CDEV

Canada Development Investment Corporation

La Corporation de développement des investissements du Canada

Second Quarter Report
June 30, 2015

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 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 August 19, 2015.

Michael Carter
Executive Vice-President

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

Toronto, Ontario

August 19, 2015

Management Discussion and Analysis of Results – for the period ended June 30, 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 June 30, 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 June 30, 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 $33 million during the first six months of 2015. Dividends to CDEV of $30 million were declared during the second quarter.
- GEN sold its remaining investment in GM common shares for proceeds of $3,254 million during the second quarter, recognizing a gain on the sale of $2,131 million.

- There was no significant change in the management of CEI's liabilities.
- CDEV declared total dividends to the Government of $3,263 million in the first half of 2015.
- 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 other advisory projects and remain prepared to undertake projects suitable to our capabilities.

Canada Hibernia Holding Corporation

Net crude oil revenues were 53% lower in the quarter and year-to-date reflecting declines in sales volumes and oil prices, and the related reductions in royalties and net profits interest expenses.

Sales volumes of 0.72 million barrels in the quarter were 31% lower than 1.04 million barrels sold in the comparative quarter due to a 24% decrease in Hibernia production volumes combined with cargo sale timing differences. Hibernia gross oil production averaged 91,300 barrels per day in the second quarter due to increased downtime and drilling and water injection delays. Sales volumes for the first six months were similarly lower at 1.49 million barrels compared to 2.01 million barrels in the first six months of 2014.

CHHC's oil prices are based on the price of Dated Brent crude. The average Dated Brent price declined 44% in the quarter to US $62 per barrel compared to US $110 per barrel in the comparative period in 2014, reflecting global oversupply and a weaker global economy. Similarly the year-to-date average Dated Brent price was 47% lower at US $58 per barrel compared to US $109 per barrel in 2014. CHHC's oil prices benefitted from favorable foreign exchange rates, resulting in price realizations of $75 per barrel in the second quarter and $71 per barrel year-to-date, representing declines of 39% and 41%, respectively, over the comparative periods in 2014.

Production and operating expenses increased by $1.5 million in the quarter due to higher maintenance and work-over expenses, and marginally higher oil transportation costs. Depletion and depreciation expenses decreased by $6 million in the quarter due to a lower depletion rate, lower production volumes and a smaller inventory adjustment.

Capital expenditures in the second quarter were largely directed toward drilling activities in the Hibernia Southern Extension Unit ("HSE Unit"). In the near term, Hibernia owners will continue to focus on the full field development of the HSE Unit, as well as drilling activities, seismic acquisition and the gas lift project at the Hibernia Main Field.

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 $27 million to pay for CEI's total estimated liabilities of $21 million.

Canada GEN Investment Corporation

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). The sale was by way of an unregistered block trade after undertaking a competitive process. A dividend of US $2,530 million was paid to the Government from the proceeds. See the table below for further comparative share value information.

GEN earned dividend income of $28 million in 2015 from its GM common share holdings in the first quarter. No dividends were received from GM in the second quarter.

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 31, 2014 as described in the 2014 Annual Report.

Risks and Contingencies

No material changes in risks and contingencies have been identified since December 31, 2014 as described in the 2014 Annual Report, except that risks associated with changes in value of the GM shares are no longer a risk to the organization as a result of the sale of all remaining GM shares that occurred this quarter.

Financial Statements for the Period Ended June 30, 2015

The interim condensed consolidated financial statements for the period ended June 30, 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 June 30, 2015 was $2,170 million, compared to revenue of $128 million in the same period of the prior year. The significant increase is primarily attributable to the gain on sale of the GM shares during the quarter of $2,131 million. This was partly offset by lower net crude oil sales and lower dividend income. Net crude oil sales declined 53% in the second quarter to $38 million from $81 million in the second quarter of 2014. The decline is due to a decrease in gross crude oil sales resulting from lower oil prices and lower sales volumes. In the second quarter of 2015 there were no dividends received from the GM common shares as the shares were sold at the beginning of the quarter. In the prior year period, common share dividends received were $28 million. In the second quarter of 2014, GEN also received dividends of $10 million from the GM preferred shares, which were redeemed by GM on December 31, 2014.

Total expenses for the quarter were a $19 million recovery, largely due to a gain on foreign exchange of $36 million recognized in the current quarter. This compared to total expenses of $24 million (excluding the change in value of the preferred shares) in the comparative period in 2014. In the prior year a loss on foreign exchange of $1 million was incurred. GEN recognized a foreign exchange gain of $33 million in the current quarter relating to the GM share sale proceeds due to an appreciation of the US dollar between the trade date and the settlement date. Depletion and depreciation expenses in the quarter decreased to $8 million from $14 million in the prior year quarter while production and operating expenses of $7 million increased from $6 million in the prior year comparative period.

Consolidated net revenue for the six months ended June 30, 2015 was $2,235 million, compared to revenue of $253 million in the prior year period. The increase is mainly attributable to the gain on sale of the GM common shares of $2,131 million. This was partly offset by lower year to date dividends and net crude oil revenue compared to the prior year-to-date period. Common share dividends of $28 million were received year to date compared to $92 million in common and preferred share dividends received in the prior year period. Year-to-date net crude oil sales were $75 million, a 53% decrease from $159 million in the prior year due to lower realized oil price and lower volumes sold.

Year-to-date expenses were a recovery of $4 million compared to a $46 million expense (excluding the unrealized change in fair value of the GM preferred shares) in the prior year period. We recognized a gain on foreign exchange of $38 million year to date compared to a foreign exchange loss of $1.0 million in the six months ended June 30, 2014. The foreign exchange gain is primarily related to the GM share sale in the second quarter. Depletion and depreciation costs decreased to $16 million from $27 million in the six months ended June 30, 2014, due to a lower depletion rate per barrel combined with lower production volumes and smaller inventory adjustments.

The market value of the GM common shares investment increased to $3,254 million at April 6, 2015 the date the shares were sold, from $2,971 million 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 $235 million (loss) for the three months ended June 30, 2015. During the comparable period in 2014, OCI reflected an increase of $77 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
6-Apr-15	73,389,831	$35.61	1.2452	3,254	(235)	283 (5)
6-Apr-15	(73,389,831)	$35.61	1.2452	(3,254)	(2,131)	(1,848) (6)

<u>Notes</u>

(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, Apr 6)

(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

(5) fair value adjustment in OCI on date of derecognition of shares

(6) gain on shares sold on April 6/15 transferred to profit and loss (remaining Accumulated OCI is nil)

Cash and cash equivalents as at June 30, 2015 decreased to $294 million compared to $609 million at December 31, 2014 largely due to funds held at year end from the GM preferred share redemption and the subsequent payment of dividends in January 2015 of $468 million.

Dividends payable as at June 30, 2015 were $75 million compared to $467 million at December 31, 2014. The dividends payable were paid on July 3, 2015 and January 5, 2015 respectively.

CDEV paid dividends to the Government during the second quarter of 2015 of $3,188 million. The dividends were funded from proceeds from the sale of GM shares. Dividends paid in the comparative period in 2014 were $46 million.

Interim Condensed Consolidated Financial Statements of

CANADA DEVELOPMENT INVESTMENT CORPORATION

Three and six months ended June 30, 2015

(Unaudited)

CANADA DEVELOPMENT INVESTMENT CORPORATION

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

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 293,972	$ 609,420
Accounts receivable	41,888	38,525
Income taxes recoverable	5,668	12,096
Inventory	2,281	703
Prepaid expenses	1,123	293
Cash on deposit in the Consolidated Revenue Fund	4,897	4,228
	349,829	665,265
Non-current assets:		
Cash on deposit in the Consolidated Revenue Fund	114,312	114,633
Cash and cash equivalents held in escrow	5,969	5,969
Property and equipment (note 4)	162,784	159,594
Investments (note 5)	-	2,971,370
Deferred tax asset	15,767	13,976
	298,832	3,265,542
	$ 648,661	$ 3,930,807
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 23,845	$ 27,318
Dividend payable	75,000	466,989
Current portion of defined benefit obligation	230	230
Current portion of provision for site restoration (note 6(b))	4,617	3,976
	103,692	498,513
Non-current liabilities:		
Provision for decommissioning obligations (note 6(a))	96,854	95,936
Provision for site restoration (note 6(b))	14,036	15,417
Defined benefit obligation	1,800	1,820
	112,690	113,173
Shareholder's equity:		
Share capital	1	1
Contributed surplus	603,294	1,726,527
Accumulated deficit	(171,016)	(255,545)
Accumulated other comprehensive income	-	1,848,138
	432,279	3,319,121
Commitments (note 9)		
Contingencies (note 10)		
	$ 648,661	$ 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 June 30		Six months ended June 30	
	2015	2014	2015	2014
Revenue:				
Gain on sale of investment in common shares (note 5)	$ 2,130,987	$ -	$ 2,130,987	$ -
Net crude oil revenue (note 8(a))	37,919	81,471	74,609	159,022
Dividends (note 5)	-	45,874	28,102	92,496
Interest income	737	574	1,321	1,212
	2,169,643	127,919	2,235,019	252,730
Expenses:				
Depletion and depreciation (note 4)	7,935	13,953	16,388	26,804
Production and operating (note 8(b))	7,316	6,071	12,162	12,321
Change in fair value of investment in preferred shares (note 5)	-	21,000	-	9,000
Professional fees	1,028	1,717	2,427	3,017
Salaries and benefits	719	681	1,857	1,912
Other expenses	215	253	482	500
Foreign exchange loss (gain)	(35,951)	1,252	(37,697)	1,050
Defined benefit expense	16	20	32	40
	(18,722)	44,947	(4,349)	54,644
Finance costs:				
Unwind of discount on decommissioning obligations (note 6(a))	633	502	1,104	974
Unwind of discount on provision for site restoration (note 6(b))	54	67	107	133
Interest on finance lease obligation	-	10	-	25
	687	579	1,211	1,132
Profit before income taxes	2,187,678	82,393	2,238,157	196,954
Income taxes:				
Current	7,532	15,589	14,526	32,627
Deferred	(1,677)	(445)	(1,791)	(891)
	5,855	15,144	12,735	31,736
Profit	2,181,823	67,249	2,225,422	165,218
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss:				
Change in fair value of investment in common shares	(235,362)	76,924	282,849	(520,275)
Gain on sale of investment in common shares transferred to profit or loss	(2,130,987)	-	(2,130,987)	-
	(2,366,349)	76,924	(1,848,138)	(520,275)
Comprehensive income (loss)	$ (184,526)	$ 144,173	$ 377,284	$ (355,057)

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 June 30		Six months ended June 30	
	2015	2014	2015	2014
Share capital				
Balance, beginning and end of period	$ 1	$ 1	$ 1	$ 1
Contributed surplus				
Balance, beginning of period	1,726,527	2,757,143	1,726,527	2,757,143
Dividends (note 12)	(1,123,233)	-	(1,123,233)	-
Balance, end of period	603,294	2,757,143	603,294	2,757,143
Accumulated deficit				
Balance, beginning of period	(212,766)	(307,611)	(255,545)	(308,885)
Profit	2,181,823	67,249	2,225,422	165,218
Dividends	(2,140,073)	(45,734)	(2,140,893)	(142,429)
Balance, end of period	(171,016)	(286,096)	(171,016)	(286,096)
Accumulated other comprehensive income				
Balance, beginning of period	2,366,349	2,503,263	1,848,138	3,100,462
Gain on sale of investment in common shares transferred to profit or loss (note 5)	(2,130,987)	-	(2,130,987)	-
Change in fair value of investment in common shares	(235,362)	76,924	282,849	(520,275)
Balance, end of period	-	2,580,187	-	2,580,187
Total shareholder's equity	$ 432,279	$ 5,051,235	$ 432,279	$ 5,051,235

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 June 30		Six months ended June 30	
	2015	2014	2015	2014
Cash provided by (used in):				
Operating activities:				
Profit	$ 2,181,823	$ 67,249	$ 2,225,422	$ 165,218
Adjustments for:				
Depletion and depreciation	7,935	13,953	16,388	26,804
Income tax expense	5,855	15,144	12,735	31,736
Defined benefits paid in excess of (less than) expenses	11	(52)	(20)	(84)
Finance interest	-	10	-	25
Interest income from Consolidated Revenue Fund	(161)	(248)	(348)	(488)
Unwind of discount on decommissioning obligations	633	502	1,104	974
Net foreign exchange loss (gain)	(33,452)	(47)	(33,452)	33
Change in fair value of investment in preferred shares	-	21,000	-	9,000
Gain on sale of investment in common shares	(2,130,987)	-	(2,130,987)	-
Change in provision for site restoration	54	(194)	107	(869)
Provisions settled	(144)	(195)	(901)	(322)
Income taxes paid	2	(19,170)	(8,098)	(40,055)
	31,569	97,952	81,950	191,972
Change in non-cash working capital (note 7)	(434)	(34,289)	(9,233)	(15,836)
	31,135	63,663	72,717	176,136
Financing activities:				
Dividends paid	(3,188,306)	(45,734)	(3,656,115)	(142,429)
Finance interest paid	-	(10)	-	(25)
Lease obligation payments	-	(507)	-	(975)
	(3,188,306)	(46,251)	(3,656,115)	(143,429)
Investing activities:				
Proceeds on sale of investment in common shares	3,287,671	-	3,287,671	-
Purchase of property and equipment	(11,864)	(14,890)	(20,276)	(27,853)
Withdrawal from Consolidated Revenue Fund	-	5,000	-	5,000
Change in non-cash working capital (note 7)	(817)	(1,059)	555	(1,458)
	3,274,990	(10,949)	3,267,950	(24,311)
Change in cash and cash equivalents	117,819	6,463	(315,448)	8,396
Cash and cash equivalents, beginning of period	176,153	103,701	609,420	101,768
Cash and cash equivalents, end of period	$ 293,972	$ 110,164	$ 293,972	$ 110,164
Represented by:				
Cash	$ 67,293	$ 21,146	$ 67,293	$ 21,146
Cash equivalents	226,679	89,018	226,679	89,018
	$ 293,972	$ 110,164	$ 293,972	$ 110,164
Supplementary disclosure of cash flow from operating activities:				
Amount of interest received during the period	$ 736	$ 577	$ 1,320	$ 869
Amount of dividends received during the period	$ -	$ 45,874	$ 28,102	$ 92,496

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.* Until April 6, 2015, GEN held common shares of General Motors Company (“GM”) and until December 31, 2014, GEN held 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 August 19, 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		20,276
Decommissioning adjustments		(132)
Balance at June 30, 2015	$	375,873
Depletion and depreciation		
Balance at December 31, 2014	$	196,135
Depletion and depreciation		16,954
Balance at June 30, 2015	$	213,089
Carrying amounts		
At December 31, 2014	$	159,594
At June 30, 2015	$	162,784

At June 30, 2015, costs subject to the calculations of depletion and depreciation excluded the cost of equipment and facilities currently under construction of $18,189 (December 31, 2014 - $10,633) and included future development costs of $787,117 (December 31, 2014 - $809,000). There was no impairment of property and equipment during the periods ended June 30, 2015 or December 31, 2014.

5. Investments:

		June 30, 2015	December 31, 2014
Available-for-sale assets:			
Common shares of GM			
Nil common shares			
(December 31, 2014- 73,389,831 common shares)	$	-	$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 June 30		Six months ended June 30	
	2015	2014	2015	2014
Change in fair value of assets at fair value through profit or loss:				
Preferred shares of GM				
Unrealized foreign exchange loss (gain)	$ -	$ 16,000	$ -	$ (1,000)
Unrealized fair value loss	-	5,000	-	10,000
	$ -	$ 21,000	$ -	$ 9,000
Net change in fair value of available-for-sale financial assets (in OCI):				
Common shares of GM				
Change in fair value of investment in common shares	$ (235,362)	$ 76,924	$ 282,849	$ (520,275)
Gain on sale of investment in common shares transferred to profit or loss	(2,130,987)	-	(2,130,987)	-
	$(2,366,349)	$ 76,924	$(1,848,138)	$ (520,275)

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 six months of 2014 of $9,000 loss. In the first six months of 2014, GEN received $19,837 in preferred share dividends.

Available-for-sale financial assets:

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

During the quarter, 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 resulting in a realized gain of $2.131 billion.

In the three and six month periods ended June 30, 2015, GEN received $nil (2014 - $36,047) and $28,102 (2014 - $72,659) in common share dividends, respectively.

(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	(54)	(847)
Changes in estimates of future cash flows	74	-
Changes in discount rate	(206)	-
Unwind of discount	1,104	107
Balance at June 30, 2015	$ 96,854	$ 18,653
Current	-	4,617
Non-current	96,854	14,036
Provisions	$ 96,854	$ 18,653

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 $244,407 at June 30, 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 June 30, 2015 using an inflation rate of 2.0% (December 31, 2014 - 2.0%) and was discounted using a risk-free rate of 2.31% % (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 June 30 include the following:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Change in accounts receivable	$ (1,338)	$ (32,912)	$ (3,363)	$ (25,109)
Change in inventory	(461)	877	(1,012)	841
Change in prepaid expenses	437	472	(830)	(903)
Change in accounts payable and accrued liabilities	111	(3,785)	(3,473)	7,877
Change in non-cash working capital items	$ (1,251)	$ (35,348)	$ (8,678)	$ (17,294)
Relating to:				
Operating activities	$ (434)	$ (34,289)	$ (9,233)	$ (15,836)
Investing activities	(817)	(1,059)	555	(1,458)
	$ (1,251)	$ (35,348)	$ (8,678)	$ (17,294)

On June 26, 2015, the Corporation's Board of Directors declared a dividend payable to its shareholder of $75 million, which was subsequently paid on July 3, 2015.

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

a) Net crude oil revenue for the periods ended June 30 is as follows:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Gross crude oil revenue	$ 54,269	$ 127,508	$ 105,933	$ 244,184
Less: marketing fees	(101)	(116)	(206)	(201)
Less: royalties	(12,116)	(34,507)	(23,639)	(64,120)
Less: net profits interest	(4,133)	(11,414)	(7,479)	(20,841)
Net crude oil revenue	$ 37,919	$ 81,471	$ 74,609	$ 159,022

b) Production and operating expenses for the periods ended June 30 are as follows:

	Three months ended June 30		Six months ended June 30	
	2015	2014	2015	2014
Hibernia joint account production and operating	$ 6,661	$ 5,313	$ 9,819	$ 9,543
Crude oil transportation	1,017	871	3,249	2,928
Facility use fees net of incidental net profits interest	(362)	(113)	(906)	(150)
Total production and operating expense	$ 7,316	$ 6,071	$ 12,162	$ 12,321

9. Commitments:

On June 1, 2015, CHHC entered into a long term commitment for 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. The term of the COA is fifteen years and involves a commitment for voyage charters on an operating lease basis on shuttle tankers managed by a third-party shipping service provider ("SSP") for CHHC's needs at Hibernia. This contrasts with CHHC's previous fixed 25% time charter and capital lease arrangement specifically for the Mattea shuttle tanker, which was novated to the SSP.

CHHC's costs for the fifteen year COA commitment total an estimated $47 million, however there is a provision such that if a nil production forecast is submitted to the SSP, the Company would only be committed to a further 27 to 39 months (nominally three years) of COA costs. In conjunction with the BWTTS, CHHC also amended and extended its Reserved Capacity Services agreement at the Newfoundland Transshipment Ltd. terminal effective June 1, 2015 for a fifteen year term, at a total estimated cost of $24 million.

10. 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 in the interim condensed consolidated financial statements.

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

11. 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.

Fair value of financial instruments:

The following table summarizes information on the fair value measurement of the Corporation's financial assets as at June 30, 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)
June 30, 2015				
Cash on deposit in the CRF	$ 119,209	$ 119,209	$ -	$ -
Total	$ 119,209	$ 119,209	$	$ -
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.

12. 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 declared dividends payable to the Government of Canada for the three and six months ended June 30, 2015 in the amount of $3,263,306 (2014 - $45,734) and $3,264,126 (2014 - $142,429) respectively, of which $1,123,233 was paid from contributed surplus.