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition to operate in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022.

(ii) Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts*
The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 for contracts existing at the date when the amendments are first applied.

(iii) Amendment to IFRS 9, *Financial Instruments*
The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is effective for annual periods beginning on or after January 1, 2022.

(iv) Amendments to IAS 1, *Presentation of Financial Statements, Classification of Liabilities as Current or Non-current*
The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023.

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

Cash comprises bank balances. Cash equivalents include short-term highly liquid investments including banker's acceptances and GICs. Interest revenue arising on cash and cash equivalents was earned at annual interest rates ranging from 0.2% to 2.45% in 2020 (2019 - 1.20% to 2.50%). The details are as follows:

	2020	2019
Bank balances	**$ 241,044**	$ 525,401
Cash equivalents	**70,663**	61,708
Cash and cash equivalents	**$ 311,707**	$ 587,109

6. INVESTMENTS HELD FOR FUTURE OBLIGATIONS:

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*. The Corporation has set aside funds in the CRF and investments to provide for future obligations as follows:

	2020	2019
CRF balance, beginning of year	**$ 113,761**	$ 117,079
Allocated interest	**591**	1,682
Withdrawals	**-**	(5,000)
CRF balance, end of year	**114,352**	113,761
Cash in deposit accounts	**33,870**	353
Investments	**26,593**	49,183
	$ 174,815	$ 163,297
Current	**$ 2,214**	$ 3,552
Non-current	**172,601**	159,745
	$ 174,815	$ 163,297

At December 31, 2020, the balance of investments held for future obligations consists of cash and cash equivalents and investments held for future abandonment and risk fund and site restoration. This is comprised of cash on deposit in the CRF of $12,290 held for CEI and $102,062 held for CHHC (2019 - $12,226 and $101,535 respectively) and investments of $26,593 and cash of $33,870 held by CHHC (2019 - $49,183 and $353 respectively).

CEI has deposited cash in the CRF to provide for obligations resulting from the sale of assets and other potential future liabilities related to site restoration. The current portion of CEI's funds in the CRF has been allocated by CEI to provide for current liabilities related to site restoration and defined benefit obligations.

CHHC has deposited cash in the CRF and in investments to provide for future abandonment obligations of the Hibernia facility and to provide for security against future risks. CHHC has reduced a portion of its third-party insurance coverage as a result of the risk fund. The investments are comprised of term deposits maturing within 365 days of inception and earned interest income at interest rates ranging from 0.76% to 2.27% during the year (2019 - 2.15% to 2.50%).

Funds held in the CRF are interest bearing at a rate of 90% of the three-month treasury bill tender rate. The average annual interest rate was 0.53% during the year (2019 - 1.49%). The interest is retained in the CRF. Access to these funds is unrestricted.

7. OTHER CURRENT ASSETS:

	2020	2019
Prepaid expenses	**$ 9,682**	$ 6,200
Inventory		
Crude oil	**4,177**	583
Pipeline – spare parts	**7,108**	6,509
Other	**3,023**	6,291
	$ 23,990	$ 19,583

Depletion expense of $1,890 was related to crude oil inventories during the period (2019 - $1,800).

8. RESTRICTED CASH:

	2020	2019
Restricted cash – TMC held for future abandonment costs	**$ 554**	$ 2,501
Restricted cash – TMC letters of credit	**73,983**	59,314
Restricted cash – TMC held as security	**1,200**	1,200
Restricted cash – CHHC letters of credit	**8,500**	8,500
	$ 84,237	$ 71,515

The restricted cash balance includes $8,500 and $75,183 (2019 - $8,500 and $61,000) used to collateralize letters of credit associated with the Hibernia Project and TMC, respectively.

TMC issued a $28,746 letter of credit (2019 - $27,000) to support the defined benefit plan and the remaining letters of credit are related to utilities and government authorities.

In the granting of operations and drilling authorizations associated with Hibernia Project, the C-NLOPB requires evidence of financial responsibility pursuant to the *Energy Safety and Security Act*. To comply with this legislation, CHHC has provided a letter of credit to the C-NLOPB of $8,500 representing its proportionate share of the evidence required by the Hibernia Project as at December 31, 2020 and 2019. During 2019, the letter of credit was amended to extend its expiry date from April 30, 2020 to October 30, 2023. The C-NLOPB has the right to make claims against the cash held in escrow under certain circumstances and CHHC retains any interest earned on the account.

9. RESTRICTED INVESTMENTS:

Restricted investments of $93,986 (2019 - $70,911) held at TMC are long-term investments in Canadian government and Federal agency bonds held in trust. The restricted investments are to be used solely for the purposes of satisfying future abandonment costs of the pipeline under the CER's directives. The interest is retained in the Trust and the Corporation does not have access to it until it performs approved abandonment activities.

10. PROPERTY, PLANT AND EQUIPMENT:

	Construction work in progress	Pipeline	Oil development assets and production facilities	Total
Cost				
Balance at December 31, 2018	$ 1,277,356	$ 3,426,781	$ 542,787	$ 5,246,924
Additions for the period	1,255,436	-	34,161	1,289,597
Transfers	(50,866)	50,866	-	-
Decommissioning adjustments	-	70,496	5,676	76,172
Retirements	-	(2,370)	-	(2,370)
Foreign exchange movements	(8)	(15,134)	-	(15,142)
Balance at December 31, 2019	$ 2,481,918	$ 3,530,639	$ 582,624	$ 6,595,181
Additions for the period	3,260,567	-	14,042	3,274,609
Transfers	(82,886)	82,886	-	-
Decommissioning adjustments	-	(524)	2,649	2,125
Derecognition	-	-	(7,140)	(7,140)
Retirements	-	(2,467)	-	(2,467)
Foreign exchange movements	(10)	(5,838)	-	(5,848)
Balance at December 31, 2020	$ 5,659,589	$ 3,604,696	$ 592,175	$ 9,856,460
Accumulated depletion and depreciation				
Balance at December 31, 2018	$ -	$ 33,992	$ 358,311	$ 392,303
Depletion and depreciation	-	107,546	43,994	151,540
Retirements	-	(2,370)	-	(2,370)
Foreign exchange movements	-	(357)	-	(357)
Balance at December 31, 2019	$ -	$ 138,811	$ 402,305	$ 541,116
Depletion and depreciation	-	101,452	45,836	147,288
Derecognition	-	-	(1,004)	(1,004)
Foreign exchange movements	-	(730)	-	(730)
Balance at December 31, 2020	$ -	$ 239,533	$ 447,137	$ 686,670
Carrying amounts:				
At December 31, 2019	$ 2,481,918	$ 3,391,828	$ 180,319	$ 6,054,065
At December 31, 2020	$ 5,659,589	$ 3,365,163	$ 145,038	$ 9,169,790

At December 31, 2020, costs related to oil development assets and production facilities subject to the calculations of depletion and depreciation included future development costs of $395,100 (2019 - $472,000) and excluded the cost of equipment currently under construction of $3,104 (2019 - $3,065). Oil development assets and production facilities include $131,348 at December 31, 2020 (2019 - $128,699) of capitalized costs relating to decommissioning obligations, which will be depreciated over the life of the asset. Property, plant and equipment derecognized during 2020 relates to a subsea development project that was cancelled and determined to have no expected future economic benefit.

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED):

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

During the year ended December 31, 2020 capitalized interest of $178,423 was included in the additions to construction work in progress – pipeline (2019 - $48,848).

At December 31, 2020 and 2019, an assessment of indicators of impairment was conducted for the Corporation's CGUs.

i. No indicators were noted for the oil transportation assets and accordingly an impairment test was not required. The impact of COVID-19 and crude oil market conditions on Transportation revenue has not been material. However, if COVID-19 remains a worldwide health emergency, there may be an impact on the construction schedule of the pipeline expansion project and, in future periods, the Corporation will consider if this represents an indicator of impairment. See also Goodwill note 13.

ii. No indicators of impairment were noted for the oil development assets and production facilities at December 31, 2020 and December 31, 2019 and accordingly an impairment test was not required. Indicators of impairment include (but are not limited to) significant changes with an adverse effect on the entity that have taken place during the year or will take place in the near future in the market or economic environment in which the entity operates.

At March 31, 2020, indicators of impairment were noted due to the decline in current and forecasted benchmark oil prices. Accordingly, the Corporation performed an impairment test, by comparing the recoverable amount of its CGU, determined as the fair value less costs of disposal using a discounted cash flow method incorporating proven and probable reserves, to the carrying amount of the CGU. Management exercised judgment in estimating the future cash flows used in calculating the recoverable amount, and in applying an estimated after-tax discount rate of 12%. The following table outlines the forecast benchmark oil prices and exchange rates used in the impairment test calculation, derived from external firms. The Corporation determined that there was no impairment to oil development property, plant and equipment at March 31, 2020.

Year	Brent oil price [1] ($US per barrel)	Foreign exchange ($US/$CDN)
2020	34.88	0.71
2021	43.73	0.74
2022	51.41	0.76
2023	57.01	0.77
2024	59.83	0.77
2025	62.01	0.78
2026	65.60	0.78
2027	66.89	0.78
2028	68.21	0.78
2029	69.56	0.78
Thereafter (percentage annual inflation)	2%	0.78

[1] The benchmark prices are adjusted for quality and related differentials specific to the Company's operations

11. RIGHT-OF-USE ASSETS AND LEASES:

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

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

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

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

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

The Corporation is not exposed to any significant additional potential cash outflows that are not included in the reported amount of the lease liabilities, other than certain termination penalties which the Corporation considers not reasonably certain to be incurred as at December 31, 2020.

Statement of Financial Position:

Details of right-of-use assets (including additions to and depreciation of) as follows:

	Equipment and Vehicles	Land and Buildings	Total
January 1, 2019			
Initial Recognition	$ 26,664	$ 52,990	$ 79,654
Additions	1,047	27,801	28,848
Lease modifications	(946)	-	(946)
Depreciation	(4,065)	(13,121)	(17,186)
Foreign exchange	(81)	-	(81)
December 31, 2019	$ 22,619	$ 67,670	$ 90,289
Additions	2,373	26,326	28,699
Lease modifications	351	48	399
Depreciation	(4,066)	(19,766)	(23,832)
Foreign exchange	(28)	-	(28)
December 31, 2020	$ 21,249	$ 74,278	$ 95,527

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

Details of lease liabilities are as follows:

	2020	2019
Lease liabilities, opening	**$ 91,920**	$ -
Initial recognition, January 1, 2019	**-**	79,654
Additions	**28,700**	28,849
Lease modification	**398**	(946)
Interest expense	**4,024**	3,726
Lease payments	**(27,224)**	(19,128)
Foreign exchange movements	**(35)**	(235)
Lease liabilities, closing	**$ 97,783**	$ 91,920
Current	**$ 23,111**	$ 20,258
Non-current	**74,672**	71,662
	$ 97,783	$ 91,920

The weighted average incremental borrowing rate applied to lease liabilities at December 31, 2020 is 4.29%.

Maturity analysis – contractual undiscounted cash flows:

	2021	2022-2025	Thereafter	Total
Lease liabilities	$ 24,025	$ 40,154	$ 109,890	$ 174,069

Statement of Comprehensive Income and Statement of Cash Flows:

	2020	2019
Statement of Comprehensive Income:		
Interest on lease liabilities	**$ 4,024**	$ 3,726
Less: capitalized lease interest	**(2,268)**	(1,675)
	1,756	2,049
Statement of Cash Flows:		
Total cash outflow for leases	**$ (27,224)**	$ (19,127)

Lessor

Operating leases in which the Corporation is the lessor relate to merchant tanks owned by the Corporation and housing located along the pipeline right of way or in the proximity of pump stations. For the year ended December 31, 2020, lease income for merchant tank operating leases recognized in "Lease revenue" for the year ended December 31, 2020 totaled $63,600 (2019 - $60,100), which included the variable lease payments described above, and lease income related to housing operating leases recognized in "Other revenue" totaled $228 (2019 - $200).

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

2021	$ 50,681
2022	49,038
2023	46,956
2024	41,358
2025	39,735
Thereafter	380,733
Total	$ 608,501

12. OTHER ASSETS:

	2020	2019
Prepaid construction advances	**$ 169,650**	$ 39,489
Payments to be recovered through tolls	**57,339**	40,853
Internal-use software	**20,161**	9,875
Recoverable projects	**37,780**	4,789
Other	**1,594**	669
	$ 286,524	$ 95,675

Payments to be recovered through tolls includes $57,210 (2019 - $39,619) relating to the Bulk Oil Cargo Fee ("BOCF") which provides the Western Canada Marine Response Corporation ("WCMRC") with funds for spill response and is collected from shippers based on volume of commodities moved through WCMRC's marine response area. BOCF related to TMEP is to be recovered from shippers after TMEP in-service. The BOCF is recorded in Other current assets to the extent the amount paid to WCMRC exceeds the amount collected from shippers or in Other current liabilities to the extent that the amount collected from shippers exceeds the BOCF payable. The pension asset of $1,324 (2019-$210) is included in Other above.

Depreciation and amortization expense charged against "Other assets" related to internal-use software was $1,778 for the year ended December 31, 2020 (2019 - $219).

13. GOODWILL:

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

Balance at January 1, 2019	$ 1,016,582
Effect of foreign exchange	(801)
Balance at December 31, 2019	1,015,781
Effect of foreign exchange	81
Balance at December 31, 2020	$ 1,015,862

b) Impairment test

For the purposes of impairment testing, goodwill has been allocated to TMC's CGU. The recoverable amount of this CGU was based on the fair value of the reporting unit which was estimated using the expected cash flows. The estimate of fair value required the use of significant unobservable inputs representative of a Level 3 fair value measurement, including assumptions related to timing of TMEP project construction and in-service date. In estimating the recoverable amount of the CGU, we considered fair value less costs of disposal ("FVLCD"). We note that while IAS 36 requires consideration be given to the higher of VIU and FVLCD, we considered FVLCD in our analysis given the fact that the primary asset of TMC, the TMEP is currently under construction and requires significant capital expenditures to complete, as at the Valuation Date.

A goodwill impairment test was performed as of December 31, 2020 and did not result in an impairment charge. Despite changes in the economic environment due to the impact of the global COVID-19 pandemic, neither TMC's existing operations nor TMEP construction has been materially impacted to date. The recoverable amount or valuation of the reporting unit was estimated using an income-based approach based on the discounted cash flows. Cash flows used to determine the recoverable amount have been projected for twenty years from pipeline expansion in service with a terminal value applied thereafter that assumes a 2% growth rate. The estimate of fair value required the use of significant unobservable inputs, including assumptions related to the timing of TMEP construction, discount rate, and changes in cost estimates, and therefore, the fair value is representative of a Level 3 fair value. The total approved project cost estimate for the TMEP of $12,600,000 as disclosed by TMC includes $1,700,000 of financial carrying costs and the project is expected to be in-service by the end of 2022. For purposes of determining the fair value, the estimate of discounted cash flows included probability-weighted scenarios of various in-service dates for the TMEP, including in-service dates of 2022 and 2023. The estimate of discounted cash flows was determined using a discount rate of approximately 8.1% which reflects the time value of money based on the risks associated with the Corporation's assets that have not otherwise been incorporated in the cash flow estimates.

13. GOODWILL (CONTINUED):

Sensitivity analysis:

Changes in these key assumptions would impact the fair value of the reporting unit TMC which could result in impairment. In reference to a base valuation with an estimated in-service date at the end of 2022, sensitivity analysis of key assumptions was performed as shown below. The sensitivity scenarios described below would not result in an impairment of goodwill in the reporting unit.

Impact on fair value of TMC reporting unit:	Increase	Decrease
Discount rate change of 0.25%	($700,000)	+$700,000
$600,000 change in TMEP capital expenditures	($200,000)	
One-year delay in construction and operation of TMEP including a $600,000 increase in capital expenditures	($1,200,000)	

14. OTHER CURRENT LIABILITIES:

	2020	2019
Dock premiums	**$ 133,532**	$ 179,936
Environmental accrual	**6,096**	3,639
Defined benefit obligation (note 16)	**1,497**	1,443
Other	**6,147**	9,372
	$ 147,272	$ 194,390

Please see note 3(w) for a description of Dock premiums.

15. PROVISIONS (RESTATED - NOTE 31):

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

	Decommissioning Obligations				
	Pipeline	Wells & Facilities	Total	Site restoration	Total
Balance at December 31, 2018	**$ 387,610**	**$ 141,531**	**$ 529,141**	**$ 10,138**	**$ 539,279**
Additional provisions		-	-	1,510	1,510
Changes in estimates	(126,967)	(14,603)	(141,570)	(405)	(141,975)
Obligations settled	-	(2,083)	(2,083)	(1,665)	(3,748)
Changes in discount rate	197,463	20,279	217,742	45	217,787
Effect of foreign exchange	(2,394)	-	(2,394)	-	(2,394)
Unwind of discount	10,039	2,685	12,724	147	12,871
Balance at December 31, 2019	**$ 465,751**	**$ 147,809**	**$ 613,560**	**$ 9,770**	**$ 623,330**
Additional provisions				114	114
Changes in estimates	(524)	(21,084)	(21,608)	(222)	(21,830)
Obligations settled	-	(1,273)	(1,273)	(2,783)	(4,056)
Changes in discount rate	-	23,733	23,733	(182)	23,551
Effect of foreign exchange	(870)	-	(870)	-	(870)
Unwind of discount	6,075	1,597	7,672	109	7,781
Balance at December 31, 2020	**$ 470,432**	**$ 150,782**	**$ 621,214**	**$ 6,806**	**$ 628,020**
Current	$ -	$ -	$ -	$ 2,074	$ 2,074
Non-current	470,432	150,782	621,214	4,732	625,946
	$ 470,432	**$ 150,782**	**$ 621,214**	**$ 6,806**	**$ 628,020**

Sensitivity Analysis:

Changes to the discount rate or the inflation rate would have the following impact on the provision for decommissioning obligations of the Corporation at December 31, 2020:

	One percent increase	One percent decrease
Discount rate	$ (323,746)	$ 817,449
Inflation rate	$ 805,695	$ (325,206)

a) Provision for decommissioning obligations of wells and facilities:

The provision for decommissioning obligations is based on the Corporation's net ownership interest in wells and facilities and management's estimate of costs to abandon and reclaim those wells and facilities as well as an estimate of the future timing of the costs to be incurred. The Corporation estimates the total future undiscounted liability to be $204,430 at December 31, 2020 (2019 - $237,259). Estimates of decommissioning obligation costs can change significantly based on factors such as operating experience and changes in legislation and regulations.

These obligations will be settled based on the expected timing of abandonment, which currently extends up to the year 2049 and is based upon the useful lives of the underlying assets. The provision was calculated at December 31, 2020 using an average inflation rate of 1.12% (2019 - 1.75%) and was discounted using an average risk-free rate of 1.12% (2019 – 1.75%).

b) Provision for decommissioning obligations of pipeline:

The provision for decommissioning obligations for the pipeline properties is based on management's estimate of costs to abandon which is estimated to be $470,433 at December 31, 2020 (2019 - $465,751) discounted at a risk-free rate of 1.21% (2019 - 1.76%). The undiscounted decommissioning liability is estimated to be $1,500,000 (2019 - $2,600,000) with an inflation rate of 1.21% (2019 - 1.76%) and an expected remaining useful life of 98 years.

The decommissioning provision reflects the discounted cash flows expected to be incurred to decommission TMC's pipeline system. The estimated economic life of assets covered by the decommissioning is estimated at 98 years. The estimated economic life is used to determine the undiscounted cash flows at the time of decommissioning and is reflective of the expected timing of economic outflows relating to the provision.

c) Provision for site restoration:

Under the terms of the purchase and sale agreement in 1988 between CEI and Cameco, CEI is responsible for obligations relating to the sale of assets to Cameco. Provision for site restoration as at the date of the consolidated statement of financial position is related to the decommissioning of a former mine site. Cameco is responsible for the monitoring and management of this site. CEI accrues for these costs based on estimates provided by Cameco. These estimates are based on variables and assumptions which are subject to uncertainty including the time to completion and the costs over this period. The costs are estimated over a period ending in 2023 (2019 - 2023). The future estimate of costs for site restoration has been discounted at a rate of 0.24% (2019 - 1.88%) and an inflation rate of 0.24% (2019 - 2.0%) was used to calculate the provision at December 31, 2020. The current estimate for costs and the amount accrued as at December 31, 2020 is $6,806 (2019 - $9,770).

d) Net Profits Interest Provision (restated – note 31):

Under the terms of the 1990 Hibernia Development Project NPI Agreement and the MOU executed with NRCan, the Corporation is responsible for any payable due to Hibernia Project owners due to determination, redetermination or calculation by Canada. The NPI Provision as at the date of the consolidated statement of financial position is related to a recalculation. The Provision is based on management's recalculation of the amount due to Hibernia Project owners plus interest payable. The addition to the NPI provision is $4,000 (2019 - $35,000). The Corporation determined that at the transfer of the NPI program as at September 1, 2019, the provision was $32,000. The Corporation expects to settle the $39,000 provision by December 31, 2021 (2019 - $35,000).

16. DEFINED BENEFIT OBLIGATION:

	2020	2019
TMC (see detailed schedule below):		
- Pension plan	$ 78,559	$ 68,830
- Other post-employment benefits	21,330	19,550
CEI retiree benefits	934	1,547
Net defined benefit obligation	$ 100,823	$ 89,927
Current [(a)]	$ 1,497	$ 1,443
Non-current [(b)]	100,650	88,694
Non-current [(c)]	(1,324)	(210)
	$ 100,823	$ 89,927

(a) Amounts included in Other current liabilities on the consolidated statement of financial position (see note 14).

(b) Amounts included in Defined benefit obligation on the consolidated statement of financial position.

(c) Amounts included in Other assets on the consolidated statement of financial position.

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

Retirement benefits under the defined benefit plans are based on employees’ years of credited service and pensionable earnings. Contributions for the defined benefit component of the plans are based on independent actuarial valuations. The most recent actuarial valuation for the defined benefit pension plans for funding purposes was completed as of December 31, 2019. Contributions for the defined contribution component of the Legacy plan were based on pensionable earnings.

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

Other post-employment benefits (“OPEB”) are provided to current and future retirees and their dependents, including depending on circumstance, supplemental health, dental and life insurance coverage. Medical benefits under those OPEB plans may be subject to deductibles, co-payment provisions, dollar caps and other limitations on the amount of employer costs, and the Corporation reserves the right to change these benefits. Post-employment benefits are unfunded and annual expense is recorded on an accrual basis based on independent actuarial determination, considering, among other factors, health care cost escalation. The most recent actuarial valuation for accounting purposes was completed as of December 31, 2020.

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

	2020		2019	
	Pension	**OPEB**	Pension	OPEB
Change in defined benefit obligation:				
Defined benefit obligation at end of prior year	**$ 298,253**	**$ 19,550**	$ 257,424	$ 17,623
Current service cost	**9,730**	**510**	7,958	416
Past service cost			1,053	-
Interest expense	**8,608**	**555**	9,007	606
Benefit payments from plan assets	**(10,821)**		(8,473)	-
Benefit payments from employer	**(2,634)**	**(554)**	(1,231)	(823)
Participant contributions	**3,223**		2,975	-
Effect of changes in demographic assumptions		**(150)**	-	(36)
Effect of changes in financial assumptions	**20,864**	**1,688**	29,604	1,936
Effect of experience assumptions	**1,335**	**(269)**	(64)	(172)
Defined benefit obligation at end of year	**328,558**	**21,330**	298,253	19,550
Change in fair value of plan assets:				
Fair value of plan assets at end of prior year	**235,219**		202,555	-
Interest income	**6,902**		7,243	
Return on plan assets (excluding interest income)	**13,291**		23,511	
Employer contributions	**7,671**		8,104	
Employer direct benefit payments	**2,634**	**554**	1,231	823
Participant contributions	**3,223**		2,975	
Benefit payments from plan assets	**(10,821)**		(8,473)	
Benefit payments from employer	**(2,634)**	**(554)**	(1,231)	(823)
Administrative expenses paid from plan assets	**(624)**		(696)	
Fair value of plan assets at end of year	**254,861**	**-**	235,219	-
Change in asset ceiling				
Asset ceiling at end of prior year	**5,796**		4,729	
Interest expense	**165**		164	
Remeasurements:				
Change in asset ceiling (excluding interest)	**(1,099)**		903	
Asset ceiling at end of year	**4,862**	**-**	5,796	-
Funded status reflected in the statement of financial position:				
Defined benefit obligation	**328,558**	**21,330**	298,253	19,550
Fair value of pension plan assets	**254,861**		235,219	
Funded status	**73,697**	**21,330**	63,034	19,550
Effect of the asset ceiling from remeasurement	**4,862**		5,796	
Net defined benefit liability at end of year TMC	**$ 78,559**	**$ 21,330**	$ 68,830	$ 19,550
Presented as follows:				
Current benefit liability [(a)]	**562**	**835**	470	823
Non-current benefit liability [(b)]	**79,321**	**20,495**	68,570	18,727
Non-current benefit asset [(c)]	**(1,324)**		(210)	
Net defined benefit liability - TMC	**$ 78,559**	**$ 21,330**	$ 68,830	$ 19,550

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

16. DEFINED BENEFIT OBLIGATION (CONTINUED):

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

	2020		2019	
	Pension	**OPEB**	Pension	OPEB
Components of defined benefit cost:				
Service cost				
Current service cost	**9,730**	**510**	7,958	416
Past service cost	**-**		1,053	
Total service cost	**9,730**	**510**	9,011	416
Net interest cost				
Interest expense on DBO	**8,608**	**555**	9,007	606
Interest (income) on plan assets	**(6,902)**		(7,243)	
Interest expense of effect of asset ceiling	**165**		164	
Total net interest cost	**1,871**	**555**	1,928	606
Administrative expenses and/or taxes (not reserved within DBO)	**625**		625	
Defined benefit cost included in net income	**12,226**	**1,065**	11,564	1,022
Remeasurements (recognized in OCI)				
Effect of changes in demographic assumptions		**(150)**		(36)
Effect of changes in financial assumptions	**20,864**	**1,688**	29,604	1,936
(Return) on plan assets (excluding interest income)	**(13,292)**		(23,440)	
Effect of experience adjustments	**1,335**	**(269)**	(64)	(172)
Changes in asset ceiling (excluding interest income)	**(1,099)**		903	
Total remeasurements included in OCI -TMC	**7,808**	**1,269**	7,003	1,728
Total defined benefit cost TMC	**$ 20,034**	**$ 2,334**	$ 18,567	$ 2,750

Net defined benefit liability reconciliation

	2020		2019	
	Pension	**OPEB**	Pension	OPEB
Net defined benefit liability	**68,830**	**19,550**	59,598	17,623
Defined benefit cost included in P&L	**12,226**	**1,065**	11,564	1,022
Total remeasurements included in OCI	**7,808**	**1,269**	7,003	1,728
Cash flows				
a. Employer contributions	**(7,671)**		(8,104)	
b. Employer direct benefit payments	**(2,634)**	**(554)**	(1,231)	(823)
Net defined benefit liability, end of year-TMC	**$ 78,559**	**$ 21,330**	$ 68,830	$ 19,550

Defined benefit obligation by participant status - OPEB

	2020	2019
Actives	**$ 9,132**	$ 7,916
Retirees	**12,198**	11,634
Total	**$ 21,330**	$ 19,550

Plan Assets

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

As at December 31, 2020 and 2019, the target asset allocation for the Legacy plans was 95% fixed income and 5% equity. The target allocation for the TMCI plans were 50% fixed income and 50% equity as of December 31, 2020 compared to 45% fixed income and 55% equity as of December 31, 2019.

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

- Level 1 assets' fair values are based on quoted market prices for the instruments in actively traded markets. Included in this level are cash and exchange traded mutual funds. These investments are valued at the closing price reported on the active market on which the individual securities are traded.
- Included in Level 3 are real estate investments, for which the fair value of assets is determined using a market approach based on inputs that are unobservable and significant to the overall fair value measurement. The following table presents the net change in the Level 3 fair value category.

	2020
Opening balance January 1, 2020	**$ -**
Purchases and sales	**6,556**
Realized and unrealized gains	**31**
Ending balance December 31, 2020	**$ 6,587**

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

	2020	2019
Measured within Level 1 of fair value hierarchy		
Cash	**$ 6,834**	$ 6,286
Mutual funds	**241,440**	228,933
Measured within Level 3 of fair value hierarchy		
Real estate	**6,587**	-
	$ 254,861	$ 235,219

Plan Assets by Asset Category:	**2020**	2019
Domestic Equity	**6%**	14%
International Equity	**25%**	17%
Domestic Fixed Income	**65%**	68%
Other	**4%**	1%
Total	**100%**	100%

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

16. DEFINED BENEFIT OBLIGATION (CONTINUED):

Expected Payment of Future Benefits and Employer Contributions

Following are the expected future benefit payments:

	2020		2019	
	Pension	**OPEB**	Pension	OPEB
Expected employer contributions	**9,788**	**835**	9,964	823
Expected total benefit payments				
Year 1	**11,644**	**835**	11,015	823
Year 2	**12,045**	**851**	11,548	843
Year 3	**12,617**	**871**	11,927	860
Year 4	**13,101**	**894**	12,494	878
Year 5	**13,380**	**917**	12,977	902
Next 5 years	**70,138**	**4,808**	68,574	4,763

Significant actuarial assumptions

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

	2020		2019	
	Pension	**OPEB**	Pension	OPEB
Assumptions related to defined benefit obligations:				
Effective discount rate for defined benefit obligation	**2.61%**	**2.64%**	3.12%	3.13%
Immediate health care cost trend rate		**5.25%**		5.28%
Ultimate health care cost trend rate		**4.00%**		4.00%
Year rate reaches ultimate trend rate		**2040**		2040
Assumptions related to benefit costs:				
Effective discount rate for benefit obligations	**3.12%**	**3.13%**	3.81%	3.82%
Effective rate for net interest cost	**2.96%**	**2.90%**	3.60%	3.52%
Effective discount rate for service cost	**3.18%**	**3.21%**	3.89%	3.95%
Effective rate for interest on service cost	**3.06%**	**3.18%**	3.73%	3.91%
Immediate health care cost trend rate		**5.28%**		4.96%
Ultimate health care cost trend rate		**4.00%**		4.00%
Year rate reaches ultimate trend rate		**2040**		2040

Sensitivity analysis

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

	2020		2019	
Present value of defined benefit obligation	**One percent increase**	**One percent decrease**	One percent increase	One percent decrease
Health care cost trend rate				
i. Effect on total service cost and interest cost components	**129**	**(95)**	110	(81)
ii. Effect on benefit obligation	**1,626**	**(1,281)**	1,420	(1,129)
iii. Effect on net benefit periodic cost	**129**	**(95)**	110	(81)
Discount rate				
i. Effect on benefit obligation	**(2,952)**	**3,792**	(2,589)	3,296
ii. Effect on net benefit periodic cost	**(116)**	**148**	208	(183)

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

	2020		2019	
Present value of defined benefit obligation	**One percent increase**	**One percent decrease**	One percent increase	One percent decrease
Salary scale	**341,473**	**317,220**	309,059	288,716
Discount rate	**282,443**	**387,732**	257,815	349,923

17. LOANS PAYABLE:

On August 29, 2018, TMP Finance entered into Credit Agreements with Her Majesty in Right of Canada. The facilities are part of the Canada Account of the Government of Canada, administered by EDC. On March 25, 2019, TMP Finance entered into an amended NEB Credit Agreement which allows TMP Finance to borrow funds for the purpose of providing financial assurance for the TMPL as required by the CER. The Acquisition Facility was used to fund the acquisition of the Trans Mountain Pipeline entities. The Construction Facility is used primarily to finance the TMEP construction. The NEB Facility allows TMP Finance to borrow funds for the purpose of providing financial assurance for the Trans Mountain Pipeline as required by the CER.

The loans are due on the respective maturity dates and may be repaid early without premium or penalty subject to certain conditions.

Details of the facilities at December 31, 2020 are as follows:

Facility	Total Available Credit 2020	Outstanding Amounts 2020	Outstanding Amounts 2019	Interest Rate Disbursed amounts	Standby Fee Undisbursed amounts	Maturity Date
Acquisition	$ 4,670,000	$ 4,670,000	$ 4,670,000	4.7%	0.065%	August 29, 2023
Construction [(a)]	5,100,000	4,385,000	1,385,000	4.7%	0.065%	August 29, 2023
CER*	500,000	-	-	4.7%	0.30%	August 29, 2023
		$ 9,055,000	$ 6,055,000			

*Previously referred to as the NEB Facility

a) The availability of the Construction Credit Facility is limited to any borrowing authority issued by the Minister of Finance. On July 30, 2019, an Amended Credit Agreement was executed between Her Majesty in Right of Canada, as administered by EDC and Canada TMP Finance Ltd. The Construction facility limit until December 31, 2019 was $2,587,000, increasing to $4,000,000 in January 2020, until December 31, 2020 as detailed in a revised borrowing authority letter received from the Minister of Finance. On October 1, 2020, a Second Amending Agreement was executed in which results in an increase to the available credit on the Construction Facility to $5.1 billion on October 1, 2020 and to $6.1 billion on January 1, 2021.

Total interest expense is comprised of the following:

	2020	2019
Interest on loans payable	**$ 339,393**	$ 248,207
Interest on leases	**1,756**	2,057
Interest capitalized (note 10)	**(178,423)**	(48,848)
Standby fees	**2,622**	1,930
	$ 165,348	$ 203,346

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Corporation's general borrowings during the year of 4.7% (2019 – 4.7%).

18. OTHER NON-CURRENT LIABILITIES:

	2020	2019
Dock premiums	$ -	$ 57,068
Deferred revenue	50,502	30,929
Environmental liabilities	2,964	3,705
	$ 53,466	$ 91,702

Deferred revenue is comprised of approximately $5,296 (2019 – $6,733) related to upfront fees or capital improvements paid for in advance by certain customers which are subsequently recognized as revenue on a straight-line basis over the initial term of the related customer contract as well as $45,206 (2019 – $24,196) paid by customers related to the Trust which will be recognized as revenue when the funds in the Trust are used for future abandonment activities.

19. INCOME TAXES:

CHHC is subject to income tax in Canada. TMC is subject to income tax in Canada and one of its subsidiaries is subject to tax in the United States. CDEV, CEI and TMP Finance are not subject to income tax in Canada.

a) Income tax expense:

The components of income tax expense are as follows:

	2020	2019
Current tax expense		
Current period	$ 17,061	$ 28,867
Adjustment related to prior periods	(1,837)	(3,165)
Investment tax credits	(503)	(335)
	14,721	25,367
Deferred tax expense		
Origination and reversal of temporary differences	5,821	14,768
Adjustment related to prior periods	3,824	407
Changes in tax rates applied to temporary differences	(130)	(48,946)
	9,515	(33,771)
Total income tax expense	$ 24,236	$ (8,404)

b) Reconciliation of effective tax rate:

The statutory combined federal and provincial income tax rates applicable to TMC decreased to 25.25% in 2020, a reduction from 26.71% in 2019. The statutory combined federal and provincial tax rate applicable to CHHC decreased modestly to 28.7% in 2020 from 29.14% in 2019. The blended statutory rate in 2020 was 27.18% (2019 – 27.86%).

An Alberta corporate tax rate reduction in June 2019 from 12% to 8% by 2022 resulted in a reduction in the net deferred tax liability and a consequential deferred income tax recovery for the year ended December 31, 2019. A further acceleration in the applicability of that reduction substantially enacted in October of 2020 had no impact on the deferred tax liability but reduced the statutory tax rate in 2020.

19. INCOME TAXES (CONTINUED):

		2020		2019
Net (loss) profit for the year	$	(58,388)	$	33,937
Total income tax expense		24,236		(8,404)
Profit (Loss) before income taxes	$	(34,152)	$	25,533
Income tax using blended statutory rate of 27.18% (2019 - 27.86%)		(9,283)		7,113
Expenses of non-taxable entities		25,818		17,439
Non-deductible expenses and other		301		401
Adjustments related to prior periods		1,482		(3,093)
Impact of Tax Rate Changes		(51)		(48,835)
Change in unrecognized deferred tax asset		6,664		17,519
Rate differences and other		(695)		1,052
	$	24,236	$	(8,404)

Unrecognized deferred tax assets (liabilities):

At December 31, 2020, TMC had no unrecognized deferred tax assets.

CHHC has an unrecognized net deferred income tax asset of $24,182 at December 31, 2020 (2019 - $17,519) related to its provision for decommissioning obligations, as estimated future taxable income is not expected to be sufficient to realize the deferred income tax asset in the allowable timeframes.

Recognized deferred income tax assets (liabilities):

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

	Property and equipment	Provisions	Accrued Liability and Other	Non-Capital Losses	Total
At December 31, 2018	$ (716,339)	$ 131,316	$ 22,464	$ 19,328	$ (543,231)
Credited/ (charged) to the statement of comprehensive income	50,377	(33,878)	3,509	30,836	50,844
Credited/ (charged) to the statement Other Comprehensive Income			2,109		2,109
Provision for decommissioning obligations		(17,046)			(17,046)
Credited/ (charged) to CTA	(220)	19	10	17	(174)
At December 31, 2019 [(1)]	(666,182)	80,411	28,092	50,181	(507,498)
Credited/ (charged) to the statement of comprehensive income	(90,840)	42,899	(4,288)	42,714	(9,515)
Credited/ (charged) to the statement Other Comprehensive Income			2,256		2,256
Credited/ (charged) to CTA	294	(55)	(9)	(37)	193
At December 31, 2020	**$ (756,728)**	**$ 123,255**	**$ 26,051**	**$ 92,858**	**$ (514,564)**

[(1)] the comparative notes in the above table have been adjusted to conform to the current year presentation

Expiration Periods for Deferred Tax Assets: As of December 31, 2020, there were non-capital loss carry forwards of $376,700 ($203,000 as of December 31, 2019), which will start to expire in 2037.

20. TRADE AND OTHER PAYABLES:

	2020	2019
Trade payables and accrued liabilities	**$ 112,052**	$ 97,966
Related party payable	**187**	-
Interest payable	**2,847**	-
PPE payable and accrued liabilities	**442,824**	234,605
	$ 557,910	$ 332,571

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

21. SHARE CAPITAL AND NET PROFITS INTEREST RESERVE:

a) Share capital

	2020	2019
Share Capital:		
Authorized – unlimited number of common shares		
Issued and fully paid – 101 common shares	**$ 1**	$ 1

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

b) Net Profits Interest reserve

During the year, NPI payments received under the NPI agreements totalled $114,142 of which $9,507 was received from CHHC and eliminated upon consolidation (2019 – $13,718, of which $892 was eliminated).

22. SUPPLEMENTAL CASH FLOW DISCLOSURE:

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

	2020	2019
Trade and other receivables	**$ 5,023**	$ 2,688
Inventory	**(1,704)**	1,414
Other current assets	**(813)**	(4,054)
Deferred charges and other assets	**(191,513)**	(49,357)
Trade and other payables	**227,072**	200,403
Other current liabilities	**(47,172)**	84,413
Other non-current liabilities	**(45,033)**	(82,362)
Change in non-cash working capital items	**$ (54,140)**	$ 153,145
Relating to:		
Operating activities	**$ (85,268)**	$ 400
Investing activities	**31,128**	152,745
Change in non-cash working capital items	**$ (54,140)**	$ 153,145

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

	2020	2019
PPE additions (note 10)	**$ (3,274,609)**	$ (1,289,597)
Change in non-cash investing working capital related to PPE	**43,193**	162,838
Capitalized lease amortization and interest	**19,407**	11,800
Cash used for PPE expenditures	**$ (3,212,009)**	$ (1,114,959)

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

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

		2020		2019
Crude oil sales	**$**	**155,258**	$	246,050
Less: royalties		**(34,677)**		(61,335)
Less: Net Profits Interest		**-**		(11,870)
Net crude oil revenue	**$**	**120,581**	$	172,845

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

		2020		2019
United States	**$**	**80,355**	$	181,765
Europe		**41,493**		51,145
Canada		**18,178**		13,140
Asia		**15,232**		-
	$	**155,258**	$	246,050

c) Royalties:

CHHC pays royalties monthly to the Province of Newfoundland and Labrador on the revenues generated from Hibernia Project production in accordance with two royalty agreements which govern the applicable license areas. Both royalty agreements consist of tiered royalty structures including gross royalty, net royalty and supplementary royalty. While the stated royalty rates range from 5% of gross transfer revenue to over 40% of net transfer revenue depending on the royalty area, the majority of CHHC's revenue in 2020 was encumbered by a royalty rate of 30% of net transfer revenue, as defined in the royalty agreements. Gross transfer revenue reflects crude oil sales less eligible transportation costs, while net transfer revenue reflects gross transfer revenue less eligible operating and capital costs. In 2020, total royalties averaged 22% of crude oil sales (2019 – 25%).

d) Net Profits Interest:

CHHC is also party to an NPI Agreement, which provides for a monthly NPI payment to the Government of Canada by all Hibernia Development Project owners. The NPI payment is based on a percentage of net crude oil sales, as defined in the NPI Agreement (crude oil sales less eligible transportation, operating and capital costs). The adjusted rate averaged 5.9% in 2020 (2019 – 10%). In 2020, NPI payments averaged 4% of crude oil sales (2019 – 7%). NPI payments made after August 2019 are paid to CDEV and upon consolidation are not recognized as a deduction to revenue since it is an intercompany charge.

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

		2020		2019
Hibernia Project operating expenses	**$**	**16,802**	$	22,903
Crude oil transportation and transshipment		**5,926**		4,089
Crude oil marketing		**444**		448
Total operating, transportation and marketing	**$**	**23,172**	$	27,440

24. REVENUE AND OPERATING EXPENSES FROM PIPELINE OPERATIONS:

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

	2020	2019
Transportation revenue	**$ 374,759**	$ 413,196
Lease revenue	**63,647**	60,146
Other revenue	**1,726**	2,308
Total	**$ 440,132**	$ 475,650
Pipeline operating expenses	**$ 162,719**	$ 152,270
Salaries and benefits	**73,692**	67,796
Other general and administration costs	**2,127**	5,489
Total operating expenses excluding finance costs and depreciation	**$ 238,538**	$ 225,555

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

Revenue Allocated to Remaining Performance Obligations

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

The following table presents the estimated revenue allocated to remaining performance obligations for contracted revenue that has not yet been recognized, representing the "contractually committed" revenue as of December 31, 2020 that will be invoiced or transferred from contract liabilities and recognized in future periods.

Year	Estimated Revenue
2021	54,971
2022	4,863
2023	213
2024	213
2025	213
Thereafter	48,557
Total	$ 109,030

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. Contract assets are recognized in those instances where billing occurs subsequent to revenue recognition and the right to invoice the customer is conditioned on something other than the passage of time. For the year ended December 31, 2020, there were no contract assets recognized. Contract liabilities are substantially related to capital improvements paid for in advance by certain customers, which are subsequently recognized as revenue on a straight-line basis over the initial term of the related customer contracts as well as abandonment surcharges collected by customers and recognized as revenue in the future once the abandonment costs are incurred.

The following table presents the activity in contract liabilities for the year ended December 31, 2020:

		2020		2019
Opening balance	**$**	**28,823**	$	11,110
Additions		**21,403**		18,311
Transfer to Revenues		**(605)**		(598)
Ending Balance	**$**	**49,621**	$	28,823
Other current liabilities		**213**		212
Other non-current liabilities		**49,408**		28,611
	$	**49,621**	$	28,823

25. COMMITMENTS:

CDEV's commitments at December 31, 2020 are summarized in the table below and include TMC's purchase of PPE, crude oil transportation and transshipment service arrangements, CHHC's share of Hibernia Project contractual commitments related to capital investments and operations.

		2021		2022-2025		Thereafter		Total
Crude oil transportation and transshipment services (i)	$	5,053	$	13,771	$	19,355	$	38,179
Hibernia Project contracts		5,273		3,311		3,047		11,631
Pipeline PPE (ii)		168,148		-		-		168,148
Other operating commitments		215		890		4,439		5,544
Total Commitments	$	178,689	$	17,972	$	26,841	$	223,502

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

CHHC is committed to paying its working interest share of the 2021 capital, operating and abandonment costs of the Hibernia Project estimated at $32,750, which is inclusive of amounts shown for 2021 in the commitments table above. The actual funded amount is dependent on the nature of the underlying contracts or purchase orders that have yet to be negotiated by HMDC, and the actual signed authorities for expenditure for capital projects.

(ii) Pipeline PPE includes commitments for purchases of property, plant and equipment which consists primarily of commitments related to TMEP.

26. CONTINGENCIES:

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

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

The TMEP has been subject to various legal actions to challenge the federal government's approval of the TMEP.

On August 30, 2018, the Federal Court of Appeal ("FCA" or "the Court") released its judgment in the matter of *Tsleil-Waututh Nation et al. v. Attorney General of Canada et al. ("Tsleil-Waututh")*. In its decision, the Court quashed the Order in Council approving the TMEP and remitted the matter to the Governor in Council ("GIC") to remedy two areas: the scope of the NEB's (now known as the CER) review, and Phase III consultation with Indigenous peoples. On the scope of the NEB's review, the Court decided that the NEB's review of the TMEP unjustifiably excluded TMEP-related shipping from TMEP's definition. The Court determined the GIC must require the NEB to reconsider its recommendation and related conditions. On Phase III consultation with Indigenous peoples, the Court determined that the Government of Canada must re-do its Phase III consultations before the TMEP could be submitted again to the GIC for approval.

On February 22, 2019, the NEB released its Reconsideration Report, in which the NEB concluded that the TMEP is in the Canadian public interest. The NEB recommended that the GIC approve the TMEP subject to 156 conditions, which are measures that the NEB can enforce upon TMPL and the TMEP under its authority as regulator. The NEB's report also contained 16 recommendations to the GIC, which relate to items outside the scope of the NEB's authority and beyond the control of TMPL or the TMEP, but within the authority of the GIC. Management believes the conditions are reasonable and has incorporated these conditions into the TMEP project execution plan.

On June 18, 2019, the GIC issued a new Order in Council approving the TMEP and directing the NEB to grant a Certificate of Public Convenience and Necessity ("CPCN") for the TMEP. The NEB issued the amended CPCN on June 21, 2019, subject to 156 conditions. Further, following consideration of public comments, on July 19, 2019, the NEB issued its decision that it would rely on decisions and orders with respect to the TMEP that were issued prior to the FCA's decision in *Tsleil-Waututh*.

Twelve parties/groups filed motions with the FCA for leave (the "Leave Motions") to judicially review the new Order in Council re-approving the TMEP. In general, the Leave Motions argue that the NEB, the Government of Canada, and/or the GIC failed to comply with the FCA's decision in *Tsleil-Waututh* in the NEB's Reconsideration hearing and the Phase III consultation process. On September 4, 2019, the FCA dismissed six of the Leave Motions and granted Leave to Appeal for the other six applications. Two of the six parties for whom Leave to Appeal was granted withdrew from further proceedings with the FCA. The final argument was heard on December 16-18, 2019. The FCA released its decision on February 4, 2020, dismissing the applications of all four remaining. applicants.

On November 4, 2019, five of the six applicants for whom the Leave Motions were dismissed by the FCA had filed appeals to the Supreme Court of Canada ("SCC"). On March 5, 2020, the SCC dismissed with costs all 5 of the applications for leave to appeal.

Following the February 4, 2020 Decision of the FCA above, the four unsuccessful FCA applicants filed Leave Motions with the SCC on April 6, 2020 and Trans Mountain filed a Response opposing the Leave applications. On July 2, 2020, the SCC issued its decision dismissing all applications for Leave. This matter is now concluded.

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

27. CAPITAL MANAGEMENT:

The Corporation considers its capital structure as the aggregate of its shareholder's equity of $177,589 (2019 – $271,564 restated – note 31), which is comprised of its share capital, contributed surplus, Net Profits Interest reserve, accumulated deficit and accumulated other comprehensive income and its loan payable of $9,055,000. The Corporation and its subsidiaries' objectives when managing capital are to prudently manage its revenues, expenses, assets, liabilities and general dealings to ensure that it effectively achieves its objectives and purpose, while remaining a going concern. The Corporation's share capital is not subject to any external restrictions.

CHHC monitors changes in economic conditions and the risk characteristics of the underlying petroleum industry so that it can continue to provide returns for shareholders and benefits for other stakeholders. CHHC maintains higher levels of cash and cash equivalents, given lower oil prices and to ensure full funding of its capital expenditure program. In 2020, capital, operating and other commitments were fully funded by cash flow from operating activities. Management believes that cash flows from operating activities will continue to be sufficient to meet CHHC's needs for capital, operating and other commitments in 2021. To improve liquidity, CHHC can reduce or defer dividends. CHHC can also access additional funding from its abandonment and risk fund.

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

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

28. RISKS TO THE CORPORATION:

The nature of CDEV's consolidated operations expose the Corporation to risks arising from its financial instruments that may have a material effect on cash flows, profit and comprehensive income. This note provides information about the Corporation's exposure to each of these risks as well as the Corporation's objectives, policies and processes for measuring and managing them.

(a) Credit and contract risk:

Credit and contract risk is the risk of financial loss to the Corporation if counterparties do not fulfill their contractual obligations and arises primarily from the Corporation's trade and other receivables. A significant exposure to this risk relates to crude oil sales and oil shipment sales from contracts with customers.

i. For its crude oil sales contracts, the Corporation has assessed the risk of non-collection of funds as low, as it shares cargos with its marketing agent, generally contracts with large purchasers whose creditworthiness has been appropriately assessed prior to execution of the related contract and utilizes credit risk mitigation tools when necessary under the provisions of its marketing agreement. CHHC's marketing agent maintains credit surveillance over all purchasers.

ii. For the oil shipment sales contracts, the Corporation limits its exposure to credit risk by requiring shippers who fail to maintain specified credit ratings or a suitable financial position to provide acceptable security, generally in the form of guarantees from credit worthy parties or letters of credit from well rated financial institutions. A majority of the Corporation's customers operate in the oil and gas exploration and development, or energy marketing or transportation industries. The COVID-19 pandemic along with energy demand and supply disruption has led to significant commodity price volatility and restricted capital market access in some case for these industries; however, there has been no material negative impact to the Corporation as a result of these events. There may be exposure to long-term downturns in energy commodity prices, including the price for crude oil, and economic instability from these events or other credit events impacting these industries and customers' ability to pay for services.

The Corporation's allowance for doubtful accounts was insignificant as at December 31, 2020 and 2019. As at December 31, the composition of trade and other receivables is as follows:

		2020		2019
Contracts with pipeline shippers	**$**	**30,317**	$	39,131
Contracts with crude oil customers		**26,468**		49,805
Hibernia joint arrangement		**2,879**		5,593
HST/GST input tax credits		**37,353**		16,461
Other		**17,231**		8,281
Trade and other receivables	**$**	**114,248**	$	119,271
Amount outstanding greater than 90 days	**$**	**814**	$	785

Of the total amount of trade and other receivables, 64% (2019 – 75%) relates to contracts with customers, which was all collected subsequent to year end. Due to the high credit quality of the Corporation's counterparties, the ECLs provision at December 31, 2020 is insignificant.

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

Cash and cash equivalents, restricted cash and restricted investments, and investments held for future obligations balances are held by investment-grade Canadian banks and financial institutions and the Government of Canada. All cash equivalents and investments are purchased from issuers with a credit rating of R1 High by Dominion Bond Rating Service.

Accordingly, the ECLs provision at December 31, 2020 related to cash and cash equivalents and investments is insignificant. The Corporation realized no actual impairment losses during the years ended December 31, 2020 or 2019.

(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 meet its liabilities when due.

The Corporation forecasts cash requirements to ensure funding is available to settle financial liabilities when they become due. The primary sources of liquidity and capital resources are funds generated from operations and the credit facilities.

While the decrease in current and forecasted crude oil prices is expected to negatively impact the Corporation's financial performance and position, the Corporation continues to retain cash and short-term investments that provide it with financial flexibility to meet its obligations as they come due. To enhance its liquidity, the Corporation may adjust dividends paid to its shareholder, and some planned capital expenditures for CHHC for the remainder of 2020 have been reduced. The Corporation may be exposed to long-term downturns in the energy industry and economic volatility which is mitigated by the current regulatory frameworks governing the Corporation's pipeline operations and the competitive position of the Corporation's pipeline and oil producing assets.

Expected future cash flow from the present operations currently exceeds estimated operating expenses and future capital expenditures, aside from TMEP. Given significant expenditures in connection with the TMEP, the Corporation will require the continued availability of future financing in order to complete the project. Trade and other payables and income taxes payable are generally due within one year from the date of the statement of financial position.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, and includes foreign exchange, commodity price, and interest rate risk. The Corporation does not use derivative instruments, such as interest rate swaps or forward foreign currency contracts, or other tools and strategies to manage its market related risks.

(i) Foreign exchange rate risk:

Foreign exchange rate risk is the risk that the fair value of assets or liabilities or future cash flows will fluctuate as a result of changes in foreign exchange rates. This risk arises on financial instruments denominated in U.S. dollars at the end of the period, consisting primarily of U.S. cash, trade receivables and trade payable balances that arise from revenues and expenditures that are denominated in U.S. dollars. Crude oil is priced in U.S. dollars and fluctuations in USD/CAD exchange rates may have an impact on revenues.

The Puget Pipeline operates in the state of Washington and earns its revenues and incurs most of its expenses in U.S. dollars. Therefore, fluctuations in the U.S. dollar to Canadian dollar exchange rate can affect the earnings contributed by the Puget Pipeline, to our overall results.

It is estimated that a 1% strengthening in the Canadian dollar relative to the U.S. dollar would not result in a material impact to the Corporation's profit for the year ended December 31, 2020.

The continuing operations had realized foreign exchange gains and (losses) of $211 for the year ended December 31, 2020. The Corporation did not have any foreign exchange rate contracts in place as at or during the year ended December 31, 2020 or 2019.

(ii) Commodity price risk:

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

28. RISKS TO THE CORPORATION (CONTINUED):

(iii) Interest rate risk:

Interest rate risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in interest rates. The Corporation is exposed to interest rate fluctuations on its cash and cash equivalents and the various investments held. The risk is not considered significant as the Corporation's interest revenue is less than 2% of total revenue.

The Corporation is not exposed to interest rate risk on its debt as interest is payable at a fixed rate. The Corporation does not use derivative instruments to manage its exposure to this risk.

(d) Fair value of financial instruments:

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

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 2 valuations are based on inputs which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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

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

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

			Carrying amounts		Fair value	
Facility	Classification	Hierarchy	**2020**	2019	**2020**	2019
Financial assets						
Restricted investments	FVTPL	Level 2	**$ 93,986**	$ 70,911	**$ 93,986**	$ 70,911
Financial liabilities						
Loans payable	Amortized cost	Level 2	**$ 9,055,000**	$ 6,055,000	**$ 9,495,665**	$ 6,159,000

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

29. RELATED PARTY TRANSACTIONS:

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

On July 15, 2020, CEEFC and CDEV entered into a Service Agreement whereby CDEV provides executive, administrative, banking, financial and support services, and other administrative services to facilitate the organization and functioning of CEEFC and CEEFC's administration of the LEEFF program. In the period from May to December 31, 2020, CDEV earned management fees of $473 from CEEFC. At December 31, 2020, CDEV has a related party payable to CEEFC of $187 (2019 - nil).

a) Key management personnel compensation:

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

	2020	2019
Key management personnel compensation comprised of: Salaries, termination, other short-term benefits, director fees and post-employment benefits	**$ 8,839**	$ 8,818

b) Other related party transactions affecting Profit:

	2020	2019
CRF Interest income	**$ 593**	$ 1,682
Interest expense/standby fees paid to the government	**341,986**	250,129
Net Profits Interests and Incidental Net profits Interest paid to Natural Resources Canada	**-**	16,256
Management fees paid by CEEFC	**473**	-

c) Items affecting Statement of Financial Position:

	2020	2019
Cash on deposit in the CRF	**$ 114,352**	$ 113,760
Loan from the government (Canada Account) (note 17)	**9,055,000**	6,055,000
Dividends paid to Government of Canada	**123,629**	63,000
Accounts payable to CEEFC	**187**	-

30. SUPPLEMENTARY INFORMATION:

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

	2020						
	TMC (US GAAP)	IFRS Adjustments	TMC (IFRS)	CHHC	Others	Eliminations	Consolidated
Statement of Comprehensive Income:							
Revenues:							
Transportation revenue	$ 362,282	$ 12,477[1]	$ 374,759	-	-		$ 374,759
Lease revenue	63,647	-	63,647	-	-		63,647
Net crude oil revenue				114,195	-	6,386	120,581
Other income/ FX	1,726	-	1,726	5,868	3,205	(2,058)	8,741
	427,655	12,477	440,132	120,063	3,205	4,328	567,728
Expenses:							
Depletion and depreciation	98,009	8,135[2]	106,144	47,612	112		153,868
Operating and production	163,317	(598)	162,719	23,172	-		185,891
Salaries and benefits	71,265	2,427[3]	73,692	2,026	2,191		77,909
Other general and admin	5,488	(2,549)	2,939	4,144	3,795	(148)	10,730
	338,079	7,415	345,494	76,954	6,098	(148)	428,398
Finance Costs:							
Equity AFUDC	184,440	(184,440)[4]	-		-		-
Other, net	(257)	(2,210)	(2,467)	(6,136)			(8,603)
Unwind of discount	-	(6,075)[4]	(6,075)	(1,597)	(109)		7,781)
Net Interest (expense)	(85,011)	22,131[4]	(62,880)	2,227	31,609	(128,054)	(157,098)
	99,172	(170,594)	(71,422)	(5,506)	31,500	(128,054)	(173,482)
Net income before income taxes	188,748	165,532)	23,216	37,603	28,607	(123,578)	(34,152)
Income taxes (recovery)	47,944	(40,794)[5]	7,150	17,086	-		24,236
Net Income	**140,804**	**(124,738)**	**16,066**	**20,517**	**28,607**	**(123,578)**	**(58,388)**
Other Comprehensive Income	**$ (15,955)**	**$ 2,812[6]**	**$ (13,143)**	**$ -**	**$ 550**		**$ (12,593)**
Statement of Financial Position:							
Assets:							
Current assets	221,720	(13,974)[7]	207,746	98,024	147,508	(551)	452,727
Non-current assets	10,408,418	83,331[8]	10,491,749	333,453	9,249,599	(9,156,274)	10,918,527
	$10,630,138	**$ 69,357**	**$ 10,699,495**	**$ 431,477**	**$ 9,397,107**	**$ (9,156,825)**	**$11,371,254**
Liabilities:							
Current liabilities	707,282	-	707,282	19,129	44,910	(1,954)	769,367
Non-current liabilities	5,722,630	303,200[9]	6,025,830	165,252	9,060,566	(4,827,350)	10,424,298
	$ 6,429,912	**$ 303,200**	**$ 6,733,112**	**$ 184,381**	**$ 9,105,476**	**$(4,829,304)**	**$ 11,193,665**
Shareholder's Equity	**$ 4,200,226**	**$ (233,843)[10]**	**$ 3,966,383**	**$ 247,096**	**$ 291,631**	**$(4,327,521)**	**$ 177,589**
	$10,630,138	**$ 69,357**	**$ 10,699,495**	**$ 431,477**	**$ 9,397,107**	**$(9,156,825)**	**$ 11,371,254**

	2019 (restated note 31)						
	TMC (US GAAP)	IFRS Adjustments	TMC (IFRS)	CHHC	Others	Eliminations	Consolidated
Statement of Comprehensive Income:							
Revenues:							
Transportation revenue	$ 357,298	$ 55,898[1]	$ 413,196	$ -	$ -		$ 413,196
Lease Revenue	60,146		60,146				60,146
Net Crude oil revenue				167,567	-	5,278	172,845
Other income/ FX	2,308		2,308	3,727	12,683	(1,965)	16,753
	419,752	55,898	475,650	171,294	12,683	3,313	662,940
Expenses:							
Depletion and depreciation	100,551	10,169[2]	110,720	49,794	109		160,623
Operating and production	152,985	(715)	152,270	27,440	-		179,710
Salaries and benefits	66,004	1,792[3]	67,796	2,030	1,788		71,614
Other and FX	8,362	(2,583)	5,779	4,061	11,356	(149)	21,047
	327,902	8,663	336,565	83,325	13,253	(149)	432,994
Finance Costs							
Equity AFUDC	91,292	(91,292)[4]	-		-		-
Unwind of Discount	-	(10,039)[4]	(10,039)	(2,685)	(147)		(12,871)
Net Interest (expense)	(84,609)	(45,865)[4]	(130,474)	4,272	(53,132)	(12,208)	(191,542)
	6,683	(147,196)	(140,513)	1,587	(53,279)	(12,208)	(204,413)
Net income before income taxes	98,533	(99,961)	(1,428)	89,556	(53,849)	(8,746)	25,533
Income taxes (recovery)	(32,322)	(19,998)[5]	(52,320)	43,916	-		(8,404)
Net Income	**130,855**	**(79,963)**	**50,892**	**45,640**	**(53,849)**	**(8,746)**	**33,937**
Other Comprehensive Income	**$ (22,001)**	**$ 651[6]**	**$ (21,350)**	**$ -**	**$ -**		**$ (21,350)**
Statement of Financial Position:							
Assets:							
Current assets	506,211	(852)[7]	505,359	129,962	99,249	(882)	733,688
Non-Current assets	6,935,524	218,321[8]	7,153,845	360,547	6,224,493	(6,180,904)	7,557,981
	$ 7,441,735	**$ 217,469**	**$ 7,659,204**	**$ 490,509**	**$ 6,323,742**	**$(6,181,786)**	**$ 8,291,669**
Liabilities							
Current liabilities	525,936	(9,054)	516,882	33,382	44,233	(5,268)	589,229
Non-current liabilities	4,125,170	338,442[9]	4,463,612	161,548	6,062,816	(3,257,100)	7,430,876
	$ 4,651,106	**$ 329,388**	**$ 4,980,494**	**$ 194,930**	**$ 6,107,049**	**$(3,262,368)**	**$ 8,020,105**
Equity	**$ 2,790,629**	**$ (111,919)[10]**	**$ 2,678,710**	**$ 295,579**	**$ 216,693**	**$(2,919,418)**	**$ 271,564**
	$ 7,441,735	**$ 217,469**	**$ 7,659,204**	**$ 490,509**	**$ 6,323,742**	**$(6,181,786)**	**$ 8,291,669**

30. SUPPLEMENTARY INFORMATION (CONTINUED):

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

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

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

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

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

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

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

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

8) Non-current assets are higher under IFRS primarily due to adjustments to goodwill and property, plant and equipment. Upon TMC's acquisition, goodwill was recognized for the excess of the fair value of the consideration paid over the estimated fair value of the net assets acquired. There are differences in the fair value of the net assets under US GAAP and IFRS primarily related to ARO, regulatory liabilities, and deferred taxes upon acquisition. Following the acquisition, property, plant and equipment is higher due to the recognition of the ARO and the corresponding asset retirement cost. TMC also records proceeds from certain contracts (Firm 50 premiums) as contributions in aid of construction under US GAAP ASC 980, which reduces fixed assets. These contributions are recognized as revenue under IFRS.

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

10) The cumulative impact of the IFRS adjustments to shareholder's equity total $234 million with $125 million being the impact on the YTD 2020 net income.

31. RESTATEMENT OF PRIOR PERIOD:

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

i. Consolidated Statement of Financial Position:

December 31, 2019		Impact of restatement	
	As previously reported	Adjustments	As restated
Current liabilities			
NPI Provision (note 15(d))	$ -	$ 35,000	$ 35,000
Total Current liabilities	544,229	35,000	589,229
Shareholder's equity			
NPI reserve	826	(35,000)	(34,174)
Total Shareholder's Equity	$ 306,564	$ (35,000)	$ 271,564

ii. Consolidated Statement of Changes in Shareholder's Equity:

December 31, 2019		Impact of restatement	
	As previously reported	Adjustments	As restated
Net Profits Interest Reserve			
NPI Provision at the transfer of the NPI program (note 15 (d))	$ -	(32,000)	$ (32,000)
NPI Provision – Addition for the period (note 15(d))	-	(3,000)	(3,000)
Balance, end of year	826	(35,000)	(34,174)
Total Shareholder's equity	$ 306,564	$ (35,000)	$ 271,564

There was no impact on the Consolidated Statement of Comprehensive Income or the Consolidated Statement of Cash Flows for the year ended December 31, 2019. The note disclosure impacted by this restatement are notes 3, 15, 27 and 30.

Canada Development Investment Corporation

La Corporation de développement des investissements du Canada

CANADA DEVELOPMENT INVESTMENT CORPORATION

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APPENDIX TO THE CDEV 2020 ANNUAL REPORT

Canada Enterprise Emergency Funding Corporation

A WHOLLY-OWNED SUBSIDIARY OF CANADA DEVELOPMENT INVESTMENT CORPORATION,
A FEDERAL CROWN CORPORATION.

ANNUAL REPORT

2020

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CORPORATE ADDRESS

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DIRECTORS AND OFFICERS AS AT MARCH 8, 2021

BOARD OF DIRECTORS

Sandra Rosch, MBA
Chair of CEEFC
Executive Vice President and Director
Labrador Iron Ore Royalty Corporation
Toronto, Ontario

Nathalie Bernier, FCPA, FCA
Director
Montreal, Quebec

Michael Carter
Director
Toronto, Ontario

Jim McArdle
Director
Ottawa, Ontario

Jennifer Reynolds, ICD.D
President and CEO
Toronto Finance International
Toronto, Ontario

Zoltan Ambrus, CFA, LLB
President and Chief Executive Officer
of CEEFC and Vice President of CDEV
Toronto, Ontario

OFFICERS

Zoltan Ambrus, CFA, LLB
President and Chief Executive Officer
of CEEFC and Vice President of CDEV

Noreen E. Flaherty, BA, LLB
Legal Counsel and Corporate Secretary

Al Hamdani
Vice President

Andrew Stafl, CPA, CA
Vice President, Finance

MANDATE AND CORPORATE GOVERNANCE PRACTICES

Canada Enterprise Emergency Funding Corporation ("CEEFC" or the "Corporation") was incorporated on May 11, 2020 and is wholly-owned by Canada Development Investment Corporation ("CDEV"), a federal Crown corporation. CEEFC is a non-agent Crown corporation and is not subject to the *Income Tax Act* of Canada.

Since early 2020, the Canadian economy has been facing substantial challenges due to the global drop in demand for goods and services caused by the coronavirus ("COVID-19") pandemic. Companies' abilities to access credit has also been constrained due to uncertainties in the financial markets. Without continued access to credit, Canadian businesses have faced and may continue to face retrenchment, which could slow prospects for longer-term economic growth. CEEFC has been mandated to assist the Government of Canada ("Government of Canada" or the "Government") as part of Canada's COVID-19 Economic Response Plan through the implementation of the Government of Canada's Large Employer Emergency Financing Facility ("LEEFF") in cooperation with Innovation, Science and Economic Development Canada ("ISED") and the Department of Finance.

The LEEFF program is managed in accordance with terms and conditions approved by the Minister of Finance and is intended to provide bridge financing to Canada's largest employers, whose needs during the COVID-19 pandemic are not being met through conventional financing. The objective of LEEFF is to help protect Canadian jobs, help Canadian businesses weather the current economic downturn, and avoid bankruptcies of otherwise viable companies, where possible. LEEFF will not be used to resolve insolvencies or restructure firms, nor will it provide financing to companies that otherwise have the capacity to manage through the crisis. Instead, the additional liquidity made available through LEEFF provides emergency funding support for large Canadian enterprises facing financial challenges due to the economic impact of the COVID-19 pandemic, allowing these businesses and their suppliers to remain active during this difficult time and positioning them for a rapid economic recovery. The program is open to large Canadian employers who:

(a) have a significant impact on Canada's economy, as demonstrated by having significant operations in Canada or supporting a significant workforce in Canada;

(b) can generally demonstrate approximately $300 million or more in annual revenues; and

(c) require a minimum loan size of about $60 million.

Companies that receive a loan through LEEFF must agree to sustain their domestic operations, make reasonable commercial efforts to minimize the loss of jobs, and demonstrate a clear plan to return to financial stability. They must also agree to place restrictions on executive compensation, dividends, and share buybacks and publish annual climate-related disclosure reports indicating how their future operations will support environmental sustainability and Canada's climate goals. LEEFF loans are funded on an 80% unsecured basis, and 20% secured basis on terms identical to those of the borrowers' existing secured lenders. Fees are charged based on the loan commitment and other loan fees are payable upon repayment. Interest rates escalate through the term of the five-year unsecured loan.

CEEFC is responsible for receiving applications, performing financial analysis and due diligence, assessing the requests against the eligibility criteria and terms approved by the Minister of Finance, and entering into and funding transactions in accordance with such terms. CEEFC is responsible for monitoring and managing the loans it makes. CEEFC is funded through preference shares issued to the Government of Canada in accordance with a funding agreement.

The Board of CEEFC is responsible for the overall strategy and operation of the Corporation. It has engaged a President and Chief Executive Officer with responsibility to manage the Corporation in accordance with the mandate received from the Minister of Finance. CEEFC has a management team based in Toronto that works closely with external consultants, contractor specialists, and the Board to ensure the effective functioning of the Corporation. CEEFC's parent, CDEV, provides support functions and the expertise of some of its executive team to the Corporation, in exchange for a management fee, through a services agreement.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS

The public communications of CEEFC, including this Annual Report, may include forward-looking statements that reflect management's expectations regarding CEEFC's objectives, strategies, outlooks, plans, anticipations, estimates, and intentions. By their very nature, forward-looking statements involve numerous factors and assumptions, and they are subject to inherent risks and uncertainties, both general and specific. In particular, predictions, forecasts, projections, or other elements of forward-looking statements may not be achieved.

A number of risks, uncertainties, and other factors could also cause actual results to differ materially from what is currently expected. Specifically, CEEFC's interest income on loans is calculated using the effective interest rate method which includes a number of assumptions concerning the timing of expected loan draws and loan repayments. These assumptions may change based on updated information and could give rise to gains or losses over the actual terms of the loans. Such gains or losses are recognized in the Statement of Operations and Accumulated Surplus in the period in which assumptions are updated.

CORPORATE PERFORMANCE

A key objective from the CDEV 2020 Corporate Plan included the incorporation of a new, non-agent subsidiary to administer the LEEFF program to help Canadian businesses and industries recover from the economic impact of the COVID-19 pandemic. The new subsidiary became CEEFC. As part of its mandate, CEEFC is required to receive loan applications, assess the requests against the eligibility criteria and terms approved by the Minister of Finance, and fund eligible transactions. In addition, CEEFC must monitor and manage its loans.

Performance: In 2020, CEEFC was incorporated and developed processes and procedures to implement the LEEFF program. CEEFC also engaged financial and legal advisors to assist in evaluating loan applications and executing loan documents. Since incorporation, CEEFC reviewed and assessed several loan applications from potential borrowers. It issued its first two loans in September and October, as detailed below, and is now monitoring and managing these funded loans.

	As at December 31, 2020	
Borrower	**Total Loan Commitment**	**Amount funded**
Gateway Casinos & Entertainment Ltd.	$ 200 million	$ 60 million
Conuma Resources Ltd.	$ 120 million	$ 50 million

ANALYSIS OF EXTERNAL BUSINESS ENVIRONMENT

The management of CEEFC's loan portfolio will depend on overall market and economic conditions as well as factors specific to CEEFC's borrowers. At year-end, one of CEEFC's two borrowers operates in the gambling and entertainment sector which has been impacted by provincial restrictions on its operations, and the other operates in the steel-making coal business which has been impacted by restrictions on operations and the impacts on international markets on the steel-making industry. The global outbreak of COVID-19 has had limited impact on CEEFC's operations other than to affect the general interest in LEEFF to some potential borrowers.

RISKS

A substantial amount of credit risk is associated with LEEFF loans based on the terms and eligibility criteria of the program. The financial performance of CEEFC is highly dependent on the timing of any economic recovery and the impact of COVID-19 and its second wave or related impacts. Given the mandate to help Canadian businesses weather the current economic downturn, and avoid bankruptcies of otherwise viable firms where possible, it is expected that there will be losses in the portfolio. CEEFC's main role is to lend based on conditions set by the Government's LEEFF term sheet and not on an assessment of the borrower's creditworthiness. CEEFC has a high tolerance of macro-economic risks and for potential financial losses within the terms of the LEEFF program. However, CEEFC will monitor the activities of its loan portfolio to limit any losses of loans issued.

FINANCIAL STATEMENTS FOR THE PERIOD SINCE INCORPORATION TO DECEMBER 31, 2020

The financial statements for the period from incorporation on May 11, 2020 to December 31, 2020 have been prepared in accordance with the Public Sector Accounting Standards ("PSAS"). Although CEEFC is wholly owned by CDEV, CDEV does not consolidate the financial results of CEEFC under CDEV's International Financial Reporting Standards ("IFRS") accounting framework, as determined under IFRS 10.

Total revenue, excluding the Government contribution for the period ended December 31, 2020, was $3 million and primarily consisted of the interest earned on the funded loans to two borrowers, including the amortization of certain loan and transaction fees over the expected life of the loans. The budgeted revenue of $49 million is significantly higher than the actual revenue due to a higher budgeted level of loans issued in 2020 with resulting higher budgeted revenue.

Total expenses for the period ended December 31, 2020, were $14 million and primarily consisted of professional fees incurred to legal and financial advisors for their services including assistance with the development and implementation of the LEEFF program and conducting legal and financial due diligence on the loan applications. During the first half of 2020, third-party professional advisors worked closely with CEEFC and Government officials to determine CEEFC's role, set up the LEEFF program, and develop lending terms. Their fees of approximately $5 million are not expected to continue in future years. Legal and financial advisory fees incurred to issue loans are recovered from the borrower upon closing of the loan. At year-end, CEEFC estimates that approximately $2 million of the 2020 professional fees may be recovered through the issuance of loans after year-end. The budgeted expenses are higher due to higher budgeted loans issued and related estimates of advisory fees and other costs. The budget was developed early in the LEEFF program, without the benefit of any loan issuance in CEEFC's first year of existence. No provision for credit loss was incurred in the period as no loans were impaired as at December 31, 2020.

The Government contribution for the period ended December 31, 2020, was $200 million and represents the common share issued to CDEV and the preference shares issued to the Government of Canada.

Cash as at December 31, 2020, totaled $83 million. The cash was raised through the issuance of $200 million of preference shares to the Government of Canada and was partially offset by the funding of the loans. Subsequent to December 31, 2020, the Corporation issued an additional $100 million of preference shares as discussed in Note 10(b) of the Financial Statements. See also the Statement of Cash Flow for the period ended December 31, 2020.

Loans to borrowers as at December 31, 2020, totaled $112 million, representing $110 million of loans funded to two borrowers net of adjustments for accrued interest computed based on the effective interest rate methodology, and net of interest payments received in cash. As discussed in Note 10(a) of the Financial Statements, the Corporation entered into loan facility agreements with two additional borrowers after year-end, funding $135 million. For up-to-date details on loans issued, please see the CEEFC website (www.ceefc-cfuec.ca).

Trade and other payables as at December 31, 2020, totaled $6 million and represent unpaid invoices, primarily to legal and financial advisors.

No dividends were paid to the common or preference shareholders during 2020.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of Canada Enterprise Emergency Funding Corporation ("CEEFC" or the "Corporation") are the responsibility of management and were authorized for issue by the Board of Directors on March 8, 2021. The financial statements have been prepared by the Corporation in accordance with the Public Sector Accounting Standards. Where alternative accounting methods exist, the Corporation has chosen those it deems most appropriate in the circumstances.

CEEFC maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial records are reliable and form a proper basis for the preparation of the financial statements, and that its 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 CEEFC's annual financial statements and reports its findings to the Board for its consideration and approval. The Audit Committee also meets with the Corporation's joint auditors to discuss auditing matters and financial reporting issues. Due to 2020 being the Corporation's first partial year of operations, no internal audits were conducted.

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

As President and Chief Executive Officer and Vice President, Finance of CEEFC, we have reviewed the Corporation's financial statements, and based upon our knowledge, having exercised due diligence, believe they fairly present in all material respects the financial position as at December 31, 2020, and the financial performance and cash flows for the period since incorporation on May 11, 2020 to December 31, 2020.

Zoltan Ambrus, CFA, LLB
President and
Chief Executive Officer
CEEFC

Andrew Stafl, CPA, CA
Vice President, Finance
CEEFC

March 8, 2021

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

INDEPENDENT AUDITORS' REPORT

To the Minister of Finance

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Canada Enterprise Emergency Funding Corporation (the Corporation), which comprise the statement of financial position as at 31 December 2020, and the statement of operations and accumulated surplus, statement of change in net financial assets and statement of cash flow for the period from incorporation on 11 May 2020 to 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2020, and the results of its operations, changes in its net financial assets and its cash flows for the period from incorporation on 11 May 2020 to 31 December 2020 in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a

material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

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

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

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

Report on Compliance with Specified Authorities

Opinion

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

In our opinion, the transactions of Canada Enterprise Emergency Funding Corporation that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for Canada Enterprise Emergency Funding Corporation's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Canada Enterprise Emergency Funding Corporation to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

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

Marise Bédard, CPA, CA
Principal
for the Auditor General of Canada

PricewaterhouseCoopers LLP

Chartered Professional Accountants,
Licensed Public Accountants

Ottawa, Canada
8 March 2021

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

(THOUSANDS OF CANADIAN DOLLARS)

		2020
Financial Assets		
Cash	$	**82,673**
Interest receivable and other		**389**
Loans to borrowers (Note 4)		**111,822**
Due from shareholder (Note 5)		**187**
		195,071
Financial Liabilities		
Trade and other payables		**5,613**
		5,613
Net Financial Assets and Accumulated Surplus (Note 6)	$	**189,458**

Commitments (Note 8)
Contingencies (Note 9)
Subsequent Events (Note 10)
The accompanying notes are an integral part of these financial statements.

On behalf of the Board: Sandra Rosch Director _____ Director

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

(THOUSANDS OF CANADIAN DOLLARS)

	For the period from incorporation on May 11 to December 31, 2020 **(Budget)** Note 3	For the period from incorporation on May 11 to December 31, 2020 **(Actual)**
Revenue		
Interest income – loans	$ 49,000	$ 3,156
Interest income – bank	–	49
	49,000	3,205
Expenses (Note 5)		
Professional fees	24,000	12,464
Management fees	–	535
Salaries and benefits	–	375
Other	2,000	374
	26,000	13,748
Operating profit (loss) before government contribution	**23,000**	**(10,543)**
Government contribution (Notes 2(e), 6)	**2,250,001**	**200,001**
Net operating profit	**2,273,001**	**189,458**
Accumulated surplus, beginning of period	–	–
Accumulated surplus, end of period	**$ 2,273,001**	**$ 189,458**

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

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

(THOUSANDS OF CANADIAN DOLLARS)

	For the period from incorporation on May 11 to December 31, 2020 **(Budget)** Note 3	For the period from incorporation on May 11 to December 31, 2020 **(Actual)**
Net operating profit	$ 2,273,001	$ 189,458
Net Financial Assets, beginning of the period	–	–
Net Financial Assets, end of the period	**$ 2,273,001**	**$ 189,458**

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

STATEMENT OF CASH FLOW

(THOUSANDS OF CANADIAN DOLLARS)

		For the period from incorporation on May 11 to December 31, 2020
Operating activities:		
Net operating profit	$	189,458
Adjustments for non-cash items:		
Interest income – loans (Note 2(f))		(3,156)
Less: Loan interest received in cash (Note 2(f))		145
		186,447
Change in non-cash working capital:		
Due from shareholder		(187)
Trade and other payables		5,613
		5,426
Change in cash provided by (used in) operating activities		191,873
Investing activities:		
Loans issued, net of transaction fees		(109,200)
Change in cash provided by (used in) investing activities		(109,200)
Cash, beginning of period		–
Cash, end of period	**$**	**82,673**
Represented by:		
Cash	$	82,673

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM INCORPORATION ON MAY 11, 2020 TO DECEMBER 31, 2020

(ALL DOLLAR AMOUNTS ARE STATED IN THOUSANDS OF CANADIAN DOLLARS, UNLESS OTHERWISE INDICATED)

1. REPORTING ENTITY:

Canada Enterprise Emergency Funding Corporation ("CEEFC", or the "Corporation") is a wholly-owned subsidiary of Canada Development Investment Corporation ("CDEV"). CDEV is, in turn, wholly-owned by Her Majesty in Right of Canada (the "Government" or the "Government of Canada"). Pursuant to a directive (P.C. 2020-305) given by the Governor in Council, CDEV complied and incorporated CEEFC under the *Canada Business Corporations Act* ("CBCA") on May 11, 2020. The Corporation is subject to the *Financial Administrative Act* ("FAA") but is not subject to provisions of the *Income Tax Act*.

The objective of the Corporation is, as issued in the directive (P.C. 2020-307) pursuant to section 89 of the FAA, to administer, approve, and fund transactions in accordance with the terms approved by the Minister of Finance in relation to the Government's Large Employer Emergency Financing Facility program ("LEEFF" or the "Loan Program"). The Loan Program is designed to provide bridge financing to Canada's largest employers, whose needs during the coronavirus ("COVID-19") pandemic are not being met through conventional financing. Refer to Note 4 for further details of the Loan Program.

2. SIGNIFICANT ACCOUNTING POLICIES:

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards ("PSAS") as issued by the Public Sector Accounting Board.

a) Cash:

Cash include funds deposited in bank accounts at Canadian financial institutions that are due on demand. Cash is recorded at cost.

b) Loans to borrowers:

Loans to borrowers include loans advanced under the LEEFF program and are recorded initially at cost, which is the cash or value of other assets given up, or liabilities assumed, and subsequently measured at amortized cost less valuation allowances and write-offs.

Under terms of the LEEFF program, if the Corporation provides unsecured loans to Canadian public companies or private subsidiaries of Canadian public companies, it will receive warrants, exercisable for common shares of the borrower. In such instances, the cost of the unsecured loan receivable is the residual value after deducting the initial fair value of the accompanying warrants. Borrowers without publicly traded shares are required to provide the Corporation with compensation in the form of additional fees based on the amount of the unsecured loan that are payable at the repayment or maturity of the unsecured loan.

Transaction fees are included as part of the initial carrying value of the loan. Transaction fees and loan fees are included in the carrying value of the loan based on the effective interest rate method ("EIRM"). Professional fees incurred relevant to a loan are recovered directly from the borrower upon the issuance of the loan.

Loans to borrowers are measured and presented based on PSAS section 3050.

c) Impairment of financial assets:

At each reporting date, the Corporation assesses all financial assets or groups of financial assets to determine whether there is any objective evidence of impairment. Where there is evidence of impairment, a valuation allowance is recorded to reduce the loans and other receivables to their expected net recoverable value. The valuation allowance reflects the risk of loss based on past events, current circumstances, and all available information at the date of the preparation of the financial statements. Losses as a result of a valuation allowance are recorded in the Statement of Operations and Accumulated Surplus.

d) Derivative instruments:

Warrants, received as part of loans to Canadian public company borrowers or their private subsidiaries, are derivative financial instruments since they have a zero or small initial net investment, their value changes in response to the price of the underlying equity securities, and they will be settled at a future date.

e) Government contribution:

Government contribution represents the common share issued to CDEV and the preference shares issued to the Government of Canada. Both the common and preference shares are recorded at cost based on the proceeds received at the time the shares were issued. For further details, see Note 6.

f) Revenue recognition:

Interest revenue on loans to borrowers is recognized on an accrual basis and reported as revenue in the period earned. Interest revenue ceases to be accrued when the collectability of either principal or interest is not reasonably assured. Interest income is recognized in the Statement of Operations and Accumulated Surplus in the period it is earned using EIRM, whereby estimated future cash payments or receipts over the expected life of the loan are discounted using the effective interest rate and added to the gross carrying amount of the loan. The effective interest rate is determined based on the Corporation's estimates of future cash flows considering all contractual terms of the loan, but not expected credit losses. The calculation of the effective interest rate also includes any transaction costs not directly recovered from the borrower and transaction and loan fees received or receivable that are an integral part of the effective interest rate. Any interest that is paid in kind by the borrower is added to the carrying amount and principal of the loan.

For the period May 11 to December 31, 2020, the amount of interest income recognized in the Statement of Operations and Accumulated Surplus using EIRM was $3,156. Based on the terms of the loan agreements, the amount of interest collected from borrowers in cash during this same period was $145.

g) Foreign currency transactions:

Transactions in foreign currencies are translated to Canadian dollars at the exchange rate in existence at the date of the transaction and included in the Statement of Operations and Accumulated Surplus. Monetary assets and liabilities denominated in foreign currencies are translated using exchange rates prevailing at the end of each reporting period. Foreign exchange gains or losses are recognized as Other expenses on the Statement of Operations and Accumulated Surplus.

h) Measurement uncertainty:

The timely preparation of the financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates.

In the process of applying its accounting policies, management has made certain assumptions related to the amount and timing of when borrowers would request additional advances on their unused loan commitment facilities and the borrowers ability to meet their loan repayment obligations based on their projected cash flow and financial projection.

3. BUDGET INCLUDED IN THE STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS:

The original budget that was approved by the Board had been prepared on a cash basis, whereas these financial statements are prepared on an accrual basis in compliance with PSAS. Accordingly, for inclusion in the Statement of Operations and Accumulated Surplus, the budget has been adjusted from a cash basis to an accrual basis under PSAS. As indicated in the following reconciliation, the adjustment required to the budget was to interest income. In the original budget, interest income was computed using the contractual interest rates included in the loan agreements. Under PSAS accrual accounting, interest income must be computed using EIRM. Refer to Note 2(f) for further details on EIRM.

	For the period from incorporation on May 11 to December 31, 2020		
	Approved budget Cash basis	Adjustments	Revised budget PSAS-based
Revenue			
Interest income – loans	$ 30,000	$ 19,000	$ 49,000
Expenses			
Professional fees	24,000	–	24,000
Other	2,000	–	2,000
	26,000	–	26,000
Operating profit before government contribution	**$ 4,000**	**$ 19,000**	**$ 23,000**

4. LOANS TO BORROWERS:

The Corporation issues loans under the LEEFF program. To qualify for a loan, a borrower must seek financing of $60,000 or more, have significant operations or workforce in Canada, and not be involved in active insolvency proceedings. The loan is provided by way of two loan facilities: (i) an unsecured loan facility equal to 80% of the aggregate loan, and (ii) a secured loan facility equal to 20% of the aggregate loan. The loan is advanced in tranches over 12 months and interest is charged based on the terms and conditions of the loan agreements with the borrower. The duration of the unsecured loan facility is five years. The secured loan facility matches the terms of the borrower's existing secured debt. At the option of the borrower, the principal amount plus accrued and unpaid interest under the loan facilities may be repaid in whole or in part without penalty at any time. Amounts repaid may not be reborrowed. For two years after issuance of the unsecured loan facility, a borrower may elect to make interest 'payments in kind' ("PIK Interest") by adding the interest to the principal of the loan. PIK Interest added to the principal amount bears interest at the applicable interest rate and is treated as part of the principal balance.

The obligations in respect to the secured loan facility of each borrower is secured by a perfected security interest in tangible and intangible assets of the borrower (i) that are currently unencumbered and are satisfactory to the Corporation in its sole discretion, or (ii) that are subject to security interests in favour of first priority senior secured lenders ("Senior Lenders") of the borrower, which security interest shall rank equally with the security interests in favour of the Senior Lenders.

Interest accrues daily and the annual rate charged on the drawn portion of the unsecured loan facility is 5%, 8%, 10%, 12%, and 14% in years one to five, respectively. Upon any event of default, the applicable interest rate will be increased by 2% per annum. The interest rate charged on the drawn portion of the secured loan facility is the interest rate applicable on the borrower's existing secured loan agreement.

If the borrower is a Canadian publicly traded company (or the private subsidiary of a Canadian publicly traded company), the Corporation receives warrants with the option to purchase the borrower's (or their parent publicly traded company's) common shares with an aggregate exercise price equal to 18.75% of the total commitment amount of the unsecured loan facility. There are certain restrictions on the vesting and exercising of the warrants within the first year of the loan. No warrants were received by the Corporation as at December 31, 2020.

Private borrowers that are not Canadian publicly traded companies are charged a non-refundable fee equal to 6.25% of the aggregate principal amount advanced of the unsecured loan facility, payable on the maturity date of the unsecured loan facility. If the loan is not repaid in full within one year of loan issuance, an additional 6.25% fee will be payable on the maturity date of the unsecured loan facility.

On the closing date of the loan, the borrower is required to pay a non-refundable transaction fee of 25 basis points of the aggregate commitment amount of the loan to the Corporation.

As at December 31, 2020, CEEFC has made available $256,000 of unsecured loan facilities and $64,000 of secured loan facilities for an aggregate loan commitment of $320,000 to two borrowers. The total drawdowns under these loan agreements amounted to $110,000 at December 31, 2020. Transaction fees collected on these loans amounted to $800.

The outstanding balance on these loan facilities, including accrued interest based on EIRM and transaction fees is included in the following table:

		As at December 31, 2020
Unsecured loan facilities	$	89,787
Secured loan facilities		22,035
	$	**111,822**

As at December 31, 2020, the Loans to borrowers balance includes accrued but unpaid interest of $2,428 and $195 on the unsecured and secured loan facilities, respectively.

Principal repayments receivable in each of the next five years are as follows:

2021	$	–
2022		10,000
2023		–
2024		–
2025		100,000

5. TRANSACTIONS WITH RELATED PARTIES:

Related parties include the parent entity, CDEV and its subsidiaries, all Government of Canada departments, agencies, and Crown corporations, and key management personnel. Key management personnel are comprised of the directors and executive officers of Corporation that are paid by the Corporation, not including the management fees charged by CDEV to the Corporation.

During the period May 11 to December 31, 2020, CDEV provided management services to the Corporation related to executive, administrative, banking, financial, and support services, in respect of which it billed an amount of $535, including Harmonized Sales Tax ("HST") and is reported as Management fees on the Statement of Operations and Accumulated Surplus.

The Corporation also agreed to reimburse CDEV for certain expenses CDEV incurred on behalf of the Corporation including (i) professional and advisory fees and expenses, (ii) salaries and employee benefits, (iii) director fees and expenses, and (iv) insurance and other expenses that may be agreed upon by the parties from time to time. The following table summarizes these expenses.

	Expenses for the period from incorporation on May 11 to December 31, 2020
Professional fees	$ 1,942
Salaries and benefits, including director fees and expenses	375
Other expenses	115
	$ 2,432

6. ACCUMULATED SURPLUS:

Accumulated surplus consists of the Operating profit (loss) before government contribution plus the government contribution as described in Note 2(e). The following are additional details about the Corporation's government contribution.

a) Common shares:

The Corporation is authorized to issue an unlimited number of common shares. Holders of these shares are entitled to dividends, as and when declared from time to time, and are entitled to one vote per share at general meetings of the Corporation. No dividends were declared during the period May 11 to December 31, 2020.

As at December 31, 2020, the Corporation issued 1 common share (authorized and fully paid) at a price of $1 to CDEV.

b) Preference shares:

On June 18, 2020, a Funding Agreement was entered into between CEEFC and the Minister of Finance representing the Government of Canada regarding the funding of CEEFC, pursuant to paragraphs 60.2(2)(a)(i) and 60.2(2)(a)(iii) of the FAA. The funding is by way of subscription for Class A Preference Shares ("Preference Shares") of the Corporation on the terms set forth in the Funding Agreement to provide funding to CEEFC for the administration and implementation of the LEEFF program.

As at December 31, 2020, the Government had subscribed for 200 thousand Preference Shares for an aggregate purchase price of $200,000.

The holders of the Preference Shares are not entitled to vote at any meeting of the shareholders of the Corporation, except where the holders of another class or series of shares of the Corporation are entitled to vote separately as a class or series.

The holders of the Preference Shares, in priority to the holders of the common shares and any other shares ranking junior to the Preference Shares, are entitled to receive preferential dividends as and when they are declared by the Board of Directors. If, in any fiscal year, the Board of Directors has not declared any dividends on the Preference Shares, then the holders of such shares shall have no right to any such dividend for that year.

Subject to the CBCA, the Corporation may, upon giving at least 30 days' notice, redeem all or any part of the outstanding Preference Shares at a price of $1 per Preference Share, together with all declared but unpaid dividends.

The aggregate proceeds from Preference Shares issued to the Government are included as an addition to the 'Government contribution' line on the Statement of Operations and Accumulated Surplus. When these shares are redeemed by the Corporation, the aggregate redemption amount will be a deduction against this line item.

7. FINANCIAL RISK MANAGEMENT:

The nature of the Corporation's operations exposes the Corporation to risks that may have a material effect on cash flows, statement of operations, and accumulated surplus. This note provides information about the Corporation's exposure to each of these risks as well as the Corporation's objectives, policies, and processes for measuring and managing them.

(a) Credit risk:

Credit risk is the risk of financial loss to the Corporation if counterparties do not fulfill their contractual obligations. The carrying amount of Loans to borrowers represents the Corporation's maximum credit exposure. The Corporation attempts to mitigate this risk by requiring collateralization for its secured loan facilities.

The Corporation's unsecured loan facilities include loans that are subordinate to other secured loan facilities and have been made to borrowers with limited borrowing alternatives and which are facing challenging financial circumstances. The Corporation issues these loans based on compliance with terms provided to the Corporation by the Minister of Finance. The Corporation does not undertake a full credit assessment of the borrower, nor does it lend money based on the borrower's ability to repay the loan. Instead, the Corporation issues these loans based on a number of other criteria, including the borrower's agreement to make efforts to minimize the loss of employment and to sustain its domestic business activities, as well as the borrower's ability to demonstrate a plan to return to financial stability. The Corporation's credit risk is therefore considered very high and loans are monitored for indicators of impairment.

As at December 31, 2020, there are no loan balances which are past due or considered impaired. Therefore, no allowance for loan losses has been recorded in the financial statements.

(b) COVID-19:

In March 2020, the World Health Organization declared a global pandemic following the outbreak of COVID-19. The spread of COVID-19 has resulted in a significant increase in economic uncertainty, and information on the global economic impacts of COVID-19 as well as the duration of the pandemic continues to evolve.

As at December 31, 2020, market conditions have improved as nations have started to vaccinate their citizens. However, the COVID-19 pandemic continues to present challenges to our operations and business environment, and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and conditions of the Corporation.

8. COMMITMENTS:

As at December 31, 2020, the Corporation had loan commitments of $320,000, less the amount drawn of $110,000, the terms of which are as discussed in Note 4.

9. CONTINGENCIES:

Recovery of professional fees:

During the normal course of operations, the Corporation engages legal and financial advisors in the provision of services relating to potential loans. Such professional fees are recoverable from borrowers upon the signing of a loan agreement. As at December 31, 2020, the Statement of Operations and Accumulated Surplus included professional fee expenses in the amount of $12,464. It is estimated that up to $2,400 of these expenses are recoverable if loan agreements are signed.

10. SUBSEQUENT EVENTS:

(a) Loan facility agreements:

During January and February 2021, the Corporation entered into loan facility agreements with two new borrowers, in the amount of $658,000 after post-closing adjustments. A total of $135,200 was drawn down under these agreements as at March 8, 2021.

(b) Preference shares issued:

On January 26, 2021, the Corporation issued 100 thousand Preference Shares for an aggregate purchase price of $100,000 to the Government of Canada.

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