CDEV

Canada Development Investment Corporation

La Corporation de développement des investissements du Canada

Third Quarter Report
September 30, 2019

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 November 21, 2019.

Michael Carter	Andrew G. Stafl, CPA, CA
Executive Vice-President	Vice-President, Finance

Toronto, Ontario
November 21, 2019

Management Discussion and Analysis of Results – for the period ended September 30, 2019

The public communications of Canada Development Investment Corporation ("CDEV"), including this quarterly 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 is as of November 21, 2019 and should be read in conjunction with CDEV's unaudited interim condensed consolidated financial statements for the period ended September 30, 2019 and CDEV's Annual Report for the year ended December 31, 2018.

Corporate Overview

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

Canada Development Investment Corporation

CDEV management is working closely with the board and management of TMC to continue the transition of the company from a subsidiary of Kinder Morgan to being a Crown corporation. This includes additions to management, establishing risk assessment structures, setting up procedures to monitor the management of the TMEP, arranging necessary financing and producing meaningful financial information. CDEV is progressing a process to sell, on behalf of the Government, Ridley Terminals Inc. ("RTI") a federal Crown corporation that owns and operates a coal terminal in Prince Rupert, British Columbia. CDEV helped negotiate a conditional agreement to sell RTI which is expected to close, conditional on receiving certain regulatory approvals, in late 2019 or early 2020. Further details are available at www.cdev.gc.ca. In the third quarter of 2019 CDEV received, for no consideration, the Net Profits Interest and Incidental Net Profits Interest (collectively the "NPI") from Natural Resources Canada via a Memorandum of Understanding signed at the request of the Minister of Finance. The NPI entitles CDEV to receive from the Hibernia oil project owners, approximately 10% of the net profits from the Hibernia project, after deducting certain expenses and capital expenditures. The first NPI payments were received at the end of September 2019 and were recorded as other income.

Trans Mountain Corporation

In the nine months ended September 30, 2019 TMC generated $348 million in revenue and $185 million in earnings before interest, taxes, and depreciation (“EBITDA”). As TMC was owned for only one month by CDEV in the comparative three and nine month period, the comparative figures are not relevant. We note that under TMC’s continuing use of US GAAP, revenue was $ 308 million and EBITDA was $145 million. In the third quarter, TMC revenue was $129 million and EBITDA $70 million. For details see notes 14 and 20.

In the same period TMC incurred costs of approximately $791 million on the TMEP (excluding capitalized interest), on top of the approximately $160 million spent in 2018 under CDEV ownership. On June 18 the Government issued an Order in Council approving the restart of the TMEP project. The National Energy Board (“NEB”) (recently changing its name to the Canada Energy Regulator) announced that NEB decisions and orders issued prior to the August 2018 Federal Court Decision will remain valid, unless the NEB determines that relevant circumstances have materially changed. The management of TMC also completed an update of the project execution plan in June, reflecting current market conditions impacting resource availability and cost. Based on the new execution plan, the regulatory approvals received, and an analysis of the economic return of the project, the Board of TMC approved the project. On August 22, 2019 construction was restarted on the TMEP. The receiving and staging of long lead time materials continued from Q2 2019. Construction contractors were mobilized and construction work resumed along the route, including at the Burnaby Terminal, the Westridge Marine Terminal and in Alberta.

TMC will work to ensure that all conditions imposed by the NEB will be satisfied through project development.

For further details please see the TMC Q3 2019 financial report and other information regarding TMEP at www.transmountain.com.

Canada TMP Finance Limited

Canada TMP Finance Limited (“TMP Finance”) was created to acquire and own TMC and its entities. In 2018 TMP Finance entered into Credit Agreements with the government of Canada’s Canada Account administered by Export Development Canada (“EDC”), a federal Crown corporation. To finance the acquisition of TMC and fund some of TMC’s capital expenditures, TMP Finance provided funding to TMC at a ratio of 45% equity and 55% debt. TMP Finance also borrowed $500 million from the Canada Account and lent this amount to TMC to allow TMC to issue a letter of credit to Kinder Morgan to satisfy Financial Requirements imposed by the NEB, as regulator of the TMPL. The $500 million was repaid in the first quarter and the Financial Requirements are provided to TMC through a continuing, undrawn NEB credit facility. In the third quarter of 2019 TMP Finance negotiated a revised credit agreement with the Canada Account, as administered by EDC. The new credit agreement has a credit limit of $2.6 billion increasing to $4 billion in 2020, with a maturity of August 2023. This credit facility should be suitable to fund construction costs for TMEP through the first half of 2020, and new financing sources are expected to be negotiated in 2020.

Canada Hibernia Holding Corporation

Production at the Hibernia platform was shut down for nearly 80% of the third quarter (over two months) to respond to two unrelated oil discharge events. The first occurred on July 17, 2019 when the Hibernia operator, HMDC, reported a discharge of approximately 75 barrels of crude oil from the Hibernia platform. HMDC responded promptly to the event including clean-up, investigation and remedial actions. After receiving approval from the regulatory authorities, production resumed on August 15, 2019. The second occurred on August 17, 2019 when HMDC reported a discharge of approximately 14 barrels of crude oil from the Hibernia platform. HMDC responded promptly to the event including clean-up, investigation and remedial actions. After receiving approval from the regulatory authorities, production resumed on September 27, 2019.

The financial impacts on CHHC’s third quarter financial results include lower net crude oil revenue and receivables, higher operating expenses, lower crude oil inventory levels and lower depletion and depreciation expense.

CHHC's after-tax profit of $2 million in the three months ended September 30, 2019 was down 86% from the comparative period, due mainly to lower net crude oil revenue, partially offset by lower depletion and depreciation expenses and lower income taxes. CHHC's after-tax profit of $40 million in the nine months ended September 30, 2019 was 34% lower than the comparative period due mainly to lower net crude oil revenue and higher operating and depletion and depreciation expenses, partially offset by lower income taxes.

Net crude oil revenue, calculated as crude oil sales less royalties and net profits interest ("NPI"), decreased by 58% to $17 million in the three months ended September 30, 2019 from $40 million in the comparative period, due to a 60% decrease in sales volume after an unplanned two month shut down in production on the Hibernia platform to respond to two oil discharges from the platform. Net crude oil revenue decreased by 15% to $117 million in the nine months ended September 30, 2019 from $137 million in the comparative period, also driven by the shutdown in the third quarter. Gross Hibernia oil production averaged 30,100 barrels per day in the third quarter of 2019 and 93,400 barrels per day year-to-date in 2019, which is 67% and 21% lower, respectively, than the comparative periods of 2018 due to the shut down in production.

CHHC sells its oil based on the Dated Brent benchmark price for crude oil, in US dollars. The price of Dated Brent crude decreased by 18% to average US $61.93 per barrel in Q3 2019 from US $75.24 per barrel in Q3 2018. For the nine-month period the price decreased 10% to US $64.65 per barrel from US $72.17 per barrel in the comparative 2018 period. CHHC's realized oil prices did not decrease as significantly due to CHHC realizing a small price premium to Dated Brent and the favorable impact of a weaker Canadian dollar in relation to the US dollar.

During the nine months ended September 30, 2019, capital investment was $25 million, focused on development drilling and projects in the Hibernia main field.

Canada Eldor Inc.

There was no significant change in the management of CEI's liabilities. $1.4 million was spent on site restoration efforts and there was a $0.7 million increase in the estimated cost for site restoration in the nine month period.

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, 2018 as described in the 2018 Annual Report.

Risks and Contingencies

The development of TMEP faces several legal and regulatory challenges. The issuance of the Order in Council by the Government on June 18, 2019, approving the TMEP, and the NEB's determination that decisions and orders issued prior to the Federal Court of Appeal decision will remain valid have reduced regulatory risks of the project's development. However other risks remain as described in the 2018 Annual Report including the appeal by certain parties to challenge the validity of the Order in Council, and the attainment of land and permits to execute construction. The complexity and scale of the TMEP project have a significant effect on the risks and associated economic returns of the project.

On July 30, 2019 TMP Finance executed an amended credit facility with a maturity of August 2023 which has reduced the short-term financial risk of the TMEP project. However given restart of the TMEP project it is imperative that continued and increasing financing sources are obtained in a timely manner. Financial commitments have not been obtained to finance the entire project which results in continued financial and completion risk for the project. No other material changes in risks and contingencies have been identified since December 31, 2018 as described in the 2018 Annual Report.

Financial Statements for the Period Ended September 30, 2019

The consolidated financial statements for the period ended September 30, 2019 with comparative figures for the period ended September 30, 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to interim periods, including IAS 34, *Interim Financial Reporting*.

TMC prepares its financial statements in accordance with US GAAP, and applies rate regulated accounting standards. To read the US GAAP Q2 2019 TMC financial statements please go to www.transmountain.com. Note 20 shows TMC financial results in US GAAP, adjustments made to the statements to convert these results to IFRS and the TMC financial results in IFRS as consolidated into CDEV. The most significant differences in accounting treatment are described in note 20.

Total revenue for the three months ended September 30, 2019 was $148 million, compared to revenue of $74 million in the comparative period. The increase is primarily due to an $86 million increase in TMC revenues from pipeline operations and a $10 million increase in merchant tank lease revenue, both due to the inclusion of three months of revenues compared to one month in the comparative period. The $23 million decrease in net crude oil revenue is primarily due to a 60% decrease in sales volume. Total revenue for the nine months ended September 30, 2019 was $467 million, compared to revenue of $170 million in the comparative period. The increase is primarily due to the inclusion of nine months of TMC revenues from pipeline operations and merchant tank lease revenue in 2019 compared to only one month in 2018; the net increase is $314 million. The $20 million decrease in net crude oil revenue is primarily due to a 13% decrease in sales volume. $1.5 million in NPI receipts were received in the quarter in a month when production at Hibernia was significantly shut down. An additional $0.5 million in NPI was received from CHHC but is not included in the consolidated CDEV accounts.

Total expenses for the quarter excluding finance costs were $105 million, compared to $49 million in the prior year comparative period. The increase is primarily due to the inclusion of three months of TMC expenses of $87 million, compared to one month of TMC expenses in 2018 of $27 million. Crude oil production and operating costs were relatively unchanged from the comparative period. Total expenses for the nine months ended September 30, 2019 excluding finance costs were $318 million, compared to $93 million in the comparative period. The increase is primarily due to the inclusion of nine months of TMC expenses in 2019 of $246 million compared to one month of TMC expenses in 2018 of $27 million. Crude oil production and operating costs were $23 million in the period, compared to $20 million in the comparative period.

Interest expense in the quarter ended September 30, 2019 was $40 million, and $157 million for the nine-month period. The interest expense in the comparative period was for only one month compared to three months in the third quarter and nine month year to date in 2019. In the third quarter CDEV began capitalizing interest on its general borrowings related to construction costs incurred to date which reduced interest expense in the quarter by $23 million. Capitalized interest for the nine months in 2019 was $25 million.

The profit before income taxes for the quarter ended September 30, 2019 was $2 million, compared to a profit of $6 million in the comparative period primarily due to the $6 million in pre-tax profit of TMC and $22 million in incremental interest costs of TMP Finance which were $13 million in the comparative period. Income taxes increased significantly as a percentage of profit before tax due to a significant portion of the interest expense being incurred by a non-taxable entity. The loss before income taxes for the nine months ended September 30, 2019 was $5 million, compared to a profit of $64 million in the comparative period primarily due to the $44 million in incremental interest costs of TMP Finance, and a

$29 million decrease in CHHC pre-tax profit.

During the nine months ended September 30, 2019 TMC recognized a $52 million deferred income tax recovery due to the reduction in the future Alberta corporate income taxes payable given the reduction in the Alberta corporate tax rate from 12% to 8% by 2022. This positively impacted net income in the nine month period ending September 30, 2019. Income tax expense decreased in the third quarter by $3 million due to a $6 million decrease in CHHC tax expense and a $3 million increase in TMC tax expense compared to Q3 2018. Income tax recovery for the nine months ended September 30, 2019 was $35 million compared to an expense of $24 million in the comparative period. The change is primarily due to a $52 million deferred tax recovery for TMC due to reduced corporate tax rates in Alberta.

Cash and cash equivalents as at September 30, 2019 of $343 million was relatively unchanged compared to $345 million at December 31, 2018. Total restricted cash decreased by $495 million as a result of the $500 million on deposit at year end being used to repay the NEB credit facility in March.

Accounts receivable decreased by $96 million at September 30, 2019 from year end, due to the $88 million decrease in receivables at TMC due to settlements after year end and an $8 million decrease in CHHC accounts receivable due to reduced sales in September.

Property, plant and equipment ("PP&E") increased $1,095 million since year end primarily due to $837 million in capital expenditures of TMC, a $346 million increase in the TMC decommissioning adjustments due to lower discount rates, net of depreciation of $80 million for TMC plus a $25 million net increase in in CHHC PP&E. Starting in Q1 2019, new accounting rules require leases over one year to be recorded as a right-of-use asset. Right-of-use assets at September 30, 2019 are $60 million for TMC and $22 million for CHHC with none at December 31, 2018. Starting in Q3 2019 a higher capitalized interest calculation resulted in a $23 million increase in TMEP Construction in Progress, a part of PP&E. The increase was due to a change in the circumstances that allow capitalizing interest on capital projects with certain impediments to TMEP development being overcome at the beginning of Q3 2019.

Trade and other payables at September 30, 2019 were $193 million higher than at December 31, 2018 due to a $135 million increase in TMC payable due to increased TMEP expenditure accruals and $62 million in loan interest payable which was nil at year end since interest is paid at the end of June and December each year. Other current liabilities increased $84 million since year end primarily due to the $85 million increase in current TMC dock premiums owing, primarily due to the change of some dock premiums owing changing from non-current to current. Total current and non-current loans payable increased $65 million since December 2018 due to draws on the construction credit facility to fund TMEP capital costs and interest expenses, net of the $500 million repayment of the NEB facility in March. As at September, all loans are non-current given the 2023 credit facility maturity date.

The total provision for decommissioning obligations increased $385 million due to the decrease in average discount rate from 2.15% at December 31, 2018 to 1.53% at September 30, 2019. Other non-current liabilities decreased $73 million primarily due to an $88 million decrease in non-current dock premiums owing, as these became current.

Interim Condensed Consolidated Financial Statements of

CANADA DEVELOPMENT INVESTMENT CORPORATION

Three and nine months ended September 30, 2019

(Unaudited)

CANADA DEVELOPMENT INVESTMENT CORPORATION

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

		September 30, 2019		December 31, 2018
Assets				
Current assets:				
Cash and cash equivalents	$	342,428	$	344,857
Restricted cash (note 5)		964		500,683
Trade and other receivables (note 18)		62,898		158,979
Income taxes receivable		10,279		3,497
Other current assets		28,202		18,743
Investments held for future obligations		3,237		2,518
		448,008		1,029,277
Non-current assets:				
Property, plant and equipment (note 6)		5,993,799		4,854,621
Goodwill (note 4,8)		1,016,093		1,016,582
Investments held for future obligations		147,438		151,233
Restricted cash (note 5)		68,614		56,660
Restricted investments		71,073		54,783
Right-of-use assets (note 7)		82,337		-
Other assets		85,961		46,328
Deferred tax asset		18,881		17,735
		7,484,196		6,197,942
	$	7,932,204	$	7,227,219
Liabilities and Shareholder's Equity				
Current liabilities:				
Trade and other payables	$	326,623	$	133,520
Current portion of loans payable (note 10)		-		120,000
Current portion of provision for decommissioning obligations (note 9(a))		2,100		3,141
Current portion of provision for site restoration (note 9(b))		2,695		2,329
Current portion of lease liabilities (note 7)		16,702		-
Other current liabilities		192,875		109,010
		540,995		368,000
Non-current liabilities:				
Loans payable (note 10)		5,355,000		5,170,000
Deferred income taxes (note 11)		502,661		560,966
Lease liabilities (note 7)		66,720		-
Provision for decommissioning obligations (note 9(a))		911,614		526,000
Provision for site restoration (note 9(b))		6,817		7,809
Defined benefit obligation		95,548		78,390
Other non-current liabilities		99,055		171,903
		7,037,415		6,515,068
Shareholder's equity:				
Share capital		1		1
Contributed surplus		603,294		603,294
Accumulated deficit		(239,835)		(269,902)
Accumulated other comprehensive income		(9,666)		10,758
		353,794		344,151
Commitments (note 16)				
Contingencies (note 17)				
	$	7,932,204	$	7,227,219

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
(Unaudited)
(Thousands of Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Revenue:				
Net crude oil revenue (note 13)	$ 17,620	$ 40,526	$ 117,709	$ 137,129
Transportation revenue (note 14)	113,061	27,481	301,041	27,481
Lease revenue (note 14)	15,121	5,059	45,025	5,059
Other revenue (note 14)	551	143	1,863	143
	146,353	73,209	465,638	169,812
Other income:				
Net Profits Interest (Note 15)	1,566	-	1,566	-
Facility use and processing fees, net of incidental net profits interest	82	452	1,352	1,742
Foreign exchange gains	436	462	1,899	3,704
	148,437	74,123	470,455	175,258
Expenses:				
Depletion and depreciation (note 6,7)	33,488	18,879	118,674	41,918
Crude oil operating, transportation and marketing (note 13(b))	8,461	6,954	23,017	19,768
Pipeline operating expenses (note 14)	42,082	11,577	109,909	11,577
Foreign exchange losses	299	1,060	2,348	1,903
Professional fees	2,453	3,671	8,568	9,163
Salaries and benefits	17,532	5,965	52,937	7,566
Change in provision for site restoration (note 9)	622	480	622	(425)
Other administrative expenses	(36)	854	2,021	1,405
	104,901	49,440	318,096	92,875
Finance expenses (income):				
Interest expense (note 10)	40,182	21,265	157,177	21,265
Interest income	(2,240)	(3,868)	(8,755)	(6,377)
Unwind of discount on decommissioning obligations (note 9(a))	3,307	1,477	9,128	2,914
Unwind of discount on provision for site restoration (note 9(b))	37	39	111	118
	41,286	18,913	157,661	17,920
Net income (loss) before income taxes	2,250	5,770	(5,302)	64,463
Income taxes:				
Current income tax expense	64	8,265	20,460	27,940
Deferred income tax (note 11)	2,302	(2,637)	(55,829)	(4,321)
	2,366	5,628	(35,369)	23,619
Net income (loss)	$ (116)	$ 142	$ 30,067	$ 40,844
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss				
Currency translation adjustment	3,543	(419)	(8,845)	(419)
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit obligations	391	-	(11,579)	-
	3,934	(419)	(20,424)	(419)
Comprehensive income (loss)	$ 3,818	$ (277)	$ 9,643	$ 40,425

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 September 30		Nine months ended September 30	
	2019	2018	2019	2018
Share capital				
Balance, beginning and end of period	$ 1	$ 1	$ 1	$ 1
Contributed surplus				
Balance, beginning and end of period	603,294	603,294	603,294	603,294
Accumulated deficit				
Balance, beginning of period	(239,719)	(123,073)	(269,902)	(163,775)
Net income (loss)	(116)	142	30,067	40,844
Balance, end of period	(239,835)	(122,931)	(239,835)	(122,931)
Accumulated other comprehensive income				
Balance, beginning of period	(13,600)	-	10,758	-
Other comprehensive income (loss)	3,934	(419)	(20,424)	(419)
Balance, end of period	(9,666)	(419)	(9,666)	(419)
Total shareholder's equity	$ 353,794	$ 479,945	$ 353,794	$ 479,945

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 September 30		Nine months ended September 30	
	2019	2018	2019	2018
Cash provided by (used in):				
Operating activities:				
Net income (loss)	$ (116)	$ 142	$ 30,067	$ 40,844
Adjustments for:				
Depletion and depreciation	33,488	18,879	118,674	41,918
Income tax expense	2,366	5,628	(35,369)	23,619
Net change in defined benefits	829	54	1,812	(18)
Lease interest expense	1,222	-	2,656	-
Interest income	(2,240)	(3,868)	(8,755)	(6,377)
Change in provision for site restoration	696	480	622	(425)
Unrealized foreign exchange gain on lease	(61)	-	(210)	-
Unwind of discount on provisions	3,344	1,516	9,239	3,032
Capitalized interest	(22,624)	-	(22,624)	-
Interest received	2,240	3,868	8,755	6,377
Provisions settled	(466)	(50)	(2,994)	(3,577)
Income taxes paid	(9,516)	(9,445)	(27,830)	(27,548)
	9,162	17,204	74,043	77,845
Change in non-cash working capital (note 12)	5,473	86,059	22,156	78,325
	14,635	103,263	96,199	156,170
Financing activities:				
Proceeds from loan issuance	320,000	5,200,000	565,000	5,200,000
Repayments of loan payable	-	(559,816)	(500,000)	(559,816)
Payment of lease liabilities, principal portion	(3,802)	-	(10,379)	-
Payment of lease liabilities, interest portion	(1,222)	-	(2,656)	-
	314,976	4,640,184	51,965	4,640,184
Investing activities:				
Purchase of property, plant and equipment	(366,312)	(65,129)	(660,534)	(79,813)
Acquisition, net of cash acquired (note 4)	-	(3,924,341)	-	(3,924,341)
Sale of short term investments	-	-	-	30,169
Working capital settlement from acquisition	-	-	37,020	-
Withdrawal from CRF	-	-	5,000	-
Change in restricted cash	(10,176)	(551,212)	487,765	(551,212)
Implementation costs	(3,559)	-	(6,572)	-
Purchase of restricted investments	(3,473)	-	(10,861)	-
Change in investments held for future obligations	(646)	(487)	(1,923)	(1,290)
	(384,166)	(4,541,169)	(150,105)	(4,526,487)
Effects of FX translation on cash	409	(102)	(488)	(102)
Change in cash and cash equivalents	(54,146)	202,176	(2,429)	269,765
Cash and cash equivalents, beginning of period	396,574	243,946	344,857	176,357
Cash and cash equivalents, end of period	$ 342,428	$ 446,122	$ 342,428	$ 446,122
Represented by:				
Cash	$ 267,473	$ 236,915	$ 267,473	$ 236,915
Cash equivalents	74,955	209,207	74,955	209,207
	$ 342,428	$ 446,122	$ 342,428	$ 446,122

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

1. Reporting entity:

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

Canada Development Investment Corporation was incorporated in 1982 under the provisions of the *Canada Business Corporations Act* and is wholly-owned by Her Majesty in Right of Canada. The Corporation is an agent Crown corporation listed in Schedule III, Part II of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. In November 2007, the Minister of Finance informed CDEV that its mandate "should reflect a future focused on the ongoing management of its current holdings in a commercial manner, providing assistance to the Government of Canada ("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 August 2019, as requested by the Minister of Finance, CDEV executed a Memorandum of Understanding with Natural Resources Canada to receive the Net Profits Interest and Incidental Net Profits Interest agreements related to the Hibernia Oil Project.

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.

Subsidiaries

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

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

TMP Finance is the parent company of TMC. It also provides debt and equity financing to TMC funded by loans from Her Majesty in Right of Canada, administered by Export Development Canada ("EDC"). See note 10 for loan details.

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.

1. Reporting entity (continued):

CHHC was incorporated under the provisions of the *Canada Business Corporations Act* and was acquired by CDEV in March 1993. CHHC is subject to the *Financial Administration Act* and the *Income Tax Act*. CHHC's sole purpose is the holding and management of its interest in the Hibernia Development Project ("Hibernia Project") which is an oil development and production project located offshore Newfoundland and Labrador.

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

2. Basis of preparation:

a) Statement of compliance:

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to interim periods, including 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, 2018.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 21, 2019.

b) Basis of measurement:

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

c) Functional and presentation currency:

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

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 were the same as those disclosed in note 3(v) of the Corporation's annual consolidated financial statements for the year ended December 31, 2018, except for new significant judgements and key sources of estimation uncertainty related to the application of new accounting policies, which are described in note 3 below.

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, 2018, except for those policies noted below and those which have changed as a result of the adoption of new accounting standards or interpretations effective January 1, 2019, as described below. In addition, income taxes on earnings or loss in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual earnings or loss.

New accounting policy:

Capitalized borrrowing costs

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

Changes in accounting policies:

The following accounting standards issued by the International Accounting Standards Board ("IASB"), are effective for the first time in the current financial period and have been adopted in accordance with the applicable transitional provisions:

IFRS 16, *Leases* ("IFRS 16")

IFRS 16 is a major revision to the way in which companies account for leases, in that it requires almost all leases to be included on the statement of financial position of lessees. IFRS 16 replaces the previous IAS 17 *Leases* and related interpretation IFRIC 4 *Determining whether an arrangement contains a lease*, and as a result, the Corporation changed its accounting policy for leases as detailed below.

3. Significant accounting policies (continued):

Changes in accounting policies (continued):

Up to the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Significant accounting policy applicable from January 1, 2019

At inception of a contract entered into, or changed, on or after January 1, 2019, the Corporation assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Corporation has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Corporation has the right to direct the use of the asset. The Corporation has this right when it has the decision-making rights that are most relevant to changing how and for what purposes the asset is used.

As a lessee

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

Lease liabilities are initially measured at the present value of the contractual payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if this is not readily determinable, the Corporation's incremental borrowing rate. Lease payments included in the initial measurement of the lease liability comprise the following, as applicable:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Corporation is reasonably certain to exercise,

3. Significant accounting policies (continued):

Changes in accounting policies (continued):

lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Corporation is reasonably certain not to terminate early.

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

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

Right-of-use assets are subsequently depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Right-of-use assets are tested for impairment in accordance with IAS 36, *Impairment of assets*.

For office leases and certain equipment contracts that both convey a right to the Corporation to use an identified asset and require services to be provided to the Corporation by the lessor, the Corporation has elected to account for the entire contract as a lease, i.e. it does not allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

As a lessor

The accounting policies applicable to the Corporation as a lessor under IFRS 16 were not different from the comparative period.

Transition

The Corporation applied the following transition options permitted under IFRS 16:

- IFRS 16 was applied initially, using the modified retrospective approach whereby the cumulative effect of adopting IFRS 16, if any, is recognised as an adjustment to retained earnings at January 1, 2019, with no restatement of comparative information.

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

3. Significant accounting policies (continued):

Changes in accounting policies (continued):

- Contracts already classified either as leases under IAS 17 and IFRIC 4 or as non-lease service arrangements will maintain their respective classifications upon the implementation of IFRS 16 (“grandfathering of contracts”); and
- Right-of-use assets have been initially recognized at an amount equal to the corresponding lease liability.

On transition at January 1, 2019, the aggregate lease liability and corresponding amount for right-of-use assets recognized in the statement of financial position was $ 79.7 million. The right-of-use assets were categorized as $26.7 million for equipment, $12.5 million buildings and $40.5 million for land. The weighted average incremental borrowing rate applied to lease liabilities at January 1, 2019 is 4.29%.

The difference between operating lease commitments disclosed as at December 31, 2018 and the lease liabilities recognized at January 1, 2019 is explained as follows:

Total commitments disclosed as at December 31, 2018	$	520,848
Non-lease elements		(363,766)
Gross lease commitments at December 31, 2018		157,082
Additions or adjustments		10,128
Impact of discounting using the Corporation’s incremental borrowing rate as at January 1, 2019		(87,556)
Lease liabilities, January 1, 2019	$	79,654
Current portion	$	14,528
Long-term portion	$	65,126

There was no impact on opening retained earnings at January 1, 2019.

Use of estimates and judgments

The implementation of IFRS 16 required management to apply judgment and use estimates in the following areas:

- Determining the customer in Hibernia Project lease contracts: As is common in the oil and gas industry, the Hibernia Project activities are carried out jointly with others. CHHC has undivided working interests in the Hibernia Project as outlined in note 1. Since lease assets and liabilities must be recognized by the customer in the lease contract, CHHC is required to evaluate for each lease contract whether the Hibernia Project working interest owners are jointly considered to be the customer in the Hibernia Project lease contracts, or whether the Hibernia Project operator is the customer in the lease contracts. Depending on the facts and circumstances in each case, the conclusions reached could vary between contracts. In summary, the Corporation used judgment

3. Significant accounting policies (continued):

Changes in accounting policies (continued):

in concluding that although the operator, HMDC, is the sole signatory to the Hibernia Project lease contracts, it does so implicitly or explicitly on behalf of the working interest owners. Accordingly, the Corporation recognizes its proportionate share of the Hibernia Project leases entered into by the operator, as CHHC is considered to share responsibility for the lease liabilities.

- Determining the Corporation's incremental borrowing rate: In measuring the present value of the lease liability under IFRS 16, the standard requires that the lessee's incremental borrowing rate be used as the discount rate if (as is typically the case) the interest rate implicit in the lease cannot be readily determined. Significant judgment is used to estimate the Corporation's incremental borrowing rate. Factors include the Government of Canada's borrowing rates, credit risk spreads applicable to the Corporation or its subsidiaries, the duration of the lease term and the currency of the obligation.
- Evaluating the impact of option periods for the lease terms: Certain of the Corporation's leases include options to extend the lease term. Under IFRS 16, the evaluation of whether each lease contract's extension terms are considered reasonably certain to be exercised, is made at commencement of the leases and subsequently when facts and circumstances which are under the control of the Corporation require it. In the Corporation's view, the term "reasonably certain" implies a high level of probability, and this has been reflected in its evaluations.

Refer to note 7 for further lease disclosures.

Amendments to IAS 12*, Income Taxes* ("IAS 12")

The amendments to IAS 12 clarify that an entity must recognize all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognized the originating transaction or event that generated the distributable profits giving rise to the dividend. The application of the amendments to IAS 12 had no impact on the Corporation's interim condensed consolidated financial statements.

IFRIC 23, *Uncertainty Over Income Tax Treatments* ("IFRIC 23")

IFRIC 23 clarifies the application of the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments that have yet to be accepted by tax authorities. The application of IFRIC 23 had no impact on the Corporation's interim condensed consolidated financial statements.

4. Acquisition of subsidiary:

On August 31, 2018, in culmination of an agreement executed on May 29, 2018 between Her Majesty in Right of Canada and Kinder Morgan, Trans Mountain Corporation acquired 100 percent ownership of certain entities held by Kinder Morgan Cochin ULC, including the Trans Mountain pipeline system and related expansion project, for cash consideration of $4.4 billion, after customary purchase price adjustments as provided in the purchase agreement. Acquisition costs related to the transaction of $5 million were expensed and were included in professional fees.

The transaction has been accounted for as a business combination using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value. The consideration has been allocated as follows:

		(In millions)
Purchase price		
Cash consideration, net of cash acquired and debt assumed	$	4,447
Total purchase price		4,447
Identified net assets acquired at fair value:		
Accounts receivable		76
Other current assets		23
Property, plant and equipment (excluding construction in progress)		2,910
Construction in progress		1,130
Other non-current assets		91
Land		309
Accounts payable		(91)
Other current liabilities		(110)
Retirement and post-employment benefits		(70)
Other deferred credits		(44)
Decommissioning obligations		(219)
Deferred tax liability		(574)
Identifiable net assets acquired		3,431
Goodwill		1,016
Total purchase consideration, net of cash acquired and debt assumed	$	4,447

The Corporation acquired the TMC entities on the basis that a significant part of the purpose is to build TMEP and $1.1 billion of related construction in progress and a portion of allocated goodwill accrue to the purchase price. There is risk surrounding the completion of TMEP and the construction of TMEP will be faced with difficult terrain, risks of cost overruns and the potential for additional legal challenges or other impediments to construction (see note 17, Contingencies for further details).

Fair value for the pipeline assets on acquisition was determined using a discounted cash flow model using a scenario approach and discount rate to incorporate the risks TMC is exposed to as an oil pipeline operator including operating risks, environmental risks, security risks and risks noted in relation to timing of project approval and potential delays in construction.

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

5. Restricted cash:

	September 30, 2019	December 31, 2018
Restricted cash – NEB letter of credit (see note 10)	$ -	$ 500,000
Restricted cash – TMC held for future abandonment costs	964	683
Restricted cash – TMC letters of credit	58,914	48,160
Restricted cash – held as security	1,200	-
Restricted cash – CHHC letters of credit	8,500	8,500
	$ 69,578	$ 557,343
Represented by:		
Current portion	$ 964	$ 500,683
Non-current portion	68,614	56,660
	$ 69,578	$ 557,343

6. Property, plant and equipment:

	Construction work in progress	Pipeline	Oil development assets and production facilities	TOTAL
Cost:				
Balance at December 31, 2017	$ -	$ -	$ 512,664	$ 512,664
Acquisition	1,130,070	3,219,174	-	4,349,244
Additions for the period	178,373	-	20,747	199,120
Transfers	(31,087)	31,087	-	-
Decommissioning adjustments	-	164,123	9,376	173,499
Foreign exchange movements	-	12,397	-	12,397
Balance at December 31, 2018	$ 1,277,356	$ 3,426,781	$ 542,787	$ 5,246,924
Additions for the period	856,069		24,757	880,826
Transfers	(758)	758	-	-
Decommissioning adjustments	-	346,305	31,835	378,140
Foreign exchange movements	(1)	(8,850)	-	(8,851)
Balance at September 30, 2019	$ 2,132,666	$ 3,764,994	$599,379	$ 6,497,039
Accumulated depletion and depreciation:				
Balance at December 31, 2017	$ -	$ -	$ 315,109	$ 315,109
Depletion and depreciation	-	34,468	43,202	77,670
Foreign exchange movements	-	(476)	-	(476)
Balance at December 31, 2018	$ -	$ 33,992	$ 358,311	$ 392,303
Depletion and depreciation	-	79,736	31,321	111,057
Foreign exchange movements	-	(120)	-	(120)
Balance at September 30, 2019	$ -	$ 113,608	$ 389,632	$ 503,240

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

6. Property, plant and equipment (continued):

	Construction work in progress	Pipeline	Oil development assets and production facilities	TOTAL
Carrying amounts:				
At December 31, 2018	$ 1,277,356	$ 3,392,789	$ 184,476	$ 4,854,621
At September 30, 2019	$ 2,132,666	$ 3,651,386	$ 209,747	$ 5,993,799

At September 30, 2019, oil and gas property and equipment costs subject to the calculations of depletion and depreciation included future development costs of $546,243 ($571,000 - December 31, 2018).

During the nine months ended September 30, 2019 capitalized interest of $24,965 was included in the cost of property, plant and equipment – pipeline (2018- $70). In the three months ended September 30, 2019 capitalized interest was $22,624. In the third quarter of 2019 substantially all the activities necessary to prepare the construction in progress assets for its intended use came into effect when certain regulatory requirements for construction of TMEP were satisfied.

At September 30, 2019 an assessment of indicators of impairment was conducted for the Corporation's cash generating units. No indicator of impairment was noted and accordingly an impairment test was not required (see note 8, Goodwill).

For details on decommissioning adjustments, see note 9, Provisions.

7. Right-of-use assets and leases:

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

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

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

The category of buildings includes the monthly fixed lease payments made for the Corporation's office building spaces in Alberta, B.C. and Ontario. It also includes CHHC's proportionate working interest share of HMDC's office building space in St. John's, NL. The leases extend to the year 2025.

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

7. Right-of-use assets and leases (continued):

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

The Corporation is not exposed to any significant additional potential cash outflows that are not included in the reported amount of the lease liabilities, other than certain termination penalties which the Corporation considers not reasonably certain to incur as at September 30, 2019.

Statement of Financial Position:

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

	Equipment and Vehicles	Land and Buildings	Total
January 1, 2019			
Initial Recognition	$ 26,664	$ 52,990	$ 79,654
Additions	876	13,532	14,408
Depreciation	(3,159)	(8,516)	(11,675)
Foreign exchange	(50)	-	(50)
September 30, 2019	$ 24,331	$ 58,006	$ 82,337

Details of lease liabilities are as follows:

Lease liabilities, January 1, 2019	$ 79,654
Additions	14,408
Interest expense	2,656
Lease payments	(13,035)
Foreign exchange movements	(261)
Lease liabilities, September 30, 2019	$ 83,422
Current portion	$ 16,702
Long-term portion	$ 66,720

Maturity analysis – contractual undiscounted cash flows

	2019	2020-2023	Thereafter	Total
Lease liabilities	$ 4,793	$ 43,567	$ 121,478	$ 169,838

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

7. Right-of-use assets and leases (continued):

Statement of Comprehensive Income and Statement of Cash Flows:

	Nine months ended September 30, 2019*
Statement of Comprehensive Income:	
Interest on lease liabilities (net of capitalized interest)	$ 1,572
Statement of Cash Flows:	
Total cash outflow for leases	$ 11,951

**Comparative figures are not available as IFRS 16 was not applied in 2018 under the modified retrospective method of adoption of IFRS 16*

8. Goodwill:

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

Balance at January 1, 2019	$ 1,016,582
Effect of foreign exchange	(489)
Balance at September 30, 2019	$ 1,016,093

b) Impairment test

At September 30, 2019 an assessment of indicators of impairment was conducted for the Corporation’s cash generating units. No indicator of impairment was noted and accordingly an impairment test was not required.

9. Provisions:

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

	Decommissioning Obligations			
	Pipeline	Wells & Facilities	Total	Site restoration
Balance at December 31, 2018	$ 387,610	$ 141,531	$ 529,141	$ 10,138
Changes in estimates	-	(738)	(738)	502
Obligations settled	-	(1,635)	(1,635)	(1,359)
Changes in discount rate	346,305	32,573	378,878	120
Effect of foreign exchange	(1,060)	-	(1,060)	-
Unwind of discount	7,209	1,919	9,128	111
Balance at September 30, 2019	$ 740,064	$ 173,650	$ 913,714	$ 9,512
Current	-	2,100	2,100	2,695
Non-current	740,064	171,550	911,614	6,817
Provisions at September 30, 2019	$ 740,064	$ 173,650	$ 913,714	$ 9,512

9. Provisions (continued):

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 $287,476 at September 30, 2019 ($291,928 - December 31, 2018). 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 2056 and is based upon the useful lives of the underlying assets. The provision was calculated at September 30, 2019 using an inflation rate of 2.00% (2.00% - December 31, 2018) and was discounted using an average risk-free rate of 1.52% (2.15% - December 31, 2018).

b) Provision for decommissioning obligations of TMC pipeline:

The provision for decommissioning obligations for the pipeline properties is based on management's estimate of costs to abandon which is estimated to be $740,064 at September 30, 2019 (December 31, 2018 - $387,610) discounted at a risk-free rate of 1.68% (December 31, 2018 - 2.18%). The undiscounted decommissioning liability is estimated to be $3.3 billion, with an inflation rate of 2.0% and an expected remaining useful life of approximately 100 years.

The decommissioning provision reflects the discounted cash flows expected to be incurred to decommission TMC's pipeline system. The estimated economic life of assets covered by the decommissioning is estimated at 100 years. The estimated economic life is used to determine the undiscounted cash flows at the time of decommissioning and is reflective of the expected timing of economic outflows relating to the provision.

c) Provision for site restoration of CEI:

Under the terms of the purchase and sale agreement in 1988 between CEI and Cameco, CEI is responsible for obligations relating to the sale of assets to Cameco. Provision for site restoration as at the date of the interim condensed consolidated statement of financial position is related to the decommissioning of a former mine site. Cameco is responsible for the monitoring and management of this site. CEI accrues for these costs based on estimates provided by Cameco. These estimates are based on variables and assumptions which are subject to uncertainty including the time to completion and the costs over this period. The future estimate of costs for site restoration has been discounted at a rate of 1.51% (December 31, 2018 – 1.88%) and an inflation rate of 2.0% was used to calculate the provision at September 30, 2019 (December 31, 2018 – 2.0%).

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

10. Loans payable:

On August 29, 2018, TMP Finance entered into Credit Agreements with Her Majesty in Right of Canada. The facilities are part of the Canada Account of the Government of Canada, administered by EDC. On March 25, 2019 TMP Finance entered into an amended NEB Credit Agreement which allows TMP Finance to provide to TMC the required NEB financial resource requirements. With this new credit agreement, TMC was able to cancel the credit agreement with Kinder Morgan that back-stopped a $500 million letter of credit. After the letter of credit was cancelled, $500 million of restricted cash on deposit was used to repay the outstanding loan on the NEB Facility.

The purpose of the Acquisition and Construction facilities are to fund the acquisition of the Trans Mountain Pipeline entities and to finance the construction of the TMEP and other corporate purposes. The NEB Facility allows TMP Finance to borrow funds for the purpose of providing financial assurance for the Trans Mountain Pipeline as required by the Canada Energy Regulator (“CER”), formerly known as the National Energy Board (“NEB”).

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

Details of the facilities at September 30, 2019 are as follows:

Facility	Total Available Credit	Outstanding Amounts	Interest Rate Disbursed amounts	Standby Fee Undisbursed amounts	Maturity Date
Acquisition	$ 4,670,000	$ 4,670,000	4.7%	0.065%	August 29, 2023
Construction (note a)	$ 2,587,000	$ 685,000	4.7%	0.065%	August 29, 2023
NEB	$ 500,000	$ -	4.7%	0.30%	August 29, 2023
		$ 5,355,000			
Current portion		$ -			
Non-current portion		$ 5,355,000			

a) The availability of the Construction Credit Facility is limited to any borrowing authority issued by the Minister of Finance. On July 30, 2019 an Amended Credit Agreement was executed between Her Majesty in Right of Canada, as administered by Export Development Canada and Canada TMP Finance Ltd. The Construction facility limit until December 31, 2019 is $2.587 billion, increasing to $4 billion in 2020 as detailed in a revised borrowing authority letter received from the Minister of Finance. The maturity date of the facility is August 29, 2023.

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

10. Loans payable (continued):

Total interest expense for the periods ended September 30 is comprised of the following:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Interest on loans payable	$ 61,673	$ 21,202	$ 179,254	$ 21,202
Interest on leases	926	-	2,656	-
Interest capitalized	(23,049)	(70)	(26,049)	(70)
Standby fees	632	133	1,316	133
	$ 40,182	$ 21,265	$ 157,177	$ 21,265

At September 30, 2019, interest payable of $61,774 was included in trade and other payables (December 31, 2018-$677).

11. Income Taxes

In June 2019, the Alberta government enacted a progressive multi-year corporate tax rate reduction which decreases the corporate tax rate from 12% to 8% by 2022. This tax rate change reduced the blended Federal and Provincial (Alberta and B.C.) statutory current tax rate to 26.69% and the deferred tax rate to 24.55%. For the three and nine month periods ended September 30, 2019, a deferred tax recovery of $56.2 million arose on the revaluation of the deferred tax liabilities from a tax rate of 27% to 24.55%. Due to the loss before income taxes of two subsidiaries and the non-taxable status of TMP Finance and CDEV, the effective rate is significantly higher than the statutory rate, before accounting for the deferred tax recovery in the second quarter.

12. Supplemental cash flow disclosure:

Changes in non-cash working capital balances for the periods ended September 30 include the following:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Trade and other receivables	$ 38,977	$ 11,549	$ 59,061	$ 4,254
Inventory	564	(1,122)	1,543	(1,401)
Other current assets	1,366	4,621	(13,171)	3,498
Deferred charges and other assets	(32,157)	(21,749)	(39,633)	(21,749)
Trade and other payables	54,409	59,186	193,690	56,749
Other current liabilities	616	(914)	83,865	(914)
Other deferred credits	(14,762)	24,433	(78,330)	24,433
Change in non-cash working capital items	$ 49,013	$ 76,004	$ 207,025	$ 64,870

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

12. Supplemental cash flow disclosure (continued):

Relating to:								
Operating activities	$	5,473	$	86,059	$	22,156	$	78,325
Investing activities		43,540		(10,055)		184,869		(13,455)
	$	49,013	$	76,004	$	207,025	$	64,870

Property, plant and equipment expenditures comprise the following:

	Three months ended September 30				Nine months ended September 30			
		2019		2018		2019		2018
PPE additions (note 6)	$	(419,215)	$	(55,074)	$	(880,826)	$	(66,358)
Change in non-cash investing working capital related to PPE		52,903		(10,055)		220,292		(13,455)
Cash used for PPE expenditures	$	(366,312)	$	(65,129)	$	(660,534)	$	(79,813)

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

a) Net crude oil revenue is comprised as follows:

	Three months ended September 30				Nine months ended September 30			
		2019		2018		2019		2018
Crude oil sales	$	21,622	$	65,315	$	173,386	$	211,227
Less: royalties		(3,577)		(19,495)		(43,744)		(57,779)
Less: net profits interest		(425)		(5,294)		(11,933)		(16,319)
Net crude oil revenue	$	17,620	$	40,526	$	117,709	$	137,129

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

	Three months ended September 30				Nine months ended September 30			
		2019		2018		2019		2018
United States	$	21,622	$	28,964	$	145,596	$	52,324
Europe		–		22,480		14,650		74,208
Canada		–		13,871		13,140		50,303
South America		–		–		–		17,521
Asia		–		–		–		16,871
Gross crude oil revenue	$	21,622	$	65,315	$	173,386	$	211,227

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

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

b) Operating, transportation and marketing expenses comprise the following:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Hibernia Project operating expenses	$ 7,273	$ 5,405	$ 19,763	$ 14,845
Crude oil transportation and transshipment	1,160	1,476	2,963	4,594
Crude oil marketing	28	73	291	329
	$ 8,461	$ 6,954	$ 23,017	$ 19,768

14. Revenue and operating expenses from pipeline operations:

For the nine months ended September 30, 2019 revenues and operating expenses from TMC's operations, disaggregated by revenue source and type of revenue, are comprised as follows:

Transportation revenue	$ 301,041
Lease revenue	45,025
Other revenue	1,863
Total	$ 347,929
Operating and production expenses	$ 109,909
Salaries and benefits	50,554
Other general and administration costs	2,775
Total operating expenses excluding finance costs and depreciation	$ 163,238

Revenues from TMC pipeline operations are primarily earned in Canada with less than 10% originating outside of Canada. The prior year period included only one month of revenue and operating expenses of $32,683 and $17,260 respectively.

15. Net Profits Interest

The Net Profits Interest and Incidental Net Profits Interest agreements ("NPI") assigned to CDEV entitle CDEV to receive approximately 10% of the Net Profits generated by the owners of the Hibernia Project for at least the next twelve months. Net Profit is calculated to include gross sales revenue less all eligible costs, transportation costs, capital expenditures, operating costs and royalties. The NPI receipts are recorded as other income.

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16. Commitments:

CDEV's commitments at September 30, 2019 are summarized in the table below and include crude oil transportation and transshipment service arrangements, CHHC's share of Hibernia Project contractual commitments related to drilling and operations, and TMC's purchase of property, plant and equipment ("PPE").

	Remainder 2019	2020-2023	Thereafter	Total
Crude oil transportation and transshipment services	$ 1,578	$ 18,760	$ 33,785	$ 54,123
Hibernia Project contracts	1,073	5,132	3,889	10,094
Pipeline PPE	167,143	-	-	167,143
Total Commitments	$ 169,794	$ 23,892	$ 37,674	$ 231,360

17. 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.

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

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

On April 25, 2018, the B.C. Lieutenant Governor in Council referred a question to the B.C. Court of Appeal regarding the constitutionality of draft legislation seeking to impose a requirement for a "hazardous substance permit" on all persons having possession, charge or control of a certain volume of "heavy oil" in the course of operating an industry, trade or business. The draft legislation, if enacted, would likely apply to TMEP. On June 18, 2018, the Court granted 20 persons participatory status in the reference matter, including Trans Mountain Pipeline ULC. The Court heard the reference case on March 18 to March 22, 2019. On May 24, 2019, the Court unanimously opined that it is not within the authority of the B.C. Legislature to enact the proposed legislation. The Province of B.C. filed its Notice of Appeal to the Supreme Court of Canada on June 14, 2019. The Supreme Court of Canada has set a tentative hearing date of January 15, 2020. As a result, a decision is anticipated in the second half of 2020.

17. Contingencies (continued):

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

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

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

Twelve parties/groups have filed motions with the FCA for leave (the “Leave Motions”) to judicially review the new Order in Council re-approving the TMEP. In general, the Leave Motions argue that the NEB, the Government of Canada, and/or the GIC failed to comply with the FCA’s decision in *Tsleil-Waututh* in the NEB’s Reconsideration hearing and the Phase III consultation process. On September 4, 2019, the FCA dismissed six of the Leave Motions and granted Leave to Appeal for the other six applications. A scheduling Order was provided by the FCA on September 20, 2019 resulting in a hearing for the week of December 16 to December 20, 2019. Subject to any intervening events, a decision may be expected Q1 or Q2 2020.

In addition to the judicial reviews of the NEB Recommendation Report and GIC’s order at the FCA, two judicial review proceedings were commenced at the Supreme Court of B.C. by the Squamish Nation and the City of Vancouver. The petitions alleged a duty and failure to consult or accommodate First Nations, and generally, among other claims, that the Province did not conduct a proper provincial environmental assessment before issuing the provincial Environmental Assessment Certificate (“EAC”). The

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17. Contingencies (continued):

Squamish and Vancouver judicial review proceedings were heard in October and November 2017, respectively, and on May 24, 2018, the court dismissed both proceedings. Appeals to the B.C. Court of Appeal (“BCCA”) were filed by Vancouver and Squamish and were heard together on May 6 to May 8, 2019. The BCCA released its decision on September 17, 2019. The BCCA dismissed the applications to quash the EAC but allowed both appeals for the limited extent of remitting the conditions to the respective provincial Ministers for reconsideration and consequent adjustment in light of the changes the NEB made to its original report in the reconsideration. The BCCA stated that provincial authority did not extend to “order[ing] assessments that the [NEB] expressly refused to order” and must be limited to conditions within the province’s jurisdiction. The Court dismissed all other claims including those related to additional provincial assessment, public consultation, and Indigenous consultation and accommodation.

18. Risks to the Corporation:

The nature of CDEV’s consolidated operations expose the Corporation to risks arising from its financial instruments that may have a material effect on cash flows, profit and comprehensive income (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, 2018. 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.

CDEV is exposed to financial risks including market risk relating to commodity prices, foreign exchange rates and interest rates, as well as credit risk and liquidity risk. A description of the nature and extent of risks arising from the Corporation’s financial assets and liabilities can be found in the notes to the annual consolidated financial statements for the year ended December 31, 2018.

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from CHHC’s trade and other receivables. The composition of the Corporation’s trade and other receivables is as follows:

	September 30, 2019	December 31, 2018
Contracts with pipeline shippers	$ 38,256	$ 95,388
Contracts with crude oil customers	-	10,568
Hibernia joint arrangement	5,443	4,186
HST/GST input tax credits	8,033	5,430
Working capital adjustment on acquisition	179	37,019
Other	10,987	6,388
Trade and other receivables	$ 62,898	$ 158,979
Amount outstanding greater than 90 days	$ 5,057	$ 8,295

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

18. Risks to the Corporation (continued):

The Corporation applies a simplified approach to providing for expected credit losses (ECLs), using the lifetime ECLs provision for all trade receivables. To measure the ECLs provision related to trade receivables, the Corporation applies a provision matrix based on the number of days past due. Due to the high credit quality of the Corporation's counterparties, the ECL provision at September 30, 2019 is insignificant.

The Corporation's cash and cash equivalents (including those held in escrow and investments held for future abandonment and risk fund) are exposed to investment-grade Canadian banks and financial institutions and the Government of Canada. All cash equivalents and short-term investments are purchased from issuers with a credit rating of R1 High by Dominion Bond Rating Service. Accordingly the ECLs provision at September 30, 2019 related to cash and cash equivalents and investments is insignificant.

The Corporation realized no actual impairment losses during the three and nine months ended September 30, 2019 or 2018.

Fair value of financial instruments:

The following table shows the carrying amounts and fair values of restricted investments and loans payable including their levels in the fair value hierarchy at September 30, 2019 and December 31, 2018:

			Carrying amounts		Fair value	
	Classification	Hierarchy	2019	2018	2019	2018
Financial assets						
Restricted investments	FVTPL	Level 2	71,073	54,783	71,073	54,783
Financial liabilities						
Loans payable	Amortized cost	Level 2	5,355,000	5,290,000	5,355,000	5,290,000

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

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

There were no movements between levels in the fair value hierarchy during the period.

19. Related party transactions:

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

On August 23, 2019 CDEV and Natural Resources Canada executed a Memorandum of Understanding that assigned the Net Profits Interest and Incidental Net Profits Interest agreements to CDEV effective for net profit receipts due at the end of September 2019. CDEV paid no remuneration for these agreements.

CDEV paid no dividends to the Government of Canada during the three and nine months ended September 30, 2019 or September 30, 2018. CDEV repaid a $500 million loan to the Government's Canada Account during the first quarter of 2019 and received loan proceeds of $565 million in the nine months ended September 30, 2019.

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20. Supplementary information:

The consolidated financial statements of the Corporation include 100% of the assets, liabilities, revenues and expenses of TMC, CHHC as follows. CDEV corporate, CEI and TMP Finance are grouped as Others:

Nine months ended September 30, 2019	TMC (US GAAP)	IFRS Adjustments		TMC (IFRS)	CHHC	Others	Eliminations	Consolidated
Statement of Comprehensive Income:								
Revenues:								
Transportation revenue	$ 261,485	$ 39,556	(1)	$ 301,041	$ -	$ -		$ 301,041
Lease Revenue	$ 45,025			$ 45,025				$ 45,025
Net Crude oil revenue					$ 117,177	$ -	$ 532	$ 117,709
Other income/ FX	$ 1,862			$ 1,862	$ 3,251	$ 3,536	$ (1,969)	$ 6,680
	$ 308,372			$ 347,928	$ 120,428	$ 3,536	$ (1,437)	$ 470,455
Expenses:								
Depletion and depreciation	$ 75,270	$ 6,728	(2)	$ 81,998	$ 36,595	$ 81		$ 118,674
Operating and production	$ 110,464	$ (555)		$ 109,909	$ 23,017	$ -		$ 132,926
Salaries and Benefits	$ 48,073	$ 2,481	(3)	$ 50,554	$ 1,279	$ 1,104		$ 52,937
Other and FX	$ 5,503	$ (1,969)		$ 3,534	$ 2,870	$ 7,266	$ (111)	$ 13,559
	$ 239,310			$ 245,995	$ 63,761	$ 8,451	$ (111)	$ 318,096
Finance Costs								
Equity AFUDC	$ 62,447	$ (62,447)	(4)	$ -		$ -		$ -
Unwind of Discount	$ -	$ (7,209)	(4)	$ (7,209)	$ (1,919)	$ (111)		$ (9,239)
Net Interest (expense)	$ (64,210)	$ (35,542)	(4)	$ (99,752)	$ 3,199	$ (50,014)	$ (1,855)	$ (148,422)
	$ (1,763)			$ (106,961)	$ 1,280	$ (50,125)	$ (1,855)	$ (157,661)
Earnings/loss before tax	$ 67,299			$ (5,028)	$ 57,947	$ (55,040)	$ (3,181)	$ (5,302)
Taxes (recovery)	$ (39,975)	$ (12,887)	(5)	$ (52,862)	$ 17,493	$ -		$ (35,369)
Net Income	$ 107,274			$ 47,834	$ 40,454	$ (55,040)		$ 30,067
Other Comprehensive Income	$ (8,832)	$ (11,592)	(6)	$ (20,424)	$ -	$ -		$ (20,424)
Statement of Financial Position:								
Assets:								
Current	$ 211,648	$ (5,064)	(7)	$ 206,584	$ 147,878	$ 130,379	$ (36,833)	$ 448,008
Non-Current	6,528,413	529,158	(8)	7,057,571	398,120	5,593,817	(5,565,312)	7,484,196
	$ 6,740,061	**$ 524,094**		**$ 7,264,155**	**$ 545,998**	**$ 5,724,196**	**$ (5,602,145)**	**$ 7,932,204**
Liabilities								
Current liabilities	$ 502,733	$ (6,587)		$ 496,146	$ 14,724	$ 66,958	$ (36,833)	$ 540,995
Non-current liabilities	3,749,611	634,319	(9)	4,383,930	189,881	5,363,204	(2,899,600)	7,037,415
	$ 4,252,344	**$ 627,732**		**$ 4,880,076**	**$ 204,605**	**$ 5,430,162**	**$ (2,936,433)**	**$ 7,578,410**
Equity	**$ 2,487,717**	**$ (103,638)**	(10)	**$ 2,384,079**	**$ 341,393**	**$ 294,034**	**$ (2,665,712)**	**$ 353,794**
	$ 6,740,061	**$ 524,094**		**$ 7,264,155**	**$ 545,998**	**$ 5,724,196**	**$ (5,602,145)**	**$ 7,932,204**

20. Supplementary information (continued):

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

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

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

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

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

20. Supplementary information (continued):

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

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

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

8) Non-current assets are higher under IFRS primarily due to adjustments to goodwill and property, plant and equipment. Upon TMC's acquisition, goodwill was recognized for the excess of the fair value of the consideration paid over the estimated fair value of the net assets acquired. There are differences in the fair value of the net assets under US GAAP and IFRS primarily related to ARO, regulatory liabilities, and deferred taxes upon acquisition. Following the acquisition, property, plant, and equipment is higher due to the recognition of the ARO and the corresponding asset retirement cost. TMC also records proceeds from certain contracts (Firm 50 premiums) as contributions in aid of construction under US GAAP ASC980, which reduces fixed assets. These contributions are recognized as revenue under IFRS.

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

10) The cumulative impact of the IFRS adjustments to shareholder's equity of $104 million represents the total impact on net income and OCI, and any adjustments to equity in prior periods.

21. Reclassification of prior period comparative figures:

During the period, the Corporation reclassified marketing fees on the consolidated statement of comprehensive income from the "net crude oil revenue" line to the "operating, transportation and marketing" expenses line. The Corporation believes the classification of marketing fees as an operational expense is more consistent with industry norms. Comparative amounts were reclassified for consistency, which resulted in $73 and $329 being reclassified from "net crude oil revenue" to "operating, transportation and marketing" expenses for the three months and nine months ended September 30, 2018, respectively. As a result, total revenues for the three and nine months ended September 30, 2018 are $73 and $329 higher and total expenses are $73 and $329 higher, respectively, than previously presented. This reclassification had no impact on the Corporation's financial position, income before income taxes or comprehensive income.