CDEV

Canada Development Investment Corporation

La Corporation de développement des investissements du Canada

Second Quarter Report
June 30, 2022

Canada Development Investment Corporation

La Corporation de développement des investissements du Canada

Contents

Corporate Address:

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

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

Statement of Management Responsibility by Senior Officials

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

Based on my 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 23, 2022.

Elizabeth A. Wademan	Andrew G. Stafl, CPA, CA
President & Chief Executive Officer	Chief Financial Officer

Toronto, Ontario
August 23, 2022

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 June 30, 2022 and should be read in conjunction with CDEV's unaudited interim condensed consolidated financial statements for the period ended June 30, 2022 and CDEV's Annual Report for the year ended December 31, 2021.

Corporate Overview

CDEV, a federal Crown corporation, was incorporated in 1982 to provide a commercial vehicle for Government equity investment and to manage commercial holdings of the Government. CDEV's primary objective is to carry out its activities in the best interests of Canada, operating in a commercial manner. In addition to certain activities of our own, we have four consolidated wholly owned subsidiaries for which we are responsible: Canada Hibernia Holding Corporation ("CHHC"), Canada Eldor Inc. ("CEI"), Canada TMP Finance Limited ("TMP Finance") and its subsidiary Trans Mountain Corporation ("TMC"). CHHC owns and manages the federal government's interests in the Hibernia Development Project ("Hibernia"). CEI has no operations, but has responsibility for servicing liabilities, chiefly arising from an agreement of purchase and sale with Cameco Inc. entered into in 1988. TMP Finance's primary responsibility is to provide financing to TMC. TMC has a mandate to operate the existing Trans Mountain Pipeline and to complete the Trans Mountain Expansion Project ("TMEP") in a timely and commercially viable manner. As of August 2020, CDEV receives and is responsible for Net Profits Interest ("NPI") payments from the Hibernia Project Owners after it signed a Memorandum of Understanding with Natural Resources Canada.

On May 11, 2020 CDEV incorporated a new subsidiary, Canada Enterprise Emergency Funding Corporation ("CEEFC"), to help implement the Large Employer Emergency Financing Facility ("LEEFF") program designed to provide bridge financing to Canada's largest employers. The financial results for CEEFC have not been included in CDEV's consolidated results as discussed in note 4c) of the consolidated financial statements for December 31, 2021. For CEEFC's financial report for the period ending June 30, 2022 please see www.ceefc-cfuec.ca.

Canada Development Investment Corporation

CDEV management is working closely with the board and management of TMC to further the development of the TMEP. This includes setting up procedures to monitor progress of TMEP, arranging necessary financing for TMC and producing meaningful financial information.

In the six months ended June 30, 2022, CDEV received $169 million in NPI payments from the Hibernia Project Owners, $16 million of which was received from CHHC and eliminated upon consolidation. The receipts are recorded as in an increase in the NPI reserve of $154 million before dividend payments of $50 million in in the six months ended June 30, 2022. Payments were made to Hibernia Project Owners during the period to refund overpayments of $6 million.

We paid dividends of $123 million in the first six months of 2022. These dividends were funded by dividends received from CHHC of $58 million, $15 million related to NPI paid by CHHC, and NPI receipts of $50 million. We retain suitable levels of cash and cash equivalents and short-term investments to remain prepared to undertake future activities and to fund potential contingencies.

Trans Mountain Corporation

In the six months ended June 30, 2022 TMC generated $318 million in revenue and $186 million in earnings before interest, taxes, and depreciation ("EBITDA"). In the comparative period TMC generated $221 million in revenue and $97 million in EBITDA. We note that under TMC's continuing use of US GAAP, revenue and EBITDA were $221 million and $88 million respectively compared to $215 million and $90 million in the comparative period. For details see note 19 of the interim condensed consolidated financial statements.

In the current six-month period TMC spent approximately $3.8 billion on the TMEP, excluding financing costs, in addition to the $9.3 billion spent through to December 2021 under CDEV ownership. Capital expenditures for the six-month period ended June 30, 2022 increased significantly over the comparative period, due to a higher level of construction activity on the TMEP. Project construction reached approximately 60% completion, with facilities approximately 85% complete and over 550 km of pipe length in the ground at the end of the second quarter. Available capacity on the Trans Mountain pipeline was fully utilized for both the three and six month periods ended June 30, 2022 and 2021, with system nominations apportioned throughout.

For further details please see the TMC Q2 2022 financial report at www.transmountain.com.

Canada TMP Finance Limited

TMP Finance is the parent of TMC and its entities. Until April 2022, TMP Finance provided funding to TMC at a ratio of 45% equity and 55% debt. To finance these advances, TMP Finance borrowed from the Canada Account administered by Export Development Canada ("EDC"). Certain financial requirements of TMC are provided by TMP Finance to TMC through an undrawn credit facility with the Canada Account. At June 30, 2022, the available limit on the Construction Facility was $ nil and the outstanding amount on the Construction Facility was $11.1 billion after the repayment noted below.

On April 25, 2022, TMC's status changed to a non-agent Crown corporation to allow for borrowings from parties other than its parent, TMP Finance. On April 29, 2022, TMC entered into a one-year senior unsecured revolving facility for $10.0 billion with a syndicate of lenders (the "Syndicated Facility"). The Syndicated Facility contains a six-month extension option, and a guarantee provided by the Government of Canada. In accordance with changes to the Corporation's Construction Credit Facility Agreement with the Canada Account administered by EDC, upon receipt of external financing, the Corporation repaid all amounts advanced by EDC to TMP after February 18, 2022 of $1.6 billion including interest, on May 2, 2022. $875 million was drawn between February 18, 2022 and March 31, 2022, while the remaining $720 million was drawn after March 31, 2022. After an amendment to the credit facilities, there are no other required payments on the Canada Account borrowings until maturity.

In the six months ended June 30,2022 gross loan interest expense for all loans was $380 million including guarantee fees, of which $305 million was capitalized and added to the capital cost of the project and will be depreciated over the useful life of the pipeline.

Canada Hibernia Holding Corporation

CHHC's after-tax income of $40 million and $68 million in the three and six months ended June 30, 2022, respectively, was higher than $18 million and $32 million recorded in the comparative periods due mainly to higher net crude oil revenue and lower depletion and depreciation expenses, partially offset by higher income taxes.

Net crude oil revenue, calculated as crude oil sales less royalties and net profits interest ("NPI"), increased by 40% to $112 million in the six months ended June 30, 2022 from $80 million in the comparative period, driven by a 77% increase in CAD crude oil sales price, partially offset by an increase in royalty and NPI expense and lower sales volumes. Net crude oil revenue increased by 41% to $64 million in the three months ended June 30, 2022 from $45 million in the comparative period, due to a 74% increase in CAD sales price offset by a 22% decrease in sales volume, partially offset by higher royalties and NPI. (On consolidation, Net crude oil revenue for the first half of 2022 was $128 million (2021-$85 million) due to the elimination of NPI payments made to CDEV.)

Sales volumes decreased by 22% to 0.73 million barrels of oil in three months ended June 30, 2022 and by 16% to 1.29 million barrels in the six months ended June 30, 2022 from 0.93 million barrels in three months ended and 1.55 million barrels in six months ended June 30, 2021, due to a 14% decrease in CHHC's daily average production volumes combined with a build of inventory associated with the timing of cargo sales. Average gross field production volumes of 90,169 barrels per day in the six months ended June 30, 2022 were 16% lower than the comparative period primarily due to natural production declines.

CHHC sells its oil based on the Dated Brent benchmark price for crude oil, in US dollars. The average price of Dated Brent crude increased by 65% to average US $ 113.77 per barrel in Q2 2022 from US $68.83 per barrel in Q2 2021. On a Canadian dollar basis, CHHC's average year-to-date realized oil price increased by 77% to $140.49 per barrel from $79.26 per barrel in the prior year period, due to the increase in Dated Brent combined with improved price differentials to average Dated Brent. The Canadian dollar (CAD) in relation to the USD weakened in the 2022 periods, which has a favorable impact on CAD price realizations.

Drilling and facilities capital expenditures in the first half of 2022 were minimal, comprised primarily of drilling rig upgrades and drilling remobilization costs.

Canada Eldor Inc.

There was no significant change in the management of CEI's liabilities. CEI continues to pay for costs relating to the decommissioning of former mine site properties in Saskatchewan and for retiree benefits of certain former employees. A plan is in place that should allow for the transfer of the remaining mine site properties to the Institutional Control Program within three years. During the first half of 2022, expenditures were $0.7 million for site restoration efforts and there was no significant change in the estimated cost for site restoration in the period. CEI holds cash and cash equivalents plus funds within the Consolidated Revenue Fund totaling $12 million to pay for CEI's total estimated liabilities of $6 million.

Canada Enterprise Emergency Funding Corporation

Since March 2020, management of CDEV has assisted in implementing the LEEFF program on behalf of the government through CEEFC, including the retention of financial and legal advisors. Please refer to the CEEFC 2021 Annual Report and 2022 Q2 report for more details on CEEFC at www.ceefc-cfuec.ca.

CEEFC has not been consolidated within CDEV as CDEV is not deemed to have control over CEEFC based on the criteria outlined in IFRS 10. CEEFC prepares its financial statements using Public Sector Accounting Standards. Costs incurred by CDEV related to the development of LEEFF have been recovered from CEEFC. For details on the financial and operating results of CEEFC please see the CEEFC Annual Report at www.ceefc-cfuec.ca.

Select financial results for CEEFC are shown below:

($ Millions)	2020	2021	YTD 2022	Total to June 30, 2022
Loan commitments made	320	7,108	43	7,471
Loans funded	110	2,588	285	2,983
Equity Investments (1)	-	500	-	500
Loan Principal Repayments	-	380	11	391
Preferred shares issued	200	2,890	-	3,090

1) As part of a financing agreement with Air Canada, CEEFC purchased $500 million worth of Air Canada Class B Voting shares.

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, 2021 as described in the 2021 Annual Report. There remains a level of uncertainty related to the changing economic conditions as a result of the global outbreak of COVID-19 and the Russian invasion of Ukraine.

Risks and Contingencies

Given the nature of CDEV's operations, it is not anticipated that the COVID-19 outbreak will have a material impact on CDEV's financial results. Russia's invasion of Ukraine has resulted in considerable volatility in crude oil benchmark prices.

TMP Finance is a borrower of over $15 billion dollars which creates financial risk for CDEV. As the loans are from the Government, this risk is assessed as low. At year-end 2021, there was a refinancing risk as TMC did not have financing in place as the TMEP began a very busy construction period. As noted in the interim condensed consolidated financial statements for the period ended June 30, 2022, TMC secured the necessary external financing in April of 2022. Completion of the TMEP will require significant capital expenditures, and TMC will require the continued availability of financing in order to complete the TMEP. TMC's ability to service existing and future debt required may depend on a number of factors, including future financial and operating performance, project execution on the TMEP, overall economic conditions, and financial, regulatory, and other factors, many of which are beyond TMC's direct control. Once the TMEP is in-service, TMC's operating cash flow will improve as will its ability to service its debt.

While CEEFC is subject to significant credit risk through potential credit losses on the loans it issues to borrowers, the maximum exposure to CDEV is its common share investment in CEEFC of $1.

The other risks and contingencies described in the 2021 Annual Report remain unchanged.

Financial Statements for the Period Ended June 30, 2022

The interim condensed consolidated financial statements for the three and six months ended June 30, 2022 with comparative figures for 2021, have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to interim periods, including IAS 34, *Interim Financial Reporting*. As described in note 2 of the consolidated financial statements at December 31, 2021 there was significant doubt as to the Corporation's ability to continue as a going concern. The going concern issue was removed for the Q1 2022 interim condensed consolidated financial statements since TMC obtained external financing to allow the Corporation to service its existing debt and fund future capital expenditures to complete TMEP.

TMC prepares its financial statements in accordance with US GAAP. To read the US GAAP Q2 2022 TMC financial statements please go to www.transmountain.com. Note 19 in CDEV's consolidated financial statements presents TMC financial results in US GAAP, adjustments made to the statements to convert these results to IFRS and the TMC financial results in IFRS as consolidated into CDEV. The most significant differences in accounting treatment are described in note 19.

Consolidated revenue for the three months ended June 30, 2022 was $245 million, compared to revenue of $173 million in the comparative period. The increase is largely due to a $50 million increase in transportation revenue and a $21 million increase in net crude oil revenue. The increase in transportation revenue is mainly due to re-contracted Firm 50 contracts which included higher premiums for firm capacity. Additionally, there were overall higher tariffs compared to prior year. This was slightly offset by lower throughput on the Puget pipeline. Net crude oil revenue increased to $73 million from $52 million in the comparative period due to a 74% increase in realized oil price, partially offset by a 22% decrease in sales volumes and higher royalty expenses.

Total expenses for the three-month period, excluding finance costs, were $109 million, compared to $111 million in the comparative period. The increase is primarily due an $2.5 million increase in salaries and benefits and lower depletion and depreciation expense of $6 million.

Interest expense of $38 million in the three-month period ended June 30, 2022 decreased from $42 million in the prior year period. While gross interest expense increased for the period, this was offset by a slightly greater increase in capitalized interest.

We recorded net income before income taxes for the three-month period ended June 30, 2022 of $103 million, compared to $21 million in the comparative period primarily due to an $88 million increase in operating income from CHHC and a $45 million increase for TMC.

Income taxes for the three months ended June 30, 2022 of $33 million increased by $17 million relative to the comparative period due to higher pre-tax earnings at both CHHC and TMC.

Cash and cash equivalents as at June 30, 2022 increased to $582 million compared to $331 million at December 31, 2021 mainly due to the increase in net borrowings by TMC of $3.8 billion in the period and operating cash flow $565 million, primarily generated by CHHC and TMC, offset by capital expenditures on property, plant and equipment of $4 billion largely related to the TMEP and dividends paid of $123 million.

Property, plant, and equipment of $18.6 billion increased by $4.1 billion since year end primarily due to $4.2 billion in capital expenditures including capitalized interest largely related to TMEP, net of depletion and depreciation of $52 million.

Other non-current assets of $353 million increased $60 million as at June 30, 2022 from year end primarily due to collections of the TMEP Bulk oil cargo fee which is paid quarterly to Western Canada Marine Response Corporation and recoverable from the TMEP shippers upon in service as well as an increase in pension assets.

Trade and other payables of $1,097 million increased by $191 million from December 31, 2021 primarily due to increased TMC capital accruals.

Total loans payable increased to $18,352 million from $14,246 million at year end due to $5,344 million in loan draws by TMC, net of repayments of $1,595 million to the Construction Facility plus $359 million in interest added to the Construction loan balance.

Interim Condensed Consolidated Financial Statements of

CANADA DEVELOPMENT INVESTMENT CORPORATION

Three and six months ended June 30, 2022

(Unaudited)

CANADA DEVELOPMENT INVESTMENT CORPORATION

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

	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 582,137	$ 330,545
Trade and other receivables (note17)	117,611	105,549
Other current assets	34,611	23,993
Investments held for future obligations	1,900	2,006
	736,259	462,093
Non-current assets:		
Property, plant and equipment (note 5)	18,589,206	14,515,029
Goodwill (note 7)	1,015,862	1,015,862
Investments held for future obligations	147,185	146,519
Restricted cash (note 4)	91,810	81,261
Restricted investments	81,948	96,263
Right-of-use assets (note 6)	103,242	124,582
Other assets	353,266	292,942
	20,382,519	16,272,458
	$ 21,118,778	$ 16,734,551
Liabilities and Shareholder's Equity		
Current liabilities:		
Trade and other payables	$ 1,096,919	$ 906,235
Current portion of loans payable (note 10)	2,598,022	-
Current portion of lease liabilities (note 6)	53,159	66,803
Income taxes payable	10,199	1,276
Current portion of provision for decommissioning obligations (note 9(a), (b))	2,330	1,285
Current portion of provision for site restoration (note 9(c))	1,770	1,879
Other current liabilities (note 8)	84,833	90,334
	3,847,232	1,067,812
Non-current liabilities:		
Loans payable (note 10)	15,754,305	14,246,000
Deferred income taxes	585,200	540,619
Provision for decommissioning obligations (note 9(a), (b))	516,059	596,552
Lease liabilities (note 6)	66,313	71,637
Provision for site restoration (note 9(c))	3,545	4,208
Defined benefit obligation	46,010	75,405
Other non-current liabilities	51,587	56,449
	17,023,019	15,590,870
Shareholder's equity:		
Share capital	1	1
Contributed surplus	603,294	603,294
NPI reserve (note 11)	117,306	19,455
Accumulated deficit	(519,369)	(549,733)
Accumulated other comprehensive income	47,295	2,852
	248,527	75,869
	$ 21,118,778	$ 16,734,551

Commitments (note 15)
Contingencies (note 16)

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	
	2022	2021	2022	2021
Revenue:				
Transportation revenue (note 14)	$ 155,116	$ 104,991	$ 281,610	$ 188,202
Net crude oil revenue (note 13)	73,291	51,739	127,721	85,236
Lease revenue (note 14)	16,293	16,048	33,899	31,905
Other revenue	773	650	5,709	1,476
	245,473	173,428	448,939	306,819
Other income:				
Facility use and processing fees	530	439	990	362
Foreign exchange gains	3,154	984	3,416	1,194
	249,157	174,851	453,345	308,375
Expenses:				
Depletion and depreciation (note 5,6)	32,296	37,922	63,947	72,536
Pipeline operating expenses (note 14)	42,066	40,282	81,811	80,856
Crude oil operating, transportation and marketing (note 13)	7,082	7,545	13,100	13,202
Salaries and benefits	23,853	21,374	50,044	43,424
Professional fees	2,881	2,746	7,014	4,465
Foreign exchange losses	296	1,269	2,019	1,866
Change in provision for site restoration (note 9)	188	-	(70)	(31)
Other administrative	(395)	(162)	(1,546)	604
	108,267	110,976	216,319	216,922
Finance expenses (income):				
Interest expense (note 10)	38,007	41,679	78,977	85,501
Interest income	(3,511)	(1,682)	(5,557)	(3,426)
Unwind of discount on decommissioning obligations (note 9)	3,722	2,977	6,440	5,098
	38,218	42,974	79,860	87,173
Net income before income taxes	102,672	20,901	157,166	4,280
Income taxes:				
Current	14,035	8,874	22,674	15,009
Deferred	18,814	7,112	31,128	9,069
	32,849	15,986	53,802	24,078
Net income (loss)	$ 69,823	$ 4,915	$ 103,364	$ (19,798)
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss				
Currency translation adjustment	6,962	(4,213)	3,732	(7,877)
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit obligations	18,555	-	40,711	20,023
	25,517	(4,213)	44,443	12,146
Comprehensive income (loss)	$ 95,340	$ 702	$ 147,807	$ (7,652)

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	
	2022	2021	2022	2021
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
Net Profits Interest reserve				
Balance, beginning of period	28,084	34,432	19,455	11,832
NPI Provision, addition for the period	(5,869)	(49)	(5,869)	(5,218)
NPI received	95,091	53,253	153,720	99,022
Dividends	-	(50,000)	(50,000)	(68,000)
Balance, end of period	117,306	37,636	117,306	37,636
Accumulated deficit				
Balance, beginning of period	(546,192)	(467,066)	(549,733)	(414,353)
Net income (loss)	69,823	4,915	103,364	(19,798)
Dividends	(43,000)	(18,000)	(73,000)	(46,000)
Balance, end of period	(519,369)	(480,151)	(519,369)	(480,151)
Accumulated other comprehensive income				
Balance, beginning of period	21,778	(6,826)	2,852	(23,185)
Other comprehensive income (loss)	25,517	(4,213)	44,443	12,146
Balance, end of period	47,295	(11,039)	47,295	(11,039)
Total shareholder’s equity	$ 248,527	$ 149,741	$ 248,527	$ 149,741

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	
	2022	2021	2022	2021
		Note 20		Note 20
Operating activities:				
Net income (loss)	$ 69,823	$ 4,915	$ 103,364	$ (19,798)
Adjustments for:				
Depletion and depreciation	32,296	37,922	63,947	72,536
Gain on assets	(771)	16	(1,048)	16
Income tax expense	32,849	15,986	53,802	24,078
Interest income	(3,511)	(1,682)	(5,557)	(3,426)
Net change in defined benefits	1,368	1,355	1,934	2,262
Lease interest expense	975	396	1,963	776
Change in provision for site restoration	188	-	(70)	(31)
Unrealized foreign exchange loss (gain) on lease	-	-	-	4
Unwind of discount on provisions	3,722	2,977	6,440	5,098
Payment of lease liabilities, interest portion	(975)	(2,899)	(1,963)	(4,031)
Interest received	3,511	1,682	5,557	3,426
Provisions settled	(365)	(334)	(824)	(330)
Income taxes paid	(8,096)	(6,774)	(13,751)	(12,210)
	131,014	53,560	213,794	68,370
Change in non-cash working capital (note 12)	163,229	(161,930)	336,906	(48,232)
	294,243	(108,370)	550,700	20,138
Financing activities:				
Proceeds from loans	3,320,000	1,280,000	5,344,000	2,205,000
Repayment of debt	(1,595,000)	-	(1,595,000)	-
Debt issuance costs	(1,793)	-	(1,793)	-
Dividends paid	(43,000)	(68,000)	(123,000)	(114,000)
NPI received	95,091	53,253	153,720	99,022
NPI refunds paid	(5,869)	(3,023)	(5,869)	(44,218)
Payment of lease liabilities, principal portion	(15,770)	(24,030)	(30,484)	(30,928)
	1,753,659	1,238,200	3,741,574	2,114,876
Investing activities:				
Purchase of property, plant and equipment	(2,076,075)	(1,207,223)	(4,019,189)	(2,103,554)
Internal use software expenditures	(2,226)	(842)	(4,702)	(1,618)
Change in restricted cash	(13,778)	(6,750)	(10,548)	(7,772)
Purchase of restricted investments	(50)	(3,939)	(6,036)	(7,075)
Withdrawal from CRF	-	3,000	-	3,000
Change in investments held for future obligations	(406)	19,464	(560)	26,543
	(2,092,535)	(1,196,290)	(4,041,035)	(2,090,476)
Effects of FX translation on cash	608	(1,073)	353	(2,014)
Change in cash and cash equivalents	(44,025)	(67,533)	251,592	42,524
Cash and cash equivalents, beginning of period	626,162	455,634	330,545	345,577
Cash and cash equivalents, end of period	$ 582,137	$ 388,101	$ 582,137	$ 388,101
Represented by:				
Cash	$ 505,874	$ 292,552	$ 505,874	$ 292,552
Cash equivalents	76,263	95,549	76,263	95,549
	$ 582,137	$ 388,101	$ 582,137	$ 388,101

Total interest and standby fees paid on the loans payable for the three and six months ended June 30, 2022 was $11,094 and $12,211 respectively (2021 - $238,656 and 239,799 respectively).

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"). The subsidiary Canada Enterprise Emergency Funding Corporation ("CEEFC") is not consolidated.

<u>Parent</u>

Canada Development Investment Corporation was incorporated in 1982 under the provisions of the *Canada Business Corporations Act* and is wholly owned by Her Majesty in Right of Canada. The Corporation is an agent Crown corporation listed in Schedule III, Part II of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. In November 2007, the Minister of Finance informed CDEV that its mandate "should reflect a future focused on the ongoing management of its current holdings in a commercial manner, providing assistance to the Government of Canada ("GoC") in new policy directions suited to CDEV's capabilities, while maintaining the capacity to divest CDEV's existing holdings, and any other government interests assigned to it for divestiture, upon the direction of the Minister of Finance".

In July 2015, CDEV was issued a directive (P.C. 2015-1107) pursuant to section 89 of the *Financial Administration Act* to align its travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments in a manner that is consistent with CDEV's legal obligations. CDEV aligned its policies, guidelines and practices as of October 2015 and will continue to report on the status of the directive in its corporate plan.

In August 2019, the GoC transferred to CDEV its activities related to the management of the Net Profits Interest ("NPI") and Incidental Net Profits Interest ("INPI") agreements under the Hibernia Development Project which were previously managed by Natural Resources Canada. Refer to note 4(v) for details.

On May 10, 2020, CDEV was issued a directive (P.C. 2020-305) pursuant to section 89 of the *Financial Administration Act* to incorporate a subsidiary, and to take such steps as are necessary to facilitate the subsidiary's administration of a credit support program for large Canadian companies in response to COVID-19 emergency, in accordance with any directive that may be given to that Subsidiary. On May 11, 2020, CEEFC was incorporated in compliance with the directive. CEEFC was incorporated under the *Canada Business Corporations Act* to administer, approve and fund transactions in accordance with terms approved by the Minister of Finance in relation to the Large Employer Emergency Financing Facility program ("LEEFF") which was designed to provide bridge financing to Canada's largest employers in response to the COVID-19 emergency. CEEFC is subject to the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*.

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

1. Reporting entity (continued):

Subsidiaries

Trans Mountain Corporation and Canada TMP Finance Ltd. were incorporated in 2018 under the provisions of the *Canada Business Corporations Act*. The companies are subject to the *Financial Administration Act* and are agents of Her Majesty in Right of Canada. TMC is also subject to the *Income Tax Act*.

On April 25, 2022, the Governor General in Council, under subsection 7(1) of the Government Corporations Operations Act, issued a proclamation that the Government Corporations Operation Act no longer applies to TMC. This status change to a non-agent Crown corporation allows TMC to borrow from parties other than the Government of Canada. See Note 6 for details on external financing.

TMC owns and operates the Trans Mountain pipeline (“TMPL”), the Puget Sound pipeline (“Puget Pipeline”) as well as certain rights, designs, property, plant and equipment and construction contracts related to the expansion of the TMPL known as the Trans Mountain Expansion Project (“TMEP”).

TMP Finance is the parent company of TMC. Up until the second quarter of 2022, it provided debt and equity financing to TMC funded by loans from Her Majesty in Right of Canada, administered by Export Development Canada (“EDC”). The existing loans remain outstanding, but no new financing will be provided to TMC by TMP Finance. See note 18 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.

CHHC was incorporated under the provisions of the *Canada Business Corporations Act* and was acquired by CDEV in March 1993. CHHC is subject to the *Financial Administration Act* and the *Income Tax Act.* CHHC’s sole purpose is the holding and management of its interest in the Hibernia Development Project (“Hibernia Project”), which is an oil development and production project located offshore Newfoundland and Labrador. The Hibernia Project comprises the original Hibernia Development Project area, where CHHC has an 8.5% working interest, and the Hibernia Southern Extension Unit (“HSE Unit”), where CHHC has a current 5.67% working interest. CHHC’s working interest in the HSE Unit is subject to adjustment in accordance with the applicable provisions in the HSE Unit Agreement. As a result of the Unit operator’s implementation of the HSE Unit First Redetermination, CHHC’s working interest increased from 5.63% to 5.67% effective March 1, 2021.The Hibernia Project is of strategic importance to CHHC as it is CHHC’s sole business activity from which it derives all of its crude oil revenues.

An account is maintained on behalf of the working interest owners of each the Hibernia Development Project and the HSE Unit by its operator, Hibernia Management and Development Company Ltd. (“HMDC”) and ExxonMobil Canada Properties, respectively, acting as agent (a “joint account”). All common project expenditures are charged to the joint account which is owned and funded by the participants in proportion to their working interests.

2. 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, 2021.

On February 18, 2022, the Deputy Prime Minister and Minister of Finance reaffirmed the GoC's commitment to complete the TMEP, however, the Minister stated that the Corporation needed to secure external financing to fund the remaining costs of the project. This announcement resulted in material uncertainty that cast significant doubt as to the Corporation's ability to continue as a going concern at the date the consolidated financial statements for the year ended December 31, 2021 were available for issuance. Subsequently this material uncertainty has been resolved. On April 29, 2022, TMC entered into a one year credit facility with a syndicate of third party lenders for $10.0 billion, which management believes provides sufficient funds for the Corporation to meet its obligations for the next 12 months as they become due. See Note 21 for details on the external financing.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 23, 2022.

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 Pipeline which uses the U.S. dollar as its functional currency.

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, 2021, except for those policies which have changed as a result of the adoption of new accounting standards, amendments or interpretations effective January 1, 2022, 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.

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

3. Significant accounting policies (continued):

a) Changes in accounting policies:

Certain accounting standards, amendments to standards and interpretations issued by the International Accounting Standards Board ("IASB"), and set out in the CPA Canada Handbook, are effective for the first time in the current financial year and have been adopted effective January 1, 2022 in accordance with the applicable transitional provisions. The application of these amendments had no impact on the Corporation's consolidated financial statements.

b) 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 materially 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 the same as those disclosed in note 3(y) of the Corporation's annual consolidated financial statements for the year ended December 31, 2021.

4. Restricted cash:

	June 30, 2022	December 31, 2021
Restricted cash – TMC held for future abandonment costs	$ 4,007	$ 3,234
Restricted cash – TMC letters of credit	78,321	68,327
Restricted cash – TMC held as security	750	1,200
Restricted cash – CHHC letters of credit	8,732	8,500
	$ 91,810	$ 81,261

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

5. Property, plant and equipment:

	Construction work in progress	Pipeline	Oil development assets and production facilities	TOTAL
Cost				
Balance at December 31, 2020	$ 5,659,589	$ 3,604,696	$ 592,175	$ 9,856,460
Additions	5,501,760	-	7,503	5,509,263
Transfers	(51,498)	51,498	-	-
Decommissioning adjustments	-	-	(34,121)	(34,121)
Derecognition	-	(22,193)	(1,089)	(23,282)
Foreign exchange movements	7	(1,249)	-	(1,242)
Balance at December 31, 2021	$ 11,109,858	$ 3,632,752	$ 564,468	$ 15,307,078
Additions	4,209,587	-	4,216	4,213,803
Transfers	(1,501)	1,501	-	-
Decommissioning adjustments	-	(59,472)	(27,009)	(86,481)
Derecognition	-	(1,790)	-	(1,790)
Foreign exchange movements	20	4,755	-	4,775
Balance at June 30, 2022	$ 15,317,964	$ 3,577,746	$ 541,675	$ 19,437,385
Accumulated depletion and depreciation				
Balance at December 31, 2020	$ -	$ 239,533	$ 447,137	$ 686,670
Depletion and depreciation	-	103,889	25,092	128,981
Derecognition	-	(21,965)	(1,644)	(23,609)
Foreign exchange movements	-	7	-	7
Balance at December 31, 2021	$ -	$ 321,464	$ 470,585	$ 792,049
Depletion and depreciation	-	52,272	6,125	58,397
Derecognition	-	(2,825)	-	(2,825)
Foreign exchange movements	-	558	-	558
Balance at June 30, 2022	$ -	$ 371,469	$ 476,710	$ 848,179
Carrying amounts:				
At December 31, 2021	$ 11,109,858	$ 3,311,288	$ 93,883	$ 14,515,029
At June 30, 2022	$ 15,317,964	$ 3,206,277	$ 64,965	$ 18,589,206

At June 30, 2022, costs related to oil development assets and production facilities subject to the calculations of depletion and depreciation included future development costs of $384,909 (December 31, 2021 - $389,100). For details on decommissioning adjustments, see note 9, Provisions.

During the six-month period ended June 30, 2022, capitalized interest of $304,719 was included in the additions to construction work in progress – pipeline (2021 - $154,460).

At June 30, 2022, an assessment of indicators of impairment was conducted for the Corporation's CGUs. Indicators of impairment include but are not limited to significant changes with an adverse effect on the Corporation that have taken place during the year or will take place in the near future in the market or economic environment in which the Corporation operates. See also note 7, Goodwill.

No indicators of impairment were noted for the oil development assets and production facilities at June 30, 2022 and December 31, 2021 and accordingly an impairment test was not required.

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

6. Right-of-use assets and leases:

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

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

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

The category of buildings includes the monthly fixed lease payments made for the Corporation's office building spaces in Alberta, B.C. and Ontario. The leases extend to the year 2031.

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

The Corporation is not exposed to any significant additional potential cash outflows that are not included in the reported amount of the lease liabilities, other than certain termination penalties which the Corporation considers not reasonably certain to be incurred as at June 30, 2022.

Statement of Financial Position:

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

	Equipment and Vehicles	Land and Buildings	Total
December 31, 2020	$ 21,249	$ 74,278	$ 95,527
Additions	87,642	14,959	102,601
Lease modifications	364	(35)	329
Incentives	-	(5,970)	(5,970)
Depreciation	(47,462)	(20,436)	(67,898)
Foreign exchange	(7)	-	(7)
December 31, 2021	$ 61,786	$ 62,796	$ 124,582
Additions	826	11,397	12,223
Lease modifications	(733)	(5)	(738)
Depreciation	(22,459)	(10,391)	(32,850)
Foreign exchange	25	-	25
June 30, 2022	$ 39,445	$ 63,797	$ 103,242

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

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

Details of lease liabilities are as follows:

	Six months ended June 30, 2022	Year ended December 31, 2021
Lease liabilities, opening	$ 138,440	$ 97,783
Additions	12,224	99,228
Lease modification	(738)	329
Interest expense	2,709	7,244
Lease payments	(33,193)	(66,136)
Foreign exchange movements	30	(8)
Lease liabilities, closing	$ 119,472	$ 138,440
Current	$ 53,159	$ 66,803
Non-current	66,313	71,637
	$ 119,472	$ 138,440

Maturity analysis – contractual undiscounted cash flows:

	2022	2023-2026	Thereafter	Total
Lease liabilities	$ 39,918	$ 43,252	$ 110,829	$ 193,999

Statement of Comprehensive Income and Statement of Cash Flows:

	June 30, 2022	June 30, 2021
Statement of Comprehensive Income:		
Interest on lease liabilities	$ 2,709	$ 4,031
Less: capitalized lease liabilities	(746)	(3,255)
Net interest on lease liabilities	1,963	776
Short term and variable cost	4,670	1,705
Statement of Cash Flows:		
Total cash outflow for leases	$ (33,193)	$ (34,959)

Lessor

Operating leases in which the Corporation is the lessor relate to merchant tanks owned by the Corporation and housing located along the pipeline right of way or in the proximity of pump stations. For the six months ended June 30, 2022, lease income for merchant tank operating leases recognized in “Lease revenue” totaled $33,899 (2021 - $31,905), which included the variable lease payments described above, and lease income related to housing operating leases recognized in “Other revenue” totaled $131 (2021 – $125).

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

7. Goodwill:

a) There have been no movements in the net carrying amount of goodwill:

Balance at January 1, 2021	$	1,015,862
Balance at December 31, 2021		1,015,862
Balance at June 30, 2022	$	1,015,862

b) Impairment test

Management evaluates goodwill on a quarterly basis for indicators of impairment. As a result of significant factors which may have a material effect on the TMEP including, but not limited to changing economic conditions, technical complexities and labour challenges, as of June 30, 2022, management performed a goodwill impairment test, which did not result in an impairment charge.

The fair value of the reporting unit was estimated using an income-based approach based on discounted cash flows. The estimate of fair value required the use of significant unobservable inputs, including assumptions related to the discount rate, the timing and cost to complete the TMEP, and the extent cash flows will be re-contracted at the end of the initial TMEP term contracts, and therefore, the fair value is representative of a Level 3 fair value. For purposes of determining the fair value, the estimate of discounted cash flows included probability-weighted scenarios of various in-service dates for the TMEP. The estimate of discounted cash flows was determined using a discount rate of 7.25% which reflects the time value of money based on the risks associated with the Corporation’s assets that have not otherwise been incorporated in the cash flow estimates.

Changes in these key assumptions would impact the fair value of the reporting unit which could result in impairment. In reference to a base valuation, sensitivity analysis of key assumptions was performed. The sensitivity scenarios described below would not result in an impairment of goodwill in the reporting unit.

Impact on fair value of TMC reporting unit:	**Increase**	**Decrease**
Discount rate change of 0.25%	($1,400,000)	+$1,400,000
$2,500,000 increase in TMEP capital expenditures	($800,000)	
10% decrease in the re-contracted cash flows beyond 2042		($1,100,000)

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

8. Other current liabilities:

	June 30, 2022	December 31, 2021
Dock premiums	$ 66,084	$ 76,556
Environmental accrual	9,316	6,419
Defined benefit obligation	1,079	1,540
Other	8,354	5,819
	$ 84,833	$ 90,334

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, 2020	$ 470,432	$ 150,782	$ 621,214	$ 6,806
Additional provisions	-	-	-	1,288
Changes in estimates	-	(19,363)	(19,363)	(1,050)
Obligations settled	-	(27)	(27)	(911)
Changes in discount rate	-	(14,758)	(14,758)	(58)
Effect of foreign exchange	(174)	-	(174)	-
Unwind of discount	8,274	2,671	10,945	12
Balance at December 31, 2021	$ 478,532	$ 119,305	$ 597,837	$ 6,087
Additional provisions				
Changes in estimates	(59,472)	6,758	(52,714)	-
Obligations settled	-	(100)	(100)	(724)
Changes in discount rate	-	(33,767)	(33,767)	(70)
Effect of foreign exchange	715	-	715	-
Unwind of discount	4,859	1,559	6,418	22
Balance at June 30, 2022	$ 424,634	$ 93,755	$ 518,389	$ 5,315
Current	$ -	$2,330	$ 2,330	$ 1,770
Non-current	424,634	91,425	516,059	3,545
	$ 424,634	$ 93,755	$ 518,389	$ 5,315

a) Provision for decommissioning obligations of wells and facilities:

The provision for decommissioning obligations is based on the Corporation’s net ownership interest in wells and facilities and management's estimate of costs to abandon and reclaim those wells and facilities as well as an estimate of the future timing of the costs to be incurred. The Corporation estimates the total future undiscounted liability to be $187,891 at June 30, 2022 (December 31, 2021 - $175,439). Estimates of decommissioning obligation costs can change significantly based on factors such as operating experience and changes in legislation and regulations.

These obligations will be settled based on the expected timing of abandonment, which currently extends up to the year 2049 and is based upon the useful lives of the underlying assets. The provision was calculated at June 30, 2022 using an average inflation rate of 2.00% (December 31, 2021 - 1.59%) and was discounted using an average risk-free rate of 3.14% (December 31, 2021 – 1.59%).

9. Provisions (continued):

b) Provision for decommissioning obligations of pipeline:

The provision for decommissioning obligations for the pipeline properties is based on management's estimate of costs to abandon which is estimated to be $424,634 at June 30, 2022 (December 31, 2021 - $478,532) discounted at a risk-free rate of 3.14% (December 31, 2021 - 1.68%). The undiscounted decommissioning liability is estimated to be $8,389,430 (December 31, 2021 - $2,400,000) with an inflation rate of 3.00% (December 31, 2021 - 1.68%) and an expected remaining useful life of 97 years.

The decommissioning provision reflects the discounted cash flows expected to be incurred to decommission TMC's pipeline system. The estimated economic life of assets covered by the decommissioning is estimated at 97 years. The estimated economic life is used to determine the undiscounted cash flows at the time of decommissioning and is reflective of the expected timing of economic outflows relating to the provision.

c) Provision for site restoration:

Under the terms of the purchase and sale agreement in 1988 between CEI and Cameco, CEI is responsible for obligations relating to the sale of assets to Cameco. Provision for site restoration as at the date of the consolidated statement of financial position is related to the decommissioning of a former mine site. Cameco is responsible for the monitoring and management of this site. CEI accrues for these costs based on estimates provided by Cameco. These estimates are based on variables and assumptions which are subject to uncertainty including the time to completion and the costs over this period. The costs are estimated over a period ending in 2025 (2021 – 2023). The future estimate of costs for site restoration has been discounted at a rate of 3.30% (December 31, 2021 – 0.95%) and an inflation rate of 2.0% (December 31, 2021 – 0.95%) was used to calculate the provision at June 30, 2022. The current estimate for costs accrued as at June 30, 2022 is $5,315 (December 31, 2021 - $6,087).

10. Loans payable:

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

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

10. Loans payable (continued):

The loans are due on the respective maturity dates. The maturity date for all loan facilities was amended to August 29, 2025 effective March 29, 2021. Details of the facilities at June 30, 2022 are as follows:

Facility	Total Available Credit June 30, 2022	Outstanding Amounts June 30, 2022	Outstanding Amounts December 31, 2021	Interest Rate Disbursed amounts	Standby Fee Undisbursed amounts	Maturity Date
Acquisition	$ 4,670,000	$ 4,670,000	$ 4,670,000	4.7%	0.065%	August 29, 2025
Construction (a)	11,084,305	11,084,305	9,576,000	4.7%	0.065%	August 29, 2025
CER*	500,000	-	-	4.7%	0.30%	August 29, 2025
Total with Government		$15,754,305	$14,246,000			
Syndicated	$10,000,000	$ 2,598,022	-	1.85%[1]	0.04%	April 29, 2023
Total		$18,352,327	$14,246,000			
Presented as:						
Current		2,598,022				
Long-term		15,754,305	14,246,000			

[1] TMC is charged a guarantee fee equal to the difference between 5.0% and the actual borrowing cost on the syndicated bank facility.:

*Previously referred to as the NEB Facility

a) The availability of the Construction Credit Facility is limited to any borrowing authority issued by the Minister of Finance. On July 30, 2019, an Amended Credit Agreement was executed between Her Majesty in Right of Canada, as administered by EDC and Canada TMP Finance Ltd. The Construction facility limit increased to $4,000,000 in January 2020, until December 31, 2020 as detailed in a revised borrowing authority letter received from the Minister of Finance. On October 1, 2020, a Second Amending Agreement was executed in which results in an increase to the available credit on the Construction Facility to $5.1 billion on October 1, 2020 and to $6.1 billion on January 1, 2021. On March 29, 2021, a further amendment was executed increasing the available credit on the Construction Facility to $9.14 billion outstanding at any time prior to December 31, 2021, and $9.6 billion outstanding at any time prior to March 31, 2022. On December 3, 2021 a further amendment was executed increasing the available credit on the Construction Facility to $11.6 billion outstanding at any time from March 31, 2022 and prior to March 31, 2022.

On March 31, 2022 amendments to the Construction Credit Facility Agreement were executed to permit drawdowns up to $13.5 billion until June 30, 2022.

Additionally, the March 31, 2022 amendments to the Construction Credit Facility include the requirement to repay advances from EDC acting as agent for the Canada Account pursuant to any funding request made after February 18, 2022. On April 29, 2022, TMC closed external financing and all amounts advanced by EDC to TMP Finance after February 18, 2022 were repaid including interest. Upon the repayment, the available credit was reduced to nil for cash draws. Effective for the June 30, 2022 interest payment date, all interest will be paid in kind and added to the loan balance. During the

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

10. Loans payable (continued):

six months ended June 30, 2022, interest of $359,305 was added to the loan balance.

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

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Interest on Loans payable	$ 191,706	$ 124,518	$ 369,899	$ 237,765
Guarantee fees	10,298	-	10,298	-
Standby fees	1,020	890	1,537	1,420
Interest on leases	940	396	1,962	776
Interest and fees capitalized	(165,957)	(84,125)	(304,719)	(154,460)
	$ 38,007	$ 41,679	$ 78,977	$ 85,501

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Corporation’s general borrowings during the period of 4.7% (2021 – 4.7%) for loans with the Canada Account, and at 5.0% for loans on the syndicated loan facility, calculated as 1.85% in interest and 3.15% in a guarantee fee charged by the Government.

11. Net Profits Interest reserve:

During the period ended June 30, 2022, NPI payments received under the NPI agreements totalled $169,309 of which $15,589 was received from CHHC and eliminated upon consolidation (2021 – $107,088, of which $8,066 was eliminated).

12. 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	
	2022	2021	2022	2021
Trade and other receivables	$ 13,889	$ (40,035)	$ (12,062)	$ (2,262)
Change in inventory	578	1,652	1,097	862
Other current assets	(12,687)	(11,233)	(12,105)	(11,558)
Deferred charges and other assets	(29,661)	7,850	(39,395)	29,136
Trade and other payables	76,101	60,969	190,480	87,678
Interest payable	181,746	(113,253)	359,337	(626)
Other current liabilities	8,922	(21,103)	(5,501)	(39,296)
Other non-current liabilities	13,222	3,285	15,490	5,476
Change in non-cash working capital items	$ 252,110	$ (111,868)	$ 497,341	$ 69,410
Relating to:				
Operating activities	$ 163,229	$ (161,930)	$ 336,906	$ (48,232)
Investing activities	88,881	50,062	160,435	117,642
	$ 252,110	$ (111,868)	$ 497,341	$ 69,410

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

12. Supplemental cash flow disclosure (continued):

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

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
PPE additions (note 5)	$ (2,181,676)	$ (1,288,074)	$ (4,213,803)	$ (2,261,587)
Change in non-cash investing working capital related to PPE	91,106	50,904	165,137	119,260
Capitalized lease amortization and interest	14,495	29,947	29,477	38,773
Cash used for PPE expenditures	$ (2,076,075)	$ (1,207,223)	$ (4,019,189)	$ (2,103,554)

13. Net crude oil revenue and operating, transportation and marketing expenses:

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

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Crude oil sales	$ 105,172	$ 77,269	$ 181,755	$ 122,644
Less: royalties	(31,881)	(25,530)	(54,034)	(37,408)
Net crude oil revenue	$ 73,291	$ 51,739	$ 127,721	$ 85,236

b) Crude oil sales represent the entirety of CHHC’s revenue generated from contracts with customers. The following table illustrates the disaggregation of crude oil sales by primary geographical market:

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
United States	$ 60,555	$ 45,950	$ 119,327	$ 86,063
Europe	44,617	12,547	62,428	12,547
South America	–	18,772	–	24,034
	$ 105,172	$ 77,269	$ 181,755	$ 122,644

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

13. Net crude oil revenue and operating, transportation and marketing expenses (continued):

c) Operating, transportation and marketing expenses are comprised as follows:

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Hibernia Project operating expenses	$ 5,793	$ 6,196	$ 10,870	$ 10,206
Crude oil transportation and transshipment	1,205	1,256	2,060	2,805
Crude oil marketing	84	93	170	191
Total operating, transportation and marketing	$ 7,082	$ 7,545	$ 13,100	$ 13,202

14. Revenue and operating expenses from pipeline operations:

For the periods ended June 30, revenues and operating expenses from pipeline operations, disaggregated by revenue source and type of revenue, are comprised as follows:

	Three months ended June 30		Six months ended June 30	
	2022	2021	2022	2021
Transportation revenue	$ 155,116	$ 104,991	$ 281,610	$ 188,202
Lease revenue	16,293	16,048	33,899	31,905
Other revenue	624	500	1,810	1,176
Total	$ 172,033	$ 121,539	$ 317,319	$ 221,283
Pipeline operating expenses	$ 42,066	$ 40,282	$ 81,811	$ 80,856
Salaries and benefits	22,888	20,528	48,200	41,667
Other general and administration costs	887	571	684	1,923
Total operating expenses excluding finance costs and depreciation	$ 65,841	$ 61,381	$ 130,695	$ 124,446

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

15. Commitments:

The Corporation's commitments at June 30, 2022 are summarized in the table below:

	Remainder 2022	2023-2026	Thereafter	Total
Crude oil transportation and transshipment services	$ 1,949	$ 18,298	$ 17,043	$ 37,290
Hibernia Project contracts	918	1,805	2,512	5,235
Pipeline PPE	44,323	255	-	44,578
Other operating commitments	9	1,059	5,041	6,109
Total Commitments	$ 47,199	$ 21,417	$ 24,596	$ 93,212

16. Contingencies:

The Corporation or its subsidiaries, in the normal course of its operations, may become subject to a variety of legal and other claims against the Corporation.

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

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

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

17. 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. 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 Corporation's annual consolidated financial statements as at December 31, 2021. CDEV is exposed to financial risks including market risk relating to commodity prices, foreign exchange rates and interest rates, as well as credit and contract risk and liquidity risk.

(a) Credit and contract risk:

Credit and contract risk is the risk of financial loss to the Corporation if counterparties do not fulfill their contractual obligations and arises primarily from the Corporation's trade and other receivables. A significant exposure to this risk relates to crude oil sales and oil shipment sales from contracts with customers.

i. For its crude oil sales contracts, the Corporation has assessed the risk of non-collection of funds as low, as it shares cargos with its marketing agent, generally contracts with large purchasers whose creditworthiness has been appropriately assessed prior to execution of the related contract and utilizes credit risk mitigation tools when necessary under the provisions of its marketing agreement. CHHC's marketing agent maintains credit surveillance over all purchasers.

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

17. Risks to the Corporation (continued):

ii. For the oil shipment sales contracts, the Corporation limits its exposure to credit risk by requiring shippers who fail to maintain specified credit ratings or a suitable financial position to provide acceptable security, generally in the form of guarantees from credit worthy parties or letters of credit from well rated financial institutions. A majority of the Corporation's customers operate in the oil and gas exploration and development, or energy marketing or transportation industries. There may be exposure to long-term downturns in energy commodity prices, including the price for crude oil, and economic instability from these events or other credit events impacting these industries and customers' ability to pay for services.

As at June 30, 2022 and December 31, 2021 there were no significant accounts receivable past due or impaired.

The composition of the Corporation's trade and other receivables is as follows:

		June 30, 2022		December 31, 2021
Contracts with pipeline shippers	$	48,782	$	29,223
Contracts with customers		19,977		14,001
Hibernia Project joint account		2,563		2,399
HST/GST input tax credits		41,194		55,477
Other		5,095		4,449
Trade and other receivables	$	117,611	$	105,549
Amount outstanding greater than 90 days	$	2,978	$	2,822

The carrying amount of cash and cash equivalents, restricted cash and restricted investments, and investments held for future obligations balances represents the maximum credit exposure.

Cash and cash equivalents, restricted cash and restricted investments, and investments held for future obligations balances are held by investment-grade Canadian banks and financial institutions and the Government of Canada. All cash equivalents and investments are purchased from issuers with a credit rating of R1 High by Dominion Bond Rating Service. Accordingly, the ECLs provision at June 30, 2022 related to cash and cash equivalents is insignificant.

The Corporation realized no actual impairment losses during the periods ended June 30, 2022 or 2021.

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its work commitments and/or other financial liabilities as they become due. The Corporation's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due.

The Corporation forecasts cash requirements to ensure funding is available to settle financial liabilities when they become due. The primary sources of liquidity and capital resources are funds generated from operations and the credit facilities.

17. Risks to the Corporation (continued):

The Corporation continues to retain cash and short-term investments that provide it with financial flexibility to meet its obligations as they come due. The Corporation may be exposed to long-term downturns in the energy industry and economic volatility which is mitigated by the current regulatory frameworks governing the Corporation's pipeline operations and the competitive position of the Corporation's pipeline and oil producing assets.

Expected future cash flow from the present operations currently exceeds estimated operating expenses and future capital expenditures, aside from the TMEP. Given the significant ongoing expenditures expected in connection with the TMEP, the Corporation will require continued financing to complete the project. External financing was secured by TMC in April 2022 as described in note 21 and TMC expects it has, or will have, adequate access to funding to meet financial obligations including commitments as they become due. It is expected that the syndicated loan payable will be refinanced with a new loan with a maturity date beyond one year.

(c) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, and includes foreign exchange, commodity price, and interest rate risk. The Corporation does not use derivative instruments, such as interest rate swaps or forward foreign currency contracts, or other tools and strategies to manage its market related risks.

(i) Currency risk:

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

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

The Corporation did not have any foreign exchange rate contracts in place as at or during the period ended June 30, 2022 or 2021.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of financial instruments or future cash flows will fluctuate as a result of changes in interest rates. The Corporation is exposed to interest rate fluctuations on its cash and cash equivalents and the various investments held. The risk is not considered significant as the Corporation's interest income is less than 2% of total revenue.

The Corporation is not exposed to interest rate risk on its debt as interest is payable at a fixed rate. The Corporation does not use derivative instruments to manage its exposure to this risk.

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

17. Risks to the Corporation (continued):

(d) 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 June 30, 2022 and December 31, 2021:

	Classification	Hierarchy	Carrying amounts		Fair value	
			2022	2021	2022	2021
Financial assets						
Restricted investments	FVTPL	Level 2	81,948	96,263	81,948	96,263
Financial liabilities						
Loans payable	Amortized cost	Level 2	18,352,327	14,246,000	17,950,308	14,723,613

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.

18. Related party transactions:

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

CDEV paid dividends to the Government of Canada during the six months ended June 30, 2022 of $123,000 ($114,000 - 2021).

On July 15, 2020, CEEFC and CDEV entered into a Service Agreement whereby CDEV provides executive, administrative, banking, financial and support services, and other administrative services to facilitate the organization and functioning of CEEFC and CEEFC's administration of the LEEFF program. In the period ended June 30, 2022, CDEV earned management fees from CEEFC of $300 (June 30, 2021 -$300). At June 30, 2022, CDEV has a related party receivable from CEEFC of $225 (December 31, 2021 - payable of $257).

Guarantee from the Government of Canada

The Government of Canada has provided TMC with a guarantee in relation to its Syndicated Facility (see Note 6). In exchange for this guarantee, TMC pays a fee of 5% per annum less the daily weighted average interest rate per annum payable by TMC in accordance with the Syndicated Facility. For the three and six months ended June 30, 2022, TMC incurred $10.3 million in guarantee fees. Guarantee fees are included in interest expense and are payable on August 31, 2025, or upon events of default. As of June 30, 2022 and December 31, 2021, the guarantee fee payable was $10.3 million and nil, respectively, and recorded in "Other deferred credits".

CANADA DEVELOPMENT INVESTMENT CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (unaudited)

Three and six months ended June 30, 2022
(All dollar amounts are stated in thousands of Canadian dollars)

19. Supplementary information:

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

Six months ended June 30, 2022								
	TMC (US GAAP)	IFRS Adjustments		TMC (IFRS)	CHHC	Others	Eliminations	Consolidated
Statement of Comprehensive Income:								
Revenues:								
Transportation revenue	$ 185,820	$ 95,790	(1)	281,610				$ 281,610
Lease revenue	33,899			33,899				33,899
Net crude oil revenue					111,800	-	15,921	127,721
Other income/ FX	1,860	586		2,446	3,624	4,850	(805)	10,115
	221,579	96,376		317,955	115,424	4,850	15,116	453,345
Expenses:								
Depletion and depreciation	51,801	4,148	(2)	55,949	7,936	62		63,947
Operating and production	82,128	(317)		81,811	13,100	-		94,911
Salaries and benefits	47,329	871	(3)	48,200	750	1,094		50,044
General and admin Other and FX	3,062	(1,330)		1,732	2,423	4,384	(74)	8,465
	184,320	3,372		187,692	24,209	5,540	(74)	217,367
Finance Costs:								
Equity AFUDC	299,339	(299,339)	(4)	-		-		-
Other, net	967	81		1,048	-			1,048
Unwind of discount		(4,859)	(4)	(4,859)	(1,559)	(22)		(6,440)
Net Interest (expense)	(24,458)	24,607	(4)	149	1,017	140,591	(215,177)	(73,420)
	275,848	(279,510)		(3,662)	(542)	140,569	(215,177)	(78,812)
Net income before income taxes	313,107	(186,506)		126,601	90,673	139,879	(199,987)	157,166
Income taxes (recovery)	77,113	(45,985)	(5)	31,128	22,674	-		53,802
Net Income	**235,994**	**(140,521)**		**95,473**	**67,999**	**139,879**	**(199,987)**	**103,364**
Other Comprehensive Income	**$ 4,177**	**$ 40,266**	(6)	**$ 44,443**	**$ -**	**$ -**	**$ -**	**$ 44,443**
Statement of Financial Position:								
Assets:								
Current assets	414,417	(33,656)	(7)	380,761	142,191	213,920	(613)	736,259
Non-current assets	20,311,906	(407,280)	(8)	19,904,626	225,468	16,935,150	(16,682,725)	20,382,519
	$ 20,726,323	**$ (440,936)**		**$ 20,285,387**	**$ 367,659**	**$ 17,149,070**	**$ (16,683,338)**	**$ 21,118,778**
Liabilities								
Current liabilities	3,827,167	(11,374)		3,815,793	31,290	2,385	(2,236)	3,847,232
Non-current liabilities	8,699,491	123,466	(9)	8,822,957	101,178	15,758,585	(7,659,701)	17,023,019
	$ 12,526,658	**$ 112,092**		**$ 12,638,750**	**$ 132,468**	**$ 15,760,970**	**$ (7,661,937)**	**$ 20,870,251**
Shareholder's Equity	8,199,665	(553,028)	(10)	**$ 7,646,637**	**$ 235,191**	**$ 1,388,100**	**$ (9,021,401)**	**$ 248,527**
	$ 20,726,323	**$ (440,936)**		**$ 20,285,387**	**$ 367,659**	**$ 17,149,070**	**$ (16,683,338)**	**$ 21,118,778**

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

19. Supplementary information (continued):

	Six months ended June 30, 2021							
	TMC (US GAAP)	IFRS Adjustments		TMC (IFRS)	CHHC	Others	Eliminations	Consolidated
Statement of Comprehensive Income:								
Revenues:								
Transportation revenue	$ 181,907	$ 6,295	(1)	$ 188,202				$ 188,202
Lease revenue	31,905			31,905				31,905
Net crude oil revenue					79,716	-	5,520	85,236
Other income/ FX	1,364			1,364	1,333	1,445	(1,110)	3,032
	215,176	6,295		221,471	81,049	1,445	4,410	308,375
Expenses:								
Depletion and depreciation	50,929	3,949	(2)	54,878	17,596	62		72,536
Operating and production	81,173	(317)		80,856	13,202	-		94,058
Salaries and benefits	40,667	1,000	(3)	41,667	860	897		43,424
Other general and admin	3,151	(1,235)		1,916	2,218	2,828	(74)	6,888
	175,920	3,397		179,317	33,876	3,787	(74)	216,906
Finance Costs:								
Equity AFUDC	155,615	(155,615)	(4)	-		-		-
Other, net	437	(453)		(16)	-			(16)
Unwind of discount	-	(3,739)	(4)	(3,739)	(1,353)	(6)		(5,098)
Net Interest (expense)	(43,732)	44,549	(4)	817	431	50,864	(134,187)	(82,075)
	112,320	(115,258)		(2,938)	(922)	50,858	(134,187)	(87,189)
Net income before income taxe	151,576	(112,360)		39,216	46,251	48,516	(129,703)	4,280
Income taxes (recovery)	37,154	(27,697)	(5)	9,457	14,621	-		24,078
Net Income	**114,422**	**(84,663)**		**29,759**	**31,630**	**48,516**	**(129,703)**	**(19,798)**
Other Comprehensive Income	**$ (8,048)**	**$ 20,194**	(6)	**$ 12,146**	**$ -**	**$ -**	**$ -**	**$ 12,146**
Statement of Financial Position:								
Assets:								
Current assets	269,667	(23,831)	(7)	245,836	102,115	133,027	(534)	480,444
Non-current assets	12,692,746	(15,104)	(8)	12,677,642	327,796	11,629,574	(11,520,551)	13,114,461
	$ 12,962,413	**$ (38,935)**		**$ 12,923,478**	**$ 429,911**	**$ 11,762,601**	**$ (11,521,085)**	**$ 13,594,905**
Liabilities								
Current liabilities	779,902	(1)		779,901	25,495	6,854	(3,345)	808,905
Non-current liabilities	6,930,912	259,377	(9)	7,190,289	163,690	11,264,630	(5,982,350)	12,636,259
	$ 7,710,814	**$ 259,376**		**$ 7,970,190**	**$ 189,185**	**$ 11,271,484**	**$ (5,985,695)**	**$ 13,445,164**
Shareholder's Equity	5,251,599	**$ (298,311)**	(10)	**$ 4,953,288**	**$ 240,726**	**$ 491,117**	**$ (5,535,390)**	**$ 149,741**
	$ 12,962,413	**$ (38,935)**		**$ 12,923,478**	**$ 429,911**	**$ 11,762,601**	**$ (11,521,085)**	**$ 13,594,905**

19. Supplementary information (continued):

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

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

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

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

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

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

19. Supplementary information (continued):

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

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

8) Non-current assets are higher under IFRS primarily due to adjustments to goodwill and property, plant and equipment. Upon TMC's acquisition, goodwill was recognized for the excess of the fair value of the consideration paid over the estimated fair value of the net assets acquired. There are differences in the fair value of the net assets under US GAAP and IFRS primarily related to ARO, regulatory liabilities, and deferred taxes upon acquisition. Following the acquisition, property, plant and equipment is higher due to the recognition of the ARO and the corresponding asset retirement cost. TMC also records proceeds from certain contracts (Firm 50 premiums) as contributions in aid of construction under US GAAP ASC 980, which reduces fixed assets. These contributions are recognized as revenue under IFRS.

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

10) The cumulative impact of the IFRS adjustments to shareholder's equity total $553 million with $141 million being the impact on the 2022 net income.

20. Change in classification:

At December 31, 2021, the Corporation changed the classification of cash balances held in the future abandonment and risk fund from "Investments held for future abandonment and risk fund" to "Cash and cash equivalents" on the Statement of Financial Position, to better reflect the nature of the asset as opposed to its purpose. Comparative amounts were reclassified for consistency, which resulted in the following changes to the Statement of Cash Flows for the three and six months ended June 30, 2021: "Change in investments held for future abandonment and risk fund" is $19,599 and $26,808 higher, respectively, than previously presented; "Cash and cash equivalents, beginning of period" is 41,080 and $33,871 higher, respectively than previously presented; and "Cash and cash equivalents, end of period" is $60,679 higher than previously presented. The reclassification had no impact on the Corporation's total assets or comprehensive income.