CDEV

Canada Development Investment Corporation

La Corporation de développement des investissements du Canada

First Quarter Report
March 31, 2014

Canada Development Investment Corporation

La Corporation de développement des investissements du Canada

Contents

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Statement of Management Responsibility by Senior Officials

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

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

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 26, 2014.

Michael Carter
Executive Vice-President

Andrew G. Stafl, CPA, CA
Vice-President, Finance

Toronto, Ontario

May 26, 2014

Management Discussion and Analysis of Results – for the period ended March 31, 2014

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

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

This Management Discussion and Analysis of Results should be read in conjunction with CDEV's unaudited interim condensed consolidated financial statements for the period ended March 31, 2014 and CDEV's Annual Report for the year ended December 31, 2013.

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 in the best interests of Canada, operating in a commercial manner. During the fiscal quarter ended March 31, 2014 the operations and structure of CDEV were the same as those described in the 2013 Annual Report of CDEV, available on our website, www.cdev.gc.ca. CDEV's subsidiaries are: Canada Eldor Inc. ("CEI"), Canada Hibernia Holding Corporation ("CHHC"), and Canada GEN Investment Corporation ("GEN").

Corporate Performance

Our year-to-date performance as compared to our key objectives is as follows:

Key Objectives:

- To manage our investments in the Hibernia oilfield and General Motors (GM) and continue to oversee the management of CEI's obligations.
- To continue to manage the portions of the Corporate Asset Management Review ("CAMR") programme assigned to us.
- To continue to manage the process for the potential sale of Ridley Terminals Inc. ("RTI"), another federal Crown corporation and the potential sale of portions of the Dominion Coal Blocks in British Columbia.
- To 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.

Performance:

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

- CHHC recorded a first quarter after-tax profit of $41 million and paid dividends to CDEV of $55 million during the first quarter of 2014.
- GEN received dividends from the GM preferred shares of $10 million in the quarter. GM announced a quarterly dividend of US $0.30 per common share during the quarter. As such, GEN also received dividends of $37 million from the GM common shares in the quarter.

- There was no significant change in the management of CEI's liabilities.
- CDEV paid total dividends to the Government of $97 million in the first quarter.
- We continue to manage the sale process of RTI as an agent of the Government. The project is in the initial advisory stage. We also continue to work on a sales advisory mandate to potentially sell portions of the Dominion Coal Blocks in British Columbia for the Government, acting as agent.
- We continued to manage CAMR projects. Activities included preparing statements of work, issuing requests for proposals, evaluating and engaging consultants, monitoring and reviewing their work.

Canada Hibernia Holding Corporation

CHHC's financial results for the first quarter of 2014 were lower than the comparative period in 2013. Lower sales volumes contributed to a 17% decline in net crude oil revenue (crude oil sales net of royalties, net profits interest and marketing fees) to $78 million, from $94 million recorded in 2013.

Hibernia gross oil production averaged 126,400 barrels per day in the first quarter of 2014, which was 9% lower than 139,000 barrels per day in the comparative quarter of 2013 due to lower field productivity and issues at the offshore loading system. Sales volumes of 964,850 barrels in the quarter were lower than the 1,290,126 barrels in the first quarter of 2013. The lower sales volumes are explained by lower field production, delayed crude oil cargo lifts and deliveries and a one-time drawdown and sale from inventory in first quarter of 2013 which was not repeated this quarter.

CHHC's oil prices are based on the price of Dated Brent crude. Although benchmark prices for Dated Brent crude decreased 4% to US $110 per barrel from US $114 per barrel the first quarter of 2013, price realizations increased due to the weakening of the Canadian dollar relative to the U.S. dollar. Accordingly, realized oil prices realized increased 5% to C$121 per barrel in the first quarter of 2014 from C$115 per barrel in 2013.

Hibernia owners continue to focus on the development of the Hibernia Southern Extension ("HSE"). Following the completion of subsea facilities installation for the HSE in 2013, subsea drilling activities began in the first quarter of 2014. Planning for the development of the Ben Nevis Avalon reservoir, both in the original Hibernia license area and the HSE Unit area, continued in the first quarter and is on-going. Drilling activities continue at the Hibernia platform and work continued during the quarter on the gas lift project which is scheduled for completion later in 2014.

Canada Eldor Inc.

CEI continues to pay for costs relating to the decommissioning of former mine site properties and for retiree benefits of certain former employees. A plan is in place to undertake work that should allow for the eventual transfer of the mine site properties to the Institutional Control programme of the Province of Saskatchewan within ten years.

Canada GEN Investment Corporation

At quarter end, GEN held approximately $4.2 billion worth of GM common shares as well as $461 million in GM preferred shares. GEN will act to dispose of the GM holding in a manner aimed at achieving value over the long term and considering the Government's policy pronouncements. During the first quarter of 2014, GM common shares traded in a range of approximately US $34 to US $41 per share. GEN retains a financial advisor to provide advice to management regarding the investment.

See the table below for further comparative information.

Analysis of External Business Environment

The ongoing management of our holdings will depend on overall market and economic conditions as well as factors specific to the underlying company or investment. No material changes have been identified since December 2013 as described in the 2013 Annual Report.

Risks and Contingencies

No material changes in risks and contingencies have been identified since December 2013 as described in the 2013 Annual Report.

Financial Statements for the Period Ended March 31, 2014

The interim condensed consolidated financial statements for the period ended March 31, 2014 and comparable figures, have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

Consolidated net revenue for the three months ended March 31, 2014 was $125 million, a 21% increase from revenue of $103 million in the same period of the prior year. The increase is primarily attributable to higher dividend revenue. In the first quarter of 2014, GM paid common share dividends to GEN of $36 million. There were no dividends on common shares in the comparative period. Dividends received on the GM preferred shares in the quarter increased to $10 million from $9 in the prior year as a result of a stronger US dollar. This was offset by a 17% decline in first quarter net crude oil sales of $78 million from $94 million in the first quarter of 2013. The decline is due to 25% lower crude oil sales volumes than the prior year period, offset by higher average realized oil prices and lower effective rates for royalties and net profits interest. Effective average rates for royalties and net profits interest were lower as a result of higher eligible deductions.

Total expenses for the quarter, excluding the change in value of the GM preferred shares, were $22 million, consistent with the comparative period in 2013. Higher crude oil transportation costs in the quarter were more than offset by lower production and operating expenses at the Hibernia platform. Depletion and depreciation costs were relatively unchanged from the first quarter of 2013, as a higher depletion rate was largely offset by lower sales volumes

In the first quarter of 2014, GEN experienced a $12 million change in fair value of the GM preferred shares held, comprised of a fair value loss of $5 million, offset by a foreign exchange gain of $17 million. The preferred shares were valued at US $25.90 per share at March 31, 2014 compared to US $26.20 at December 31, 2013. In the first quarter of 2013, GEN had a $6 million unrealized gain on the preferred shares, due to an $8 million unrealized foreign exchange gain and a fair value loss of $2 million.

The market value of the GM common shares investment decreased to $4.19 billion at March 31, 2014 from $4.79 billion at December 31, 2013 as a result of a decrease in the market price of GM shares, adjusted for foreign exchange. The change in the value of the GM common share investment is reflected as a decrease in other comprehensive income (OCI) of $597 million for the three months ended March 31, 2014. During the comparable period in the prior year, OCI reflected a decrease of $60 million in the value of GM common share investment. For more details on OCI changes relating to the GM common shares please see the table below:

GM Common Shares value and OCI

Quarter ending	# of shares	Price GM Common Shares (US$) (2)	US exchange rate (1)	Investment Value (C$ millions)	Quarterly OCI/(loss) (C$ millions)	Year-to-date OCI/(loss) (C$ millions)
31-Dec-11	140,084,746	$20.28	1.0170	2,889	(51)	(1,840)
2012						
31-Mar-12	140,084,746	$25.64	0.9991	3,589	699	699
30-Jun-12	140,084,746	$19.72	1.0191	2,815	(773)	(74)
30-Sep-12	140,084,746	$22.75	0.9837	3,135	320	246
31-Dec-12	140,084,746	$28.82	0.9949	4,017	882	1,127
2013						
31-Mar-13	140,084,746	$27.81	1.0156	3,957	(60)	(60)
30-Jun-13	140,084,746	$33.34	1.0512	4,910	953	893
10-Sep-13	*(30,000,000)*	*$36.65*	*1.0357*		*(680)*	(3)
30-Sep-13	110,084,746	$35.95	1.0285	4,070	300	513
31-Dec-13	110,084,746	$40.87	1.0636	4,785	715	1,228
2014						
31-Mar-14	110,084,746	$34.42	1.1053	4,188	597	597

Notes

(1) exchange rate used is Bank of Canada noon rate (USD in CAD)

(2) quoted closing bid price per share at quarter end (transaction price Sept 10)

(3) realized gain on shares sold on Sept 10 transferred to profit and loss

Accounts receivable as at March 31, 2014 decreased to $50 million compared to $58 million in December 31, 2013 due to a lower volume of oil sales outstanding at the end of the period. Property and equipment of $132 million at March 31, 2014 increased as compared to December 31, 2013 by $8 million primarily due to capital expenditures and decommissioning costs of $20 million less $12 million of depletion and depreciation. Income taxes recoverable increased to $5 million at March 31, 2014 from $1 million at December 31, 2013 resulting from installment payments in excess of current taxes payable.

Accounts payable of $39 million as at March 31, 2014 were $11 million higher mainly due to higher period-end payables for royalties and net profits interest. The decommissioning obligation of CHHC increased by $8 million primarily due to a revision in the discount rate used in its calculation. The discount rate used at quarter end was 2.96%, versus 3.24% used at December 31, 2013.

We paid dividends to the Government during the first quarter of 2014 of $97 million. The dividends were funded from dividends received on the GM preferred and common shares held, and from CHHC earnings. Dividends paid in the comparative period in 2013 were $69 million.

Interim Condensed Consolidated Financial Statements of

CANADA DEVELOPMENT INVESTMENT CORPORATION

Three months ended March 31, 2014

(Unaudited)

CANADA DEVELOPMENT INVESTMENT CORPORATION

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

	March 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 103,701	$ 101,768
Accounts receivable	50,402	58,205
Income taxes recoverable	4,750	902
Inventory	2,818	3,017
Prepaid expenses	1,696	321
Cash on deposit in the Consolidated Revenue Fund	3,754	4,049
	167,121	168,262
Non-current assets:		
Cash on deposit in the Consolidated Revenue Fund	119,366	118,831
Cash and cash equivalents held in escrow	5,969	5,969
Property and equipment (note 4)	132,199	124,431
Investments (note 5)	4,649,111	5,234,310
Deferred tax asset	10,287	9,841
	4,916,932	5,493,382
	$ 5,084,053	$ 5,661,644
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 38,857	$ 27,195
Finance lease obligation	1,674	2,062
Current portion of defined benefit obligation	270	270
Current portion of provision for site restoration (note 6(b))	3,472	3,748
	44,273	33,275
Non-current liabilities:		
Provision for decommissioning obligation (note 6(a))	72,443	64,676
Provision for site restoration (note 6(b))	12,648	13,047
Defined benefit obligation	1,893	1,925
	86,984	79,648
Shareholder's equity:		
Share capital	1	1
Contributed surplus	2,757,143	2,757,143
Accumulated deficit	(307,611)	(308,885)
Accumulated other comprehensive income	2,503,263	3,100,462
	4,952,796	5,548,721
Contingencies (note 9)		
	$ 5,084,053	$ 5,661,644

The accompanying notes are an integral part of these interim condensed consolidated financial statements.
On behalf of the Board:

____________________ Director   ____________________ Director

CANADA DEVELOPMENT INVESTMENT CORPORATION

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

	Three months ended March 31	
	2014	2013
Revenue:		
Net crude oil revenue (note 8(a))	$ 77,551	$ 93,575
Dividends (note 5)	46,622	9,232
Interest income	638	625
	124,811	103,432
Expenses:		
Depletion and depreciation (note 4)	12,851	12,311
Production and operating expenses (note 8(b))	6,250	7,068
Change in fair value of investment in preferred shares (note 5)	(12,000)	(6,000)
Professional fees	1,300	1,421
Salaries and benefits	1,230	1,029
Other expenses	247	204
Foreign exchange gain	(202)	(811)
Defined benefit expense	20	19
	9,696	15,241
Finance costs:		
Interest on finance lease obligation	15	26
Unwind of discount on decommissioning obligations (note 6(a))	472	578
Unwind of discount on provision for site restoration (note 6(b))	67	59
	554	663
Profit before income taxes	114,561	87,528
Income taxes:		
Current	17,037	21,206
Deferred	(445)	(288)
	16,592	20,918
Profit	97,969	66,610
Other comprehensive loss:		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of investment in common shares	(597,199)	(60,121)
Comprehensive income (loss)	$ (499,230)	$ 6,489

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

CANADA DEVELOPMENT INVESTMENT CORPORATION

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

	Three months ended March 31	
	2014	2013
Share capital		
Balance, beginning and end of period	$ 1	$ 1
Contributed surplus		
Balance, beginning and end of period	2,757,143	3,216,294
Accumulated deficit		
Balance, beginning of period	(308,885)	(370,768)
Profit	97,969	66,610
Dividends paid	(96,695)	(69,011)
Balance, end of period	(307,611)	(373,169)
Accumulated other comprehensive income		
Balance, beginning of period	3,100,462	1,872,653
Change in fair value of investment in common shares	(597,199)	(60,121)
Balance, end of period	2,503,263	1,812,532
Total shareholder's equity	$ 4,952,796	$ 4,655,658

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

CANADA DEVELOPMENT INVESTMENT CORPORATION

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

	Three months ended March 31	
	2014	2013
Cash provided by (used in):		
Operating activities:		
Profit	$ 97,969	$ 66,610
Adjustments for:		
Depletion and depreciation	12,851	12,311
Income tax expense	16,592	20,918
Defined benefits paid in excess of expenses	(32)	(39)
Finance interest	15	26
Interest income from Consolidated Revenue Fund	(240)	(257)
Unwind of discount on decommissioning obligations	472	578
Unrealized foreign exchange loss	80	77
Change in fair value of investment in preferred shares	(12,000)	(6,000)
Change in provision for site restoration	(675)	(330)
Decommissioning obligations settled	(127)	(1,234)
Income taxes paid	(20,885)	(20,267)
	94,020	72,393
Change in non-cash working capital (note 7)	18,453	4,850
	112,473	77,243
Financing activities:		
Dividends paid	(96,695)	(69,011)
Finance interest paid	(15)	(26)
Lease obligation payments	(468)	(471)
	(97,178)	(69,508)
Investing activities:		
Purchase of property and equipment	(12,963)	(5,468)
Change in non-cash working capital (note 7)	(399)	(2,937)
	(13,362)	(8,405)
Change in cash and cash equivalents	1,933	(670)
Cash and cash equivalents, beginning of period	101,768	97,325
Cash and cash equivalents, end of period	$ 103,701	$ 96,655
Represented by:		
Cash	41,844	23,560
Cash equivalents	61,857	73,095
	$ 103,701	$ 96,655
Supplementary disclosure of cash flow from operating activities:		
Amount of interest received during the period	$ 646	$ 613
Amount of dividends received during the period	$ 46,622	$ 9,232

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

1. Reporting entity:

Canada Development Investment Corporation ("the Corporation" or "CDEV") was incorporated in 1982 under the provisions of the *Canada Business Corporations Act* and is wholly-owned by Her Majesty in Right of Canada. The Corporation is an agent Crown corporation listed in Schedule III, Part II of the *Financial Administration Act* 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 ("Government") in new policy directions suited to CDEV's capabilities, while maintaining the capacity to divest CDEV's existing holdings, and any other government interests assigned to it for divestiture, upon the direction of the Minister of Finance". In late 2009, the Corporation began assisting the Department of Finance in its Corporate Asset Management Review programme involving the review of certain Government corporate assets.

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

The Corporation consolidates three wholly-owned subsidiaries: Canada Eldor Inc. ("CEI"), Canada Hibernia Holding Corporation ("CHHC"), and Canada GEN Investment Corporation ("GEN").

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

CHHC was incorporated under the provisions of the *Canada Business Corporations Act* and was acquired by CDEV in March 1993. CHHC is subject to the *Financial Administration Act* and the *Income Tax Act*. CHHC's sole purpose is the holding and management of its interest in the Hibernia Development Project ("Hibernia Project"). CHHC holds an 8.5% working interest in the Hibernia Development Project and an 8.5% equity interest in the Hibernia Management and Development Company Ltd. ("HMDC"). CHHC's interest in the Hibernia Project has been recorded in CHHC's financial statements which are consolidated into CDEV's financial statements.

In 2010, CHHC and other participants signed agreements with the Province of Newfoundland and Labrador (the "Province"), and received regulatory approval from the Canada-Newfoundland and Labrador Offshore Petroleum Board ("C-NLOPB") for further development of the Hibernia Southern Extension Unit ("HSE Unit"). CHHC's unit interest is 5.08%. In February 2011, CHHC and other

1. Reporting entity (continued):

participants signed the remaining necessary agreements with the Province and the Government for the project and authorized full funding of the HSE Unit development.

GEN was incorporated under the provisions of the *Canada Business Corporations Act* and was acquired by the Corporation on May 30, 2009. GEN is subject to the *Financial Administration Act* but is not subject to the *Income Tax Act.* GEN owns common shares of General Motors Company ("GM") and Series A Fixed Rate Cumulative Perpetual Preferred Stock of GM with a liquidation preference value of US$25/preferred share. GEN received the shares of GM as a result of loans made by Export Development Canada's Canada Account (a related party to CDEV and GEN) to GM.

2. Basis of preparation:

a) Statement of compliance:

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting***.** These interim condensed consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements and notes for the year ended December 31, 2013.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 26, 2014.

b) Basis of measurement:

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- inventory is measured at the lower of cost to produce or net realizable value

c) Functional and presentation currency:

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

d) Use of estimates and judgments:

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

2. Basis of preparation (continued):

d) Use of estimates and judgments (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Critical judgments and key sources of estimation uncertainty are disclosed in note 2(d) of the Corporation's annual consolidated financial statements for the year ended December 31, 2013.

3. Significant accounting policies:

These interim condensed consolidated financial statements have been prepared following the same accounting policies and methods of application as those presented in note 3 of the annual audited consolidated financial statements for the year ended December 31, 2013 except for those policies which have changed as a result of the adoption of new accounting standards and amendments effective January 1, 2014, as described below.

Changes in accounting policies:

The following accounting standards, amendments and interpretations, issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC), are effective for the first time in the current financial year and have been adopted by the Corporation effective January 1, 2014. These pronouncements were adopted in accordance with the applicable transitional provisions and had no impact on the Corporation's interim condensed consolidated financial statements.

Amendments to IAS 32, *Financial Instruments: Presentation* ("IAS 32")
The amendments to IAS 32 clarify the meaning and the application of the IAS 32 criteria for offsetting financial assets and financial liabilities. The adoption of the amendments did not have any impact on the interim condensed consolidated financial statements because of the nature of the Corporation's operations and the types of financial assets and financial liabilities that it holds.

Amendments to IAS 36, *Impairment of Assets* (recoverable amount disclosures for non-financial assets)
The narrow-scope amendments clarify that the disclosures about the recoverable amount of impaired assets are only required where the recoverable amount of impaired assets is based on fair value less costs of disposal. The adoption of the amendments did not have any impact on the interim condensed consolidated financial statements because the Corporation has not had impairments relevant to this standard.

IFRIC 21, *Levies* ("IFRIC 21")
Adopted retrospectively, IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37,

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

3. Significant accounting policies (continued):

Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It also notes that levies do not arise from executory contracts or other contractual arrangements. The adoption of the amendments did not have any impact on the interim condensed consolidated financial statements

4. Property and equipment:

	Drilling costs	Crude oil tanker	Offshore production facilities	Total
Cost				
Balance at December 31, 2013	$ 72,991	$ 13,547	$ 188,261	$ 274,799
Additions for the period	9,995	-	2,968	12,963
Decommissioning adjustments	-	-	7,422	7,422
Balance at March 31, 2014	$ 82,986	$ 13,547	$ 198,651	$ 295,184
Accumulated depletion and depreciation				
Balance at December 31, 2013	$ 72,772	$ 11,040	$ 66,556	$ 150,368
Depletion and depreciation	8,034	690	3,893	12,617
Balance at March 31, 2014	$ 80,806	$ 11,730	$ 70,449	$ 162,985
Carrying amounts				
At December 31, 2013	$ 219	$ 2,507	$ 121,705	$ 124,431
At March 31, 2014	$ 2,180	$ 1,817	$ 128,202	$ 132,199

Certain costs have been excluded from the calculations of depletion and depreciation, including costs of equipment and facilities currently under construction of $35,800 (March 31, 2013 – $22,928). Future development costs used in the calculation of depletion and depreciation were $791,937 (March 31, 2013 – $600,349). There were no indicators of impairment to property and equipment for the periods ended March 31, 2014 and 2013.

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

5. Investments:

		March 31, 2014		December 31, 2013
Financial assets at fair value through profit or loss:				
Preferred shares of GM 16,101,695 Series A Fixed Rate Cumulative Perpetual Preferred Stock Dividend rate 9.0% paid quarterly, liquidation preference value: US $25 per share	$	461,000	$	449,000
Available-for-sale assets:				
Common shares of GM 110,084,746 common shares		4,188,111		4,785,310
	$	4,649,111	$	5,234,310

The changes in investment balances by each classification of financial instruments reflected in the interim condensed consolidated statement of comprehensive income (loss) are as follows:

	Three months ended March 31			
		2014		2013
Change in fair value of assets at fair value through profit or loss:				
Preferred shares of GM				
Unrealized foreign exchange gain	$	(17,000)	$	(8,000)
Unrealized fair value loss		5,000		2,000
	$	(12,000)	$	(6,000)
Net change in fair value of available-for-sale assets (in OCI):				
Common shares of GM				
Change in fair value	$	(597,199)	$	(60,121)

Financial assets at Fair Value through profit or loss:

The GM preferred shares, which do not trade publicly, are designated as fair value through profit or loss. They could not be classified as available-for–sale due to the inability to measure the embedded option by the issuer to redeem the shares after December 30, 2014. Since this option cannot be reasonably valued separately, the entire preferred share instrument is measured at fair value. Fair value has been determined based on the net present value of cash flows discounted at an interest rate of 4.0% (December 31, 2013 – 4.0%) based on comparable preferred equity instruments, comparative debt instruments and the particular attributes of the preferred share issue. The valuation assumes the shares are repurchased by GM shortly after December 30, 2014 at the liquidation preference value of US$25 per preferred share. The change in value has been recorded in profit as

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

5. Investments (continued):

a change in fair value of investment in preferred shares of $12,000 gain (March 31, 2013 – gain of $6,000). There are no sales restrictions on the preferred shares. Preferred share dividends from GM are received quarterly in US dollars. In the first quarter of 2014, GEN received $10,010 (2013 - $9,232) in preferred share dividends.

Available-for-sale financial assets:

The investment in the common shares of GM is designated as available-for-sale financial assets.

The GM common shares have a quoted market price in an active market and, accordingly, the shares held at March 31, 2014 and December 31, 2013 were measured at fair value with any changes recorded in other comprehensive income. The balance in accumulated other comprehensive income at March 31, 2014 and December 31, 2013 relates solely to the changes in fair value of the GM common shares. Fair value of the GM common shares is determined by the last bid price for the security from the exchange where it is principally traded. GM declared a quarterly dividend on the GM common shares beginning in March 2014. In the first quarter of 2014, GEN received $36,612 (2013 - $nil) in common share dividends.

6. Provisions:

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

	Decommissioning obligations	Site restoration
Balance at December 31, 2013	$ 64,676	$ 16,795
Reversal of provisions	167	-
Obligations settled	(127)	(742)
Changes in discount rate	7,255	-
Unwind of discount	472	67
Balance at March 31, 2014	$ 72,443	$ 16,120
Current	-	3,472
Non-current	72,443	12,648
Provisions	$ 72,443	$ 16,120

a) Provision for decommissioning obligations of CHHC:

The provision for decommissioning obligations is based on CHHC’s net ownership interest in wells and facilities and management's estimate of costs to abandon and reclaim those wells and facilities as well as an estimate of the future timing of the costs to be incurred. CHHC estimates the total future undiscounted liability to be $238,028 (December 31, 2013 - $239,063). Estimates of

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

6. Provisions (continued):

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 2054 and is based upon the useful lives of the underlying assets. A risk-free rate of 2.96% (December 31, 2013 – 3.24%) and an inflation rate of 2.0% (December 31, 2013 – 2.0%) were used to calculate the provision.

b) 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. The estimates used to calculate the provision for site restoration are described in the consolidated financial statements for the year ended December 31, 2013. There were no significant changes to estimates used.

7. Supplemental cash flow disclosure:

Changes in non-cash working capital balances for the periods ended March 31 include the following:

	2014	2013
Decrease (increase) in accounts receivable	$ 7,803	$ 27,274
Decrease (increase) in inventory	(36)	1,166
Increase in prepaid expenses	(1,375)	(1,396)
(Decrease) increase in accounts payable and accrued liabilities	11,662	(25,131)
Change in non-cash working capital items	$ 18,054	$ 1,913
Relating to:		
Operating activities	$ 18,453	$ 4,850
Investing activities	(399)	(2,937)
Change in non-cash working capital items	$ 18,054	$ 1,913

8. Net crude oil revenue and production and operating expenses:

a) Net crude oil revenue for the periods ended March 31 is as follows:

	2014	2013
Gross crude oil revenue	$ 116,676	$ 147,983
Less: marketing fees	(85)	(99)
Less: royalties	(29,613)	(41,121)
Less: net profits interest	(9,427)	(13,188)
Net crude oil revenue	$ 77,551	$ 93,575

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

8. Net crude oil revenue and production and operating expenses (continued):

b) Production and operating expenses for the periods ended March 31 are as follows:

		2014		2013
Hibernia joint account production and operating expense	$	4,230	$	6,097
Crude oil tanker operating expense		2,765		2,212
Recoveries of crude oil tanker operating expense		(708)		(1,234)
Facility use fees net of incidental net profits interest		(37)		(7)
Total production and operating expense	$	6,250	$	7,068

9. 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. Where it is probable that a past event will require an outflow of resources to settle the obligation and a reliable estimate can be made, management accrues its best estimate of the costs to satisfy such claims.

CHHC is a party to an ongoing contractual dispute, the outcome of which is subject to future dispute resolution proceedings. Based on information presently available and after consultation with external legal counsel, management believes that the probable resolution will be favorable to the CHHC, and thus no amount has been recognized in the interim condensed consolidated financial statements.

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.

10. Risks to the Corporation:

Overview:

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. The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Corporation's annual financial statements as at December 31, 2013. There have been no changes in the Corporation's financial risk management objectives, policies and processes for measuring and managing these risks since year end.

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

10. Risks to the Corporation (continued):

Fair value of financial instruments:

The following table summarizes information on the fair value measurement of the Corporation's financial assets as at March 31, 2014 and December 31, 2013 grouped by the fair value level:

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
March 31, 2014				
Cash on deposit in the CRF	$ 123,120	$ 123,120	$ -	$ -
Preferred shares of GM	461,000	-	461,000	-
Common shares of GM	4,188,111	4,188,111	-	-
Total	$ 4,772,231	$ 4,311,231	$ 461,000	$ -
December 31, 2013				
Cash on deposit in the CRF	$ 122,880	$ 122,880	$ -	$ -
Preferred shares of GM	449,000	-	449,000	-
Common shares of GM	4,785,310	4,785,310	-	-
Total	$ 5,357,190	$ 4,908,190	$ 449,000	$ -

The carrying amounts of cash and cash equivalents**,** accounts receivable and accounts payable and accrued liabilities approximate fair value because of the short-term nature of these items. There were no movements between levels in the fair value hierarchy during the period.

11. Related party transactions:

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

CDEV paid dividends to the Government of Canada for the three months ended March 31, 2014 in the amount of $96,695 (2013 - $69,011).