CDEV

CANADA DEVELOPMENT INVESTMENT CORPORATION

Annual Report 2021

Contents

Corporate Address

CDEV

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

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Directors and Officers as at March 28, 2022

MINISTER RESPONSIBLE FOR CDEV

The Honourable Chrystia Freeland
Deputy Prime Minister and Minister of Finance

BOARD OF DIRECTORS

Steve Swaffield, BA, MA, MBA, CEng. (1) (2)
Chair of CDEV
President
CarbEx Consulting Inc.
Whistler, British Columbia

Carole Malo, BComm, CFA (1) (2)
Independent Director
Ontario Energy Board, Humber River Hospital,
York University
Toronto, Ontario

Jennifer Reynolds, ICD.D (1) (2)
CEO
Women Corporate Directors Foundation
Toronto, Ontario

Mary Ritchie, FCPA, FCA (1) (2)
CEO
Richford Holdings Ltd.
Edmonton, Alberta

Sandra Rosch, MBA, ICD.D
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 (*)

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

Andrew Stafl, CPA, CA
Chief Financial Officer

Zoltan Ambrus MBA, LL.B, CFA, ICD.D
Vice-President
President and Chief Executive Officer, CEEFC

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

Al Hamdani, MBA, CFA
Vice-President

COMMITTEES OF THE BOARD

(1) Audit Committee
(2) Governance and Human Resources Committee

* The President and CEO has been appointed by Order in Council for a 5 year term effective March 28, 2022

Report to the Minister

THE HONOURABLE CHRYSTIA FREELAND
DEPUTY PRIME MINISTER AND MINISTER OF FINANCE

Dear Minister Freeland:

2021 was a challenging year for Canada Development Investment Corporation ("CDEV") and its subsidiaries. The COVID-19 pandemic marched on, but we continued to manage and develop our assets as conditions changed.

The greatest challenges were faced by Trans Mountain Corporation ("TMC") and its expansion project. Construction progress was slowed early in the year as contractors restarted operations at a measured pace after a safety shutdown which the company initiated at the end of 2020. TMC only reached full stride midyear and was then faced with extreme temperatures and fires. After recovering from the fires, progress accelerated through the fall. Construction in the mountainous region and lower mainland of British Columbia was then severely curtailed as a result of a one-hundred-year (plus) flood event which ceased construction in several of the spreads. TMC crews and contractors pitched in to assist local communities after both of these environmental events and we are very proud of these efforts. As a result of the above challenges and other impacts, including project enhancements and schedule pressures, the expected costs of the project have increased from prior estimates. Even with these cost increases we still strongly support the completion of the project and expect the investment to continue to be commercially viable.

CDEV continues to work with both the Board and management of 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 $185 million in Earnings before Interest, Taxes and Depreciation ($181 million under its US GAAP accounting framework) in 2021. Since acquisition TMEP has spent $9.3 billion financed by borrowings from the Canada Account, through TMP Finance. In the next few weeks we will work with TMC to attain external sources of financing to fund the continued construction of the expansion project through to completion.

During 2021, construction activities on the expansion project were significant in all spreads resulting in 22% of the pipeline construction completed in 2021 to a cumulative level of 44% at year-end. At the marine terminal the shoreline has been transformed, the tunnel through the Burnaby mountain is well under construction and new tanks at the Burnaby terminal are visible as they take shape including the new safety berms. The pipeline spreads west of Edmonton are nearing completion. The hard work ahead in 2022 will be through more challenging mountainous terrain and will include less disruptive trenchless crossing techniques. The TMC management team is working hard with contractors to identify construction efficiencies with a plan to complete construction before the end of 2023.

Our lending subsidiary Canada Enterprise Emergency Funding Corporation ("CEEFC") was very busy in 2021 with it funding $2.6 billion in loans to five new borrowers. Two borrowers have now repaid their loans entirely. A $4 billion loan facility provided to Air Canada was cancelled by the company without it being drawn. For these borrowers the Large Employer Emergency Financing Facility program provided much needed liquidity during a challenging economic period. Companies have found alternate sources of financing now that the financial markets and their businesses have recovered from lows during the COVID-19 pandemic. CEEFC also set up an airline financing facility program to allow Canadian airlines to refund their customers for flights cancelled due to the COVID-19 pandemic in 2020. CEEFC continues to provide financing to its borrowers as they work to recover from challenges faced within the airline and other industries.

Canada Hibernia Holding Corporation ("CHHC") generated $64 million of net income as the Hibernia field produced 99 thousand barrels of oil per day in 2021. This was down from 118 thousand barrels in 2020 as the platform is currently not drilling new wells and production has declined from existing wells. Net crude oil revenue increased 32% with the recovery of global oil prices through the latter half of 2021. The project operator has not been impacted by COVID-19 and has enhanced safety protocols in place.

CDEV continues to receive and manage the Net Profits Interest ("NPI") payments from the Hibernia owners. We received $221 million during 2021. We paid a dividend of $208 million related to these NPI receipts during the year. We note that NPI receipts continue to vary significantly with global oil prices and have increased through the year with the increase in global oil prices.

In 2021 CDEV paid a total of $302 million in dividends to the Government. TMP Finance, our subsidiary borrowed an additional $5.2 billion during the year from the Canada Account, administered by EDC, to finance TMEP.

On March 28, 2022, after an Order in Council appointment, our new President and CEO Elizabeth Wademan joined CDEV.

On behalf of the Board of Directors,

Steve Swaffield
Chair
Canada Development Investment Corporation

March 28, 2022

CDEV 2021 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 2021, TMC spent $5.0 billion to further develop the project.**
- **Trans Mountain Corporation generated $185 million in Earnings before Interest, Taxes and Depreciation under IFRS in 2021.**
- **Canada Hibernia Holding Corporation generated net income of $64 million in 2021 on net crude oil revenue of $151 million on sales volume of 2.7 million barrels.**
- **Canada Enterprise Emergency Funding Corporation administered the Government of Canada's Large Employer Emergency Financing Facility and a new airline voucher loan program. In 2021, CEEFC funded $2.6 billion in cash in new loans and received $380 million in cash loan repayments. CEEFC generated $100 million in surplus before government contributions.**
- **CDEV received $240 million in Net Profits Interest receipts in 2021.**
- **CDEV paid dividends to the Government of $302 million in 2021, $208 million of which came from the NPI.**

Above:
Construction for the Trans Mountain Expansion Project at Westridge Marine Terminal in Burnaby, BC

Opposite Left:
Hibernia crane replacement

Opposite Centre:
Workers on the Trans Mountain Expansion Project at Westridge Marine Terminal in Burnaby, BC

Opposite Right:
Tank construction for the Trans Mountain Expansion Project at Burnaby Terminal in Burnaby, BC

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 2021 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' environmental, social and governance ("ESG") performance and practices. In alignment with Canada Development Investment Corporation's ("CDEV") 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. In addition, CDEV is in the process of developing reporting for climate-related financial risks using the standards of the Task Force on Climate-related Financial Disclosures ("TCFD").

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. 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

Steve 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 2022, TMC will publish its second ESG report sharing the company's ESG performance for the last three 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 is committed to developing and publishing a GHG reduction plan by the end of 2022 in support of the Government of Canada's ambition to reach net zero emissions 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 impacts on land, water and air as a result of construction activities, including considerations of traditional knowledge and heritage resources. Construction of TMEP will generate emissions. As part of TMC's regulatory approvals, the company has committed to offsetting construction-related emissions (arising from fuel consumption during construction and from land clearing activities). TMC plans to develop and publish an Expansion Project offset plan by the end of 2023.

TMC is taking a phased approach to identifying and managing climate-related risks. In its 2021 ESG report, TMC provides disclosures around the four thematic areas contained in the TCFD framework—governance, strategy, risk management, and metrics and targets. In early 2022, TMC continued progressing its understanding and disclosures, formally adding climate-related risks to its Enterprise Risk Management system and conducting qualitative scenario analysis.

As part of this process, TMC has begun to evaluate climate-related physical and transition risks (i.e., risks related to the transition to a low-carbon economy).

Physical risks: Physical risks such as wildfires, winter storms, floods and rising sea levels are evaluated and managed in alignment with TMC's asset integrity program. In 2021, TMC effectively responded to three extreme weather events: wildfires, extreme cold and severe flooding. During the flooding event the pipeline was not in operation for three weeks, it resumed operations safely on December 5, 2021 with no significant safety or environmental incidents.

Transition risks: TMC is evaluating a series of regulatory and market-related transition risks. Some of those risks include changes in oil demand, sustained low oil prices, carbon regulations that impact shipper customers and access to refineries. In the next 10 years, TMC has various sources of resiliency including several long-term “take-or-pay” contract commitments in place with its shippers and a unique strategic position as the only pipeline system transporting crude oil and refined products to the West Coast with access to a marine terminal.

Scenarios: In early 2022, TMC conducted several workshops to discuss the qualitative impacts of two scenarios developed by the International Energy Agency (IEA): *The Announced Pledges Scenario* (APS) and the *Net Zero Emissions by 2050 Scenario (NZE)*. TMC focused its discussions on the NZE since it is the most aggressive scenario. TMC remains resilient in the next ten years but would need to make changes to its business after 2030 if some of the assumptions in the NZE scenario were closer to being realized.

Social

TMC endeavours to look for ways they can maximize opportunities for Indigenous people. TMC’s goal is that Indigenous communities are in a more sustainable position than when they first engaged with them, and that a positive legacy endures beyond the Expansion Project. In alignment with the mandate to operate in a manner consistent with Canada’s commitment to advance reconciliation with Indigenous Peoples, TMC will establish an Indigenous advisory council in 2022 and has committed to developing and publishing a Reconciliation Plan by the end of 2022.

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. In 2021, TMC completely revamped its approach to safety on the Expansion Project and focused on hazard identification, awareness around high-risk activities and recognition of positive safety behaviours.

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 judgement to strengthen management and accountability. In 2021, TMC reviewed learnings from the Colonial Pipeline cybersecurity incident and provided cyber awareness sessions to 537 individuals across the company.

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 5.7% in the Hibernia Southern Extension Unit. The Hibernia offshore operation is operated by Hibernia Management and Development Company Ltd. (“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 applies 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.

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’s own energy needs[1]. The platform also has a fugitive emissions reduction program, which has significantly reduced fugitive emissions. 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, and has two key elements:

- A carbon tax applied to combusted fossil fuels across the economy, except where exemptions are provided, at the price of $40/tonne of CO2 equivalent as of December 31, 2021; and
- A performance-based system for offshore and onshore industries that will establish greenhouse gas reduction targets for large industrial facilities and large scale electricity generation.

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

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

CHHC is working to align with the reporting principles and metrics in the Task Force on Climate-Related Financial Disclosures framework, for example, assessing physical and transition risks and tracking Hibernia facility GHG emissions (baseline year 2018).

Social

Safety has been, and continues to be, an integral part of the way Hibernia conducts its business. Lessons learned from other offshore developments have been incorporated into the design and operability of the Hibernia production facilities. Safety is a consideration in every decision made by all personnel working at Hibernia. Accidents are not an expected outcome of the job, and precautions are taken to prevent them. The primary goal is "Nobody Gets Hurt". 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[2].

Governance

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

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 Steve 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. Currently, all members of the Board are independent of CDEV management. The CDEV President and Chief Executive Officer will also be a member of the CDEV Board, who has been appointed by Order in Council effective March 28, 2022. Ms. Wademan will also be a member of all CDEV subsidiary boards. 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 board of CHHC is 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.

[1] hibernia.ca website
[2] hibernia.ca website

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 two committees, being the Governance and Human Resources Committee and the Audit Committee. The Governance and Human Resources Committee deals with matters related to corporate governance including the appointment of new directors and CEO, as required. It continues to review CDEV's governance practices in the spirit of continuous improvement and to address new requirements. In addition, this Committee assists in determining the desired composition and structure of the Board and its committees and the boards of directors of CDEV's subsidiaries. The Committee also 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. CDEV management has been led on an interim basis by the Chair of CDEV. The Board has successfully completed a search to hire an Order-in-Council appointed President and CEO with an effective date of March 28, 2022. 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 and the Board approved a Mandatory Vaccination Policy in October 2021 requiring all employees, contractors and directors to be fully vaccinated.

Management Discussion and Analysis of Results

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

By their nature, forward-looking statements involve numerous factors and assumptions, and they are subject to inherent risks and uncertainties, both general and specific. In particular, any predictions, forecasts, projections or other elements of forward-looking statements may not be achieved. A number of risks, uncertainties and other factors could cause actual results to differ materially from what we currently expect. Management draws attention to the going concern discussion below under the financial statements discussion and note 2 of the 2021 consolidated financial statements.

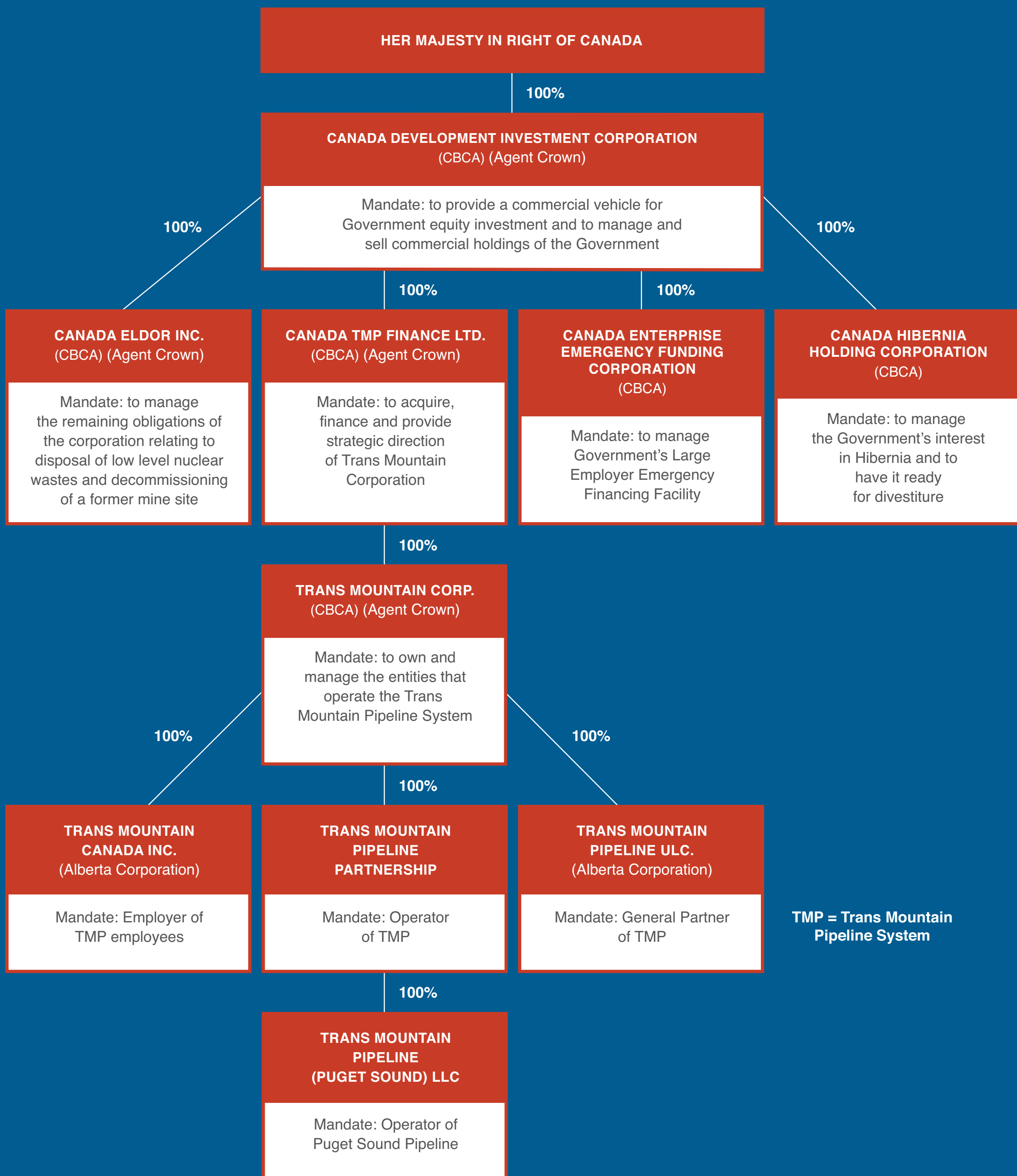
CORPORATE OVERVIEW

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

On May 11, 2020, CDEV incorporated a new subsidiary, Canada Enterprise Emergency Funding Corporation (“CEEFC”) 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 4c) of the consolidated financial statements. For CEEFC’s annual report for the period ending December 31, 2021 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 2021. In addition, CHHC has paid a total of $2.4 billion in cumulative dividends from operations. CDEV has received $338 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”) however a new Order-in-Council President and CEO has been appointed for a 5-year term beginning on March 28, 2022. 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 over 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 2021 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.
- Continue to manage the LEEFF program through CEEFC.
- Maintain our ability to perform all tasks given to us in an efficient manner.

PERFORMANCE

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

CANADA DEVELOPMENT INVESTMENT CORPORATION

In 2021 CDEV continued to manage the Government's LEEFF program through its CEEFC subsidiary.

In 2021 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 to operate in a manner consistent with Canada's commitment to advance reconciliation with Indigenous peoples. CDEV worked with external experts to evaluate the expansion project and provide assurance activities related to the project to ensure it protects and enhances the interests of Canadians. Our financing subsidiary amended its credit agreement with Export Development Canada ("EDC") to allow for continued availability of funds for TMC's expansion project.

In conclusion of the closing of the sale of Ridley Terminals Inc. in December 2019, CDEV paid the remaining $50 million held on behalf of the Government to Transport Canada in the second quarter of 2021.

CDEV, in its role as the entity responsible for administrating the NPI and INPI, has calculated the net NPI and INPI revenues collected in the year ending December 31, 2021. The table below shows the calculation of these amounts:

Total NPI/INPI collected by CDEV in 2021	$ 240,203,916
Less: refunds for overpayments by project owners	(48,137,612)
Gross NPI/INPI for 2021	**$ 192,066,304**
Less: administrative expenses incurred	(480,682)
Net NPI/INPI for 2021	**$ 191,585,622**

CDEV paid dividends of $302 million in 2021. These dividends were funded by dividends received from CHHC of $86 million, and NPI receipts of $216 million of which $8 million related to NPI paid by CHHC. CDEV retains suitable levels of cash and cash equivalents and short-term investments to remain prepared to undertake future activities and to fund potential contingencies.

TRANS MOUNTAIN CORPORATION

In the year ended December 31, 2021 TMC generated $446 million in revenue and $185 million in earnings before interest, taxes, and depreciation ("EBITDA"). In the comparative period TMC generated $440 million in revenue and $201 million in adjusted EBITDA. We note that under TMC's continuing use of US GAAP, revenue and EBITDA were $443 million and $181 million respectively compared to $428 million and $188 million in the comparative period. For details see note 30 of the consolidated financial statements.

Capital expenditures for the year ended December 31, 2021 increased significantly over the same periods of the prior year due to construction activity on the TMEP. TMC spent approximately $5.0 billion on the TMEP, excluding financing costs, in addition to the $4.3 billion spent through to December 2020 under CDEV ownership. As of December 31, 2021, the overall Project including upfront costs of permitting, regulatory approval, advance purchase of materials and financial carrying costs is approximately 55% complete. Construction is approximately 44% complete, with $10.5 billion in capital spending incurred and $1.2 billion in financial carrying costs capitalized since the inception of the project. TMC expects that 2022 will see peak construction for the TMEP, with thousands of people working at hundreds of sites across Alberta and British Columbia.

The overall performance of the pipeline system was impacted in the fourth quarter of 2021 by heavy rainfall and extreme weather conditions, which led to widespread flooding in British Columbia and Washington State. As a precaution, the pipeline was shut down on November 14, 2021 with operations safely restarting at reduced capacity on December 5th. The mainline remained at reduced capacity until January 14, 2022 when full capacity was restored. The vast majority of costs related to Trans Mountain's flood response activities are anticipated to be recoverable from shippers, insurance or third parties. In February 2022, TMC released a revised project cost estimate of $18.1 billion, and $21.4 billion including financing costs, with mechanical completion expected in late 2023.

For further details please see the TMC 2021 financial and management reports at www.transmountain.com.

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 December 31, 2021, the Construction Facility limit was increased to $11.6 billion. At year end, the outstanding amount on the Construction Facility was $9.6 billion. Further financing sources will be required by TMP Finance to continue to finance the TMEP and TMP Finance is in discussion with the Department of Finance in this regard. In February 2022, TMC and CDEV began a process to attain external financing to fund construction costs in 2022 through to project completion. In 2021 gross loan interest expense was $542 million, of which $381 million was capitalized and added to the capital cost of the project and will be depreciated over the useful life of the pipeline.

CANADA HIBERNIA HOLDING CORPORATION

CHHC's after-tax income of $64 million in 2021 was significantly higher than the $21 million recorded in 2020.

Net crude oil revenue (crude oil sales less royalties and NPI) increased by 32% or $37 million to $151 million in 2021 from $114 million in 2020. (On consolidation, Net crude oil revenue for 2021 was $166 million (2020-$121 million) due to the elimination of NPI payments made to CDEV.) An $80 million or 51% increase in crude oil sales was driven by a 66% increase in average realized oil price partly offset by a 9% decline in sales volumes. Gross Hibernia production averaged 99,000 barrels per day in 2021, less than the 118,000 barrels per day in 2020 due to natural production declines as no new wells have been drilled since June 2020.

CHHC sells its oil based on the Dated Brent benchmark price for crude oil, in US dollars. The average price of Dated Brent crude increased by 70% to average US $ $70.77 per barrel from US $41.68 per barrel in 2020. On a Canadian dollar basis, CHHC's average realized oil price increased by 66% to $86.74 per barrel in 2021 from $52.39 per barrel in 2020, due to a more favorable differential to Dated Brent largely due to improved demand, partly offset by a stronger Canadian dollar which had an unfavorable impact on Canadian price realizations.

During 2021, capital investment was $8 million. Production operations are continuing however no new drilling was undertaken in 2021.

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 2021, the liability for site restoration decreased by $0.7 million due to the settlement of $0.9 million in obligations offset by an increase in the provision estimate of $0.2 million.

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 $13 million to pay for CEI's total estimated liabilities of $7 million.

CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION

Since March 2020, management of CDEV has assisted in implementing the LEEFF 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.

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 and 2021, CEEFC received $3.1 billion through the issuance of 3.09 million Class A preferred shares pursuant to the Funding Agreement.

In 2021, CEEFC made new loan commitments for $7.1 billion and advanced $2.6 billion in loan proceeds. Outstanding loan commitments as at December 31, 2021 are $2.8 billion after cancellations and repayments. As discussed in note 4(c) of the consolidated financial statements, CEEFC has not been consolidated within CDEV as CDEV is not deemed to have control over CEEFC based on the criteria outlined in IFRS 10. Select financial results for CEEFC are shown below:

($ Millions)	2020	**2021**	Total to December 31, 2021
Loan commitments made	320	**7,108**	7,428
Loans funded	110	**2,588**	2,698
Equity Investments [1]	-	**500**	500
Loan Principal Repayments	-	**380**	380
Preferred shares issued	200	**2,890**	3,090

[1] As part of a financing agreement with Air Canada, CEEFC purchased $500 million worth of Air Canada Class B Voting shares. During the year loan facilities to Air Canada were negotiated for $4 billion but were later cancelled in November after not being utilized.

CEEFC prepares its financial statements using Public Sector Accounting Standards. Costs incurred by CDEV related to the development of LEEFF have been recovered from CEEFC. For details on the financial and operating results of CEEFC please see the CEEFC Annual Report at www.ceefc-cfuec.ca.

SUMMARY OF 2021 OPERATIONAL METRICS

$ Millions (unless noted otherwise)	2021 Plan	2021 Actual	2020 Actual	Actual Y/Y Change**	Explanation of changes Year/Year or to Plan
TMC throughput (K bpd)	315	299	312	(4%)	Throughput decreased due to November shutdown of pipeline due to flooding.
TMC EBITDA (IFRS)	216	185	201	(8%)	Increased expenses compared to 2020 due to higher power costs and additional flood response costs. Decreased throughput was offset by higher tariffs resulting in overall increase in revenues.
TMEP Capital Expenditures excluding capitalized interest (IFRS)	5,158	5,034	3,022	67%	Significant ramp up of construction in 2021. Additional spending due to deferral of certain costs from 2020 and higher costs incurred than planned.
Net crude oil revenue (deducting all NPI paid by CHHC)	130	151	114	32%	2021 actual revenue affected by 66% increase in oil prices offset by 9% volume decrease and 99% increase in royalty costs.
Oil Sales Volume (million barrels)	3.10	2.71	2.96	(9%)	Lower sales volume due to declining production given pause in new drilling.
Realized Oil Sale Price ($US/barrel)	45.00	69.44	39.30	77%	World oil prices recovered in 2021 due to market forces.
Oil Capital Expenditures	11	7.5	14	(47%)	Decline due pause in new drilling activity.
Professional Fees and Administration Expenses (ex. TMC, CEEFC)*	9	13	9	44%	2021 actual costs increased due to increased analytical activity by consultants.

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

** Percentages may differ due to rounding.

ANALYSIS OF EXTERNAL BUSINESS ENVIRONMENT

The ongoing management of our holdings will depend on overall market and economic conditions as well as factors specific to the underlying company or investment. Material changes have been identified since March 2020 related to the changing economic conditions brought on by COVID-19, fluctuating global oil prices and environmental impacts such as flooding on the operation and construction of the Trans Mountain pipeline system and expansion project.

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, the attainment of regulatory and permit approvals on a timely basis, and the challenging terrain which the expansion project must traverse. The detailed development schedule and cost estimate developed by TMC management addresses some of these impacts and the construction progress made throughout 2021 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

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, however, the COVID-19 pandemic has increased certain risks related to development of the TMEP's schedule. In addition, the development of the TMEP faced various legal and regulatory challenges. Despite the pandemic's impact on crude oil demand and prices, the Trans Mountain pipeline operated at full capacity throughout 2020 and until Q4 2021, when the unprecedented impact of the November 2021 floods in British Columbia shut down the operating pipeline for 21 days and impacted construction of the expansion in several areas.

The significant fluctuations in global crude oil prices experienced in 2020 have stabilized in 2021 with more positive impact on the financial results of CHHC in the latter half of 2021.

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 the 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 $14 billion dollars which creates financial risk for CDEV. As the loans are from the Government, this risk is assessed as low. We note that there continues to be a refinancing risk as TMP Finance requires further financing as the TMEP enters a very busy construction period. Completion of the TMEP will require significant capital expenditures, and TMC will require the continued availability of financing in order to complete the TMEP. CDEV has commenced the pursuit of the necessary external financing and expects it will be obtained in a timely manner and on terms satisfactory to TMC.

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

Another significant risk to CHHC's income 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 income before tax by $1.7 million ($2.2 million in 2020). 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 $119 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 $173 million ($102 million deposited in the Consolidated Revenue Fund and $71 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 decreased to 1.25 in 2021 compared to 1.34 in 2020 which had a negative year-over-year impact on CHHC's Canadian dollar realized oil sales.

CHHC bears credit risks on relatively large cargo sales. CHHC deals primarily with purchasers with established credit history and utilizes credit risk mitigation tools when necessary.

TMC bears credit risk with its customers. The terms of TMPL's tariff allow it to require potential customers to provide reasonable financial assurance, which greatly mitigates TMC's exposure to credit risk.

There exists some concentration risk where two customers represent approximately 34% of consolidated invoiced revenues, however both have investment grade credit ratings.

The present value cost for decommissioning and abandonment of the TMC pipeline of $479 million is estimated based on the current expected costs to abandon the pipeline at the end of its economic life in 97 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 4(c).

CEI is subject to liabilities due to its undertakings to Cameco as part of a 1988 Purchase and Sale agreement. The $6 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 $13 million in total assets to settle its $7 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, 2021

The consolidated financial statements for the year ended December 31, 2021, with comparative figures for 2020, have been prepared in accordance with International Financial Reporting Standards (IFRS) and on a going concern basis. As described in note 2 of the consolidated financial statements there is significant doubt as to the Corporation's ability to continue as a going concern. Efforts are being made to resolve the going concern issue through negotiations with lenders and the government to secure the required financing to allow the Corporation to service its existing debt and fund future capital expenditures to complete the TMEP.

TMC prepares its financial statements in accordance with US GAAP. To read the US GAAP 2021 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 2021 decreases revenue by $29 million. There was also a $32 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 2021 increased net finance costs by $284 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, 2021 was $612 million, compared to revenue of $562 million in the prior year. The increase is primarily due to higher net crude oil revenue and higher transportation revenue. Net crude oil revenue increased by $45 million in the current year largely due to a 66% increase in average realized oil prices, partly offset by a 9% decrease in sales volume and higher royalty payments. TMC transportation revenues rose by $5 million due to higher tariffs compared to prior year beginning in May 2021 when the new tariffs came into effect, offset by decreased volumes due to the pipeline shut down as a result of flooding at the end of 2021.

Total expenses for the year excluding finance costs were $441 million, compared to $437 million in the prior year. The increase was driven by higher pipeline operating expenses by $11 million and higher salaries and benefits by $8 million offset by $14 million lower depletion and depreciation. As well, a loss of $9 million on derecognition of capitalized project costs was recorded in the prior year compared to a gain of $1 million in the current year. The lower depletion and depreciation was mainly driven by lower production volumes depleted and a lower average depletion rate on CHHC's PP&E partially offset by a $3 million increase related to inventory changes. The increase in pipeline operating expenses of TMC is largely due to higher power costs as well as flood response costs. An $8 million increase in salaries and benefits for the year at TMC was due to higher costs associated with an increased workforce to prepare TMC for its expanded asset post-TMEP and associated business requirements. Professional fees in 2021 increased by $4 million primarily due to higher consulting fees for projects at CDEV.

We recorded interest expense of $165 million for the year, consistent with $165 million in 2020 as an increase in gross interest costs to $542 million due to higher loan balances was offset by higher capitalized interest of $381 million ($339 million and $178 million respectively in 2020).

We incurred a profit before income taxes of $7 million in 2021 compared to a loss of $34 million in the prior year mainly due to higher revenue by $51 million and partly offset by higher expenses by $4 million and higher finance expenses by $4 million.

Income tax expense for the year ended December 31, 2021 increased by $24 million primarily due to higher pre-tax income for TMC and CHHC. The average effective tax rate for the Corporation is impacted by the non-deductible expenses of its non-taxable entities, primarily the loan interest costs incurred by TMP.

Cash and cash equivalents as at December 31, 2021 decreased to $331 million compared to $346 million at December 31, 2020. Capital expenditures of $5.0 billion related to the TMEP were offset by cash increase from borrowings from the Canada account of $5.2 billion in the period. Operating cash flows in the period of $82 million, primarily generated by CHHC and TMC and NPI received net of refunds of $177 million were offset by dividends paid of $302 million and payment of lease liabilities of $59 million. See the statement of cash flows.

Accounts receivable of $106 million at December 31, 2021 decreased by $9 million, primarily due a $13 million decrease at CHHC due to lower sales receivable at year end due to timing of cargo sales.

Property, plant and equipment increased $5.3 billion due to the capital expenditures of $5.3 billion primarily on the TMEP, net of depletion and depreciation of $104 million.

Right-of-use assets increased by $29 million largely due to TMC additions and modifications of $97 million primarily related to camp equipment for the TMEP construction worker camps offset by amortization of $64 million.

Total current and long-term lease liabilities increased by $41 million to $138 million as at December 31, 2021, largely due to TMC additions of $99 million mainly related to camp equipment and interest of $7 million, less payments of $63 million.

Trade and other payables increased $348 million primarily due to an increase in trade payables and accrued liabilities of TMC primarily due to higher capital accruals. Other current liabilities of TMC decreased by $57 million, mainly due to a decrease in Westridge dock premiums as refunds exceeded collections.

Total loans payable increased $5.2 billion due to an increase in borrowings under the construction credit facility to fund construction costs of TMC's expansion project.

The $25 million decrease in non-current provisions is primarily due to a $31 million decline in oil decommissioning obligations due mainly to a reduction in the estimated costs of abandonment partly offset by an $8 million increase in the pipeline decommissioning obligation due to accretion.

The defined benefit obligation of $75 million decreased by $25 million from the prior year end mainly due to a remeasurement gain of $35 million due to higher discount rates, plus contributions of $10 million, offset by net benefit cost of $15 million. Of the total change $5 million is reflected in the pension asset presented in deferred amounts and other assets.

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 28, 2022. 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 Chief Financial Officer, I have reviewed its consolidated financial statements and based upon our knowledge, having exercised due diligence, believe they fairly present in all material respects the financial position as at December 31, 2021, and financial performance and cash flows for the year ended December 31, 2021.

Original signed

Andrew Stafl, CPA, CA
Chief Financial Officer
Canada Development Investment Corporation

March 28, 2022

Consolidated Financial Statements of Canada Development Investment Corporation

Year ended December 31, 2021

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

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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 2021, 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 2021, 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.

Material Uncertainty Related to Going Concern

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

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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

Ottawa, Canada
28 March 2022

PricewaterhouseCoopers LLP

Chartered Professional Accountants,
Licensed Public Accountants

Consolidated Statement of Financial Position

As at December 31

(Thousands of Canadian Dollars)

	2021	2020
Assets		(Note 32)
Current assets:		
Cash and cash equivalents (note 6)	$ **330,545**	$ 345,577
Trade and other receivables (note 29)	**105,549**	114,248
Income taxes receivable (note 20)	**-**	568
Other current assets (note 8)	**23,993**	23,990
Investments held for future obligations (note 7)	**2,006**	2,214
	462,093	486,597
Non-current assets:		
Property, plant and equipment (note 11)	**14,515,029**	9,169,790
Goodwill (note 14)	**1,015,862**	1,015,862
Investments held for future obligations (note 7)	**146,519**	138,731
Restricted cash (note 9)	**81,261**	84,237
Restricted investments (note 10)	**96,263**	93,986
Right-of-use assets (note 12)	**124,582**	95,527
Other assets (note 13)	**292,942**	286,524
	16,272,458	10,884,657
	$ **16,734,551**	$ 11,371,254
Liabilities and Shareholder's Equity		
Current liabilities:		
Trade and other payables (note 21)	$ **906,235**	$ 557,910
Current portion of lease liabilities (note 12)	**66,803**	23,111
Income taxes payable	**1,276**	-
Current portion of provision for decommissioning obligations (note 16(a), (b))	**1,285**	-
Current portion of provision for site restoration (note 16(c))	**1,879**	2,074
Current portion of Net Profits Interest ("NPI") Provision (note 16(d))	**-**	39,000
Other current liabilities (note 15)	**90,334**	147,272
	1,067,812	769,367
Non-current liabilities:		
Loans payable (note 18)	**14,246,000**	9,055,000
Deferred income taxes (note 20)	**540,619**	514,564
Provision for decommissioning obligations (note 16(a), (b))	**596,552**	621,214
Lease liabilities (note 12)	**71,637**	74,672
Provision for site restoration (note 16(c))	**4,208**	4,732
Defined benefit obligation (note 17)	**75,405**	100,650
Other non-current liabilities (note 19)	**56,449**	53,466
	15,590,870	10,424,298
Shareholder's equity:		
Share capital (note 22)	**1**	1
Contributed surplus	**603,294**	603,294
NPI reserve (note 22)	**19,455**	11,832
Accumulated deficit	**(549,733)**	(414,353)
Accumulated other comprehensive income	**2,852**	(23,185)
	75,869	177,589
	$ **16,734,551**	$ 11,371,254

Going Concern (note 2)

Commitments (note 26)

Contingencies (note 27)

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)

	2021	2020
Revenue:		
Transportation revenue (note 25)	**$ 379,991**	$ 374,759
Net crude oil revenue (note 24)	**165,656**	120,581
Lease revenue (note 25)	**63,619**	63,647
Other revenue	**3,180**	2,733
	612,446	561,720
Other income:		
Facility use and processing fees	**1,145**	1,914
Foreign exchange gains	**3,171**	4,094
	616,762	567,728
Expenses:		
Depletion and depreciation (note 11, 12)	**140,084**	153,868
Pipeline operating expenses (note 25)	**173,886**	162,719
Crude oil operating, transportation and marketing (note 24)	**23,903**	23,172
Salaries and benefits	**86,285**	77,909
Professional fees	**10,747**	6,962
(Gain) Loss on derecognition of property and equipment (note 11)	**(327)**	8,603
Foreign exchange losses	**3,348**	3,883
Change in estimates of provision for site restoration (note 16)	**180**	(290)
Other administrative expenses	**2,627**	175
	440,733	437,001
Finance expenses (income):		
Interest expense (note 18)	**165,164**	165,348
Interest income	**(7,233)**	(8,250)
Unwind of discount on provisions (note 16)	**10,957**	7,781
	168,888	164,879
Net income (loss) before income taxes	**7,141**	(34,152)
Income taxes (note 20):		
Current	**31,135**	14,721
Deferred	**17,386**	9,515
	48,521	24,236
Net loss	**(41,380)**	(58,388)
Other comprehensive income (loss):		
Items that may be reclassified subsequently to profit or loss		
Currency translation adjustment	**(378)**	(6,255)
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit obligations (note 17)	**26,415**	(6,338)
Total other comprehensive income (loss)	**26,037**	(12,593)
Comprehensive loss	**$ (15,343)**	$ (70,981)

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)

	2021	2020
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	11,832	(34,174)
NPI Provision – addition for the period (note 16(d))	(5,218)	(4,000)
NPI received	220,841	104,635
Dividends	(208,000)	(54,629)
Balance, end of year	19,455	11,832
Accumulated deficit		
Balance, beginning of year	(414,353)	(286,965)
Net loss	(41,380)	(58,388)
Dividends	(94,000)	(69,000)
Balance, end of year	(549,733)	(414,353)
Accumulated other comprehensive income		
Balance, beginning of year	(23,185)	(10,592)
Other comprehensive income (loss)	26,037	(12,593)
Balance, end of year	2,852	(23,185)
Total shareholder's equity	$ 75,869	$ 177,589

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)

	2021	2020
		(Note 32)
Cash provided by (used in):		
Operating activities:		
Net loss	**$ (41,380)**	$ (58,388)
Adjustments for:		
Depletion and depreciation	**140,084**	153,868
(Gain) Loss on derecognition of property and equipment	**(327)**	8,603
Income tax expense	**48,521**	24,236
Interest income	**(7,233)**	(8,250)
Unwind of discount on provisions	**10,957**	7,781
Net change in defined benefits	**4,907**	2,302
Lease interest expense	**1,707**	1,756
Change in provision for site restoration	**180**	(290)
Payment of lease liabilities, interest portion (note 12)	**(1,707)**	(4,024)
Interest received	**7,233**	8,250
Provisions settled	**(938)**	(4,056)
Income taxes paid	**(29,298)**	(12,849)
	132,706	118,939
Change in non-cash working capital (note 23)	**(50,486)**	(85,268)
Total cash provided by operating activities	**82,220**	33,671
Financing activities:		
Proceeds from loans payable	**5,191,000**	3,000,000
Dividends paid	**(302,000)**	(123,629)
NPI received (note 22)	**220,841**	104,635
NPI refunds paid	**(44,218)**	-
Payment of lease liabilities, principal portion (note 12)	**(58,892)**	(23,200)
Total cash provided by financing activities	**5,006,731**	2,957,806
Investing activities:		
Purchase of property, plant and equipment (note 23)	**(5,088,845)**	(3,212,009)
Withdrawal from Consolidated Revenue Fund	**3,000**	-
Internal-use software expenditures	**(1,012)**	(12,064)
Purchase of restricted investments	**(10,237)**	(16,278)
(Sale) Purchase of investments held for future obligations	**(10,580)**	21,999
Capital Contribution in non-consolidated subsidiary	**-**	(1)
Change in restricted cash	**2,976**	(12,722)
Total cash used in investing activities	**(5,104,698)**	(3,231,075)
Effects of FX translation on cash	**715**	(2,287)
Change in cash and cash equivalents	**(15,032)**	(241,885)
Cash and cash equivalents, beginning of year	**345,577**	587,462
Cash and cash equivalents, end of year	**$ 330,545**	$ 345,577

Total interest and standby fees paid in 2021 on the loans payable was $542,620 (2020 - $339,952)

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

Notes to Consolidated Financial Statements

Year ended December 31, 2021

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

1. REPORTING ENTITY:

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

Parent

Canada Development Investment Corporation was incorporated in 1982 under the provisions of the *Canada Business Corporations Act* and is wholly owned by 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 4(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, and to take such steps as are necessary to facilitate the subsidiary’s administration of a credit support program for large Canadian companies in response to COVID-19 emergency, in accordance with any directive that may be given to that Subsidiary. On May 11, 2020 CEEFC was incorporated in compliance with the directive. CEEFC was incorporated under the *Canada Business Corporations Act* to administer, approve and fund transactions in accordance with terms approved by the Minister of Finance in relation to the Large Employer Emergency Financing Facility program (“LEEFF”) which was designed to provide bridge financing to Canada’s largest employers in response to the COVID-19 emergency. CEEFC is subject to the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*.

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 18 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 interest in the Hibernia Development Project ("Hibernia Project"), which is an oil development and production project located offshore Newfoundland and Labrador. The Hibernia Project comprises the original Hibernia Development Project area, where CHHC has an 8.5% working interest, and the Hibernia Southern Extension Unit ("HSE Unit"), where CHHC has a current 5.67% working interest. CHHC's working interest in the HSE Unit is subject to adjustment in accordance with the applicable provisions in the HSE Unit Agreement. As a result of the Unit operator's implementation of the HSE Unit First Redetermination, CHHC's working interest increased from 5.63% to 5.67% effective March 1, 2021.

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. GOING CONCERN:

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

Currently, the Corporation is fully reliant on the GoC to provide all funding for the significant costs associated with the ongoing construction of the TMEP. The Corporation's ability to continue as a going concern is dependent upon its ability to service its existing debt and fund the remaining construction costs of TMEP. On February 18, 2022, the Deputy Prime Minister and Minister of Finance reaffirmed the GoC's commitment to complete the TMEP, however, the Minister stated that the Corporation will now need to secure external financing to fund the remaining costs of the project. The Corporation promptly commenced the pursuit of the necessary external financing. The Corporation expects the external financing will be obtained in a timely manner and on terms satisfactory to the Corporation. However, there is no assurance that external financing will be obtained. The above factors cause material uncertainty that casts significant doubt as to the Corporation's ability to continue as a going concern.

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

3. BASIS OF PREPARATION:

a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with IFRS, 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 28, 2022.

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.

4. 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:

Certain accounting standards, amendments to standards and interpretations issued by the International Accounting Standards Board ("IASB"), and set out in the CPA Canada Handbook, are effective for the first time in the current financial year and have been adopted effective January 1, 2021 in accordance with the applicable transitional provisions. The application of these amendments had no impact on the Corporation's consolidated financial statements.

b) Basis of consolidation:

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

c) Unconsolidated structured entities:

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

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

CEEFC has been determined to be an unconsolidated structured entity. 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 4(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 5.67% undivided working interest in the HSE Unit development. CHHC records in its financial statements its proportionate share of the assets, liabilities, revenues and expenses of the Hibernia Project.

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

e) Business combinations:

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

f) Goodwill:

Goodwill is the excess of the consideration paid in excess of the net identifiable assets acquired and liabilities assumed. Goodwill is not amortized, but it is tested for impairment annually, or if events or conditions indicate there is a risk of impairment and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing (see note 14 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 9).

i) Investments held for future obligations:

The Corporation's investments held for future obligations are comprised of cash equivalent 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.

4. 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 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):

1. 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.

2. 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.

3. 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. 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.

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

As a lessor

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 consolidated financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

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 17.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

u) Revenue from contracts with customers (continued):

Revenue recognition:

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

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

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

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

Pipeline services:

Nature of contracts with customers:

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

Revenue recognition:

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

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

The customer service contracts primarily include transportation service contracts. Generally, for the majority of these contracts: (i) the promise is to transfer (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).

Reclamation Trust surcharges collected from shippers are recorded as deferred revenue (see note 19). As the use of funds is restricted to pay future abandonment costs, the deferred surcharges collected are retained in the Trust as restricted cash and restricted investments and will be recognized as revenue when the funds in the Trust are used for future abandonment activities.

Firm 50 Contracts

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

v) Net Profits Interest:

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

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

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

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. Capitalized borrowing costs are classified under investing activities in the Consolidated Statement of Cash Flows.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

The changing circumstances of the COVID-19 pandemic has required certain reassessments of the significant judgements and estimates used to prepare the consolidated financial statements. During 2021, the global economy showed signs of recovery from the impacts of the COVID-19 pandemic and crude oil demand improved due to the easing of restrictions combined with the distribution of vaccines in developed countries. During 2021, oil prices rebounded after an unprecedented decline and volatility in 2020. Developments related to the pandemic, such as new or continued lockdowns, new outbreaks and variants, and the success of ongoing vaccination efforts, continue to impact energy demand, energy prices, and related volatilities. The Corporation has taken into account the impacts of COVID-19 and the circumstances it has created in making estimates, assumptions and judgments in the preparation of these consolidated financial statements and continues to monitor the developments in the business environment and the oil markets. While there have been recent recoveries in global crude oil demand and current and forecasted crude oil prices, the global economic impacts of COVID-19 and the estimated length of the pandemic continues to evolve.

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 are subject to interim resets, a first redetermination, and a final redetermination. The first and second interim resets occurred in 2015 and 2017,respectively, and there will be no further interim resets. Historical capital costs were adjusted following each interim reset. Redeterminations likewise result in an adjustment to historical capital and other costs, as well as an adjustment to historical production which will be settled prospectively. The first redetermination was implemented effective March 1, 2021. The final redetermination is currently expected to be complete in 2025 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 GoC's borrowing rates, credit risk spreads applicable to the Corporation or its subsidiaries, and the duration of the lease term. Refer to note 12 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 16 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 20.

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

Impairment of Goodwill
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 14.

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 17.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

y) Use of estimates and judgments (continued):

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 GoC both have an investment in CEEFC: the former through its common voting share investment and the latter through its significant preferred share investments. The preferred shares are issued at the request of CEEFC directly with the 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 $2,317,983 and preferred shares issued with a face value of $3,090,000 (December 31, 2020 - $110,000 and $200,000 respectively). The maximum exposure to loss is determined by considering the nature of the interest in the unconsolidated structured entity. At December 31, 2021, 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.

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.

NPI reserve

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

5. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE:

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

(i) Amendments to IAS 16, *Property, Plant and Equipment—Proceeds before Intended Use*
The amendments prohibit deducting from the cost of PPE any amounts received from selling items produced while the entity is preparing the asset for its intended use. 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. CDEV does not expect the amendments to have any significant impact on its consolidated financial statements.

(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. CDEV does not expect the amendments to have any significant impact on its consolidated financial statements.

(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. CDEV does not expect the amendments to have any significant impact on its consolidated financial statements.

(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. CDEV has not determined what, if any, impact the amendments will have on its consolidated financial statements.

(v) Amendments to IAS 1, *Presentation of Financial Statements – Disclosure of Accounting Policies*
The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements, by applying materiality judgments. The amendments are effective for annual periods beginning on or after January 1, 2023. CDEV has not determined what, if any, impact the amendments will have on its consolidated financial statements.

(vi) Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Accounting Estimates
The amendments introduce a definition of an accounting estimate and clarify the distinction between changes in accounting estimates and changes in accounting policies. The amendments are effective for annual periods beginning on or after January 1, 2023. CDEV does not expect the amendments to have any significant impact on its consolidated financial statements.

(vii) Amendments to IAS 12 *Income Taxes, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
In May 2021 the IASB made amendments to IAS 12 which require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings (or other components of equity, as appropriate) at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The amendments apply to annual reporting periods beginning on or after January 1, 2023. CDEV has not determined what, if any, impact the amendments will have on its consolidated financial statements.

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

6. CASH AND CASH EQUIVALENTS:

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 0.05% to 0.8% in 2021 (2020 - 0.2% to 2.45%). The details are as follows:

	2021	2020
		(note 32)
Cash	**$ 278,593**	$ 274,914
Cash equivalents	**51,952**	70,663
Cash and cash equivalents	**$ 330,545**	$ 345,577

7. 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:

	2021	2020
		(note 32)
CRF balance, beginning of year	**$ 114,352**	$ 113,761
Allocated interest	**129**	591
Withdrawals	**(3,000)**	-
CRF balance, end of year	**111,481**	114,352
Investments	**37,044**	26,593
	$ 148,525	$ 140,945
Current	**$ 2,006**	$ 2,214
Non-current	**146,519**	138,731
	$ 148,525	$ 140,945

At December 31, 2021, the balance of investments held for future obligations consists of 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 $9,302 held for CEI and $102,179 held for CHHC (2020 - $12,290 and $102,062 respectively) and investments of $37,044 held by CHHC (2020 - $26,593).

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 0.51% to 0.80% during the year (2020 – 0.76% to 2.27%). CHHC also holds $33,841 of cash in savings accounts, included in cash and cash equivalents on the Statement of Financial Position at December 31, 2021 (2020 - $33,870) which have been internally designated as forming part of the future abandonment and risk fund as described in note 16(a).

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 0.11% during the year (2020 - 0.53%). The interest is retained in the CRF. Access to these funds is unrestricted.

8. OTHER CURRENT ASSETS:

		2021		2020
Prepaid expenses	**$**	**12,109**	$	9,682
Inventory				
Crude oil		**4,350**		4,177
Pipeline – spare parts		**6,802**		7,108
Other		**732**		3,023
	$	**23,993**	$	23,990

Depletion expense of $1,025 was related to crude oil inventories during the year (2020 - $1,890).

9. RESTRICTED CASH:

		2021		2020
Restricted cash – TMC held for future abandonment costs	**$**	**3,234**	$	554
Restricted cash – TMC letters of credit		**68,327**		73,983
Restricted cash – TMC held as security		**1,200**		1,200
Restricted cash – CHHC letters of credit		**8,500**		8,500
	$	**81,261**	$	84,237

The restricted cash balance includes $8,500 and $69,527 (2020 - $8,500 and $75,183) used to collateralize letters of credit associated with the Hibernia Project and TMC, respectively.

TMC issued a $26,747 letter of credit (2020 - $28,746) 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 other authorizations associated with Hibernia Project, the Canada-Newfoundland and Labrador Offshore Petroleum Board ("C-NLOPB") requires evidence of financial responsibility pursuant to the *Energy Safety and Security Act.* CHHC has provided a letter of credit to the C-NLOPB of $8,500, with an expiry date of October 30, 2023, representing its proportionate share of the evidence required at December 31, 2021 and 2020 in respect of the Hibernia Project's operations authorization. The letter of credit is secured by cash in an escrow account of the same amount. 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.

10. RESTRICTED INVESTMENTS:

Restricted investments of $96,263 (2020 - $93,986) held at TMC are long-term investments in Canadian government and Federal agency bonds held in trust. The restricted investments are to be used solely for the purposes of satisfying future abandonment costs of the pipeline under the CER's directives. The interest is retained in the Trust and the Corporation does not have access to it until it performs approved abandonment activities.

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

11. PROPERTY, PLANT AND EQUIPMENT:

	Construction work in progress	Pipeline	Oil development assets and production facilities	Total
Cost				
Balance at December 31, 2019	$ 2,481,918	$ 3,530,639	$ 582,624	$ 6,595,181
Additions	3,260,567	-	14,042	3,274,609
Transfers	(82,886)	82,886	-	-
Decommissioning adjustments	-	(524)	2,649	2,125
Derecognition	-	(2,467)	(7,140)	(9,607)
Foreign exchange movements	(10)	(5,838)	-	(5,848)
Balance at December 31, 2020	$ 5,659,589	$ 3,604,696	$ 592,175	$ 9,856,460
Additions	5,501,760	-	7,503	5,509,263
Transfers	(51,498)	51,498	-	-
Decommissioning adjustments	-	-	(34,121)	(34,121)
Derecognition	-	(22,193)	(1,089)	(23,282)
Foreign exchange movements	7	(1,249)	-	(1,242)
Balance at December 31, 2021	$ 11,109,858	$ 3,632,752	$ 564,468	$ 15,307,078
Accumulated depletion and depreciation				
Balance at December 31, 2019	$ -	$ 138,811	$ 402,305	$ 541,116
Depletion and depreciation	-	101,452	45,836	147,288
Derecognition	-	-	(1,004)	(1,004)
Foreign exchange movements	-	(730)	-	(730)
Balance at December 31, 2020	$ -	$ 239,533	$ 447,137	$ 686,670
Depletion and depreciation	-	103,889	25,092	128,981
Derecognition	-	(21,965)	(1,644)	(23,609)
Foreign exchange movements	-	7	-	7
Balance at December 31, 2021	$ -	$ 321,464	$ 470,585	$ 792,049
Carrying amounts:				
At December 31, 2020	$ 5,659,589	$ 3,365,163	$ 145,038	$ 9,169,790
At December 31, 2021	$ 11,109,858	$ 3,311,288	$ 93,883	$ 14,515,029

At December 31, 2021, costs related to oil development assets and production facilities subject to the calculations of depletion and depreciation included future development costs of $389,100 (2020 - $395,100) and excluded the cost of equipment currently under construction of $nil (2020 - $3,104). Oil development assets and production facilities include $97,227 at December 31, 2021 (2020 - $131,348) of capitalized costs relating to decommissioning obligations, which will be depreciated over the life of the asset. Property and equipment derecognized during 2021 was related to disposals of obsolete drilling equipment.

Property, plant and equipment derecognized during 2020 was related to a subsea development project that was cancelled and determined to have no expected future economic benefit.

For details on decommissioning adjustments, see note 16, Provisions.

During the year ended December 31, 2021 capitalized interest of $380,777 was included in the additions to construction work in progress – pipeline (2020 - $178,423).

At December 31, 2021 and 2020, an assessment of indicators of impairment was conducted for the Corporation's CGUs. Indicators of impairment include (but are not limited to) significant changes with an adverse effect on the Corporation that have taken place during the year or will take place in the near future in the market or economic environment in which the Corporation operates.

i. As of September 30, 2021, as a result of significant factors which may have a material effect on TMEP including, but not limited to, a voluntary safety stand-down, COVID-19, wildfires in British Columbia, labor market challenges and contractor changes, management performed a goodwill and PPE impairment test, which did not result in an impairment charge. 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, or if there are repeated environmental impacts such as the fires and floods in 2021, there may be an impact on the construction schedule of the pipeline expansion project and, in future periods, the Corporation will consider if these represent indicators of impairment. See also Goodwill note 14.

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

12. RIGHT-OF-USE ASSETS AND LEASES:

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

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

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

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, 2021.

Statement of Financial Position:

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

	Equipment and Vehicles	Land and Buildings	Total
January 1, 2020	$ 22,619	$ 67,670	$ 90,289
Additions	2,373	26,326	28,699
Lease modifications	351	48	399
Depreciation	(4,066)	(19,766)	(23,832)
Foreign exchange	(28)	-	(28)
December 31, 2020	$ 21,249	$ 74,278	$ 95,527
Additions	87,642	14,959	102,601
Lease modifications	364	(35)	329
Incentives	-	(5,970)	(5,970)
Depreciation	(47,462)	(20,436)	(67,898)
Foreign exchange	(7)	-	(7)
December 31, 2021	$ 61,786	$ 62,796	$ 124,582

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

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

Details of lease liabilities are as follows:

	2021	2020
Lease liabilities, opening	$ 97,783	$ 91,920
Additions	99,228	28,700
Lease modification	329	398
Interest expense	7,244	4,024
Lease payments	(66,136)	(27,224)
Foreign exchange movements	(8)	(35)
Lease liabilities, closing	$ 138,440	$ 97,783
Current	$ 66,803	$ 23,111
Non-current	71,637	74,672
	$ 138,440	$ 97,783

The weighted average incremental borrowing rate applied to lease liabilities at December 31, 2021 is 4.20% (2020 - 4.29%).

Maturity analysis – contractual undiscounted cash flows:

	2022	2023-2026	Thereafter	Total
Lease liabilities	$ 68,555	$ 35,603	$ 110,814	$ 214,972

Statement of Comprehensive Income and Statement of Cash Flows:

	2021	2020
Statement of Comprehensive Income:		
Interest on lease liabilities	$ 7,244	$ 4,024
Less: capitalized lease interest	(5,537)	(2,268)
Net interest on lease liabilities	$ 1,707	$ 1,756
Statement of Cash Flows:		
Total cash outflow for leases	$ (66,136)	$ (27,224)

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, 2021, lease income for merchant tank operating leases recognized in "Lease revenue" totaled $63,619 (2020 - $63,600), which included the variable lease payments described above, and lease income related to housing operating leases recognized in "Other revenue" totaled $234 (2020 – $228).

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

2022	$ 50,350
2023	48,489
2024	42,028
2025	40,286
2026	38,573
Thereafter	338,782
Total	$ 558,508

13. OTHER ASSETS:

		2021		2020
Prepaid construction advances	$	**150,146**	$	169,650
Payments to be recovered through tolls		**84,967**		57,339
Internal-use software		**17,894**		20,161
Recoverable projects		**33,409**		37,780
Other		**6,526**		1,594
	$	**292,942**	$	286,524

Payments to be recovered through tolls includes $84,967 (2020 - $57,210) 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 $6,280 (2020 - $1,324) is included in Other above.

Depreciation and amortization expense charged against "Other assets" related to internal-use software was $3,280 for the year ended December 31, 2021 (2020 – $1,778).

14. GOODWILL:

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

Balance at January 1, 2020	$	1,015,781
Effect of foreign exchange		81
Balance at December 31, 2020		1,015,862
Effect of foreign exchange		-
Balance at December 31, 2021	$	1,015,862

b) Impairment test

For the purposes of impairment testing, goodwill has been allocated to TMC's CGU. Management performed a goodwill impairment test as of December 31, 2021 which did not result in an impairment charge. The recoverable amount of this CGU was based on the fair value of the reporting unit which was estimated using an income-based approach based on the discounted cash flows. The estimate of fair value required the use of significant unobservable inputs representative of a Level 3 fair value measurement, including assumptions related to the discount rate, the timing and cost to complete the TMEP, and the extent cash flows will be re-contracted at the end of the initial TMEP term contracts. For purposes of determining the fair value, the estimate of discounted cash flows included probability-weighted scenarios of various in-service dates for the TMEP. The estimate of discounted cash flows was determined using a discount rate of 7.25% (2020 – 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.

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.

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. 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. The total approved project cost estimate for the TMEP is $21.4 billion as disclosed by TMC and the project is expected to be in-service by the end of 2023. (2020 – total approved project cost estimate of $12.6 billion with expected in-service by the end of 2022).

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

14. 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 2023, 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%	($1,000,000)	+$1,000,000
$2,500,000 increase in TMEP capital expenditures	($800,000)	
10% decrease in the re-contracted cash flows beyond 2042	($700,000)	

15. OTHER CURRENT LIABILITIES:

	2021	2020
Dock premiums	**$ 76,556**	$ 133,532
Environmental accrual	**6,419**	6,096
Defined benefit obligation (note 17)	**1,540**	1,497
Other	**5,819**	6,147
	$ 90,334	$ 147,272

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

16. PROVISIONS:

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

	Decommissioning Obligations			
	Pipeline	Wells & Facilities	Total	Site restoration
Balance at December 31, 2019	**$ 465,751**	**$ 147,809**	**$ 613,560**	**$ 9,770**
Additional provisions	-	-	-	114
Changes in estimates	(524)	(21,084)	(21,608)	(222)
Obligations settled	-	(1,273)	(1,273)	(2,783)
Changes in discount rate	-	23,733	23,733	(182)
Effect of foreign exchange	(870)	-	(870)	-
Unwind of discount	6,075	1,597	7,672	109
Balance at December 31, 2020	**$ 470,432**	**$ 150,782**	**$ 621,214**	**$ 6,806**
Additional provisions	-	-	-	1,288
Changes in estimates	-	(19,363)	(19,363)	(1,050)
Obligations settled	-	(27)	(27)	(911)
Changes in discount rate	-	(14,758)	(14,758)	(58)
Effect of foreign exchange	(174)	-	(174)	-
Unwind of discount	8,274	2,671	10,945	12
Balance at December 30, 2021	**$ 478,532**	**$ 119,305**	**$ 597,837**	**$ 6,087**
Current	$ -	$ 1,285	$ 1,285	$ 1,879
Non-current	478,532	118,020	596,552	4,208
	$ 478,532	**$ 119,305**	**$ 597,837**	**$ 6,087**

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, 2021:

	One percent increase	One percent decrease
Discount rate	$ (316,666)	$ 800,160
Inflation rate	$ 788,168	$ (318,593)

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 $175,439 at December 31, 2021 (2020 - $204,430). 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, 2021 using an average inflation rate of 1.59% (2020 - 1.12%) and was discounted using an average risk-free rate of 1.59% (2020 – 1.12%).

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 $478,532 at December 31, 2021 (2020 - $470,432) discounted at a risk-free rate of 1.68% (2020 - 1.21%). The undiscounted decommissioning liability is estimated to be $2,400,000 (2020 - $1,500,000) with an inflation rate of 1.68% (2020 - 1.21%) and an expected remaining useful life of 97 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 97 years. The estimated economic life is used to determine the undiscounted cash flows at the time of decommissioning and is reflective of the expected timing of economic outflows relating to the provision.

c) Provision for site restoration:

Under the terms of the purchase and sale agreement in 1988 between CEI and Cameco, CEI is responsible for obligations relating to the sale of assets to Cameco. Provision for site restoration as at the date of the 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 (2020 – 2023). The future estimate of costs for site restoration has been discounted at a rate of 0.95% (2020 – 0.24%) and an inflation rate of 0.95% (2020 – 0.24%) was used to calculate the provision at December 31, 2021. The current estimate for costs and the amount accrued as at December 31, 2021 is $6,087 (2020 - $6,806).

d) Net Profits Interest Provision:

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

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

17. DEFINED BENEFIT OBLIGATION:

		2021		2020
TMC (see detailed schedule below):				
- Pension plan	$	**51,742**	$	78,559
- Other post-employment benefits		**18,055**		21,330
CEI retiree benefits		**868**		934
Net defined benefit obligation	$	**70,665**	$	100,823
Current liabilities [(a)]	$	**1,540**	$	1,497
Non-current liabilities [(b)]		**75,405**		100,650
Non-current assets [(c)]		**(6,280)**		(1,324)
	$	**70,665**	$	100,823

(a) Amounts included in Other current liabilities on the consolidated statement of financial position (see note 15).
(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, 2021.

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.

	2021		2020	
	Pension	**OPEB**	Pension	OPEB
Change in defined benefit obligation:				
Defined benefit obligation at end of prior year	**$ 328,558**	**$ 21,330**	$ 298,253	$ 19,550
Current service cost	**11,828**	**570**	9,730	510
Past service cost				
Interest expense	**6,901**	**433**	8,608	555
Benefit payments from plan assets	**(8,885)**		(10,821)	
Benefit payments from employer	**(1,380)**	**(703)**	(2,634)	(554)
Participant contributions	**3,550**		3,223	
Effect of changes in demographic assumptions		**(3,034)**		(150)
Effect of changes in financial assumptions	**(30,611)**	**(1,538)**	20,864	1,688
Effect of experience assumptions	**4,958**	**997**	1,335	(269)
Defined benefit obligation at end of year	**314,919**	**18,055**	328,558	21,330
Change in fair value of plan assets:				
Fair value of plan assets at end of prior year	**254,861**		235,219	
Interest income	**5,427**		6,902	
Return on plan assets (excluding interest income)	**2,022**		13,291	
Employer contributions	**7,999**		7,671	
Employer direct benefit payments	**1,380**	**703**	2,634	554
Participant contributions	**3,550**		3,223	
Benefit payments from plan assets	**(8,885)**		(10,821)	
Benefit payments from employer	**(1,380)**	**(703)**	(2,634)	(554)
Administrative expenses paid from plan assets	**(674)**		(624)	
Fair value of plan assets at end of year	**264,300**	**-**	254,861	-
Change in asset ceiling				
Asset ceiling at end of prior year	**4,862**		5,796	
Interest expense	**92**		165	
Remeasurements:				
Change in asset ceiling (excluding interest)	**(3,831)**		(1,099)	
Asset ceiling at end of year	**1,123**	**-**	4,862	-
Funded status reflected in the statement of financial position:				
Defined benefit obligation	**314,919**	**18,055**	328,558	21,330
Fair value of pension plan assets	**264,300**		254,861	
Funded status	**50,619**	**18,055**	73,697	21,330
Effect of the asset ceiling from remeasurement	**1,123**	-	4,862	-
Net defined benefit liability at end of year	**$ 51,742**	**$ 18,055**	$ 78,559	$ 21,330
Presented as follows:				
Current benefit liability [(a)]	**665**	**775**	562	835
Non-current benefit liability [(b)]	**57,357**	**17,280**	79,321	20,495
Non-current benefit asset [(c)]	**(6,280)**	**-**	(1,324)	-
Net defined benefit liability	**$ 51,742**	**$ 18,055**	$ 78,559	$ 21,330

(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.

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

17. 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:

	2021		2020	
	Pension	**OPEB**	Pension	OPEB
Components of defined benefit cost:				
Service cost				
Current service cost	**11,828**	**570**	9,730	510
Past service cost			-	
Total service cost	**11,828**	**570**	9,730	510
Net interest cost				
Interest expense on DBO	**6,901**	**433**	8,608	555
Interest (income) on plan assets	**(5,427)**		(6,902)	
Interest expense of effect of asset ceiling	**92**		165	
Total net interest cost	**1,566**	**433**	1,871	555
Administrative expenses and/or taxes (not reserved within DBO)	**650**		625	
Defined benefit cost included in net income	**$ 14,044**	**$ 1,003**	$ 12,226	$ 1,065
Remeasurements (recognized in OCI)				
Effect of changes in demographic assumptions		**(3,034)**		(150)
Effect of changes in financial assumptions	**(30,611)**	**(1,538)**	20,864	1,688
(Return) on plan assets (excluding interest income)	**(1,998)**		(13,292)	
Effect of experience adjustments	**4,958**	**997**	1,335	(269)
Changes in asset ceiling (excluding interest income)	**(3,831)**		(1,099)	
Total remeasurements included in OCI	**(31,482)**	**(3,575)**	7,808	1,269
Total defined benefit cost	**$ (17,438)**	**$ (2,572)**	$ 20,034	$ 2,334

Net defined benefit liability reconciliation

	2021		2020	
	Pension	**OPEB**	Pension	OPEB
Net defined benefit liability	**78,559**	**21,330**	68,830	19,550
Defined benefit cost included in P&L	**14,044**	**1,003**	12,226	1,065
Total remeasurements included in OCI	**(31,482)**	**(3,575)**	7,808	1,269
Cash flows				
a. Employer contributions	**(7,999)**		(7,671)	
b. Employer direct benefit payments	**(1,380)**	**(703)**	(2,634)	(554)
Net defined benefit liability, end of year	**$ 51,742**	**$ 18,055**	**$ 78,559**	**$ 21,330**

Defined benefit obligation by participant status - OPEB

	2021	2020
Actives	$ 7,610	$ 9,132
Retirees	10,445	12,198
Total	$ 18,055	$ 21,330

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, 2021 and 2020, the target asset allocation for the Legacy plans was 95% fixed income and 5% equity. The target allocation for the TMCI plans was 40% fixed income, 50% equity, and 10% real estate as of December 31, 2021 compared to 50% fixed income and 50% equity as of December 31, 2020.

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.

	2021	2020
Opening balance	$ 6,587	$ -
Purchases and sales	16,285	6,556
Realized and unrealized gains	1,444	31
Ending balance	$ 24,316	$ 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:

	2021	2020
Measured within Level 1 of fair value hierarchy		
Cash	$ 7,004	$ 6,834
Mutual funds	232,980	241,440
Measured within Level 3 of fair value hierarchy		
Real estate	12,543	6,587
Mortgages	11,773	-
	$ 264,300	$ 254,861

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

17. DEFINED BENEFIT OBLIGATION (CONTINUED):

Plan Assets by Asset Category:	2021	2020
Domestic Equity	5%	6%
International Equity	26%	25%
Domestic Fixed Income	63%	65%
Other	6%	4%
Total	100%	100%

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

Expected Payment of Future Benefits and Employer Contributions

Following are the expected future benefit payments:

	2021		2020	
	Pension	OPEB	Pension	OPEB
Expected employer contributions	10,744	775	9,788	835
Expected total benefit payments				
Year 1	12,005	775	11,644	835
Year 2	12,729	795	12,045	851
Year 3	13,338	817	12,617	871
Year 4	13,691	833	13,101	894
Year 5	14,023	842	13,380	917
Next 5 years	72,955	4,422	70,138	4,808

Significant actuarial assumptions

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

	2021		2020	
	Pension	OPEB	Pension	OPEB
Assumptions related to defined benefit obligations:				
Effective discount rate for defined benefit obligation	3.20%	3.23%	2.61%	2.64%
Immediate health care cost trend rate		5.18%		5.25%
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	2.61%	2.64%	3.12%	3.13%
Effective rate for net interest cost	2.17%	2.07%	2.96%	2.90%
Effective discount rate for service cost	2.79%	2.88%	3.18%	3.21%
Effective rate for interest on service cost	2.46%	2.74%	3.06%	3.18%
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

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:

	2021		2020	
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	**128**	**(94)**	129	(95)
ii. Effect on benefit obligation	**1,236**	**(977)**	1,626	(1,281)
iii. Effect on net benefit periodic cost	**128**	**(94)**	129	(95)
Discount rate				
i. Effect on benefit obligation	**(2,383)**	**3,034**	(2,952)	3,792
ii. Effect on net benefit periodic cost	**(49)**	**393**	(116)	148

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

	2021		2020	
Present value of defined benefit obligation	**One percent increase**	**One percent decrease**	One percent increase	One percent decrease
Salary scale	**327,279**	**304,105**	341,473	317,220
Discount rate	**273,821**	**367,059**	282,443	387,732

18. LOANS PAYABLE:

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

The loans are due on the respective maturity dates and may be repaid early without premium or penalty subject to certain conditions. The maturity date for all loan facilities was amended to August 29, 2025 effective March 29, 2021.

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

18. LOANS PAYABLE (CONTINUED):

Details of the facilities at December 31, 2021 are as follows:

Facility	Total Available Credit 2021	Outstanding Amounts 2021	Outstanding Amounts 2020	Interest Rate Disbursed amounts	Standby Fee Undisbursed amounts	Maturity Date
Acquisition	$ 4,670,000	$ 4,670,000	$ 4,670,000	4.7%	0.065%	August 29, 2025
Construction [(a)]	11,600,000	9,576,000	4,385,000	4.7%	0.065%	August 29, 2025
CER*	500,000	-	-	4.7%	0.30%	August 29, 2025
		$ 14,246,000	**$ 9,055,000**			

*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 increased to $4,000,000 in January 2020, until December 31, 2020 as detailed in a revised borrowing authority letter received from the Minister of Finance. On October 1, 2020, a Second Amending Agreement was executed 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. On March 29, 2021, a further amendment was executed increasing the available credit on the Construction Facility to $9.14 billion outstanding at any time prior to December 31, 2021, and $9.6 billion outstanding at any time prior to March 31, 2022. On December 3, 2021 a further amendment was executed increasing the available credit on the Construction Facility to $11.6 billion outstanding at any time from December 31, 2021 and prior to March 31, 2022.

Total interest expense is comprised of the following:

	2021	2020
Interest on loans payable	**$ 541,671**	$ 339,393
Interest on leases	**1,707**	1,756
Interest capitalized (note 11)	**(380,777)**	(178,423)
Standby fees	**2,563**	2,622
	$ 165,164	$ 165,348

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% (2020 – 4.7%).

19. OTHER NON-CURRENT LIABILITIES:

	2021	2020
Deferred revenue	**$ 54,844**	$ 50,502
Environmental liabilities	**1,605**	2,964
	$ 56,449	$ 53,466

Deferred revenue is comprised of approximately $4,739 (2020 – $5,296) 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 $50,105 (2020 – $45,206) 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.

20. INCOME TAXES:

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

a) Income tax expense:

The components of income tax expense are as follows:

	2021	2020
Current tax expense		
Current period	**$ 31,639**	$ 17,061
Adjustment related to prior periods	**-**	(1,837)
Investment tax credits	**(504)**	(503)
	31,135	14,721
Deferred tax expense		
Origination and reversal of temporary differences	**16,886**	5,821
Adjustment related to prior periods	**483**	3,824
Changes in tax rates applied to temporary differences	**17**	(130)
	17,386	9,515
Total income tax expense	**$ 48,521**	$ 24,236

b) Reconciliation of effective tax rate:

The statutory combined federal and provincial income tax rates applicable to TMC decreased to 24.67% in 2021, a reduction from 25.25% in 2020. The statutory combined federal and provincial tax rate applicable to CHHC decreased modestly to 28.46% in 2021 from 28.70% in 2020. The blended statutory rate in 2021 was 26.81% (2020 – 27.18%).

	2021	2020
Net loss for the year	**$ (41,380)**	$ (58,388)
Total income tax expense	**48,521**	24,236
Profit (Loss) before income taxes	**$ 7,141**	$ (34,152)
Income tax using blended statutory rate of 26.81% (2020 - 27.18%)	**1,915**	(9,283)
Expenses of non-taxable entities	**41,499**	25,818
Non-deductible expenses and other	**228**	301
Adjustments related to prior periods	**(23)**	1,482
Impact of Tax Rate Changes	**17**	(51)
Intercompany Foreign Dividend Withholding Tax	**2,171**	-
Change in unrecognized deferred tax asset	**3,157**	6,664
Rate differences and other	**(443)**	(695)
	$ 48,521	$ 24,236

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

20. INCOME TAXES (CONTINUED):

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, 2019	$ (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)**
Credited/ (charged) to the statement of comprehensive income	(119,374)	(9,256)	1,624	109,620	(17,386)
Credited/ (charged) to the statement Other Comprehensive Income			(8,651)		(8,651)
Credited/ (charged) to CTA	(41)	5	1	17	(18)
At December 31, 2021	**$ (876,143)**	**$ 114,004**	**$ 19,025**	**$ 202,495**	**$ (540,619)**

Expiration Periods for Deferred Tax Assets: As of December 31, 2021, there were non-capital loss carry forwards of $821,089 ($376,700 as of December 31, 2020), which will start to expire in 2037.

Unrecognized deferred tax assets (liabilities):

At December 31, 2021, TMC had no unrecognized deferred tax assets.

CHHC has an unrecognized net deferred income tax asset of $26,075 at December 31, 2021 (2020 - $24,182) 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.

21. TRADE AND OTHER PAYABLES:

	2021	2020
Trade payables and accrued liabilities	**$ 121,858**	$ 112,052
Related party payable	**-**	187
Interest payable	**4,437**	2,847
PPE accrued liabilities and contractor retainage	**779,940**	442,824
	$ 906,235	$ 557,910

Information about the Corporation's exposure to currency and liquidity risks is included in note 29 (b).

22. SHARE CAPITAL AND NET PROFITS INTEREST RESERVE:

a) Share capital

	2021	2020
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 $240,204 of which $19,363 was received from CHHC and eliminated upon consolidation (2020 – $114,142, of which $9,507 was eliminated). NPI refund payments to owners were $48,138 of which $3,919 was paid to CHHC and eliminated upon consolidation (2020 – $ nil).

23. SUPPLEMENTAL CASH FLOW DISCLOSURE:

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

	2021	2020
Trade and other receivables	**$ 8,699**	$ 5,023
Inventory	**(1,198)**	(1,704)
Other current assets	**170**	(813)
Deferred charges and other assets	**(4,742)**	(191,513)
Trade and other payables	**348,332**	227,072
Other current liabilities	**(56,981)**	(47,172)
Other non-current liabilities	**10,942**	(45,033)
Change in non-cash working capital items	**$ 305,222**	$ (54,140)
Relating to:		
Operating activities	**$ (50,486)**	$ (85,268)
Investing activities	**355,708**	31,128
Change in non-cash working capital items	**$ 305,222**	$ (54,140)

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

	2021	2020
PPE additions (note 11)	**$ (5,509,263)**	$ (3,274,609)
Change in non-cash investing working capital related to PPE	**356,721**	43,193
Capitalized lease amortization and incentives	**63,697**	19,407
Cash used for PPE expenditures	**$ (5,088,845)**	$ (3,212,009)

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

24. 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:

	2021	2020
Crude oil sales	**$ 234,761**	$ 155,258
Less: royalties	**(69,105)**	(34,677)
Net crude oil revenue	**$ 165,656**	$ 120,581

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:

	2021	2020
United States	**$ 156,778**	$ 80,355
Europe	**53,949**	41,493
South America	**24,034**	-
Canada	**-**	18,178
Asia	**-**	15,232
	$ 234,761	$ 155,258

c) Royalties:

CHHC pays royalties monthly to the Province of Newfoundland and Labrador on the revenues generated from Hibernia Project production in accordance with royalty and associated agreements which govern the applicable license areas. The royalty agreements consist of tiered royalty structures including gross royalty, net royalty, supplementary royalty, and certain additional royalties some of which are based on oil price. While the stated royalty rates range from 5% of gross transfer revenue to over 50% of net transfer revenue depending on the royalty area, the majority of CHHC's revenue in 2021 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 2021, total royalties averaged 29% of crude oil sales (2020 – 22%).

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 rate is adjusted based on oil price environments according to an oil index factor. The adjusted rate averaged 9.8% in 2021 (2020 - 5.9%). In 2021, NPI payments averaged 6% of crude oil sales (2020 – 4%). NPI payments are paid to CDEV and upon consolidation are not recognized as a deduction to revenue since it is an intercompany charge.

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

	2021	2020
Hibernia Project operating expenses	**$ 18,372**	$ 16,802
Crude oil transportation and transshipment	**5,212**	5,926
Crude oil marketing	**319**	444
Total operating, transportation and marketing	**$ 23,903**	$ 23,172

25. REVENUE AND OPERATING EXPENSES FROM PIPELINE OPERATIONS:

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

	2021	2020
Transportation revenue	**$ 379,991**	$ 374,759
Lease revenue	**63,619**	63,647
Other revenue	**2,580**	1,726
Total	**$ 446,190**	$ 440,132
Pipeline operating expenses	**$ 173,886**	$ 162,719
Salaries and benefits	**81,207**	73,692
Other general and administration costs	**5,821**	2,127
Total operating expenses excluding finance costs and depreciation	**$ 260,914**	$ 238,538

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

Revenue Allocated to Remaining Performance Obligations

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

The following table presents the estimated revenue allocated to remaining performance obligations for contracted revenue that has not yet been recognized, representing the “contractually committed” revenue as of December 31, 2021 that will be invoiced or transferred from contract liabilities and recognized in future periods.

Year	Estimated Revenue
2022	$ 209,524
2023	222,751
2024	19,113
2025	213
2026	213
Thereafter	53,245
Total	$ 505,059

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

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

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. Contract assets are recognized in those instances where billing occurs subsequent to revenue recognition and the right to invoice the customer is conditioned on something other than the passage of time. For the years ended December 31, 2021 and 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, 2021:

	2021	2020
Opening balance	**$ 49,621**	$ 28,823
Additions	**5,317**	21,403
Transfer to Revenues	**(630)**	(605)
Ending Balance	**$ 54,308**	$ 49,621
Other current liabilities	**213**	213
Other non-current liabilities	**54,095**	49,408
	$ 54,308	$ 49,621

26. COMMITMENTS:

The Corporation's commitments at December 31, 2021 are summarized in the table below:

		2022		2023-2026		Thereafter		Total
Crude oil transportation and transshipment services (i)	$	3,897	$	18,298	$	17,043	$	39,238
Hibernia Project contracts		1,836		1,805		2,512		6,153
Pipeline PPE (ii)		66,603		-		-		66,603
Other operating commitments		974		2,186		5,275		8,435
Total Commitments	$	73,310	$	22,289	$	24,830	$	120,429

(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 2022 capital, operating and abandonment costs of the Hibernia Project estimated at $62,000, which is inclusive of amounts shown for 2022 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.

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

27. 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.

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

28. CAPITAL MANAGEMENT:

The Corporation considers its capital structure as the aggregate of its shareholder's equity of $75,869 (2020 - $177,589), which is comprised of its share capital, contributed surplus, Net Profits Interest reserve, accumulated deficit and accumulated other comprehensive income and its loans payable of $14,246,000 (2020 - $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. In 2021, 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 2022. 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.

29. 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, 2021 and 2020. As at December 31, the composition of trade and other receivables is as follows:

		2021		2020
Contracts with pipeline shippers	**$**	**29,223**	$	30,317
Contracts with crude oil customers		**14,001**		26,468
Hibernia joint arrangement		**2,399**		2,879
HST/GST input tax credits		**55,477**		37,353
Other		**4,449**		17,231
Trade and other receivables	**$**	**105,549**	$	114,248
Amount outstanding greater than 90 days	**$**	**2,822**	$	814

29. RISKS TO THE CORPORATION (CONTINUED):

Of the total amount of trade and other receivables 45% (2020 – 64%) 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, 2021 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, 2021 related to cash and cash equivalents and investments is insignificant. The Corporation realized no actual impairment losses during the years ended December 31, 2021 or 2020.

(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.

The Corporation continues to retain cash and short-term investments that provide it with financial flexibility to meet its obligations as they come due. The Corporation may be exposed to long-term downturns in the energy industry and economic volatility which is mitigated by the current regulatory frameworks governing 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 ongoing expenditures in connection with the TMEP, the Corporation will require future financing to complete the project as further described in note 2. 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) Currency risk:

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

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

It is estimated that a 1% strengthening 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, 2021.

The continuing operations had realized foreign exchange gains of $3,171 and losses of $3,348 for the year ended December 31, 2021 ($4,094 and $3,883 respectively for December 31, 2020). The Corporation did not have any foreign exchange rate contracts in place as at or during the year ended December 31, 2021 or 2020.

(ii) Commodity price risk:

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

(iii) Interest rate risk:

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

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

29. RISKS TO THE CORPORATION (CONTINUED):

(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:

	Classification	Hierarchy	Carrying amounts		Fair value	
			2021	2020	**2021**	2020
Financial assets						
Restricted investments	FVTPL	Level 2	**$ 96,263**	$ 93,986	**$ 96,263**	$ 93,986
Financial liabilities						
Loans payable	Amortized cost	Level 2	**$14,246,000**	$ 9,055,000	**$14,723,613**	$ 9,495,665

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.

30. 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 year ended December 31, 2021, CDEV earned management fees from CEEFC of $600 (for the period from incorporation in May to December 31, 2020 - $473). At December 31, 2021, CDEV has a related party receivable from CEEFC of $257 (2020 - payable of $187).

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.

	2021	2020
Key management personnel compensation comprised of: Salaries, termination, other short-term benefits, director fees and post-employment benefits	**$ 8,895**	$ 8,839

b) Parent*:

	2021	2020
Loan from the government (Canada Account) (note 18)	**$ 14,246,000**	$ 9,055,000
Interest/standby fees	**544,210**	341,986
Dividends	**302,000**	123,629
Cash on deposit in the CRF	**111,481**	114,352
Accrued Interest	**4,437**	2,847
CRF Interest income	**129**	593

c) Subsidiaries*:

	2021	2020
Accounts receivable (payable) from/to CEEFC	**$ 257**	$ (187)
Management fees - CEEFC	**600**	473

**2020 amounts reclassified by type of related party*

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

31. SUPPLEMENTARY INFORMATION:

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

	2021						
	TMC (US GAAP)	IFRS Adjustments	TMC (IFRS)	CHHC	Others	Eliminations	Consolidated
Statement of Comprehensive Income:							
Revenues:							
Transportation revenue	$ 376,945	$ 3,046[(1)]	$ 379,991				$ 379,991
Lease revenue	63,619		63,619				63,619
Net crude oil revenue				150,716	-	14,940	165,656
Other income/ FX	2,580		2,580	4,180	2,758	(2,022)	7,496
	443,144	3,046	446,190	154,896	2,758	12,918	616,762
Expenses:							
Depletion and depreciation	102,374	7,927[(2)]	110,301	29,659	124		140,084
Operating and production	174,521	(635)	173,886	23,903	-		197,789
Salaries and benefits	79,208	1,999[(3)]	81,207	2,835	2,243		86,285
General and admin Other and FX	8,530	(2,372)	6,158	3,701	7,419	(148)	17,130
	364,633	6,919	371,552	60,098	9,786	(148)	441,288
Finance Costs:							
Equity AFUDC	373,981	(373,981)[(4)]	-		-		-
Other, net	873	(873)	-	555			555
Unwind of discount	-	(8,274)[(4)]	(8,274)	(2,671)	(12)		(10,957)
Net Interest (expense)	(87,756)	89,737[(4)]	1,981	891	144,826	(305,629)	(157,931)
	287,098	(293,391)	(6,293)	(1,225)	144,814	(305,629)	(168,333)
Net income before income taxes	365,609	(297,264)	68,345	93,573	137,786	(292,563)	7,141
Income taxes (recovery)	92,332	(73,288)[(5)]	19,044	29,477	-		48,521
Net Income	**273,277**	**(223,976)**	**49,301**	**64,096**	**137,786**	**(292,563)**	**(41,380)**
Other Comprehensive Income	**$ 20,991**	**$ 5,046[(6)]**	**$ 26,037**	**$ -**	**$ -**	**-**	**$ 26,037**
Statement of Financial Position:							
Assets:							
Current assets	264,551	(42,234)[(7)]	222,317	118,973	121,557	(754)	462,093
Non-current assets	16,023,871	(170,880)[(8)]	15,852,991	255,783	14,857,280	(14,693,596)	16,272,458
	$16,288,422	**$ (213,114)**	**$16,075,308**	**$ 374,756**	**$14,978,837**	**$ (14,694,350)**	**$16,734,551**
Liabilities:							
Current liabilities	1,040,898	(1)	1,040,897	20,010	8,693	(1,788)	1,067,812
Non-current liabilities	8,523,280	239,660[(9)]	8,762,940	129,554	14,250,976	(7,552,600)	15,590,870
	$ 9,564,178	**$ 239,659**	**$ 9,803,837**	**$ 149,564**	**$ 14,259,669**	**$(7,554,388)**	**$ 16,658,682**
Shareholder's Equity	**$ 6,724,244**	**$ (452,773)[(10)]**	**$ 6,271,471**	**$ 225,192**	**$ 719,168**	**$(7,139,962)**	**$ 75,869**
	$16,288,422	**$ (213,114)**	**$16,075,308**	**$ 374,756**	**$ 14,978,837**	**$(14,694,350)**	**$ 16,734,551**

				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**

31. 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 other comprehensive income, while under US GAAP certain gains and losses within the plans are recognized in other comprehensive income and amortized into net income over a longer period. Additionally, there are differences in the determination of interest costs and return on plan assets.

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 $453 million with $225 million being the impact on the 2021 net income.

32. CHANGE IN CLASSIFICATION:

In 2021, the Corporation changed the classification of cash balances held in the future abandonment and risk fund from "Investments held for future abandonment and risk fund" to "Cash and cash equivalents" on the Statement of Financial Position, to better reflect the nature of the asset as opposed to its purpose. Comparative amounts were reclassified for consistency, which resulted in $33,870 being reclassified from "Investments held for future abandonment and risk fund" to "Cash and cash equivalents" in 2020. As a result of this reclassification, total current assets are $33,870 higher and total non-current assets are $33,870 lower than previously presented for 2020. On the Statement of Cash Flows, "Net cash from investing activities" and "Change in cash and cash equivalents" increased by $33,517; "Cash and cash equivalents, beginning of year" increased by $353; and "Cash and cash equivalents, end of year" increased by $33,870. The reclassification had no impact on the Corporation's total assets or comprehensive income.

Canada Development
Investment Corporation

La Corporation de développement
des investissements du Canada

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