Canada Development Investment Corporation

La Corporation de développement des investissements du Canada

First Quarter Report
March 31, 2023

Canada Development Investment Corporation
La Corporation de développement des investissements du Canada

Contents

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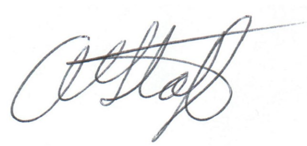
Statement of Management Responsibility by Senior Officials

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 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 May 18, 2023.



Elizabeth A. Wademan
President & Chief Executive Officer

Andrew G. Stafl, CPA, CA
Chief Financial Officer

Toronto, Ontario
May 18, 2023

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 March 31, 2023 and should be read in conjunction with CDEV's unaudited interim condensed consolidated financial statements for the period ended March 31, 2023 and CDEV's Annual Report for the year ended December 31, 2022. Management draws attention to the going concern discussion below under the financial statements discussion and in note 2 of the interim condensed consolidated financial statements.

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 activities of our own, primarily financial advisory to the Government, CDEV has the following 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"), Canada Enterprise Emergency Funding Corporation ("CEEFC"), Canada Growth Fund Inc. ("CGF") formed in 2022, and Canada Innovation Corporation ("CIC") formed in February 2023.

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 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, 2022. For CEEFC's financial report for the period ending March 31, 2023 please see www.ceefc-cfuec.ca.

CDEV incorporated the CGF subsidiary in December 2022 which is being operationalized in the first half of 2023 with the assistance of Public Sector Pension Plan Investment Board ("PSP") after the execution of a Memorandum of Understanding between CDEV and PSP to govern the CGF's initial operations. CGF will facilitate investments by the private sector to help transform and grow Canada's economy at speed and scale on the path to a net-zero economy. During the quarter, CGF had no operations or financial transactions.

During the quarter, CDEV incorporated CIC, to help to maximize business investment in research and development across all sectors and in all regions of Canada to promote innovation-driven economic growth. CDEV is assisting CIC to hire and appoint directors and senior management for this new venture. There was no activity in CIC in the period.

Canada Development Investment Corporation

CDEV management continues to work 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. Specifically, CDEV assisted TMC in negotiating an increase in an amended and restated Equator Principles 4 (“EP4”) compliant syndicated loan facility limit to $11 billion at the end of March, and a further increase to $13 billion in May 2023. CDEV continues to work with TMC and financial advisors to obtain the financing needed to complete the TMEP project.

In the period ended March 31, 2023 CDEV received $52 million in NPI payments from the Hibernia Project Owners, $4 million of which was received from CHHC and eliminated upon consolidation. The receipts are recorded as an increase in the NPI reserve. We paid no dividends in the first quarter of 2023 compared to $80 million in the comparative period. 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 quarter ended March 31, 2023 TMC generated $179 million in revenue and $97 million in earnings before interest, taxes, and depreciation (“EBITDA”). In the comparative period TMC generated $145 million in revenue and $81 million in EBITDA. We note that under TMC’s continuing use of US GAAP, revenue and EBITDA were $134 million and $50 million respectively compared to $107 million and $42 million in the comparative period. For details see note 20 of the interim condensed consolidated financial statements.

In the current three-month period TMC spent approximately $2.6 billion on the TMEP, excluding financing costs, in addition to the $11.2 billion spent through to December 2022 under CDEV ownership. Capital expenditures for the three-month period ended March 31, 2023 increased significantly over the comparative period, due to increased construction activity on the TMEP. At the end of the first quarter, project construction reached approximately 82% completion, with facilities approximately 95% complete and over 824 km of pipe in the ground. Mechanical completion is anticipated to occur at the end of 2023 with commercial service of the TMEP anticipated to occur in the first quarter of 2024.

For further details please see the TMC Q1 2023 financial report at www.transmountain.com.

Financing for TMC

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. Certain financial requirements of TMC are provided by TMP Finance to TMC through an undrawn credit facility with the Canada Account. At March 31, 2023, the available limit on the Construction Facility was $13.5 billion and the outstanding amount on the Construction Facility was $11.5 billion. After an amendment to the credit facilities, there are no other required payments on the borrowings until maturity, no further cash draws and interest is paid in kind and added to the loan balance when interest is due.

On March 24, 2023, the Corporation amended and restated the Syndicated Credit Agreement to include a letter of credit facility ("LC Facility") for $100 million and to amend the Syndicated Facility. The Syndicated Facility was amended to a two-year senior unsecured EP4 compliant revolving facility and the available credit was increased to $10.9 billion. EP4 is a risk management framework adopted by financial institutions for identifying, assessing, and managing environmental and social risks for large infrastructure projects. The facilities under the Syndicated Credit Agreement mature March 24, 2025, with the ability for TMC to request certain extension terms up to August 31, 2025, and have a combined available credit as of March 31, 2023 of $11.0 billion.

Subsequent to period end, on May 2, 2023, the combined available credit under the two facilities was increased to $13.0 billion of which $12.9 billion relates to the Syndicated Facility and $0.1 billion to the LC Facility.

In the first quarter of 2023 gross loan interest expense was $295 million, of which $261 million was capitalized and added to the capital cost of the project and will be depreciated over the useful life of the pipeline. In the comparative period gross interest was $178 million with $139 million capitalized. The increase is due to higher loan balances (60% higher) and higher interest rates in 2023.

Canada Hibernia Holding Corporation

CHHC's after-tax income of $16 million in the three months ended March 31, 2023 was lower than $28 million recorded in the comparative quarter due mainly to lower net crude oil revenue and higher depletion and depreciation expenses, partially offset by higher interest income and lower income taxes.

Net crude oil revenue, calculated as crude oil sales less royalties and net profits interest ("NPI"), decreased by 33% to $32 million in the three months ended March 31, 2023 from $48 million in the comparative period, driven by 25% decrease volume of oil sold combined with a 23% decrease in average realized oil price partially offset by lower royalty and NPI expense. (On consolidation, Net crude oil revenue for the first quarter of 2023 was $35 million (2022-$54 million) due to the elimination of NPI payments made to CDEV.)

Sales volumes decreased by 25% to 0.43 million barrels of oil in Q1 2023 from 0.57 million barrels in Q1 2022, due to a 23% 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 70,678 barrels per day in Q1 2023 were 23% lower than Q1 2022, due to downtime and natural production declines, as no new wells have been brought onto production since June 2020 due to a drilling shutdown. Drilling has now recently recommenced.

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 20% to average US $81.23 per barrel in Q1 2023 from US $101.51 per barrel in Q1 2022. On a Canadian dollar basis, CHHC's average realized oil price decreased by 23% to $104.26 per barrel from $135.04 per barrel in Q1 2022, due to the decrease in Dated Brent partly offset by a weaker Canadian dollar which has a favorable impact on Canadian price realizations.

Drilling and facilities capital expenditures in Q1 2023 of $5.4 million were focused on drilling activities in both the Hibernia Main Field and HSE Unit.

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 three months of 2023, expenditures were $0.3 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 $10 million to pay for CEI's total estimated liabilities of $4 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 2022 Annual Report and 2023 Q1 report for more details on CEEFC's website 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	2022	Q1 2023	Total to March 31, 2023
Loan commitments made	320	7,108	193		7,621
Loans funded	110	2,588	405		3,103
Equity Investments [(1)]	-	500	-	-	500
Loan Principal Repayments	-	380	35	40	455
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.

Subsequent to March 31, 2023, CEEFC received $325 million in loan repayments.

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, 2022 as described in the 2022 Annual Report.

Risks and Contingencies

TMP Finance is a borrower of over $16 billion dollars which creates financial risk for CDEV. As the loans are from the Government, this risk is assessed as low. TMC also is a borrower of over $9 billion from commercial banks. This debt is guaranteed by the Government which reduces the financial risk to CDEV. At March 31, 2023, there is a refinancing risk as TMC does not have financing in place to complete the TMEP through its crucial and last construction season. As noted in the interim condensed consolidated financial statements for the period ended March 31, 2023, TMC secured additional external financing after quarter end but further financing is required. 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 may depend on a number of factors, including future financial and operating performance of TMC, project execution on the TMEP, overall economic conditions, and financial, regulatory, and other factors, many of which are beyond TMC's direct control. Once TMEP is in-service, TMC's operating cash flow will improve as will its ability to service its debt.

The other risks and contingencies described in the 2022 Annual Report remain unchanged.

Financial Statements for the Period Ended March 31, 2023

The interim condensed consolidated financial statements for the three months ended March 31, 2023 with comparative figures for Q1 2022, 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 interim condensed consolidated financial statements there is significant doubt as to the Corporation's ability to continue as a going concern. Efforts are being made to resolve the going concern issue through negotiations with potential lenders and the Government to secure the required financing to allow the Corporation to service its existing debt and to fund future capital expenditures to complete the TMEP.

TMC prepares its financial statements in accordance with US GAAP. To read the US GAAP Q1 2023 TMC financial statements please go to www.transmountain.com. Note 20 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.

Consolidated revenue for the three months ended March 31, 2023 was $215 million, compared to revenue of $203 million in the comparative period. The increase is largely due to a $34 million increase in transportation revenue partly offset by a $19 million decrease in net crude oil revenue. The increase in transportation revenue is mainly due to recontracted Firm 50 contracts which included higher premiums for firm capacity. Additionally, there were overall higher tariffs compared to prior year as well as increased Westridge deliveries which are generally heavier crude and attract a higher tariff. Puget revenue increased due to higher throughput. Net crude oil revenue decreased to $35 million from $54 million in the comparative period due to a 25% decrease in sales volumes and a 23% decrease in realized oil price, net of lower royalty expenses.

Total expenses for the three-month period, excluding finance costs, were $129 million, compared to $108 million in the comparative period. The increase is primarily due to a $18 million increase in pipeline operating expenses as TMC prepares for TMEP operations.

Interest expense of $36 million in the three-month period ended March 31, 2023 decreased from $42 million in the prior year period. While gross interest expense increased for the period due to higher loan amount outstanding, this was offset by an increase in capitalized interest which is based on the level of construction costs incurred to date and a higher interest rate in the current period.

Net income before income taxes for the three-month period ended March 31, 2023 of $55 million is in line with $54 million in the comparative period.

Income taxes for the three months ended March 31, 2023 of $22 million is consistent with the $21 million recorded in the comparative period.

Cash and cash equivalents as at March 31, 2023 increased to $521 million compared to $310 million at December 31, 2022 mainly due to operating cash flow of $128 million less $25 million in net STI purchases plus $75 million from the change in release of restricted cash. The increase in borrowing of $2.4 billion was offset by $2.4 billion in capital expenditures on property, plant and equipment.

Property, plant, and equipment of $26.8 billion increased by $3.0 billion since year end primarily due to $2.9 billion in capital expenditures including capitalized interest related to TMEP, net of depletion and depreciation of $31 million.

Trade and other payables of $1.5 billion increased by $356 million from December 31, 2022 primarily due to increased TMC capital accruals and payables related to the TMEP.

Loans payable increased to $25.7 billion from $16.1 billion at year end due to $2.4 billion in draws on the syndicated credit facility. The amount of $7.2 billion that was shown as a current liability in the comparative period at December 31, 2022 was reclassified in the current period to a long-term liability since the new loan facility matures in over one year. Long-term interest period increased to $220 million at March 31, 2023 from $37 at year end due to $183 million in PIK interest that has yet to be added to the loan balance which is added at June 30 and December 31 each year.

The provision for decommissioning obligations increased to $623 million at March 31, 2023 from $503 million at December 31, 2022 due to a decrease in the discount rate during the period.

Interim Condensed Consolidated Financial Statements of

CANADA DEVELOPMENT INVESTMENT CORPORATION

Three months ended March 31, 2023

(Unaudited)

CANADA DEVELOPMENT INVESTMENT CORPORATION

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

		March 31, 2023		December 31, 2022
Assets				
Current assets:				
Cash and cash equivalents	$	521,382	$	309,906
Short-term investments		57,006		31,625
Trade and other receivables (note 18)		137,172		160,543
Income taxes recoverable		3,639		1,695
Other current assets		24,198		26,009
Current portion of Investments held for future obligations		1,407		1,428
		744,804		531,206
Non-current assets:				
Property, plant and equipment (note 6)		26,783,906		23,822,098
Goodwill (note 8)		1,015,862		1,015,862
Investments held for future obligations		151,405		149,850
Restricted cash (note 5)		12,352		87,246
Restricted investments		96,346		90,481
Right-of-use assets (note 7)		73,865		82,108
Other assets		344,588		325,671
		28,478,324		25,573,316
	$	29,223,128	$	26,104,522
Liabilities and Shareholder's Equity				
Current liabilities:				
Trade and other payables	$	1,500,167	$	1,144,192
Current portion of loans payable (note 11)		-		7,199,232
Current portion of lease liabilities (note 7)		27,351		33,537
Current portion of provision for decommissioning obligations (note 10(a), (b))		4,029		3,988
Current portion of provision for site restoration (note 10)		1,278		1,300
Other current liabilities (note 9)		83,211		89,793
		1,616,036		8,472,042
Non-current liabilities:				
Loans payable (note 11)		25,694,581		16,127,573
Long-term interest payable		220,424		36,808
Deferred income taxes		640,200		624,190
Provision for decommissioning obligations (note 10(a), (b))		622,657		502,814
Lease liabilities (note 7)		63,497		64,473
Provision for site restoration (note 10)		2,487		2,831
Defined benefit obligation		51,872		51,522
Other non-current liabilities		54,118		46,813
		27,349,836		17,457,024
Shareholder's equity:				
Share capital		1		1
Contributed surplus		603,294		603,294
NPI reserve (note 12)		54,298		5,463
Accumulated deficit		(449,878)		(483,038)
Accumulated other comprehensive income		49,541		49,736
		257,256		175,456
	$	29,223,128	$	26,104,522

Going Concern (note 2)
Commitments (note 16)
Contingencies (note 17)
Subsequent Events (note 22)

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 March 31	
	2023	2022
Revenue:		
Transportation revenue (note 15)	$ 160,951	$ 126,494
Net crude oil revenue (note 14)	35,246	54,430
Lease revenue (note 15)	17,761	17,606
Other revenue	817	4,936
	214,775	203,466
Other income:		
Facility use and processing fees	315	460
Foreign exchange gains	413	262
	215,503	204,188
Expenses:		
Depletion and depreciation (note 6,7)	33,226	31,651
Pipeline operating expenses (note 15)	57,884	39,745
Crude oil operating, transportation and marketing (note 14)	6,120	6,018
Salaries and benefits	25,814	26,190
Professional fees	4,697	4,134
Foreign exchange losses	908	1,725
Change in estimates of provision for site restoration (note 10)	(71)	(258)
Other administrative expenses (recovery)	342	(1,151)
	128,920	108,054
Finance expenses (income):		
Interest expense (note 11)	36,466	40,970
Interest income	(9,384)	(2,048)
Unwind of discount on provisions (note 10)	4,102	2,718
	31,184	41,640
Net income before income taxes	55,399	54,494
Income taxes:		
Current	6,230	8,639
Deferred	16,009	12,314
	22,239	20,953
Net income	$ 33,160	$ 33,541
Other comprehensive income (loss):		
Items that may be reclassified subsequently to profit or loss		
Currency translation adjustment	(195)	(3,230)
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit obligations, net of tax	-	22,156
	(195)	18,926
Comprehensive income	$ 32,965	$ 52,467

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

CANADA DEVELOPMENT INVESTMENT CORPORATION

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

	Three months ended March 31	
	2023	2022
Share capital		
Balance, beginning and end of period	$ 1	$ 1
Contributed surplus		
Balance, beginning and end of period	603,294	603,294
Net Profits Interest reserve		
Balance, beginning of period	5,463	19,455
NPI received	48,835	58,629
Dividends	-	(50,000)
Balance, end of period	54,298	28,084
Accumulated deficit		
Balance, beginning of period	(483,038)	(549,733)
Net income	33,160	33,541
Dividends	-	(30,000)
Balance, end of period	(449,878)	(546,192)
Accumulated other comprehensive income		
Balance, beginning of period	49,736	2,852
Other comprehensive income (loss)	(195)	18,926
Balance, end of period	49,541	21,778
Total shareholder's equity	$ 257,256	$ 106,965

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

CANADA DEVELOPMENT INVESTMENT CORPORATION

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

	Three months ended March 31	
	2023	2022
		(note 21)
Cash provided by (used in):		
Operating activities:		
Net income (loss)	$ 33,160	$ 33,541
Adjustments for:		
Depletion and depreciation	33,226	31,651
(Gain) Loss on derecognition of property, plant and equipment	229	(277)
Income tax expense	22,239	20,953
Interest income	(9,357)	(2,005)
Non-capitalized unpaid interest	641	
Net change in defined benefits	(924)	565
Change in provision for site restoration	(71)	(258)
Unwind of discount on provisions	4,102	2,718
Lease interest expense	34	-
Interest received	9,000	2,048
Provisions settled	(1,139)	(459)
Income taxes paid	(7,605)	(5,655)
	83,535	82,822
Change in non-cash working capital (note 13)	44,180	173,677
	127,715	256,499
Financing activities:		
Proceeds from loans payable	2,374,057	2,024,000
Debt issuance costs	(6,511)	-
Dividends paid	-	(80,000)
NPI received	48,835	58,629
Payment of lease liabilities, principal portion	(9,184)	(14,714)
	2,407,197	1,987,915
Investing activities:		
Purchase of property, plant and equipment	(2,369,362)	(1,943,114)
Insurance proceeds	2,505	-
Internal-use software expenditures	(3,087)	(2,476)
Purchase of Short-term investments	(56,828)	(21,026)
Sale of Short-term investments	31,803	20,970
Change in restricted cash	74,894	3,230
Purchase of restricted investments	(1,816)	(5,986)
Change in investments held for future obligations	(1,534)	(154)
	(2,323,425)	(1,948,556)
Effects of FX translation on cash	(11)	(254)
Change in cash and cash equivalents	211,476	295,604
Cash and cash equivalents, beginning of period	309,906	299,532
Cash and cash equivalents, end of period	**$ 521,382**	**$ 595,136**
Represented by:		
Cash	$ 521,382	575,099
Cash equivalents	-	51,063
	$ 521,382	$ 626,162

Total interest and standby fees paid on the loans payable was $100,095 (2022 - $1,118).

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"), Trans Mountain Corporation ("TMC"), Canada Growth Fund Inc. ("CGF") and Canada Innovation Corporation ("CIC"). The subsidiary Canada Enterprise Emergency Funding Corporation ("CEEFC") is not consolidated.

Parent

Canada Development Investment Corporation was incorporated in 1982 under the provisions of the *Canada Business Corporations Act* and is wholly owned by His 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.

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):

<u>Subsidiaries</u>

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 His Majesty in Right of Canada. TMC is also subject to the *Income Tax Act*. TMC is a non-agent Crown corporation which allows it to borrow from parties other than the GoC.

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 His Majesty in Right of Canada, administered by Export Development Canada ("EDC"). The existing loans remain outstanding. See note 11 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 His 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.

1. Reporting entity (continued):

Consistent with the 2022 Fall Economic Statement, CDEV was issued a directive (P.C. 2022-1269) on December 2, 2022 under section 89 of the *Financial Administration Act* to incorporate a wholly-owned subsidiary to be named Canada Growth Fund Inc. and to take such steps as necessary to facilitate the subsidiary's establishment as a new public investment fund making investment decisions within its mandate, on an arm's length basis from the GoC, and in accordance with the terms of directive (P.C. 2022-1272) given to the subsidiary. On December 13, 2022, Canada Growth Fund Inc. was incorporated under the *Canada Business Corporations Act* and authorized to issue Common Shares and Class A Preference Shares. CGF Inc. had no activity in 2022. CGF's mandate is to make investments that catalyze substantial private sector investment in Canadian businesses and projects to help transform and grow Canada's economy at speed and scale on the path to a net-zero economy. Budget 2023 announced that the government intends to introduce legislative amendments to enable the Public Sector Pension Investment Board ("PSP") to manage the assets of the CGF. A Memorandum of Understanding was executed with PSP on March 28, 2023 to govern the CGF's initial operations.

CDEV was issued a directive (P.C. 2023-39) on January 31, 2023 under section 89 of the *Financial Administration Act* to incorporate a wholly-owned subsidiary and to take such steps as necessary to facilitate the subsidiary's implementation of its objects. On February 8, 2023 the Corporation incorporated Canada Innovation Corporation ("CIC") under the *Canada Business Corporations Act.* In the first quarter of 2023, work began to establish the CIC's initial operations. The creation of the CIC follows the Government's Budget 2022 commitment to establish an innovation agency to drive Canadian business investment in research and development (R&D) and foster economic growth.

2. Going Concern:

The interim condensed consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). The going concern basis of presentation assumes that the Corporation will continue in operation for at least one year after the date of the interim condensed consolidated statement of financial position and contemplates the realization of assets and settlement of liabilities as they become due in the normal course of business.

The Corporation's ability to continue as a going concern is dependent upon its ability to service its existing debt and fund the remaining construction costs of the TMEP. On February 18, 2022, the Deputy Prime Minister and Minister of Finance reaffirmed the Government'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. On April 29, 2022, TMC entered into a credit agreement with a syndicate of lenders (the "Syndicated Credit Agreement") for a one year facility (the "Syndicated Facility") for $10.0 billion. On March 24, 2023, the Syndicated Credit Agreement was amended and restated to include a letter of credit facility ("LC Facility") for $0.1 billion and to extend the maturity date to March 24, 2025. Additionally, the combined available credit under the two facilities was increased to $11.0 billion. Subsequent to period end, on May 2, 2023, the combined available credit under the two facilities was increased to $13.0 billion of which $12.9 billion relates to the Syndicated Facility and $0.1 billion to the LC Facility. In order to meet obligations as they become due, TMC will require additional funding through external financing. The Corporation expects the external financing will be

2. Going Concern (continued):

obtained in a timely manner and on terms satisfactory to the Corporation. However, there is no assurance that external financing will be obtained. As at March 31, 2023 there is material uncertainty that the Corporation has sufficient financial resources to meet its obligations for the next 12 months as they become due. See note 11 for details on the external financing. The above factors cause material uncertainty that casts significant doubt as to the Corporation's ability to continue as a going concern.

These interim condensed consolidated financial statements do not include any adjustments to the carrying value of the assets and liabilities, the reported revenues and expenses or the consolidated statement of financial position classifications that might be necessary if the Corporation was unable to obtain the necessary funds to service its existing debt and finance the remaining construction costs of the TMEP. Such adjustments could be material.

3. 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, 2022.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 18, 2023.

b) Basis of measurement:

The interim condensed consolidated financial statements have been prepared on the historical cost basis as set out in the accounting policies below, except as permitted by IFRS and otherwise indicated within these notes.

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.

4. 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 4 of the annual audited consolidated financial statements for the year ended December 31, 2022, except for those policies which have changed as a result of the adoption of new accounting standards, amendments or interpretations effective January 1, 2023, 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.

4. **Significant accounting policies (continued):**

a) Changes in accounting policies:

The following accounting standards 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, 2023 in accordance with the applicable transitional provisions. The application of these amendments had no impact on the Corporation's interim condensed consolidated financial statements.

(i) Amendments to IAS 1, *Presentation of Financial Statements – Disclosure of Accounting Policies*

The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements, by applying materiality judgments and require entities to disclose "material" accounting policy information rather than "significant" accounting policies.

(ii) Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

The amendments introduce a definition of an accounting estimate and clarify the distinction between changes in accounting estimates and changes in accounting policies.

(iii) Amendments to IAS 12, *Income Taxes*, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments require entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings (or other components of equity, as appropriate) at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

b) Use of estimates and judgments:

The timely 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 4(y) of the Corporation's annual consolidated financial statements for the year ended December 31, 2022.

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

5. Restricted cash:

	March 31, 2023	December 31, 2022
Restricted cash – TMC held for future abandonment costs	$ 2,870	$ 1,444
Restricted cash – TMC letters of credit	-	76,320
Restricted cash – TMC held as security	750	750
Restricted cash – CHHC letters of credit	8,732	8,732
	$ 12,352	$ 87,246

6. Property, plant and equipment:

	Construction work in progress	Pipeline	Oil development assets and production facilities	TOTAL
Cost				
Balance at December 31, 2021	$ 11,109,858	$ 3,632,752	$ 564,468	$ 15,307,078
Additions	9,504,480	-	11,926	9,516,406
Transfers	(114,583)	114,583	-	-
Decommissioning adjustments	-	(92,260)	(15,110)	(107,370)
Derecognition	-	(2,097)	-	(2,097)
Foreign exchange movements	100	19,420	-	19,520
Balance at December 31, 2022	$ 20,499,855	$ 3,672,398	$ 561,284	$ 24,733,537
Additions	2,870,876		5,410	2,876,286
Transfers	(2,073)	2,073	-	-
Decommissioning adjustments	-	110,179	6,478	116,657
Derecognition	-	(283)	-	(283)
Foreign exchange movements	(1)	(243)	-	(244)
Balance at March 31, 2023	$ 23,368,657	$ 3,784,124	$ 573,172	$ 27,725,953
Accumulated depletion and depreciation				
Balance at December 31, 2021	$ -	$ 321,464	$ 470,585	$ 792,049
Depletion and depreciation	-	104,329	13,382	117,711
Derecognition	-	(755)	-	(755)
Foreign exchange movements	-	2,434	-	2,434
Balance at December 31, 2022	$ -	$ 427,472	$ 483,967	$ 911,439
Depletion and depreciation	-	25,719	5,007	30,726
Derecognition	-	(86)	-	(86)
Foreign exchange movements	-	(32)	-	(32)
Balance at March 31, 2023	$ -	$ 453,073	$ 488,974	$ 942,047
Carrying amounts:				
At December 31, 2022	$ 20,499,855	$ 3,244,926	$ 77,317	$ 23,822,098
At March 31, 2023	$ 23,368,657	$ 3,331,051	$ 84,198	$ 26,783,906

6. Property, plant and equipment (continued):

At March 31, 2023, costs related to oil development assets and production facilities subject to the calculations of depletion and depreciation included future development costs of $403,591 (December 31, 2022 - $409,000). For details on decommissioning adjustments, see note 10, Provisions.

During the period ended March 31, 2023 capitalized interest of $260,880 was included in the additions to construction work in progress – pipeline (2022 - $138,732).

At March 31, 2023, an assessment of indicators of impairment was conducted for the Corporation's CGUs. As of December 31, 2022, as a result of significant factors which may have a material effect on TMEP including, but not limited to, changing economic conditions, rising interest rates, technical construction complexities and labour challenges, management performed a goodwill and PPE impairment test, which did not result in an impairment charge. There have been no material changes to TMC's existing operations or the TMEP construction which would indicate impairment. Accordingly, an impairment test as of March 31, 2023 was not required. See also Goodwill note 8.

No indicators of impairment were noted for the oil development assets and production facilities at March 31, 2023 and December 31, 2022 and accordingly an impairment test was not required.

7. 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 March 31, 2023.

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

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

Consolidated Statement of Financial Position:

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

	Equipment and Vehicles	Land and Buildings	Total
December 31, 2021	$ 61,786	$ 62,796	$ 124,582
Additions	903	18,118	19,021
Lease modifications	432	1	433
Depreciation*	(41,115)	(20,909)	(62,024)
Foreign exchange	96	-	96
December 31, 2022	$ 22,102	$ 60,006	$ 82,108
Additions	1,242	-	1,242
Lease modifications	-	746	746
Depreciation*	(4,623)	(5,607)	(10,230)
Foreign exchange	(1)	-	(1)
March 31, 2023	$ 18,720	$ 55,145	$ 73,865

*Includes depreciation costs capitalized as additions to PPE of $8,304 and $14,982 for the period ended March 31, 2023 and 2022 respectively.

Details of lease liabilities are as follows:

	Three months ended March 31, 2023	Year ended December 31, 2022
Lease liabilities, opening	$ 98,010	$ 138,440
Additions	1,242	19,021
Lease modification	745	433
Interest expense	1,063	4,903
Lease payments	(10,212)	(64,929)
Foreign exchange movements	-	142
Lease liabilities, closing	$ 90,848	$ 98,010
Current	$ 27,351	$ 33,537
Non-current	63,497	64,473
	$ 90,848	$ 98,010

Maturity analysis – contractual undiscounted cash flows:

	2023	2024-2027	Thereafter	Total
Lease liabilities	$ 30,501	$ 34,690	$ 103,456	$ 168,647

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

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

Consolidated Statement of Comprehensive Income and Statement of Cash Flows:

	March 31, 2023	March 31 2022
Statement of Comprehensive Income:		
Interest on lease liabilities	$ 1,029	$ 1,436
Less: capitalized lease interest	(505)	(449)
Net interest on lease liabilities	524	987
Statement of Cash Flows:		
Total cash outflow for leases	$ (8,418)	$ (16,149)

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 three months ended March 31, 2023, lease income for merchant tank operating leases recognized in “Lease revenue” totaled $17,761 (2022 - $17,606), which included the variable lease payments described above, and lease income related to housing operating leases recognized in “Other revenue” totaled $65 (2022 – $66).

8. Goodwill:

There have been no movements in the net carrying amount of goodwill of $1,015,862 during the periods ending March 31, 2023 and December 31, 2022.

Impairment test

For the purposes of impairment testing, goodwill has been allocated to TMC’s CGU. The recoverable amount of this CGU was based on the fair value of the reporting unit which was estimated using an income-based approach based on the discounted cash flows. The estimate of fair value required the use of significant unobservable inputs representative of a Level 3 fair value measurement, 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. At March 31, 2023, an assessment of indicators of impairment was conducted for the Corporation’s CGUs. There have been no material changes to TMC’s existing operations or the TMEP construction which would indicate impairment. Accordingly, an impairment test at March 31, 2023 was not required.

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

9. Other current liabilities:

	March 31, 2023	December 31, 2022
Dock premiums	$ 59,768	$ 72,840
Environmental accrual	11,686	7,461
Defined benefit obligation	1,734	1,734
Other	10,023	7,758
	$ 83,211	$ 89,793

10. 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, 2021	$ 478,532	$ 119,305	$ 597,837	$ 6,087
Additional provisions	-	-	-	170
Changes in estimates	443,800	21,314	465,114	(459)
Obligations settled	-	(1,263)	(1,263)	(1,437)
Changes in discount rate	(536,060)	(36,424)	(572,484)	(274)
Effect of foreign exchange	2,656	-	2,656	-
Unwind of discount	11,835	3,107	14,942	44
Balance at December 31, 2022	$ 400,763	$ 106,039	$ 506,802	$ 4,131
Additional provisions				
Changes in estimates	(75)	554	479	-
Obligations settled	-	(828)	(828)	(311)
Changes in discount rate	110,254	5,924	116,178	(71)
Effect of foreign exchange	(31)	-	(31)	-
Unwind of discount	3,286	800	4,086	16
Balance at March 31, 2023	$ 514,197	$ 112,489	$ 626,686	$ 3,765
Current	$ -	$ 4,029	$ 4,029	$ 1,278
Non-current	514,197	108,460	622,657	2,487
	$ 514,197	$ 112,489	$ 626,686	$ 3,765

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 $217,358 at March 31, 2023 (December 31, 2022 - $217,248). Estimates of decommissioning obligation costs can change significantly based on factors such as operating experience and changes in laws 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 March 31, 2023 using an average inflation rate of 2.50% (December 31, 2022 - 2.5%) and was discounted using an average risk-free rate of 3.06% (December 31, 2022 – 3.35%).

10. 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 $514,197 at March 31, 2023 (December 31, 2022 - $400,763) discounted at a risk-free rate of 3.02% (December 31, 2022 - 3.28%). The undiscounted decommissioning liability is estimated to be $8,879,000 (December 31, 2022 - $8,880,000) with an inflation rate of 3.00% (December 31, 2022 - 3.00%) and an expected remaining useful life of 96 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 96 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. The future estimate of costs for site restoration has been discounted at a rate of 3.74% (December 31, 2022 – 2.27%) and an inflation rate of 2.0% (December 31, 2022 – 2.0%) was used to calculate the provision at March 31, 2023. The current estimate for costs accrued as at March 31, 2023 is $3,765 (December 31, 2022 - $4,131).

11. 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 GoC, 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.

The loans are due on the respective maturity dates. The maturity date for all GoC loan facilities was amended to August 29, 2025 effective March 29, 2021. Details of the facilities at March 31, 2023 are as follows:

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

11. Loans payable (continued):

Facility	Total Available Credit March 31, 2023	Outstanding Amounts March 31, 2023	Outstanding Amounts December 31, 2022	Interest Rate Disbursed amounts	Standby Fee Undisbursed amounts	Maturity Date
Acquisition	$ 4,670,000	$ 4,670,000	$ 4,670,000	4.7%	-	August 29, 2025
Construction (a)	13,500,000	11,461,630	11,457,573	4.7%	-	August 29, 2025
CER[(3)*]	500,000	-	-	4.7%	0.30%	August 29, 2025
Total with GoC		**$ 16,131,630**	**$ 16,127,573**			
Long-term Syndicated Facility	$11,000,000	$ 9,562,951	$ 7,199,232	Variable[(1)]	0.125%[(2)]	March 24, 2025
		$ 25,694,581	**$ 23,326,805**			
Presented as:						
Current		$ -	$ 7,199,232			
Non-current		$ 25,694,581	$ 16,127,573			

(1) TMC is charged a guarantee fee equal by the Canada Account managed by EDC to 0.25% of the outstanding loan amount on the syndicated bank facility.
(2) Standby fee was 0.04 % to Mar 23, 2023, and 0.125% thereafter.
(3) 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.

March 24, 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. TMC closed external financing on April 29, 2022 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. The credit limit for the Construction Facility was increased to $13.5 billion. All interest will be paid in kind and added to the Construction Facility balance semi-annually. Commitment fees, previously charged at 0.065%, were discontinued on April 28, 2022, upon repayment of advances related to the funding requests made after February 18, 2022 and no further cash draws are permitted.

During the three months ended March 31, 2023, interest paid in kind of $4,056 was added to the Construction Facility balance (2022 - nil).

Syndicated Facility

TMC has a credit agreement with a syndicate of lenders (the “Syndicated Credit Agreement”) dated April 29, 2022 which contains an unsecured revolving facility and includes a guarantee provided from the Government of Canada. See Note 11 for more information on the guarantee and associated fees.

On March 24, 2023, the Corporation amended and restated the Syndicated Credit Agreement to include a letter of credit facility (“LC Facility”) for $100 million and to amend the Syndicated Facility. The Syndicated Facility, which originally matured on April 29, 2023 and had available credit of $10.0 billion, was amended to a two year senior unsecured Equator Principles 4 (“EP4”) compliant revolving facility

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

11. Loans payable (continued):

and the available credit was increased to $10.9 billion. EP4 is a risk management framework adopted by financial institutions for identifying, assessing, and managing environmental and social risks for large infrastructure projects. The facilities under the Syndicated Credit Agreement mature March 24, 2025, with ability for TMC to request certain extension terms up to August 31, 2025, and have a combined available credit as of March 31, 2023 of $11.0 billion. The Syndicated Credit Agreement allows TMC to elect for reallocation of the available credit under the LC Facility to the Syndicated Facility. There are no financial covenants.

Borrowings under the Syndicated Facility bear interest at the Canadian Prime Rate or the Canadian Dollar Offered Rate (“CDOR”) plus applicable margins and commitment fees. The effective interest rate was 5.2% for the three month period ended March 31, 2023.

Under the LC Facility as of March 31, 2023, TMC has letters of credit of $76.3 million issued and outstanding from the available $100 million facility. Subsequent to period end, on May 2, 2023, the combined available credit under the two facilities was increased to $13.0 billion of which $12.9 billion relates to the Syndicated Facility and $0.1 billion to the LC Facility.

Total interest expense for the periods ended March 31 is comprised of the following:

	2023	2022
Interest on Loans payable	$ 294,616	$ 178,187
Amortization of debt issuance costs	774	6
Interest on leases	523	1,022
Interest and fees capitalized	(260,880)	(138,762)
Guarantee fees	820	-
Standby fees	613	517
	$ 36,466	$ 40,970

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 4.88% (2022 – 4.7%). Loans with the Canada Account were charged interest of 4.7%, and the syndicated loan facility had a variable interest rate.

12. Net Profits Interest reserve:

During the period, NPI payments received under the NPI agreements totalled $52,473 of which $3,638 was received from CHHC and eliminated upon consolidation (2022 – $62,820, of which $4,191 was eliminated).

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

13. Supplemental cash flow disclosure:

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

	2023	2022
Trade and other receivables	$ 23,126	$ (25,951)
Inventory	(340)	519
Other current assets	2,743	582
Deferred charges and other assets	(18,847)	(9,734)
Trade and other payables	347,369	114,379
Interest payable	192,031	177,591
Other current liabilities	(6,582)	(14,423)
Other non-current liabilities	3,256	2,268
Change in non-cash working capital items	$ 542,756	$ 245,231
Relating to:		
Financing activities	$ 4,595	$ -
Operating activities	44,180	173,677
Investing activities	493,981	71,554
Change in non-cash working capital items	$ 542,756	$ 245,231

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

	2023	2022
PPE additions (note 6)	$ (2,876,286)	$ (2,032,126)
Change in non-cash investing working capital related to PPE	498,620	74,030
Capitalized lease amortization and incentives	8,304	14,982
Cash used for PPE expenditures	$ (2,369,362)	$ (1,943,114)

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

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

	Three months ended March 31	
	2023	2022
Crude oil sales	$ 44,600	$ 76,583
Less: royalties	(9,354)	(22,153)
Net crude oil revenue	$ 35,246	$ 54,430

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

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

b) Gross 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 March 31 2023	Three months ended March 31 2022
United States	$ 28,243	$ 58,772
Europe	16,357	17,811
	$ 44,600	$ 76,583

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

	Three months ended March 31 2023	Three months ended March 31 2022
Hibernia Project operating expenses	$ 4,610	$ 5,077
Crude oil transportation and transshipment	1,431	855
Crude oil marketing	79	86
Total operating, transportation and marketing	$ 6,120	$ 6,018

15. Revenue and operating expenses from pipeline operations:

For the periods ended March 31, revenues and operating expenses from pipeline operations, disaggregated by revenue source and type of revenue, are comprised as follows:

	Three months ended March 31 2023	Three months ended March 31 2022
Transportation revenue	$ 160,951	$ 126,494
Lease revenue	17,761	17,606
Other revenue	617	1,186
Total	$ 179,329	$ 145,286
Pipeline operating and production expenses	$ 57,884	$ 39,745
Salaries and benefits	24,713	25,312
Other general and administration costs	939	74
Total operating expenses excluding finance costs and depreciation	$ 83,536	$ 65,131

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

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

16. Commitments:

The Corporation's commitments at March 31, 2023 are summarized in the table below:

	Remainder 2023	2024-2027	Thereafter	Total
Crude oil transportation and transshipment services	$ 3,486	$ 22,293	$ 14,340	$ 40,119
Hibernia Project contracts	1,339	5,832	2,266	9,437
Pipeline PPE	43,884	-	-	43,884
Other operating commitments	-	1,504	7,075	8,579
Total Commitments	$ 48,709	$ 29,629	$ 23,681	$ 102,019

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.

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.

Flood Insurance Proceeds

In 2021, there was widespread flooding in British Columbia and Washington State, which resulted in financial losses, including damage to TMC's assets and delays to the TMEP construction. During 2022, insurance proceeds of $30,300 were recognized related to funds received or receivable from insurance providers for interim settlements on the flood related claims. From the 2022 interim settlement, $2.9 million was collected in the three-month period ended March 31, 2023, with $2.5 million related to recovery of capital costs and the remainder related to recovery of operating costs. The amount and timing of any future insurance proceeds cannot be reasonably estimated.

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

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. 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, 2022. 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.

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 March 31, 2023 and December 31, 2022 there were no significant accounts receivable past due or impaired.

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

	March 31, 2023	December 31, 2022
Contracts with pipeline shippers	$ 50,585	$ 78,095
Contracts with crude oil customers	29,599	30,960
Hibernia Project joint account	2,431	2,902
HST/GST input tax credits	53,333	42,080
Other	1,224	6,506
Trade and other receivables	$ 137,172	$ 160,543
Amount outstanding greater than 90 days	$ 190	$ 2,954

18. Risks to the Corporation (continued):

(a) Credit and contract risk (continued):

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 GoC. 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 March 31, 2023 related to cash and cash equivalents and investments is insignificant.

The Corporation realized no actual impairment losses during the periods ended March 31, 2023 or 2022.

(b) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its work commitments and/or other financial obligations 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.

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 TMEP. Given the significant ongoing expenditures expected in connection with the TMEP, the Corporation will require continued future financing to complete the project. External financing was secured by TMC in April 2022 as described in note 11. Trade and other payables and income taxes payable are generally due within one year from the date of the statement of financial position.

18. Risks to the Corporation (continued):

(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 March 31, 2023 or 2022.

(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 exposed to interest rate risk on its outstanding debt borrowings. The Corporation manages interest rate risk by holding both fixed and variable interest rate debt. Borrowings under the Credit Agreement with the EDC are fixed at of rate of 4.7%. Borrowings under the Syndicated Credit Agreement have variable interest rates and a related fixed rate guarantee fee. Variable interest rates are based on CDOR or Prime rates plus applicable margins. Significant increases in such rates can result in a material impact to the Corporation’s financial results and cash flows. The Corporation does not use derivative instruments to manage its exposure to this risk.

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

18. 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 March 31, 2023 and December 31, 2022:

	Classification	Hierarchy	Carrying amounts		Fair value	
			2023	2022	2023	2022
Financial assets						
Restricted investments	FVTPL	Level 2	96,346	90,481	96,346	90,481
Financial liabilities						
Loans payable	Amortized cost	Level 2	25,694,581	23,326,805	25,268,769	22,682,532

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.

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.

CDEV paid dividends to the Government of Canada during the three months ended March 31, 2023 of $nil ($80,000 - 2022).

The GoC has provided TMC with a guarantee in relation to its Syndicated Credit Agreement (see Note 11). In exchange for a guarantee fee, On March 24, 2023, the guarantee was amended for changes to the borrowing limits under the amended Syndicated Credit Facility and for changes to the guarantee fee. Prior to the amendment on March 24, 2023, the guarantee fee was 5% per annum less the daily weighted average interest rate per annum payable by TMC in accordance with the Syndicated Facility. The amended guarantee fee is accrued at a fixed rate of 0.25% based on the outstanding balance under the Syndicated Credit Agreement.

For the three months ended March 31, 2023 and 2022, the Corporation incurred $0.8 million and nil in guarantee fees, respectively. Guarantee fees are included in interest expense and are payable on August 31, 2025, or upon events of default. As of March 31, 2023 and December 31, 2022, the guarantee fees payable was $37.6 million and $36.8 million, respectively, and recorded in “Long-term interest payable.”

19. Related party transactions (continued):

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 March 31, 2023, CDEV earned management fees from CEEFC of $200 (March 31, 2022 -$150). At March 31, 2023, CDEV has a related party receivable from CEEFC of $281 (December 31, 2022 - $224).

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

20. Supplementary information:

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

March 31, 2023								
	TMC (US GAAP)	IFRS Adjustments		TMC (IFRS)	CHHC	Others	Eliminations	Consolidated
Statement of Comprehensive Income:								
Revenues:								
Transportation revenue	115,616	$ 45,335	(1)	160,951				$ 160,951
Lease revenue	17,761			17,761				17,761
Net crude oil revenue				-	32,290	-	2,956	35,246
Other revenue	558	59		617		-		617
Other income/ FX				-	687	607	(366)	928
	133,935	45,394		179,329	32,977	607	2,590	215,503
Expenses:								
Depletion and depreciation	26,608	1,226	(2)	27,834	5,227	165		33,226
Operating and production	58,043	(159)		57,884	6,120	-		64,004
Salaries and benefits	24,368	345	(3)	24,713	391	710		25,814
General and admin Other and FX	1,419	(673)		746	1,096	3,842	(37)	5,647
	110,438	739		111,177	12,834	4,717	(37)	128,691
Finance Costs:								
Equity AFUDC	247,282	(247,282)	(4)	-		-		-
Other, net	359	(588)		(229)	-	-		(229)
Unwind of discount		(3,286)	(4)	(3,286)	(800)	(16)		(4,102)
Net Interest (expense)	(26,893)	30,065	(4)	3,172	2,642	98,100	(130,996)	(27,082)
	220,748	(221,091)		(343)	1,842	98,084	(130,996)	(31,413)
Net income before income taxes	244,245	(176,436)		67,809	21,985	93,974	(128,369)	55,399
Income taxes (recovery)	60,089	(43,511)	(5)	16,578	5,661	-		22,239
Net Income	**184,156**	**(132,925)**		**51,231**	**16,324**	**93,974**	**(128,369)**	**33,160**
Other Comprehensive Income	**$ (501)**	**$ 306**	(6)	**$ (195)**	**$ -**	**$ (390)**	**$ 390**	**$ (195)**
Statement of Financial Position:								
Assets:								
Current assets	480,310	(16,589)	(7)	463,721	146,022	233,067	(98,006)	744,804
Non-current assets	28,568,122	(755,159)	(8)	27,812,963	246,809	18,356,708	(17,938,156)	28,478,324
	$ 29,048,432	**$ (771,748)**		**$ 28,276,684**	**$ 392,831**	**$ 18,589,775**	**$ (18,036,162)**	**$ 29,223,128**
Liabilities								
Current liabilities	1,586,904	(642)		1,586,262	30,106	2,841	(3,173)	1,616,036
Non-current liabilities	18,738,831	123,659	(9)	18,862,490	116,474	16,320,455	(7,949,583)	27,349,836
	$ 20,325,735	**$ 123,017**		**$ 20,448,752**	**$ 146,580**	**$ 16,323,296**	**$ (7,952,756)**	**$ 28,965,872**
Shareholder's Equity	**$ 8,722,697**	**$ (894,765)**	(10)	**$ 7,827,932**	**$ 246,251**	**$ 2,266,479**	**$ (10,083,406)**	**$ 257,256**
	$ 29,048,432	**$ (771,748)**		**$ 28,276,684**	**$ 392,831**	**$ 18,589,775**	**$ (18,036,162)**	**$ 29,223,128**

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

20. Supplementary information (continued):

March 31, 2022

	TMC (US GAAP)	IFRS Adjustments	TMC (IFRS)	CHHC	Others	Eliminations	Consolidated
Statement of Comprehensive Income:							
Revenues:							
Transportation revenue	$ 89,461	$ 37,033 (1)	$ 126,494				$ 126,494
Lease revenue	17,606		17,606				17,606
Net crude oil revenue				47,881	-	6,549	54,430
Other income/ FX	601	585	1,186	661	4,238	(427)	5,658
	107,668	37,618	145,286	48,542	4,238	6,122	204,188
Expenses:							
Depletion and depreciation	25,917	1,973 (2)	27,890	3,730	31		31,651
Operating and production	39,903	(158)	39,745	6,018	-		45,763
Salaries and benefits	24,877	435 (3)	25,312	361	517		26,190
General and admin Other and FX	1,040	(465)	575	1,211	2,701	(37)	4,450
	91,737	1,785	93,522	11,320	3,249	(37)	108,054
Finance Costs:							
Equity AFUDC	138,353	(138,353) (4)	-		-		-
Other, net			-	-			-
Unwind of discount		(2,010) (4)	(2,010)	(697)	(11)		(2,718)
Net Interest (expense)	(11,972)	12,160 (4)	188	253	60,900	(100,263)	(38,922)
	126,381	(128,203)	(1,822)	(444)	60,889	(100,263)	(41,640)
Net income before income taxes	142,312	(92,370)	49,942	36,778	61,878	(94,104)	54,494
Income taxes (recovery)	35,090	(22,776) (5)	12,314	8,639	-		20,953
Net Income	**107,222**	**(69,594)**	**37,628**	**28,139**	**61,878**	**(94,104)**	**33,541**
Other Comprehensive Income	**$ (3,444)**	**$ 22,370** (6)	**$ 18,926**	**$ -**	**$ -**	**$ -**	**$ 18,926**
Statement of Financial Position:							
Assets:							
Current assets	559,096	(42,234) (7)	516,862	148,330	220,137	(102,024)	783,305
Non-current assets	18,070,469	(258,920) (8)	17,811,549	242,657	17,208,315	(17,006,988)	18,255,533
	$ 18,629,565	**$ (301,154)**	**$ 18,328,411**	**$ 390,987**	**$ 17,428,452**	**$ (17,109,012)**	**$ 19,038,838**
Liabilities							
Current liabilities	2,106,425	(5,656)	2,100,769	33,946	1,062,617	(980,591)	2,216,741
Non-current liabilities	8,783,868	204,499 (9)	8,988,367	118,710	15,399,405	(7,791,350)	16,715,132
	$ 10,890,293	**$ 198,843**	**$ 11,089,136**	**$ 152,656**	**$ 16,462,022**	**$ (8,771,941)**	**$ 18,931,873**
Shareholder's Equity	7,739,272	(499,997) (10)	**$ 7,239,275**	**$ 238,331**	**$ 966,430**	**$ (8,337,071)**	**$ 106,965**
	$ 18,629,565	**$ (301,154)**	**$ 18,328,411**	**$ 390,987**	**$ 17,428,452**	**$ (17,109,012)**	**$ 19,038,838**

20. 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 PPE 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.

20. 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 PPE. 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, PPE 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. Under US GAAP debt issuance costs are recognized as an asset while they are netted against debt under IFRS. 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 $894,765 million with $(132,925) million being the impact on the 2023 net income.

21. Change in classification:

At December 31, 2022, the Corporation changed the classification of Short-term investments from "Cash and cash equivalents" to "Short-term investments" on the Consolidated 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 $31,013 being reclassified from "Cash and cash equivalents" to "Short-term investments" in 2021. On the Consolidated Statement of Cash Flows for the three months ended March 31, 2022: the adjustment to interest income under operating activities decreased by $43: "Net cash from investing activities" decreased by $ 30,970 with the addition of the Purchase of short-term investments; and "Change in cash and cash equivalents" and "Cash and cash equivalents, end of year" decreased by $31,013. The reclassification had no impact on the Corporation's total assets or comprehensive income.

22. Subsequent Event:

Subsequent to period end, on May 2, 2023, the combined available credit under the two Syndicated loan facilities was increased to $13.0 billion as described in note 11.