# First Quarter Report

## March 31, 2024

CDEV

Canada Development
Investment Corporation

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

## Contents




**Corporate Address:**

Toronto Head Office
161 Bay Street, Suite 4540
Toronto, ON  M5J 2S1

Ottawa Office
50 O'Connor Street, Suite 1610
Ottawa, ON K1P6L2

**Telephone:** (416) 966-2221
**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 May 13, 2024.

| | |
|---|---|
| Elizabeth A. Wademan | Carlos Gallardo |
| President & Chief Executive Officer | Chief Financial Officer |

Toronto, Ontario
May 13, 2024

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, 2024 and should be read in conjunction with CDEV's unaudited interim condensed consolidated financial statements for the period ended March 31, 2024 and CDEV's Annual Report for the year ended December 31, 2023.

## 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 providing financial advisory to the Government on a range of complex financial situations, CDEV has the following wholly-owned subsidiaries for which we are responsible:

*Canada Hibernia Holding Corporation ("CHHC"),* which owns and manages the federal government's interests in the Hibernia Development Project ("Hibernia").

*Canada Eldor Inc. ("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.

*Canada TMP Finance Limited's ("TMP Finance")* primary responsibility is to provide financing to its subsidiary, *Trans Mountain Corporation ("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.

*Canada Enterprise Emergency Funding Corporation ("CEEFC")* is managing 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, 2023. For CEEFC's financial report for the period ending March 31, 2024 please see www.ceefc-cfuec.ca.

*Canada Growth Fund Inc. ("CGF")* was incorporated in December 2022, with the mandate 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 net-zero.

*Canada Innovation Corporation ("CIC")* was incorporated in February 2023, with the mandate 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. The Government of Canada announced in December 2023 that the full implementation of this new entity is now scheduled for no later than 2026-2027.

CDEV is also directly responsible for receiving payments related to the Net Profits Interest and Incidental Net Profits Interest agreements (collectively, “NPI”) from the owners of the Hibernia offshore oil project, and all its related obligations pursuant to a Memorandum of Understanding with Natural Resources Canada.

**Canada Development Investment Corporation**

In the first quarter of 2024, CDEV management continued to work on its mandate for TMC, including: to pursue the Trans Mountain expansion project to protect the Government’s investment, to ensure compliance with applicable laws and rules, and to operate in a manner consistent with Canada’s commitment to advance reconciliation with Indigenous peoples. CDEV continues to work with TMC and financial advisors to obtain the financing needed for the TMEP.

In the period ended March 31, 2024 CDEV received $47.5 million in NPI payments from the Hibernia Project Owners, $7.1 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 2024 or 2023. 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, 2024, TMC generated $182 million in revenue and $93 million in earnings before interest, taxes, and depreciation (“EBITDA”). In the comparative period TMC generated $179 million in revenue and $97 million in EBITDA. We note that under TMC’s continuing use of US GAAP, revenue and EBITDA were $125 million and $36 million respectively compared to $134 million and $50 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 $0.6 billion on the TMEP, excluding financing costs, in addition to the $26.4 billion spent through to December 2023 under CDEV ownership. As of March 31, 2024, construction of the TMEP was nearly complete. Subsequent to March 31, 2024, the TMEP was mechanically complete, with the final “golden” weld occurring on April 11, 2024. The commercial commencement date for the expanded system was May 1, 2024. All deliveries have since been subject to the expanded system tariff and tolls and both pipelines are transporting crude. TMC can load cargoes from its state-of-the-art loading facility, Westridge Marine Terminal, with three berths providing tidewater access to global markets.

For further details please see the TMC Q1 2024 financial report at www.transmountain.com.

**Canada TMP Finance Limited**

Canada TMP Finance is the parent of TMC and its entities. Until Q1 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”), a federal Crown corporation. Certain regulatory financial requirements of TMC are also provided by TMP Finance to TMC through an undrawn credit facility with the Canada Account.

At March 31, 2024, the available limit on the Construction Facility was $13.5 billion and the outstanding amount on the Construction Facility was $12.2 billion. There are no further cash draws permitted and there are no other required payments on the Canada Account borrowings until maturity, with all interest charges paid in kind and added to the principal of loan when interest is due.

TMC has an Equator Principles 4 ("EP4") compliant credit agreement with a syndicate of lenders (the "Syndicated Credit Agreement") dated April 29, 2022 and as amended on November 30, 2023, which contains two senior revolving facilities, a $17.9 billion syndicated facility (the "Syndicated Facility") and a $100 million letter of credit facility ("LC Facility"), for a combined available credit of $18.0 billion under the two facilities. 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 include a guarantee provided from the Government of Canada. Subsequent to period end on May 17, 2024, the combined available credit under the two facilities was increased to $19.0 billion, as discussed below.

In the first quarter of 2024 gross loan interest expense was $472 million, of which $421 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 $295 million with $261 million capitalized. The increase is due to higher loan balances (32% higher) and higher interest rates in 2024.

**Canada Hibernia Holding Corporation**

CHHC's after-tax income of $22 million in the three months ended March 31, 2024 was $6 million or 38% higher than $16 million recorded in the comparative quarter due mainly to higher net crude oil revenue partially offset by higher operating expenses, depletion and depreciation expenses and income taxes.

Net crude oil revenue, calculated as crude oil sales less royalties and net profits interest ("NPI"), increased by 43% to $46 million in the three months ended March 31, 2024 from $32 million in the comparative period, driven by 43% increase volume of oil sold combined with a 10% increase in average realized oil price partially offset by higher royalty and NPI expense. (On consolidation, Net crude oil revenue for the first quarter of 2024 was $51 million (2023-$35 million) due to the elimination of NPI payments made to CDEV.)

Sales volumes increased by 43% to 0.61 million barrels of oil in Q1 2024 from 0.43 million barrels in Q1 2023, despite a 12% decrease in CHHC's daily average production volumes. The variance is due to draws from inventory and overlifts to complete cargo sales which exceeded production entitlements. Average gross field production volumes of 60,642 barrels per day in Q1 2024 were 14% lower than Q1 2023, due to higher unscheduled downtime and natural production declines.

CHHC sells its oil based on the Dated Brent ("Brent") benchmark price for crude oil, in US dollars. The price of Brent crude increased by 2% to average US $83.25 per barrel in Q1 2024 from US $81.23 per barrel in Q1 2023. CHHC's average realized USD oil price increased by a greater 11% to US$85.48 per bbl, reflecting the increase in Brent combined with a premium to Brent compared to a discount to Brent in the prior year quarter On a Canadian dollar basis, CHHC's average realized oil price increased by 10% to $115.09 per barrel from $104.26 per barrel in Q1 2023, which was relatively consistent with the 11% increase in USD realized price as there was no significant change in average exchange rates.

Drilling and facilities capital expenditures in Q1 2024 of $7.2 million were focused on drilling activities in the Hibernia Main Field.

**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 two years. During the first three months of 2024, expenditures were $0.5 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 $3 million.

### Canada Enterprise Emergency Funding Corporation

Since March 2020, management of CDEV has administered the implementation of the LEEFF program on behalf of the Government through CEEFC, including the retention of financial and legal advisors. On May 20, 2020, CEEFC received a mandate letter and term sheet from the Minister of Finance detailing the objective for LEEFF to help protect Canadian jobs, help Canadian businesses weather the related economic downturn and avoid bankruptcies of otherwise viable firms where possible. Since July 2022, CEEFC is no longer accepting new LEEFF applications.

As discussed in note 4(c) of the consolidated financial statements for the year ended December 31, 2023, 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.

Select financial results for CEEFC are shown below:

| ($ Millions) | 2020 | 2021 | 2022 | 2023 | Q1-2024 | Total to March 31, 2024 |
|---|---|---|---|---|---|---|
| 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 | 338 | 11 | 764 |
| Preferred shares issued/(redeemed) | 200 | 2,890 | - | - | (330) | 2,760 |

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

During the first quarter of 2024, CEEFC redeemed $330 million of the preference shares from the Government of Canada. 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 Q1-24 financial report at www.ceefc-cfuec.ca.

### Canada Growth Fund

CDEV, through the CGF Board, ensures oversight and compliance, but is not directly involved in CGF's investment activities. In October 2023, CGF announced a $90 million investment in Eavor Technologies Inc., a Canadian geothermal energy company. CGF issues preferred shares to the government to fund its investments.

On November 16, 2023, CGF issued $115 million in preferred shares to fund CGF's first investment and start-up costs. CGF issued a further $175 million in preferred shares on Dec 22, 2023. In December 2023, CGF announced an investment in Entropy Inc. ("Entropy), a Calgary-based developer of technologically advanced carbon capture and sequestration ("CCS") projects. CGF has agreed to a $200 million investment in Entropy coupled with a fixed-price carbon credit purchase agreement ("Carbon Credit Offtake Commitment" or "CCO") of up to one million tonnes per annum [for 15 years]. In March 2024, CGF announced its third investment, a $50-million commitment to Idealist Climate Impact Fund LP, a fund managed by Idealist Capital.

For details on the financial and operating results of CGF please see the CGF Q1-24 Financial Statements and MD&A at www.cgf-fcc.ca. As discussed in note 4(c) of the consolidated financial statements for the year ended December 31, 2023, CGF has not been consolidated within CDEV as CDEV is not deemed to have control over CGF based on the criteria outlined in IFRS 10.

### 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, 2023 as described in the 2023 Annual Report.

### Risks and Contingencies

TMP Finance is a borrower of almost $17 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 $17 billion from commercial banks. This debt is guaranteed by the Government which reduces the financial risk to CDEV. At March 31, 2024, there was a refinancing risk given the additional financing required to service its existing debt and working capital obligations. Subsequent to period end on May 17, 2024, the combined available credit under the two facilities was increased to $19.0 billion of which $18.9 billion relates to the Syndicated Facility and $0.1 billion to the LC Facility and the maturity date was extended to August of 2026. The increase to the facility included a corresponding increase to the guarantee provided from the Government of Canada.

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. On November 30, 2023, the Canada Energy Regulator ("CER") approved Trans Mountain's preliminary interim commencement date tolls. At the commencement of service on the expanded system, TMC plans to record revenue on the basis of these preliminary interim tolls. The interim tolls are currently under examination by the CER due to issues raised by shippers, with process steps continuing through to the first quarter of 2025. 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 2023 Annual Report remain unchanged.

### Financial Statements for the Period Ended March 31, 2024

The interim condensed consolidated financial statements for the three months ended March 31, 2024 with comparative figures for Q1 2023, have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") applicable to interim periods, including IAS 34, *Interim Financial Reporting*.

TMC prepares its financial statements in accordance with US GAAP. To read the US GAAP Q1 2024 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 Accounting Standards and the TMC financial results in IFRS Accounting Standards as consolidated into CDEV.

Consolidated revenue for the three months ended March 31, 2024 was $234 million, compared to revenue of $215 million in the comparative period. The increase is largely due to a $5 million increase in transportation revenue and a $16 million increase 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 as well as higher throughput on Puget. Net crude oil revenue increased to $51 million from $35 million in the comparative period due to a 58% increase in crude oil sales revenue partially offset by higher royalty expenses.

Total expenses for the three-month period, excluding finance costs, were $142 million, compared to $129 million in the comparative period. The increase is primarily due to an $11 million increase in salaries and benefits due to higher head count as TMC prepares for TMEP operations.

Interest expense of $64 million in the three-month period ended March 31, 2024 increased from $36 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, 2024 was $33 million, compared to $55 million in the comparative period. The decrease is mainly due to higher loan interest expense, due to the additional borrowings.

Income taxes for the three months ended March 31, 2024 of $23 million is consistent with the $22 million recorded in the comparative period

Cash and cash equivalents as at March 31, 2024 increased to $407 million compared to $321 million at December 31, 2023 mainly due to operating cash flow of $163 million. The increase in borrowing of $1.0 billion was offset by $1.1 billion in capital expenditures on property, plant and equipment.

Accounts receivable of $109 million decreased by $65 million from December 31, 2023 largely due to the collection of flood insurance proceeds of $52 million by TMC.

Property, plant, and equipment of $34.6 billion increased by $0.8 billion since year end primarily due to $1.0 billion in capital expenditures including capitalized interest related to TMEP, net of depletion and depreciation and decrease in the asset retirement cost of $0.2 billion.

Trade and other payables of $760 million decreased by $270 million from December 31, 2023 primarily due to decreased TMC capital accruals and payables related to the TMEP.

Current loans payable increased by $17 billion as the facilities under the Syndicated Credit Agreement mature on March 24, 2025 and therefore were reclassified to current. Long-term loans payable decreased to $16.9 billion from $33.0 billion at year end due to $17.1 billion reclassified as current liability, partially offset by $1.0 billion in draws on the syndicated credit facility. The loan amount of $17.1 billion that was shown as a non-current liability in the comparative period at December 31, 2023 was reclassified in the current period to a current liability since the syndicated loan facility matures within one year. Long-term interest payable increased to $268 million at March 31, 2024 from $63 million at year end mainly due to $195 million in paid in kind 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 decreased to $506 million at March 31, 2024 from $642 million at December 31, 2023 due to an increase in the discount rate used during the period.

Interim Condensed Consolidated Financial Statements of

# CANADA DEVELOPMENT INVESTMENT CORPORATION

Three months ended March 31, 2024

(Unaudited)

# CANADA DEVELOPMENT INVESTMENT CORPORATION

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

| | | March 31, 2024 | | December 31, 2023 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ | 407,339 | $ | 321,331 |
| Short-term investments | | 64,592 | | 63,808 |
| Trade and other receivables (note 17) | | 109,080 | | 173,915 |
| Income taxes recoverable | | 1,187 | | 2,196 |
| Other current assets | | 22,155 | | 28,190 |
| Current portion of Investments held for future obligations | | 1,808 | | 1,809 |
| | | 606,161 | | 591,249 |
| Non-current assets: | | | | |
| Property, plant and equipment (note 5) | | 34,571,010 | | 33,740,735 |
| Investments held for future obligations | | 133,993 | | 132,464 |
| Restricted cash (note 4) | | 11,152 | | 15,463 |
| Restricted investments | | 108,959 | | 105,428 |
| Right-of-use assets (note 6) | | 62,008 | | 60,529 |
| Other assets (note 7) | | 293,581 | | 283,821 |
| | | 35,180,703 | | 34,338,440 |
| | $ | 35,786,864 | $ | 34,929,689 |
| **Liabilities and Shareholder's Equity** | | | | |
| Current liabilities: | | | | |
| Trade and other payables | $ | 760,050 | $ | 1,029,615 |
| Current portion of lease liabilities (note 6) | | 19,280 | | 19,874 |
| Current portion of Net Profits Interest ("NPI") Provision | | - | | 5,000 |
| Current portion of provision for decommissioning obligations (note 9(a), (b)) | | 5,011 | | 4,193 |
| Current portion of provision for site restoration (note 9) | | 1,664 | | 1,680 |
| Other current liabilities (note 8) | | 63,015 | | 61,342 |
| Current portion of loans payable (note 10) | | 17,057,816 | | - |
| | | 17,906,836 | | 1,121,704 |
| Non-current liabilities: | | | | |
| Loans payable (note 10) | | 16,896,589 | | 32,975,494 |
| Long-term interest payable | | 267,945 | | 62,671 |
| Deferred income taxes | | 711,081 | | 694,995 |
| Provision for decommissioning obligations (note 9(a), (b)) | | 505,946 | | 641,749 |
| Lease liabilities (note 6) | | 57,751 | | 54,617 |
| Provision for site restoration (note 9) | | 1,362 | | 1,524 |
| Defined benefit obligation | | 57,442 | | 58,285 |
| Other non-current liabilities | | 67,599 | | 67,708 |
| | | 18,565,715 | | 34,557,043 |
| Shareholder's equity: | | | | |
| Share capital | | 1 | | 1 |
| Contributed surplus | | 603,294 | | 603,294 |
| NPI reserve (note 11) | | 66,633 | | 27,731 |
| Accumulated deficit | | (1,400,803) | | (1,410,993) |
| Accumulated other comprehensive income | | 45,188 | | 30,909 |
| | | (685,687) | | (749,058) |
| | $ | 35,786,864 | $ | 34,929,689 |

Commitments (note 15)
Contingencies (note 16)
Subsequent Events (note 21)

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 | |
|---|---|---|
| | 2024 | 2023 |
| **Revenue:** | | |
| Transportation revenue (note 14) | $ 165,808 | $ 160,951 |
| Net crude oil revenue (note 13) | 51,481 | 35,246 |
| Lease revenue (note 14) | 13,990 | 17,761 |
| Other revenue | 2,250 | 817 |
| | 233,529 | 214,775 |
| **Other income:** | | |
| Facility use and processing fees | 250 | 315 |
| Foreign exchange gains | 1,101 | 413 |
| | 234,880 | 215,503 |
| **Expenses:** | | |
| Depletion and depreciation (note 5,6) | 38,542 | 33,226 |
| Pipeline operating expenses (note 14) | 50,550 | 57,884 |
| Crude oil operating, transportation and marketing (note 13) | 9,583 | 6,120 |
| Salaries and benefits | 37,013 | 25,814 |
| Professional fees | 4,381 | 4,697 |
| Foreign exchange losses | 161 | 908 |
| Change in estimates of provision for site restoration (note 9) | 265 | (71) |
| Other administrative expenses | 1,547 | 342 |
| | 142,042 | 128,920 |
| **Finance expenses (income):** | | |
| Interest expense (note 10) | 64,458 | 36,466 |
| Interest income | (9,919) | (9,384) |
| Unwind of discount on provisions (note 9) | 5,027 | 4,102 |
| | 59,566 | 31,184 |
| **Net income before income taxes** | 33,272 | 55,399 |
| **Income taxes:** | | |
| Current | 9,758 | 6,230 |
| Deferred | 13,324 | 16,009 |
| | 23,082 | 22,239 |
| **Net income (loss)** | 10,190 | 33,160 |
| **Other comprehensive income (loss):** | | |
| *Items that may be reclassified subsequently to profit or loss* | | |
| Currency translation adjustment | 6,628 | (195) |
| *Items that will not be reclassified to profit or loss* | | |
| Remeasurements of defined benefit obligations, net of tax | 7,651 | - |
| | 14,279 | (195) |
| **Comprehensive income** | $ 24,469 | $ 32,965 |

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 | |
|---|---|---|
| | 2024 | 2023 |
| **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 | 27,731 | 5,463 |
| NPI received | 40,430 | 48,835 |
| NPI Provision/payments | (1,528) | - |
| Dividends | - | - |
| Balance, end of period | 66,633 | 54,298 |
| **Accumulated deficit** | | |
| Balance, beginning of period | (1,410,993) | (483,038) |
| Net income | 10,190 | 33,160 |
| Dividends | - | - |
| Balance, end of period | (1,400,803) | (449,878) |
| **Accumulated other comprehensive income** | | |
| Balance, beginning of period | 30,909 | 49,736 |
| Other comprehensive income (loss) | 14,279 | (195) |
| Balance, end of period | 45,188 | 49,541 |
| **Total shareholder's equity (deficit)** | **$ (685,687)** | **$ 257,256** |

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 2024 | 2023 (note 20) |
|---|---|---|
| **Cash provided by (used in):** | | |
| **Operating activities:** | | |
| Net income | $ 10,190 | $ 33,160 |
| Adjustments for: | | |
| Depletion and depreciation | 38,542 | 33,226 |
| Loss on derecognition of property, plant and equipment | - | 229 |
| Income tax expense | 23,082 | 22,239 |
| Interest income | (9,919) | (9,357) |
| Non-capitalized unpaid interest | 62,730 | 34,822 |
| Net change in defined benefits | 659 | (924) |
| Change in provision for site restoration | 265 | (71) |
| Unwind of discount on provisions | 5,027 | 4,102 |
| Lease interest expense | - | 34 |
| Interest received | 9,135 | 9,000 |
| Provisions settled | (1,485) | (1,139) |
| Income taxes paid | (7,395) | (7,605) |
| | 130,831 | 117,716 |
| Change in non-cash working capital (note 12) | 32,708 | 14,056 |
| | 163,539 | 131,772 |
| **Financing activities:** | | |
| Proceeds from loans payable | 975,000 | 2,370,000 |
| Debt issuance costs | (144) | (6,511) |
| Dividends paid | - | - |
| NPI refunds paid | (6,528) | - |
| NPI received | 40,430 | 48,835 |
| Payment of lease liabilities, principal portion | (3,845) | (9,184) |
| | 1,004,913 | 2,403,140 |
| **Investing activities:** | | |
| Purchase of property, plant and equipment | (1,110,274) | (2,369,362) |
| Insurance proceeds | 33,577 | 2,505 |
| Internal-use software expenditures | (2,700) | (3,087) |
| Purchase of Short-term investments | - | (56,828) |
| Sale of Short-term investments | - | 31,803 |
| Change in restricted cash | 4,311 | 74,894 |
| Purchase of restricted investments | (7,601) | (1,816) |
| Change in investments held for future obligations | (1,528) | (1,534) |
| | (1,084,215) | (2,323,425) |
| Effects of FX translation on cash | 1,771 | (11) |
| Change in cash and cash equivalents | 86,008 | 211,476 |
| Cash and cash equivalents, beginning of period | 321,331 | 309,906 |
| **Cash and cash equivalents, end of period** | $ 407,339 | $ 521,382 |
| **Represented by:** | | |
| Cash | 407,339 | 521,382 |
| Cash equivalents | - | - |
| | $ 407,339 | $ 521,382 |

Total interest and standby fees paid on the loans payable was $277,510 (2023 - $100,095).

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”), and Canada Innovation Corporation (“CIC”). Canada Growth Fund Inc. (“CGF”) and Canada Enterprise Emergency Funding Corporation (“CEEFC”) are 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.

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 161 Bay Street, Suite 4540, Toronto, Ontario, M5J 2S1.

**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.* TMP Finance is an agent 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. 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 10 for loan details.

**1. Reporting entity (continued):**

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. 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.

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*.

CDEV was issued a directive (P.C. 2022-1269) on December 2, 2022 under section 89 of the *Financial Administration Act* to procure the incorporation of 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's

**1. Reporting entity (continued):**

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 net-zero. As announced in Budget 2023, CGF has engaged services and expertise of the Public Sector Pension Investment Board ("PSP Investments") and its personnel in the implementation of the CGF mandate. A wholly-owned subsidiary of PSP Investments, Canada Growth Fund Investment Management Inc. acts as the independent investment manager of CGF. CGF was consolidated in CDEV's results until November 16, 2023.

CDEV was issued a directive (P.C. 2023-0039) on January 31, 2023 under section 89 of the *Financial Administration Act* to procure the incorporation of a wholly-owned subsidiary and to take such steps as are 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.* CIC was given the mandate to maximize business investment in research and development across all sectors, and in all regions of Canada, to promote innovation-driven economic growth. The government of Canada announced in December 2023 that the full implementation of the CIC is scheduled for no later than 2026-2027.

**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 Accounting Standards") issued by the International Accounting Standards Board 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, 2023.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors on May 13, 2024.

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 Accounting Standards 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.

## 3. Material Accounting Policy Information:

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, 2023, except for those policies which have changed as a result of the adoption of new accounting standards, amendments or interpretations effective January 1, 2024, 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.

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, 2024 in accordance with the applicable transitional provisions.

(i) Amendments to IAS 1, *Presentation of Financial Statements, Classification of Liabilities as Current or Non-current* and *Non-current Liabilities with Covenants*

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments also address the classification (as current or non-current), presentation and disclosures of liabilities for which an entity's right to defer settlement for at least twelve months is subject to the entity complying with conditions after the reporting period. The amendments are applied retrospectively effective for annual periods beginning on or after January 1, 2024. The application of these amendments had no impact on the Corporation's interim condensed consolidated financial statements.

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(w) of the Corporation's annual consolidated financial statements for the year ended December 31, 2023.

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

## 4. Restricted cash:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Restricted cash – TMC held for future abandonment costs | $ 1,670 | $ 5,981 |
| Restricted cash – TMC held as security | 750 | 750 |
| Restricted cash – CHHC letters of credit | 8,732 | 8,732 |
| | $ 11,152 | $ 15,463 |

## 5. Property, plant and equipment:

| | Construction work in progress | Pipeline | Oil development assets, production facilities and corporate | TOTAL |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance at January 1, 2023 | $ 20,499,855 | $ 3,672,398 | $ 561,284 | $ 24,733,537 |
| Additions | 9,902,541 | - | 24,097 | 9,926,638 |
| Transfers | (69,657) | 69,657 | - | - |
| Decommissioning adjustments | - | 108,875 | 17,584 | 126,459 |
| Derecognition | - | (4,036) | - | (4,036) |
| Foreign exchange movements | (103) | (6,804) | - | (6,907) |
| Balance at December 31, 2023 | $ 30,332,636 | $ 3,840,090 | $ 602,965 | $ 34,775,691 |
| Additions | 989,335 | - | 7,244 | 996,579 |
| Transfers | (692) | 692 | - | - |
| Decommissioning adjustments | - | (133,343) | (6,826) | (140,169) |
| Derecognition | - | (1) | - | (1) |
| Foreign exchange movements | 128 | 7,432 | - | 7,560 |
| Balance at March 31, 2024 | $ 31,321,407 | $ 3,714,870 | $ 603,383 | $ 35,639,660 |
| **Accumulated depletion and depreciation** | | | | |
| Balance at January 1, 2023 | $ - | $ 427,472 | $ 483,967 | $ 911,439 |
| Depletion and depreciation | - | 105,173 | 21,154 | 126,327 |
| Derecognition | - | (1,642) | - | (1,642) |
| Foreign exchange movements | - | (1,168) | - | (1,168) |
| Balance at December 31, 2023 | $ - | $ 529,835 | $ 505,121 | $ 1,034,956 |
| Depletion and depreciation | - | 26,950 | 5,508 | 32,458 |
| Derecognition | - | - | - | - |
| Foreign exchange movements | - | 1,236 | - | 1,236 |
| Balance at March 31, 2024 | $ - | $ 558,021 | $ 510,629 | $ 1,068,650 |
| **Carrying amounts:** | | | | |
| At December 31, 2023 | $ 30,332,636 | $ 3,310,255 | $ 97,844 | $ 33,740,735 |
| At March 31, 2024 | $ 31,321,407 | $ 3,156,849 | $ 92,754 | $ 34,571,010 |

At March 31, 2024, costs related to oil development assets and production facilities subject to the calculations of depletion and depreciation included future development costs of $524,961 (December 31, 2023 - $532,200). For details on decommissioning adjustments, see note 9, Provisions.

During the period ended March 31, 2024 capitalized interest of $421,423 was included in the additions to construction work in progress – pipeline (2023 - $260,880).

**5. Property, plant and equipment (continued):**

At each reporting date, the Corporation assesses its CGUs for indicators of impairment or when facts and circumstances suggest the carrying amount may exceed the recoverable amount. Impairment losses recognized in prior periods, other than goodwill impairments, are assessed at each reporting date for any indicators that the impairment losses may no longer exist or may have decreased.

**Oil development and production facility CGU**

There were no indicators of impairment noted for the oil development assets and production facility CGU at March 31, 2024 and December 31, 2023 and accordingly an impairment test was not required.

**Pipeline CGU**

i. As at September 30, 2023, the Corporation identified indicators of impairment for the Corporation's Pipeline CGU as at September 30, 2023 and performed an impairment test that resulted in the entire goodwill balance being written off. There was no impairment of PP&E as a result of the impairment testing performed as at that date.

ii. As at December 31, 2023, the Corporation identified indicators of impairment for its Pipeline CGU relating to increased constructions costs and delays to the in-service date for TMEP as compared to the assumptions used in the impairment test performed at September 30, 2023. An impairment test was performed, and the recoverable amount was determined to exceed the carrying value for the CGU. Accordingly, no impairment was recognized. Refer to the Corporation's annual consolidated financial statements for the year ended December 31, 2023 for further details.

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, 2024 was not required.

**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 2104.

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, 2024.

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

## 6. 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, 2022 | $ 22,102 | $ 60,006 | $ 82,108 |
| Additions | 3,635 | 949 | 4,584 |
| Lease modifications | 6,676 | 2,870 | 9,546 |
| Incentives | - | (547) | (547) |
| Depreciation* | (15,346) | (19,784) | (35,130) |
| Foreign exchange | (32) | - | (32) |
| December 31, 2023 | $ 17,035 | $ 43,494 | $ 60,529 |
| Additions | 5,447 | - | 5,447 |
| Lease modifications | 114 | 777 | 891 |
| Depreciation* | (2,454) | (2,439) | (4,893) |
| Foreign exchange | 34 | - | 34 |
| March 31, 2024 | $ 20,176 | $ 41,832 | $ 62,008 |

*Includes depreciation costs capitalized as additions to PPE of $2,798 and $8,304 for the period ended March 31, 2024 and 2023, respectively.

Details of lease liabilities are as follows:

| | Three months ended March 31, 2024 | Year ended December 31, 2023 |
|---|---|---|
| Lease liabilities, opening | $ 74,491 | $ 98,010 |
| Additions | 5,447 | 4,584 |
| Lease modification | 891 | 9,546 |
| Interest expense | 1,013 | 4,265 |
| Lease payments | (4,858) | (41,865) |
| Foreign exchange movements | 47 | (49) |
| Lease liabilities, closing | $ 77,031 | $ 74,491 |
| | | |
| Current | $ 19,280 | $ 19,874 |
| Non-current | 57,751 | 54,617 |
| | $ 77,031 | $ 74,491 |

Maturity analysis – contractual undiscounted cash flows:

| | 2024 | 2025-2028 | Thereafter | Total |
|---|---|---|---|---|
| Lease liabilities | $ 20,815 | $ 35,062 | $ 113,178 | $ 169,055 |

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

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

Consolidated Statement of Comprehensive Income and Statement of Cash Flows:

| | March 31, 2024 | March 31 2023 |
|---|---|---|
| Consolidated Statement of Comprehensive Income: | | |
| Interest on lease liabilities | $ 1,013 | $ 1,029 |
| Less: capitalized lease interest | (110) | (505) |
| Net interest on lease liabilities | 903 | 524 |
| Consolidated Statement of Cash Flows: | | |
| Total cash outflow for leases | $ (4,858) | $ (8,418) |

**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, 2024, lease income for merchant tank operating leases recognized in “Lease revenue” totaled $13,990 (2023 - $17,761), which included the variable lease payments described above.

**7. Other assets:**

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Prepaid construction advances | $ 5,781 | $ - |
| Payments to be recovered through tolls | 196,608 | 194,171 |
| Internal-use software | 37,551 | 36,260 |
| Recoverable projects | 37,833 | 46,312 |
| Other | 15,808 | 7,078 |
| | $ 293,581 | $ 283,821 |

Payments to be recovered through tolls includes $196,608 (2023 - $194,171) relating to the Bulk Oil Cargo Fee (“BOCF”) which provides the Western Canada Marine Response Corporation (“WCMRC”) with funds for spill response and is collected from shippers based on volume of commodities moved through WCMRC’s marine response area. BOCF related to TMEP is to be recovered from shippers through tolls in the 5 years after TMEP in-service. The pension asset of $12,674 (2023 - $3,814) is included in Other above. Recoverable Projects relates to costs for projects that are reimbursable by third parties.

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

## 8. Other current liabilities:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Dock premiums | $ 42,155 | $ 41,138 |
| Environmental accrual | 8,667 | 9,722 |
| Defined benefit obligation | 1,870 | 1,870 |
| Other | 10,323 | 8,612 |
| | $ 63,015 | $ 61,342 |

## 9. Provisions:

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

| | Decommissioning Obligations | | | |
|---|---|---|---|---|
| | Pipeline | Wells & Facilities | Total | Site restoration |
| Balance at January 1, 2023 | $ 400,763 | $ 106,039 | $ 506,802 | $ 4,131 |
| Additional provisions | - | - | - | 575 |
| Changes in estimates | (1,109) | 11,707 | 10,598 | (226) |
| Obligations settled | - | (3,677) | (3,677) | (1,352) |
| Changes in discount rate | 109,984 | 5,877 | 115,861 | 9 |
| Effect of foreign exchange | (668) | - | (668) | - |
| Unwind of discount | 13,305 | 3,721 | 17,026 | 67 |
| Balance at December 31, 2023 | $ 522,275 | $ 123,667 | $645,942 | $ 3,204 |
| Additional provisions | - | - | - | - |
| Changes in estimates | 1,272 | 192 | 1,464 | - |
| Obligations settled | - | (1,023) | (1,023) | (462) |
| Changes in discount rate | (134,615) | (7,018) | (141,633) | 265 |
| Effect of foreign exchange | 1,199 | - | 1,199 | - |
| Unwind of discount | 3,950 | 1,058 | 5,008 | 19 |
| Balance at March 31, 2024 | $ 394,081 | $ 116,876 | $ 510,957 | $ 3,026 |
| Current | $ - | $ 5,011 | $ 5,011 | $ 1,664 |
| Non-current | 394,081 | 111,865 | 505,946 | 1,362 |
| | $ 394,081 | $116,876 | $ 510,957 | $ 3,026 |

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 $223,740 at March 31, 2024 (December 31, 2023 - $224,710). 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 2048 and is based upon the useful lives of the underlying assets. The provision was calculated at March 31, 2024 using an average inflation rate of 2.5% (December 31, 2023 - 2.5%) and was discounted using an average risk-free rate of 3.43% (December 31, 2023 – 3.11%).

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

## 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 $394,081 at March 31, 2024 (December 31, 2023 - $522,275) discounted at a risk-free rate of 3.34% (December 31, 2023 - 3.02%). The undiscounted decommissioning liability is estimated to be $8,860,000 (December 31, 2023 - $8,820,000) with an inflation rate of 3.00% (December 31, 2023 - 3.00%) and an expected remaining economic life of 95 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 95 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.

## 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 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, 2024 are as follows:

| Facility | Total Available Credit March 31, 2024 | Outstanding Amounts March 31, 2024 | Outstanding Amounts December 31, 2023 | 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 | 12,226,589 | 12,224,470 | 4.7% | - | August 29, 2025 |
| CER[(3)*] | 550,000 | - | - | 4.7% | 0.30% | August 29, 2025 |
| **Total with GoC** | | **$ 16,896,589** | **$ 16,894,470** | | | |
| **Amended Syndicated Facility** | $ 18,000,000 | $ 17,057,816 | $ 16,081,024 | Variable[(1)] | 0.125%[(2)] | March 24, 2025 |
| | | **$ 33,954,405** | **$ 32,975,494** | | | |
| **Presented as:** | | | | | | |
| Current | | $ 17,057,816 | $ - | | | |
| Non-current | | $ 16,896,589 | $ 32,975,494 | | | |

(1) TMC is charged a guarantee fee equal to 0.25% of the outstanding loan amount on the syndicated bank facility by the Canada Account managed by EDC.
(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.

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

**10. Loans payable (continued):**

March 24, 2022 amendments to the Construction Credit Facility include the requirement to repay advances from EDC on the Canada Account pursuant to any funding request made after February 18, 2022. On April 29, 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. Effective for the June 30, 2022 interest payment date, 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.

**Credit Agreement with Syndicated Lenders**

TMC has an Equator Principles 4 (“EP4”) compliant credit agreement with a syndicate of lenders (the “Syndicated Credit Agreement”) dated April 29, 2022 and as amended on November 30, 2023, which contains two senior revolving facilities, a $17.9 billion syndicated facility (the “Syndicated Facility”) and a $100 million letter of credit facility (“LC Facility”), for a combined available credit of $18.0 billion under the two facilities. 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 include a guarantee provided from the Government of Canada. See Note 18 for more information on the guarantee and associated fees. There are no financial covenants.

Subsequent to period end on May 17, 2024, the combined available credit under the two facilities was increased to $19.0 billion of which $18.9 billion relates to the Syndicated Facility and $0.1 billion to the LC Facility and the maturity date was extended to August 31, 2026. The increase to the facility included a corresponding increase to the guarantee provided from the Government of Canada.

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 6.6% for the three month period ended March 31, 2024 (2023-5.2%).

As of March 31, 2024 and December 31, 2023, TMC had letters of credit issued and outstanding under the LC Facility of $69.3 million. The Syndicated Credit Agreement allows TMC to elect for reallocation of the available credit under the LC Facility to the Syndicated Facility.

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

| | 2024 | 2023 |
|---|---|---|
| Interest on Loans payable | $ 471,971 | $ 294,616 |
| Amortization of debt issuance costs | 1,794 | 774 |
| Interest on leases | 903 | 523 |
| Interest and fees capitalized | (421,423) | (260,880) |
| Guarantee fees | 10,405 | 820 |
| Standby fees | 808 | 613 |
| | $ 64,458 | $ 36,466 |

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

**10. Loans payable (continued):**

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 5.67% (2023 – 4.88%). Loans with the Canada Account were charged interest of 4.7%, and the syndicated loan facility had a variable interest rate.

**11. Net Profits Interest reserve:**

During the period, NPI payments received under the NPI agreements totalled $47,544 of which $7,114 was received from CHHC and eliminated upon consolidation (2023 – $52,473, of which $3,638 was eliminated). NPI refund payments to owners in the 3 months ended March 31, 2024 were $7,134 of which $606 was paid to CHHC and eliminated upon consolidation.

**12. Supplemental cash flow disclosure:**

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

| | 2024 | 2023 |
|---|---|---|
| Trade and other receivables | $ 64,835 | $ 23,126 |
| Inventory | 2,812 | (340) |
| Other current assets | 856 | 2,743 |
| Deferred charges and other assets | (2,726) | (18,847) |
| Trade and other payables | (269,198) | 347,369 |
| Interest payable | 203,162 | 192,031 |
| Other current liabilities | 1,673 | (6,582) |
| Other non-current liabilities | 3,961 | 3,256 |
| Change in non-cash working capital and other items | $ 5,375 | $ 542,756 |
| Relating to: | | |
| Financing activities | $ (142) | $ 538 |
| Operating activities* | 32,708 | 14,056 |
| Investing activities | (27,191) | 528,162 |
| Change in non-cash working capital and other items | $ 5,375 | $ 542,756 |

*Certain comparative figures have been reclassified to conform to the current year's presentation (note 20).

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

| | 2024 | 2023 |
|---|---|---|
| PPE additions (note 5) | $ (996,579) | $ (2,876,286) |
| Change in non-cash items related to PPE | (116,493) | 498,620 |
| Capitalized lease amortization and incentives | 2,798 | 8,304 |
| Cash used for PPE expenditures | $ (1,110,274) | $ (2,369,362) |

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

**12. Supplemental cash flow disclosure (continued):**

The changes in the liabilities arising from financing activities can be classified as follows:

| | Mar 2024 | Mar 2023 |
|---|---|---|
| Opening balance | $ 32,975,494 | $ 23,326,805 |
| Cash movements: | | |
| Proceeds from loan payable | 975,000 | 2,370,000 |
| Debt issuance costs | (144) | (6,511) |
| Non-cash movements: | | |
| PIK interest | 2,119 | 4,057 |
| Debt issuance costs amortization | 1,794 | 774 |
| Other | 142 | (544) |
| Closing balance | $ 33,954,405 | $ 25,694,581 |

**13. 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 | |
|---|---|---|
| | 2024 | 2023 |
| Crude oil sales | $ 70,649 | $ 44,600 |
| Less: royalties | (19,168) | (9,354) |
| Net crude oil revenue | $ 51,481 | $ 35,246 |

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 | |
|---|---|---|
| | 2024 | 2023 |
| United States | $ 52,413 | $ 28,243 |
| Europe | 18,236 | 16,357 |
| | $ 70,649 | $ 44,600 |

(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 March 31 | |
|---|---|---|
| | 2024 | 2023 |
| Hibernia Project operating expenses | $ 5,239 | $ 4,950 |
| Movement in overlift (underlift) (i) | 2,944 | (340) |
| Crude oil transportation and transshipment | 1,290 | 1,431 |
| Crude oil marketing | 110 | 79 |
| Total operating, transportation and marketing | $ 9,583 | $ 6,120 |

(i) At March 31, 2024, the Corporation was in an overlift position, having sold more barrels than produced. An overlift liability is recognized as the obligation to deliver oil out of the Corporation's working interest share of future production. The overlift is included in trade and other payables with a corresponding expense included within operating, transportation and marketing expenses.

**14. 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 | |
|---|---|---|
| | 2024 | 2023 |
| Transportation revenue | $ 165,808 | $ 160,951 |
| Lease revenue | 13,990 | 17,761 |
| Other revenue | 2,050 | 617 |
| Total | $ 181,848 | $ 179,329 |
| | | |
| Pipeline operating and production expenses | $ 50,550 | $ 57,884 |
| Salaries and benefits | 35,470 | 24,713 |
| Other general and administration costs | 2,541 | 939 |
| Total operating expenses excluding finance costs and depreciation | $ 88,561 | $ 83,536 |

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)

## 15. Commitments:

The Corporation's commitments at March 31, 2024 are summarized in the table below:

| | Remainder 2024 | 2025-2028 | Thereafter | Total |
|---|---|---|---|---|
| Crude oil transportation and transshipment services | $ 3,530 | $ 23,440 | $ 9,217 | $ 36,187 |
| Hibernia Project contracts | 1,403 | 4,673 | 1,992 | 8,068 |
| Pipeline PPE | 4,885 | - | - | 4,885 |
| Other operating commitments | - | 1,412 | 5,313 | 6,725 |
| Total Commitments | $ 9,818 | $ 29,525 | $ 16,522 | $ 55,865 |

## 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.

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 2023, insurance proceeds of $57,681 were recognized related to funds received or receivable from insurance providers for interim settlements on the flood related claims. From the 2023 settlements, $52,344 was collected in the three-month period ended March 31, 2024, of which $33,577 was 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)

**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, 2023. 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, 2024 and December 31, 2023 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, 2024 | December 31, 2023 |
|---|---|---|
| Contracts with pipeline shippers | $ 68,194 | $ 70,406 |
| Contracts with crude oil customers | 18,310 | 17,737 |
| Hibernia Project joint account | 3,044 | 4,340 |
| HST/GST input tax credits | 13,474 | 25,297 |
| Other | 6,058 | 56,135 |
| Trade and other receivables | $ 109,080 | $ 173,915 |
| Amount outstanding greater than 90 days | $ 3,022 | $ 1,747 |

**17. 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, 2024 related to cash and cash equivalents and investments is insignificant. The Corporation realized no actual impairment losses during the periods ended March 31, 2024 or 2023.

(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. External financing was secured by TMC as described in notes 10 and 21. Trade and other payables and income taxes payable are generally due within one year from the date of the statement of financial position.

(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.

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

**17. Risks to the Corporation (continued):**

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, 2024 or 2023.

(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.

(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, 2024 and December 31, 2023:

| | Classification | Hierarchy | Carrying amounts | | Fair value | |
|---|---|---|---|---|---|---|
| | | | 2024 | 2023 | 2024 | 2023 |
| ***Financial assets*** | | | | | | |
| Restricted investments | FVTPL | Level 2 | 108,959 | 105,428 | 108,959 | 105,428 |
| ***Financial liabilities*** | | | | | | |
| Loans payable | Amortized cost | Level 2 | 33,954,405 | 32,975,494 | 33,687,711 | 32,547,762 |

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 $nil dividends to the Government of Canada during the three months ended March 31, 2024 and 2023).

The GoC has provided TMC with a guarantee in relation to its Syndicated Credit Agreement (see Note 10) 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, 2024 and 2023, the Corporation incurred $10,405 and $820 in guarantee fees, respectively. Guarantee fees are included in interest expense. Along with the amendment to the Syndicated Credit Agreement on May 17, 2024, the due date of the guarantee fee payable was extended to August 31, 2027, or upon events of default. As of March 31, 2024 and December 31, 2023, the guarantee fees payable was $73,076 and $62,671, respectively, and recorded in “Long-term interest payable.”

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, 2024, CDEV earned management fees from CEEFC of $200 (March 31, 2023 -$200). At March 31, 2024, CDEV has a related party receivable from CEEFC of $281 (December 31, 2023 - $279).

(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, TMP Finance, CGF (2023) and CIC are grouped as Others:

| | March 31, 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | TMC (US GAAP) | IFRS Adjustments | | TMC (IFRS) | CHHC | Others | Eliminations | Consolidated |
| **Statement of Comprehensive Income:** | | | | | | | | |
| **Revenues:** | | | | | | | | |
| Transportation revenue | $ 110,626 | $ 55,182 | (1) | $ 165,808 | | | | $ 165,808 |
| Lease revenue | 13,990 | | | 13,990 | | | | 13,990 |
| Net crude oil revenue | | | | - | 46,237 | - | 5,244 | 51,481 |
| Other revenue | 680 | 1,370 | | 2,050 | | 647 | (447) | 2,250 |
| Other income/ FX | 34 | - | | 34 | 1,316 | 1 | - | 1,351 |
| | 125,330 | 56,552 | | 181,882 | 47,553 | 648 | 4,797 | 234,880 |
| **Expenses:** | | | | | | | | |
| Goodwill impairment | | | (2) | - | | | | - |
| Depletion and depreciation | 27,095 | 2,623 | (3) | 29,718 | 8,649 | 175 | | 38,542 |
| Operating and production | 51,030 | (480) | | 50,550 | 9,583 | - | | 60,133 |
| Salaries and benefits | 34,926 | 544 | (4) | 35,470 | 404 | 1,139 | | 37,013 |
| General and admin Other and FX | 3,440 | (899) | | 2,541 | 481 | 3,369 | (37) | 6,354 |
| | 116,491 | 1,788 | - | 118,279 | 19,117 | 4,683 | (37) | 142,042 |
| **Finance Costs:** | | | | | | | | |
| Equity AFUDC | 343,485 | (343,485) | (5) | - | | - | | - |
| Other, net | 234 | (234) | | - | - | - | | - |
| Unwind of discount | - | (3,950) | (5) | (3,950) | (1,058) | (19) | | (5,027) |
| Net Interest (expense) | (143,042) | 143,766 | (5) | 724 | 3,006 | 104,841 | (163,110) | (54,539) |
| | 200,677 | (203,903) | | (3,226) | 1,948 | 104,822 | (163,110) | (59,566) |
| **Net income before income taxes** | 209,516 | (149,139) | | 60,377 | 30,384 | 100,787 | (158,276) | 33,272 |
| Income taxes (recovery) | 51,449 | (36,771) | (6) | 14,678 | 8,404 | - | | 23,082 |
| **Net Income** | **$ 158,067** | **$ (112,368)** | | **$ 45,699** | **$ 21,980** | **$ 100,787** | **$ (158,276)** | **$ 10,190** |
| **Other Comprehensive Income** | **$ 7,198** | **$ 7,081** | (7) | **$ 14,279** | **$ -** | **$ 28,558** | **$ (28,558)** | **$ 14,279** |
| | | | | | | | | |
| **Statement of Financial Position:** | | | | | | | | |
| **Assets:** | | | | | | | | |
| Current assets | 247,537 | (4,000) | (8) | 243,537 | 158,077 | 312,071 | (107,524) | 606,161 |
| Non-current assets | 35,970,639 | (1,594,264) | (9) | 34,376,375 | 242,640 | 18,373,232 | (17,811,544) | 35,180,703 |
| | **$ 36,218,176** | **$ (1,598,264)** | | **$ 34,619,912** | **$ 400,717** | **$ 18,685,303** | **$ (17,919,068)** | **$ 35,786,864** |
| **Liabilities** | | | | | | | | |
| Current liabilities | 17,909,494 | (36,366) | | 17,873,128 | 24,694 | 13,488 | (4,474) | 17,906,836 |
| Non-current liabilities | 9,833,879 | (132,947) | (10) | 9,700,932 | 121,775 | 17,096,297 | (8,353,289) | 18,565,715 |
| | **$ 27,743,373** | **$ (169,313)** | | **$ 27,574,060** | **$ 146,469** | **$ 17,109,785** | **$ (8,357,763)** | **$ 36,472,551** |
| | | | | | | | | |
| **Shareholder's Equity** | **$ 8,474,803** | **$ (1,428,951)** | (11) | **$ 7,045,852** | **$ 254,248** | **$ 1,575,518** | **$ (9,561,305)** | **$ (685,687)** |
| | **$ 36,218,176** | **$ (1,598,264)** | | **$ 34,619,912** | **$ 400,717** | **$ 18,685,303** | **$ (17,919,068)** | **$ 35,786,864** |

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

## 19. Supplementary information (continued):

| 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** |

**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 Accounting Standards 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 Accounting Standards. These accounting adjustments are presented in the column "Adjustments - IFRS Accounting Standards " 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 Accounting Standards. Under IFRS Accounting Standards, 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 Accounting Standards, 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 Accounting Standards 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 Accounting Standards due to differences in the recognition of pension expense under the two accounting frameworks. Under IFRS Accounting Standards, 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 Accounting Standards, 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 Accounting Standards is also included in finance cost IFRS Accounting Standards adjustments. Under US GAAP, there is no decommissioning obligation to unwind.

5) Taxes under IFRS Accounting Standards 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 Accounting Standards differs due to different treatment of pension plan adjustments recognized under US GAAP.

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

8) Non-current assets are higher under IFRS Accounting Standards 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 Accounting Standards 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 Accounting Standards.

9) Non-current liabilities are higher under IFRS Accounting Standards 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 Accounting Standards. The differences between US GAAP and IFRS Accounting Standards 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 Accounting Standards. 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 Accounting Standards adjustments to shareholder's equity total $(1,429) million with $(112) million being the impact on the 2024 net income.

**20. Change in classification:**

Certain comparative figures in the interim condensed consolidated financial statements and notes were reclassified to conform to this period's presentation.

At December 31, 2023 the Corporation reclassified an amount from "Change in non-cash working capital" to "Non-capitalized unpaid interest" within the "Operating activities" of the consolidated statement of cash flows. This change was made to group the entire impact of the unpaid non-capitalized interest on the consolidated statement of cash flows. Comparative amounts were reclassified for consistency, which resulted in an increase of "Non-capitalized unpaid interest" of $34,181 and a decrease of "Change in non-cash working capital" by the same amount in the Statement of Cash Flows for the three months ended March 31, 2023. This reclassification impacted figures disclosed in note 12.

**21. Subsequent Events:**

The commencement date for commercial operation of the TMEP occurred on May 1, 2024. The Corporation began providing service for all contracted volumes in the month of May. Subsequent to the commencement of operations of the TMEP, construction costs related to cleanup, reclamation, road and civil work continue to be incurred.

**21. Subsequent Events (continued):**

At the date the consolidated financial statements for the year ended December 31, 2023 were available for issuance, additional financing was required, which resulted in material uncertainty that cast substantial doubt as to TMC's ability to continue as a going concern for the year ended December 31, 2023. Subsequently this material uncertainty has been resolved. On May 17, 2024, the combined available credit under the two facilities was increased to $19.0 billion and the maturity date was extended to August 31, 2026, which provides sufficient funds for TMC to meet its obligations as they become due. See Note 10 for details on debt.