Canada Development Investment Corporation

La Corporation de développement des investissements du Canada

First Quarter Report

March 31, 2015

Canada Development Investment Corporation

La Corporation de développement des investissements du Canada

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Corporate Address:

1240 Bay Street, Suite 302
Toronto, ON M5R 2A7

Telephone: (416) 966-2221
Facsimile: (416) 966-5485
Website: www.cdev.gc.ca

Statement of Management Responsibility by Senior Officials

Management is responsible for the preparation and fair presentation of these interim condensed consolidated 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 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 financial statements.

Based on our knowledge, these unaudited interim condensed consolidated 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 financial statements.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 21, 2015.

Michael Carter
Executive Vice-President

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

Toronto, Ontario

May 21, 2015

Management Discussion and Analysis of Results – for the period ended March 31, 2015

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, 2015 and CDEV's Annual Report for the year ended December 31, 2014.

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, 2015 the operations and structure of CDEV were the same as those described in the 2014 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") 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 an after-tax profit of $17 million during the first quarter of 2015. No dividends to CDEV were paid during the first quarter.
- GEN received dividends of $28 million from the GM common shares in the quarter. Subsequent to quarter end, GEN sold its remaining investment in GM common shares for US $2.6 billion.

- There was no significant change in the management of CEI's liabilities.
- CDEV paid total dividends to the Government of $468 million in the first quarter.
- We continued 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 2015 were lower than the comparative period in 2014. Lower oil prices and sales volumes contributed to a 53% decline in net crude oil revenue (crude oil sales net of royalties, net profits interest and marketing fees) to $37 million, from $78 million recorded in 2014.

Hibernia gross oil production averaged 109,900 barrels per day in the first quarter of 2015, which was 13% lower than 126,400 barrels per day in the comparative quarter of 2014 due to lower field productivity and drilling delays. Sales volumes of 763,641 barrels in the quarter were lower than the 964,850 barrels in the first quarter of 2014. The lower sales volumes are explained by lower field production and delayed crude oil cargo lifts.

CHHC's oil prices are based on the price of Dated Brent crude. The average price of Dated Brent declined 50% to US $54 per barrel in the first quarter of 2015 as compared to US $108 in the same quarter of 2014. This significant decline was partially offset by favorable foreign exchange rates, resulting in a 44% decline in CHHC's realized oil price to $68 per barrel from $121 per barrel in 2014.

Capital expenditures in the first quarter of 2015 were largely directed to drilling activities in the Hibernia Southern Extension Unit ("HSE Unit"). In the near term, Hibernia owners will continue to focus on the full development of the HSE Unit including the drilling of water injection wells, producing oil wells and the installation of additional subsea equipment, as well as continued drilling and development of the Hibernia Main Field and the completion of the gas lift system.

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 Program of the Province of Saskatchewan within nine years. CEI holds cash and cash equivalents and funds within the Consolidated Revenue Fund of $28 million to pay for CEI's total estimated liabilities of $21 million.

Canada GEN Investment Corporation

At quarter end, GEN held approximately $3.49 billion of the common shares of GM. During the first quarter of 2015, GM common shares traded in a range of approximately US $32.36 to US $38.99 per share. GEN earned dividend income of $28 million in 2015 from its GM common share holdings.

Subsequent to quarter end, on April 6, 2015, GEN sold all of its GM common shareholdings at a price of US $35.61 per share for total proceeds of US $2.613 billion (CAD $3.254 billion). See the table below for further comparative share value 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 2014 as described in the 2014 Annual Report.

Risks and Contingencies

No material changes in risks and contingencies have been identified since December 2014 as described in the 2014 Annual Report.

Financial Statements for the Period Ended March 31, 2015

The interim condensed consolidated financial statements for the period ended March 31, 2015 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, 2015 was $65 million, a 48% decline from revenue of $125 million in the same period of the prior year. The decrease is primarily attributable to lower net crude oil sales and lower dividend income. Net crude oil sales declined 53% in the first quarter to $37 million from $78 million in the first quarter of 2014. The decline is due to a 56% decrease in gross crude oil sales on account of lower oil prices and sales volumes, partially offset by a reduction in average royalty and NPI rates. In the first quarter of 2015, dividends received from the GM common shares declined to $28 million compared to $36 million in the prior year period, due to a decrease in the number of shares held in 2015 offset by a more favorable USD/CAD foreign exchange rate. In the first quarter of 2014, GEN received dividends of $10 million from the GM preferred shares, which were redeemed by GM on December 31, 2014.

Total expenses for the quarter, excluding the change in fair value of the GM preferred shares were $14 million, a 36% decline compared to $22 million in the comparative period in 2014. 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 expenses declined 34% from the first quarter of 2014, due to a lower depletion rate per barrel and inventory valuation adjustments.

The market value of the GM common shares investment increased to $3.49 billion at March 31, 2015 from $2.97 billion at December 31, 2014 as a result of an increase 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 other comprehensive income (OCI) of $518 million for the three months ended March 31, 2015. During the comparable period in 2014, OCI reflected a decrease of $597 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-10	140,084,746	$33.94 (Adj)	0.9946	4,729		
2011						
31-Mar-11	140,084,746	$29.68(Adj)	0.9718	4,040	(688)	(688)
30-Jun-11	140,084,746	$30.37	0.9643	4,102	62	(626)
30-Sep-11	140,084,746	$20.20	1.0389	2,940	(1,163)	(1,789)
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)
30-Jun-14	110,084,746	$36.29	1.0676	4,265	77	(520)
30-Sep-14	110,084,746	$31.93	1.1208	3,940	(325)	(846)
22-Dec-14	*(36,694,915)*	$33.23	*1.1643*		*(858)*	(4)
31-Dec-14	73,389,831	$34.90	1.1601	2,971	452	(1,252)
2015						
31-Mar-15	73,389,831	$37.49	1.2683	3,490	518	518

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) gain on shares sold on Sept 10/13 transferred to profit and loss

(4) gain on derecognition of common shares relating to dividend in kind transferred to profit and loss

Cash and cash equivalents as at March 31, 2015 decreased to $176 million compared to $609 million at December 31, 2014 largely due to funds held at year end from the GM preferred share redemption. Property and equipment of $172 million at March 31, 2015 increased by $12 million as compared to December 31, 2014 primarily due to capital expenditures and decommissioning costs of $21 million less $9 million of depletion and depreciation

Accounts payable of $24 million as at March 31, 2015 were $3 million lower due to a reduction in period-end payables for royalties and net profits interest which was partially offset by higher capital accruals and cash calls. The decommissioning obligation of CHHC increased by $14 million to $110 million primarily due to a revision in the discount rate used in its calculation. The discount rate used at quarter end was 1.99%, versus 2.33% used at December 31, 2014.

We paid dividends to the Government during the first quarter of 2015 of $468 million of which $467 million was payable at December 31, 2014. The dividends were primarily funded from proceeds from the redemption of the GM preferred shares on December 31, 2014. Dividends paid in the comparative period in 2014 were $97 million.

Interim Condensed Consolidated Financial Statements of

CANADA DEVELOPMENT INVESTMENT CORPORATION

Three months ended March 31, 2015

(Unaudited)

CANADA DEVELOPMENT INVESTMENT CORPORATION

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

	March 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 176,153	$ 609,420
Accounts receivable	40,550	38,525
Income taxes recoverable	13,202	12,096
Inventory	2,056	703
Prepaid expenses	1,560	293
Investments held for sale (note 5)	3,489,581	-
Cash on deposit in the Consolidated Revenue Fund	4,566	4,228
	3,727,668	665,265
Non-current assets:		
Cash on deposit in the Consolidated Revenue Fund	114,482	114,633
Cash and cash equivalents held in escrow	5,969	5,969
Property and equipment (note 4)	172,371	159,594
Investments (note 5)	-	2,971,370
Deferred tax asset	14,090	13,976
	306,912	3,265,542
	$ 4,034,580	$ 3,930,807
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 23,734	$ 27,318
Dividend payable	-	466,989
Current portion of defined benefit obligation	230	230
Current portion of provision for site restoration (note 6(b))	4,021	3,976
	27,985	498,513
Non-current liabilities:		
Provision for decommissioning obligations (note 6(a))	109,970	95,936
Provision for site restoration (note 6(b))	14,725	15,417
Defined benefit obligation	1,789	1,820
	126,484	113,173
Shareholder's equity:		
Share capital	1	1
Contributed surplus	1,726,527	1,726,527
Accumulated deficit	(212,766)	(255,545)
Accumulated other comprehensive income	2,366,349	1,848,138
	3,880,111	3,319,121
Contingencies (note 9)		
Subsequent event (note 12)		
	$ 4,034,580	$ 3,930,807

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 2015	Three months ended March 31 2014
Revenue:		
Net crude oil revenue (note 8(a))	$ 36,690	$ 77,551
Dividends (note 5)	28,102	46,622
Interest income	584	638
	65,376	124,811
Expenses:		
Depletion and depreciation (note 4)	8,453	12,851
Production and operating expenses (note 8(b))	4,846	6,250
Change in fair value of investment in preferred shares (note 5)	-	(12,000)
Professional fees	1,399	1,300
Salaries and benefits	1,138	1,230
Other expenses	267	247
Foreign exchange gain	(1,746)	(202)
Defined benefit expense	16	20
	14,373	9,696
Finance costs:		
Interest on finance lease obligation	-	15
Unwind of discount on decommissioning obligations (note 6(a))	471	472
Unwind of discount on provision for site restoration (note 6(b))	53	67
	524	554
Profit before income taxes	50,479	114,561
Income taxes:		
Current	6,994	17,037
Deferred	(114)	(445)
	6,880	16,592
Profit	43,599	97,969
Other comprehensive income (loss):		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of investment in common shares	518,211	(597,199)
Comprehensive income (loss)	$ 561,810	$ (499,230)

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	
	2015	2014
Share capital		
Balance, beginning and end of period	$ 1	$ 1
Contributed surplus		
Balance, beginning and end of period	1,726,527	2,757,143
Accumulated deficit		
Balance, beginning of period	(255,545)	(308,885)
Profit	43,599	97,969
Dividends	(820)	(96,695)
Balance, end of period	(212,766)	(307,611)
Accumulated other comprehensive income		
Balance, beginning of period	1,848,138	3,100,462
Change in fair value of investment in common shares	518,211	(597,199)
Balance, end of period	2,366,349	2,503,263
Total shareholder's equity	$ 3,880,111	$ 4,952,796

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	
	2015	2014
Cash provided by (used in):		
Operating activities:		
Profit	$ 43,599	$ 97,969
Adjustments for:		
Depletion and depreciation	8,453	12,851
Income tax expense	6,880	16,592
Defined benefits paid in excess of expenses	(31)	(32)
Finance interest	-	15
Interest income from Consolidated Revenue Fund	(187)	(240)
Unwind of discount on decommissioning obligations	471	472
Unrealized foreign exchange loss	-	80
Change in fair value of investment in preferred shares	-	(12,000)
Change in provision for site restoration	53	67
Provisions settled	(757)	(869)
Income taxes paid	(8,100)	(20,885)
	50,381	94,020
Change in non-cash working capital (note 7)	(8,799)	18,453
	41,582	112,473
Financing activities:		
Dividends paid	(467,809)	(96,695)
Finance interest paid	-	(15)
Lease obligation payments	-	(468)
	(467,809)	(97,178)
Investing activities:		
Purchase of property and equipment	(8,412)	(12,963)
Change in non-cash working capital (note 7)	1,372	(399)
	(7,040)	(13,362)
Change in cash and cash equivalents	(433,267)	1,933
Cash and cash equivalents, beginning of period	609,420	101,768
Cash and cash equivalents, end of period	$ 176,153	$ 103,701
Represented by:		
Cash	52,857	41,844
Cash equivalents	123,296	61,857
	$ 176,153	$ 103,701
Supplementary disclosure of cash flow from operating activities:		
Amount of interest received during the period	$ 584	$ 646
Amount of dividends received during the period	$ 28,102	$ 46,622

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”). The Hibernia Project is an oil development and production project located offshore Newfoundland and Labrador. CHHC holds an 8.5% working interest in the Hibernia 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%.

1. Reporting entity (continued):

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 until December 31, 2014, 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, 2014.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 21, 2015.

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.

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, 2014.

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

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, 2014.

4. Property and equipment:

	Oil development assets and production facilities
Cost	
Balance at December 31, 2014	$ 355,729
Additions for the period	8,412
Decommissioning adjustments	13,620
Balance at March 31, 2015	$ 377,761
Depletion and depreciation	
Balance at December 31, 2014	$ 196,135
Depletion and depreciation	9,255
Balance at March 31, 2015	$ 205,390
Carrying amounts	
At December 31, 2014	$ 159,594
At March 31, 2015	$ 172,371

At March 31, 2015, costs subject to the calculations of depletion and depreciation excluded the cost of equipment and facilities currently under construction of $16,933 ($10,633 - December 31, 2014) and included future development costs of $799,000 ($809,000 - December 31, 2014). There was no impairment of property and equipment during the periods ended March 31, 2015 and 2014.

5. Investments:

	March 31, 2015	December 31, 2014
Available-for-sale assets:		
Common shares of GM		
73,389,831 common shares		
Current – held for sale	$ 3,489,581	$ -
Non-current	-	2,971,370

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

5. Investments (continued):

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	
	2015	2014
Change in fair value of assets at fair value through profit or loss:		
Preferred shares of GM		
Unrealized foreign exchange gain	$ -	$ (17,000)
Unrealized fair value loss	-	5,000
	$ -	$ (12,000)
Net change in fair value of available-for-sale assets (in OCI):		
Common shares of GM		
Change in fair value of investment in common shares	$ 518,211	$ (597,199)

Financial assets at Fair Value through profit or loss:

On December 31, 2014, the GM preferred shares were repurchased by GM at the liquidation preference value of US $25 per preferred share. The change in value of the shares was recorded in profit as a change in fair value of investment in preferred shares in the first quarter of 2014 of $12,000 gain. In the first quarter of 2014, GEN received $10,010 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, 2015 and December 31, 2014 were measured at fair value with any changes recorded in other comprehensive income. At March 31, 2015, the investment in the common shares was classified under current assets as it was highly probable that the shares would be sold within twelve months (note 12). The balance in accumulated other comprehensive income at March 31, 2015 and December 31, 2014 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. In the first quarter of 2015, GEN received $28,102 (2014 - $36,612) in common share dividends.

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

6. Provisions:

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

	Decommissioning obligations	Site restoration
Balance at December 31, 2014	$ 95,936	$ 19,393
Obligations settled	(57)	(700)
Changes in estimates of future cash flows	77	-
Changes in discount rate	13,543	-
Unwind of discount	471	53
Balance at March 31, 2015	$ 109,970	$ 18,746

Current	-	4,021
Non-current	109,970	14,725
Provisions	$ 109,970	$ 18,746

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 $245,617 at March 31, 2015 (December 31, 2014 - $246,819). 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 2055 and is based upon the useful lives of the underlying assets. The provision was calculated at March 31, 2015 using an inflation rate of 2.0% (December 31, 2014 - 2.0%) and was discounted using a risk-free rate of 1.99% (December 31, 2014 - 2.33%).

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, 2014. There were no significant changes to estimates used.

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

7. Supplemental cash flow disclosure:

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

		2015		2014
Decrease (increase) in accounts receivable	$	(2,025)	$	7,803
Increase in inventory		(551)		(36)
Increase in prepaid expenses		(1,267)		(1,375)
(Decrease) increase in accounts payable and accrued liabilities		(3,584)		11,662
Change in non-cash working capital items	$	(7,427)	$	18,054
Relating to:				
Operating activities	$	(8,799)	$	18,453
Investing activities		1,372		(399)
Change in non-cash working capital items	$	(7,427)	$	18,054

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

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

		2015		2014
Gross crude oil revenue	$	51,664	$	116,676
Less: marketing fees		(105)		(85)
Less: royalties		(11,523)		(29,613)
Less: net profits interest		(3,346)		(9,427)
Net crude oil revenue	$	36,690	$	77,551

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

		2015		2014
Hibernia joint account production and operating expense	$	3,158	$	4,230
Crude oil tanker operating expense		3,239		2,765
Recoveries of crude oil tanker operating expense		(1,007)		(708)
Facility use fees net of incidental net profits interest		(544)		(37)
Total production and operating expense	$	4,846	$	6,250

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. CHHC is not disclosing its estimate of the financial effect, if any, of the dispute as such disclosure would prejudice CHHC. Based on information presently available and after consultation with external legal counsel, management believes that the probable resolution will be favorable to 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.

In March 2015, CDEV received notice of a lawsuit filed in 2014 in the Republic of Panama against Multidata Systems International Inc., Nordion Inc., and CDEV. The lawsuit alleges that the defendants are liable for injuries to the plaintiffs as a result of overexposure to radiation from equipment during treatments received at a clinic in Panama. The ultimate magnitude of this liability, if any, is not reasonably estimable at this time. No accrual has been made on the interim condensed consolidated financial statements.

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 (loss). 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, 2014. 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, 2015 and December 31, 2014 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, 2015				
Cash on deposit in the CRF	$ 119,048	$ 119,048	$ -	$ -
Common shares of GM	3,489,581	3,489,581	-	-
Total	$ 3,608,629	$ 3,608,629	$	$ -
December 31, 2014				
Cash on deposit in the CRF	$ 118,861	$ 118,861	$ -	$ -
Common shares of GM	2,971,370	2,971,370	-	-
Total	$ 3,090,231	$ 3,090,231	$ -	$ -

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, 2015 in the amount of $467,809 (2014 - $96,695).

12. Subsequent event:

Subsequent to March 31, 2015, the Corporation sold its holdings of 73,389,831 common shares of GM for proceeds of US $2.613 billion. The trade date of the sale was April 6, 2015 at which time the Canadian equivalent was $3.254 billion.

On April 13, 2015, the Corporation declared a dividend of US $2.530 billion payable to its shareholder, the Government of Canada.