CDEV

Canada Development Investment Corporation

La Corporation de développement des investissements du Canada

Annual Report 2015

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

Contents

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Report to the Minister

The Honourable William Francis Morneau
Minister of Finance

Dear Minister Morneau:

I am pleased to report on the consolidated results of operations for Canada Development Investment Corporation (CDEV) for the year ended December 31, 2015.

CDEV, through Canada GEN Investment Corporation (GEN), CDEV's wholly owned subsidiary executed a successful sale of its entire common share holdings in General Motors in April of 2015. The proceeds from the sale were $3.3 billion and we recognized a gain of $2.1 billion on the transaction. We paid a dividend of $3.2 billion to the government from these proceeds. Since GEN received the GM shares in 2009, GEN has recognized gains in value of $4.3 billion.

During the year, we continued our work to prepare Ridley Terminals Inc. for sale, acting as agent of the Government.

Canada Hibernia Holding Corporation (CHHC), our other major wholly-owned subsidiary, operated in a very volatile environment where average Brent crude oil prices in US dollars dropped 47% from 2014. In 2015 CHHC paid $31 million in provincial royalties, $9 million in net profits interest, $18 million in provincial and federal income taxes, as well as $30 million in dividends to CDEV, $67 million lower than in 2014. The low operating costs of the Hibernia field allow CHHC to remain profitable even in this low oil price environment.

Canada Eldor Inc., our third wholly-owned subsidiary, which is responsible for administration of outstanding issues pursuant to prior divestitures, continued to reimburse Cameco for their mine site restoration costs for work near Uranium City, Saskatchewan. A plan is in place to return properties managed by Cameco on our behalf to the Province of Saskatchewan's Institutional Control programme by 2023.

During 2015 CDEV did not borrow from the Government nor did it receive any appropriations.

On behalf of the Board of Directors,

Michael P. Mackasey
Chair
Canada Development Investment Corporation

March 10, 2016

Directors and Officers as at March 10, 2016

Minister Responsible for CDEV

The Honourable William Francis Morneau
Minister of Finance

Board of Directors

Michael P. Mackasey (2) (3)
Chair
Canada Development Investment Corporation
Managing Director, Head of Equity Capital Markets
Macquarie Capital Markets Canada
Mississauga, Ontario

Jennifer Reynolds (1)
President and CEO
Women in Capital Markets
Toronto, Ontario

Ted Howell, CPA, CA, MBA (1) (3)
Director
St. John's, Newfoundland and Labrador

Mary Ritchie, FCPA, FCA (1)
CEO
Richford Holdings Ltd.
Edmonton, Alberta

Sandra Rosch (2) (3)
President
Stonecrest Capital Inc.
Toronto, Ontario

Nicholas Wemyss, PGeo (2) (3)
Director
Victoria, British Columbia

Officers

Michael Carter
Executive Vice-President

Andrew Stafl, CPA, CA
Vice-President, Finance

Zoltan Ambrus
Vice-President

Noreen E. Flaherty, BA, LLB
Corporate Secretary

Committees of the Board

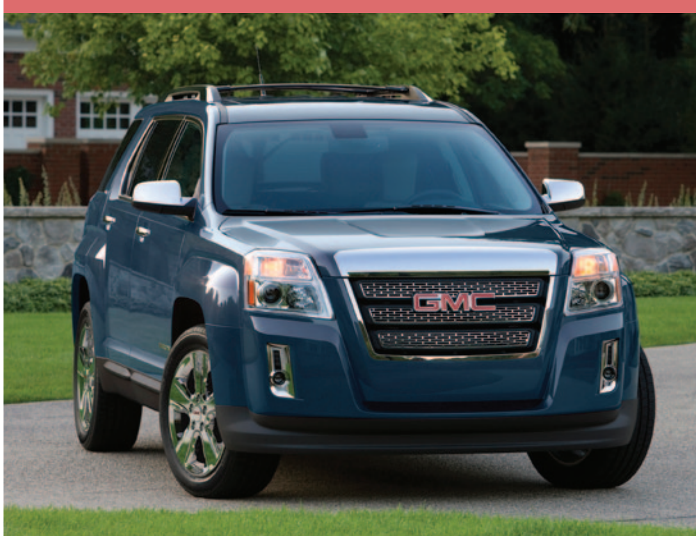
(1) Audit Committee
(2) Nominating and Governance Committee
(3) Human Resources and Compensation Committee

CDEV 2015 Overview

Our Vision: To be the Government of Canada's primary resource for the evaluation, management and divestiture of its commercial assets.

Our Mission: Acting in the best interests of Canada, on behalf of the Minister of Finance, we bring excellent business judgement and commercial practices to the evaluation, management and divestiture of assets of the Government of Canada.

Canada GEN sold 73 million common shares of GM in one of the largest unregistered block sales for cash proceeds of $3.3 billion. The sale produced a gain of $2.1 billion.



CDEV and CHHC Board of Directors

Back row: M. Ritchie, M. Mackasey, J. Reynolds, S. Rosch, T. Howell
Front row: M. Carter, M. Todd, N. Wemyss

Canada Hibernia Holding Corporation generated $128 million in net crude oil revenue during the year with sales volume of 2.5 million barrels. During a year when realized oil prices fell 41% and oil production dropped 22%, CHHC still produced a profit of $54 million.

CDEV declared dividends of $3.3 billion to the Government in 2015.

Corporate Governance Practices

CDEV (formerly "CDIC") reports to Parliament through the Minister of Finance. In November 2007, the Minister informed CDEV that "going forward, the operations of the CDIC should reflect a future focused on the ongoing management of its current holdings in a commercial manner, providing assistance to the government in new directions suited to CDIC's capabilities, while maintaining the capacity to divest CDIC's existing holdings, and any other government interests assigned to it for divestiture, upon the direction of the Minister of Finance". Since 2007, the Corporation has carried out new assignments, including acquiring and divesting assets and providing advice to the government on other government interests.

CDEV's Board of Directors supervises and oversees the conduct of the business and affairs of CDEV. The Board currently consists of the Chairman and five other directors. The members of the Board bring significant public and private experience, skills and expertise to their roles. The Chairman of the Board assesses the effectiveness of the Board and its committees with input from all of the directors. All members of the Board are independent of CDEV management.

Attendance at directors' meetings is outstanding and each director dedicates appropriate time outside of board meetings to the affairs and governance of the Corporation. CDEV and each subsidiary have separate and active boards of directors that meet regularly.

The Board annually reviews and approves the Corporate Plan of the Corporation and monitors its implementation over the planning period, evaluating the strategic direction in light of the changing business environment and assignments provided to it. Risks are identified and managed throughout the year. The Board conducts an annual retreat meeting where the directors consider, among other things, the goals of the Corporation from a strategic point of view.

To assist it in carrying out its stewardship of CDEV, the Board has established three committees, being the Nominating and Governance Committee, the Human Resources and Compensation Committee and the Audit Committee. The Nominating and Governance Committee deals with matters related to corporate governance. It continues to review CDEV's governance practices in the spirit of continuous improvement and to address new requirements. In addition, this Committee assists in determining the desired composition and structure of the Board and recommending to the Governor in Council candidates for Board membership and for the position of Chair, as needed. The Human Resources and Compensation Committee assists the Board in matters pertaining to human resources and compensation strategy, policies and practices, including reviewing executive compensation. The Audit Committee monitors the integrity of the Corporation's consolidated financial statements and the maintenance of proper controls and accounting procedures of the Corporation and communicates directly with the Corporation's auditors.

The Board has an effective working relationship with CDEV's management. The allocation of responsibilities between the Board and management is reviewed on a regular basis. A Board of Directors' charter has been adopted which denotes roles and responsibilities, primarily in terms of Board stewardship.

Effective communication with the Crown and the public is conducted through the board-approved Corporate Plan, Corporate Plan Summary, and the Annual Report, as well as through the corporate website and an annual public stakeholders meeting. As well, meetings are held as required with the Minister of Finance and other officials of the Government of Canada.

Compensation paid to directors is set by Order in Council. The Board members receive an annual retainer for their services, plus a per diem for travel time, preparing for and attending meetings and other responsibilities as needed. Directors are also reimbursed for reasonable expenses incurred. CDEV will continue to monitor the government's evolving guidance in governance matters and public sector best practices and implement changes in its governance practices as required. To this end, CDEV implemented a directive regarding travel expenditures in 2015.

Canadian Environmental Assessment Act Compliance

The primary activities of CDEV involve the management of agency sales roles for the potential sale of certain government assets, involvement in the Government's Corporate Asset Management Review programme, in addition to administrative head office functions for itself and its subsidiaries.

Under section 67 of the *Canadian Environmental Assessment Act, 2012* (CEAA 2012), CDEV is required to conduct a determination of the significance of adverse environmental effects of any project it carries out or permits to be carried out on federal lands. CDEV undertakes a process to evaluate any such projects that would require assessment under section 67 and, consequently, reporting under section 71 of CEAA 2012. Based on that evaluation, CDEV has determined that none of its activities in 2014 or 2015 trigger these assessment or reporting obligations under CEAA 2012.

Management Discussion and Analysis of Results

The public communications of Canada Development Investment Corporation ("CDEV"), including this annual 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.

Corporate Overview

CDEV, a federal crown corporation, was incorporated in 1982 to provide a commercial vehicle for Government equity investment and to manage commercial holdings of the Government. CDEV's primary objective is to carry out its activities in the best interests of Canada, operating in a commercial manner. In addition to certain activities of our own, we have three wholly-owned subsidiaries for which we are responsible: Canada Hibernia Holding Corporation ("CHHC"), Canada Eldor Inc. ("CEI"), and Canada GEN Investment Corporation ("GEN"). CHHC owns and manages the federal government's interest in the Hibernia Development Project ("Hibernia"). CEI has no operations, but has responsibility for servicing liabilities, chiefly arising from an agreement of purchase and sale with Cameco Inc. entered into in 1988. GEN was incorporated in 2009 and until April 2015 held common shares of General Motors Company ("GM") and, until December 2014, preferred shares of GM.

Since CDEV's inception in 1982, we have been effective in the management and divestiture of corporate interests of the Crown. The assets sold on behalf of the Crown by CDEV through 2015 include Canadair Limited, de Havilland Aircraft of Canada Limited, Teleglobe Canada, Fishery Products International Limited, Canada Development Corporation, Nordion International Inc., Telesat Canada, shares of Cameco Corporation, interests in Chrysler and common and preferred shares of GM. Cash proceeds to the Crown from these divestment activities totaled approximately $8.1 billion through 2015. In addition, CHHC has paid a total of $1.93 billion in cumulative dividends from operations. Since 2010 GEN has earned $380 million in dividend income on GM shares.

CDEV has a management team based in Toronto headed by the Executive Vice-President, whose role is to work closely with external consultants, contractor specialists and the Board to ensure the effective functioning of CDEV and its subsidiaries. CHHC has a management team based in Calgary that is experienced in the oil industry. This team, headed by CHHC's President and CEO, provides expertise in technical, marketing, transportation and financial areas of the operation.

During the year, CDEV amended its guidelines and policies governing travel and hospitality to align with current Treasury Board guidelines, including the Directive on Travel, Hospitality, Conference and Event Expenditures. The travel and hospitality expenses for the directors and officers of CDEV and its subsidiaries are posted on our website each quarter. In 2015 CDEV and its subsidiaries incurred $348 thousand in travel costs, $3 thousand in hospitality, and $9 thousand in conference fees.

Corporate Performance

Key Objectives from the 2015 Corporate Plan:

- Manage our working interest in the Hibernia oil field through our subsidiary CHHC and ensure that this asset is ready for sale when deemed appropriate.
- Manage our holdings in GM through GEN in a commercial manner and ensure that these assets are ready for sale when the market and other conditions are suitable for such a disposition.
- Continue to oversee the management of CEI's obligations.
- Manage the sales processes of government assets including the potential sale of Ridley Terminals Inc.
- Continue our involvement in the Government's Corporate Asset Management Review ("CAMR") program as requested by the Minister of Finance.
- Maintain our ability to perform all tasks given to us in an efficient manner.
- Remain available and prepared to address the needs of the Government for any future endeavour that is suitable given our capabilities and expertise.

Performance

We and our subsidiaries continue to manage our investments and obligations as detailed below:

Canada Development Investment Corporation

We managed financial and legal advisors and assisted in the development of draft sales processes for the potential sale of government assets in consultation with the federal departments responsible for the assets. We remain prepared to undertake CAMR projects and other endeavours suitable for our capabilities and expertise and perform all of our activities in an efficient manner.

We declared dividends of $3.26 billion in 2015. These dividends were largely generated from the cash proceeds from the sale of GM common shares in April, 2015 as well as dividends from GM common shares and earnings from CHHC.

Canada Hibernia Holding Corporation

CHHC's after-tax profit of $54 million in 2015 was lower than the $135 million recorded in 2014 as the result of lower net crude oil revenue, partially offset by lower depletion and depreciation expense.

Net crude oil revenue, after deducting marketing fees, royalties and net profits interest, declined 51% to $128 million from $262 million in 2014. The decrease is due to lower oil prices and lower Hibernia oil production, partially offset by lower effective rates for royalties and net profits interest. CHHC sold 2.5 million barrels in 2015 as compared to 3.7 million barrels in 2014, a decrease of 32%, reflecting lower Hibernia production averaging 90,500 barrels per day, compared to 115,500 barrels per day in 2014. Production was lower due to the scheduled triennial platform turnaround, where the platform was shut down for maintenance in September and October, and also to the delay of Hibernia Southern Extension Unit ("HSE Unit") production additions associated with drilling and water injection delays.

CHHC sells its oil based on the Dated Brent benchmark price for crude oil, in US dollars. The price of Dated Brent crude decreased 47% to average US $52 per barrel from US $99 per barrel in 2014 and CHHC realized a nil price differential to Dated Brent in 2015 compared to a US $2 per barrel premium in the prior year. The decrease in US prices was partially offset by positive exchange rate impacts of a weaker Canadian dollar, resulting in a 41% decline in CHHC's average realized sales price to $66 per barrel from $111 per barrel in 2014. CHHC does not enter into fixed price commodity (or exchange rate) contracts and sells its oil at market prices.

Lower depletion and depreciation expense of $29 million in 2015 compared to $47 million in 2014 is due mainly to lower oil production volumes and smaller inventory adjustments.

CHHC paid dividends to CDEV of $30 million during 2015 as compared to $97 million in the prior year, reflecting lower net crude oil revenues, higher planned capital expenditures and increased working capital retention.

During 2015, capital investments were directed toward the drilling of water injection wells and installation of subsea equipment in the HSE Unit, seismic acquisition, planning for the future development of the Ben Nevis Avalon ("BNA") reservoir in both fields and an adjustment related to a reset of working interests in the HSE Unit. Specifically, CHHC's working interest in the HSE Unit increased to 5.73% from 5.08% effective December 1, 2015 and required an adjustment to reflect CHHC's increased share of historical capital costs. In the near term, Hibernia owners will continue to focus on the full development of the HSE Unit including the drilling of both water injection wells and producing oil wells, continued drilling and development activities in the Hibernia Main Field and completion of the gas lift system.

Canada Eldor Inc.

There was no significant change in the management of CEI's liabilities. In 2015, the liability for site restoration decreased $3 million primarily due to a $1 million decrease in estimated costs and the settlement of $2 million in obligations during the year. 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 eventual transfer of the mine site properties to the Institutional Control Program of the Province of Saskatchewan within eight years. CEI holds cash and cash equivalents and funds within the Consolidated Revenue Fund of $26 million to pay for CEI's total estimated liabilities of $18 million.

Canada GEN Investment Corporation

On April 6, 2015, GEN sold all of its GM common shareholdings at a price of US $35.61 per share for total proceeds of US $2.61 billion. GEN recognized a gain on the sale of $2.13 billion. The sale was by way of an unregistered block trade after undertaking a competitive process. A dividend of $3.19 billion was paid to the Government through CDEV from the proceeds.

GEN earned dividend income of $28 million in 2015 from its GM common share holdings in the first quarter. No dividends were received from GM thereafter. See the table in the Financial Statements section for further information on the historic values of the GM common shares.

Summary of 2015 Operational Metrics

$ Millions (unless noted otherwise)	2015 Plan	2015	2014	Y/Y %	Explanation of changes Year over Year
Net crude oil revenue	226	127.8	262.3	(51%)	Negative volume and price variances reduced revenue
Oil Sales Volume (million barrels)	3.1	2.5	3.7	(32%)	Reduced production at Hibernia Oil Project and timing of cargo sales
Oil Sales Price ($US/barrel)	91	52	101	(49%)	World oil prices fell throughout 2015
Oil Sales Price ($C/barrel)	103	66	111	(41%)	A decline in the value of the CAD helped reduce net price impact
Dividend Income	149	28.1	189.0	(85%)	GM preferred shares were sold at end of 2014; GM common shares were sold in April 2015
Oil Operating Expense	26	24.8	26.1	(5%)	Small reduction reflects higher facilities use fee recoveries
Oil Capital Expenditures	83	62.5	50.0	25%	Capital expenditure adjustment of $12 million to reflect CHHC's increased working interest in the HSE Unit
Administrative Expenses *	12.7	7.6	11.1	(32%)	Project activity was lower in 2015 than 2014

* Includes professional fees, salaries and benefits and other expenses.

Analysis of External Business Environment

The ongoing management of our holdings will be dependent on market and economic conditions specific to the underlying company or investment.

CHHC derives its cash flow exclusively from the Hibernia project assets and operations, including Hibernia oil production and facilities use. Cash flow fluctuates depending on oil production volumes, crude oil prices (including any premium or discount for Hibernia crude), the USD/CAD exchange rate, royalty and net profits interest burden, operating costs, income tax rates, and capital expenditure levels. CHHC is also a party to operating, royalty and other agreements, and is affected by regulatory changes under the Canada-Newfoundland and Labrador Offshore Petroleum Board and other regulators.

CEI will be affected by ongoing changes in the regulatory requirements of the Canadian Nuclear Safety Commission and the Government of Saskatchewan.

Risks and Contingencies

As with any oil development project, CHHC's interest in the Hibernia project faces geological and production risks. These particularly apply to the HSE Unit and its reserves, which have not yet been fully developed. The operator of the project maintains high standards in all aspects of the operation including safety, efficiency and environmental protection. CHHC employs prudent risk management practices in consultation with the operator and maintains suitable insurance coverage that it regards as economically sound.

Another significant risk to CHHC's earnings and cash flow is the change in crude oil prices which can fluctuate due to global economic events and conditions. A $1.00 per barrel change in the price of oil realized by CHHC would impact its earnings before tax by $2.5 million ($2.5 million in 2014). CHHC does not engage in crude oil hedging activities. Given the relatively low cost of production, CHHC is easily able to meet its obligations.

The present value cost for decommissioning and abandonment of the Hibernia wells and facilities of $131 million is estimated based on known procedures and costs today for undertaking the decommissioning in approximately the year 2055. It is possible that these costs may change materially before decommissioning due to regulatory changes, technological changes and inflation among other variables. CHHC has deposited $98 million with the Consolidated Revenue Fund ("CRF") to specifically provide for decommissioning and abandonment costs. As deemed necessary, CHHC may increase deposits in the CRF to offset the decommissioning obligation. CHHC is dependent on oil tankers to ship crude oil to its customers or to the Newfoundland Transshipment facility. To reduce single source tanker risk in case of reduced tanker availability, CHHC, along with all other East Coast Canada oil producers, has entered into a long-term agreement with a third party shipping services company which has a fleet of shuttle tankers contracted to service the East Coast Canada oil projects.

Risks associated with changes in value of the GM common shares no longer apply as GEN sold its remaining investment in GM common shares in the second quarter of 2015.

The revenues of CHHC are impacted by foreign exchange fluctuations as CHHC's crude oil sales are priced in US dollars. The CAD/USD exchange rate increased to 1.3840 at December 31, 2015 from 1.1601 on December 31, 2014, a 19% appreciation in the USD.

CEI is subject to liabilities due to its undertakings to Cameco as part of a 1988 Purchase and Sale agreement. The $16 million provision determined for mine site restoration is based on estimates for expected restoration and monitoring work over an eight year period. The actual costs may vary materially due to changes in inflation, changes in cost estimates in a difficult northern environment and changes in regulatory requirements. CEI has deposited $22 million with the Consolidated Revenue Fund from which future liabilities could be settled.

The three contingencies disclosed in our financial statements have been analyzed by management and our legal counsel. Management believes that the probable resolutions will be favourable to CDEV and its subsidiaries.

Financial Statements for the Period Ended December 31, 2015

The consolidated financial statements for the year ended December 31, 2015 with comparative figures for 2014, have been prepared in accordance with International Financial Reporting Standards.

Consolidated revenue for the year ended December 31, 2015 was $2.33 billion, compared to revenue of $1.33 billion in the prior year. The significant increase is primarily attributable to the gain on sale of the GM common shares of $2.13 billion during the second quarter of 2015. In the prior year, we recognized a gain on derecognition of the GM common shares of $858 million as a result of a dividend in kind.

In 2015, we recognized a gain on foreign exchange of $40 million compared to a $1 million gain in 2014. The gain is primarily related to the GM share sale in the second quarter due to an appreciation of the US dollar between the trade date and the settlement date.

However we received lower dividend income and lower net crude oil revenue compared to the prior year. Dividend revenue declined in 2015 as the GM common shares were sold in April 2015, and the preferred shares were redeemed by GM in December 2014. Common share dividends of $28 million were received in 2015 compared to $189 million in common and preferred share dividends received in 2014.

Net crude oil sales declined 51% in 2015 to $128 million from $262 million in 2014. The decrease in crude oil sales resulted from lower realized oil prices and lower sales volumes and lower effective rates of royalties and net profits interest due to higher cost deductions. Lower oil prices are consistent with the decline in Dated Brent benchmark prices and lower sales volumes reflect production downtime related to the triennial platform turnaround and delay in production additions from the HSE Unit.

Total expenses for the year excluding finance costs were $60 million, compared to $89 million in the prior year. The decrease is largely due to lower depletion and depreciation expense. Depletion and depreciation costs decreased to $29 million from $47 million in the prior year, due primarily to lower production volumes, and also to smaller inventory adjustments. In addition, we recognized a reversal of $1 million in 2015 for the provision for site restoration expense due to a net decrease in estimated costs compared to a $4 million expense in 2014.

The remaining GM common share investment was sold on April 6, 2015. The gain on sale of the investment was transferred to profit or loss through other comprehensive income (“OCI”). OCI in 2015 reflected a loss of $1.85 billion, including a transfer to profit and loss of $2.13 billion as a result of the GM share sale. In 2014, the change in the value of the GM common share investment was reflected as a loss in OCI of $1.25 billion, including a gain on derecognition of the investment in common shares transferred to profit or loss of $858 million. For more details on historical OCI changes relating to the GM common shares please see the table below:

GM Common Shares value and OCI

Quarter ending	Post stock-split # of shares	Price GM Common Shares (US$) (2)	US exchange rate (1)	Investment Value (C$ millions)	Quarterly OCI/(loss) (C$ millions)	Year-to-date OCI/(loss) (C$ millions)
10-Jul-09	175,105,932	$13.13 (Adj)	1.1652	2,680	*Initial Value*	
31-Dec-09	175,105,932			2,680		
18-Nov-10	*(35,021,186)*	*$33.00*	*1.0235*		*(636)*	(3)
31-Dec-10	140,084,746	$33.94 (Adj)	0.9946	4,729		2,585
2011						
31-Mar-11	140,084,746	$29.68 (Adj)	0.9718	4,040	(688)	(688)
30-Jun-11	140,084,746	$30.37	0.9643	4,102	62	(626)
30-Sep-11	140,084,746	$20.20	1.0389	2,940	(1,163)	(1,789)
31-Dec-11	140,084,746	$20.28	1.0170	2,889	(51)	(1,840)
2012						
31-Mar-12	140,084,746	$25.64	0.9991	3,589	699	699
30-Jun-12	140,084,746	$19.72	1.0191	2,815	(773)	(74)
30-Sep-12	140,084,746	$22.75	0.9837	3,135	320	246
31-Dec-12	140,084,746	$28.82	0.9949	4,017	882	1,127
2013						
31-Mar-13	140,084,746	$27.81	1.0156	3,957	(60)	(60)
30-Jun-13	140,084,746	$33.34	1.0512	4,910	953	893
10-Sep-13	*(30,000,000)*	*$36.65*	*1.0357*		*(680)*	(4)
30-Sep-13	110,084,746	$35.95	1.0285	4,070	300	513
31-Dec-13	110,084,746	$40.87	1.0636	4,785	715	1,228
2014						
31-Mar-14	110,084,746	$34.42	1.1053	4,188	(597)	(597)
30-Jun-14	110,084,746	$36.29	1.0676	4,265	77	(520)
30-Sep-14	110,084,746	$31.93	1.1208	3,940	(325)	(846)
22-Dec-14	*(36,694,915)*	*$33.23*	*1.1643*		*(858)*	(5)
31-Dec-14	73,389,831	$34.90	1.1601	2,971	452	(1,252)
2015						
31-Mar-15	73,389,831	$37.49	1.2683	3,490	518	518
6-Apr-15	73,389,831	$35.61	1.2452	3,254	(235)	283 (6)
6-Apr-15	*(73,389,831)*	*$35.61*	*1.2452*	*(3,254)*	*(2,131)*	*(1,848)* (7)

Notes

(1) exchange rate used is Bank of Canada noon rate (USD in CAD)
(2) quoted closing bid price per share at quarter end (or transaction prices)
(3) gain on shares sold on Nov.18/10 IPO transferred to profit and loss
(4) gain on shares sold on Sept.10/13 transferred to profit and loss
(5) gain on derecognition of common shares relating to dividend in kind transferred to profit and loss
(6) fair value adjustment in OCI on date of derecognition of shares
(7) gain on shares sold on April 6/15 transferred to profit and loss (remaining Accumulated OCI is nil)

Cash and cash equivalents as at December 31, 2015 decreased to $245 million compared to $609 million at December 31, 2014 largely due to funds held at year end 2014 from the GM preferred share redemption and the subsequent payment of dividends in January 2015 of $467 million, net of an increase in cash held at CHHC given the low oil price environment.

Accounts receivable decreased by $18 million at December 31, 2015, reflecting reduced receivables in respect of oil sales, transportation recoveries and cash call balances with the Hibernia operator.

Property and equipment increased $65 million from December 31, 2014, comprised of Hibernia cash capital expenditures of $63 million plus non-cash decommissioning adjustments of $33 million, offset by of $31 million of depletion and depreciation.

A higher provision for decommissioning obligations of $131 million compared to $96 million at December 31, 2014 is due mainly to higher cost estimates associated with the decommissioning of Hibernia including the addition of recently drilled HSE Unit subsea wells.

CDEV paid dividends of $3.73 billion to the Government in 2015 which included a dividend related to the GM common share sale in the second quarter of 2015 and $467 million in dividends payable at December 31, 2014. In 2014, we paid cash dividends to the Government of $278 million and a dividend in kind of GM common shares of $1.42 billion.

Management's Responsibility For Financial Statements

The accompanying consolidated financial statements of Canada Development Investment Corporation ("CDEV") are the responsibility of management and were authorized for issue by the Board of Directors on March 10, 2016. The consolidated financial statements have been prepared by the Corporation in accordance with International Financial Reporting Standards. The financial statements of the Corporation's three wholly-owned subsidiaries for which it has responsibility have been consolidated with those of the Corporation. When alternative accounting methods exist, the Corporation has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on best estimates and judgments. The Corporation has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with information contained in the consolidated financial statements.

CDEV maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the consolidated financial records are reliable, form a proper basis for the preparation of consolidated financial statements and that CDEV's assets are properly accounted for and adequately safeguarded.

The Board of Directors carries out its responsibilities for the consolidated financial statements in this report principally through its Audit Committee. The Audit Committee reviews CDEV's annual consolidated financial statements and reports its findings to the Board for its consideration and approval. The Audit Committee also meets with the Corporation's auditors to discuss auditing matters and financial reporting issues. Due to its size, and as permitted by Order in Council, CDEV is exempt from the requirement to carry out internal audits but has carried them out periodically on the direction of the Board.

These consolidated financial statements have been audited by the Corporation's auditors, the Auditor General of Canada and KPMG LLP, whose report is presented separately.

As Executive Vice-President of CDEV and Vice-President, Finance, we have reviewed its consolidated financial statements and based upon our knowledge, having exercised due diligence, believe they fairly present in all material respects the financial position as at December 31, 2015, and financial performance and cash flows for the year ended December 31, 2015.

Michael Carter
Executive Vice-President
Canada Development Investment Corporation

Andrew Stafl, CPA, CA
Vice-President, Finance
Canada Development Investment Corporation

March 10, 2016

Auditor General of Canada
Vérificateur général du Canada

Independent Auditors' Report

To the Minister of Finance

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Canada Development Investment Corporation, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income (loss), consolidated statement of changes in shareholder's equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Canada Development Investment Corporation as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in our opinion, the transactions of Canada Development Investment Corporation and its wholly-owned subsidiaries that have come to our notice during our audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the articles and by-laws of Canada Development Investment Corporation and its wholly-owned subsidiaries, and the directive issued pursuant to section 89 of the *Financial Administration Act* described in Note 1 to the consolidated financial statements.

Robert Wilson, CPA, CA
Principal
for the Auditor General of Canada

KPMG LLP

Chartered Professional Accountants,
Licensed Public Accountants

10 March 2016
Ottawa, Canada

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

Consolidated Financial Statements of Canada Development Investment Corporation

December 31, 2015

Consolidated Statement of Financial Position

As at December 31
(Thousands of Canadian Dollars)

		2015		2014
Assets				
Current assets:				
Cash and cash equivalents (note 5)	$	244,795	$	609,420
Accounts receivable		20,285		38,525
Income taxes recoverable		7,922		12,096
Inventory		5,246		703
Prepaid expenses		256		293
Cash on deposit in the Consolidated Revenue Fund (note 6)		3,578		4,228
		282,082		665,265
Non-current assets:				
Cash on deposit in the Consolidated Revenue Fund (note 6)		115,884		114,633
Cash and cash equivalents held in escrow (note 7)		4,603		5,969
Property and equipment (note 8)		224,106		159,594
Investments (note 9)		-		2,971,370
Deferred tax asset (note 11)		11,379		13,976
		355,972		3,265,542
	$	638,054	$	3,930,807
Liabilities and Shareholder's Equity				
Current liabilities:				
Accounts payable and accrued liabilities		35,570	$	27,318
Dividend payable (note 19)		-		466,989
Current portion of defined benefit obligation		180		230
Current portion of provision for site restoration (note 10(b))		3,379		3,976
		39,129		498,513
Non-current liabilities:				
Provision for decommissioning obligations (note 10(a))		130,914		95,936
Provision for site restoration (note 10(b))		13,087		15,417
Defined benefit obligation		1,770		1,820
		145,771		113,173
Shareholder's equity:				
Share capital (note 12)		1		1
Contributed surplus (note 12)		603,294		1,726,527
Accumulated deficit		(150,141)		(255,545)
Accumulated other comprehensive income		-		1,848,138
		453,154		3,319,121
Commitments (note 15)				
Contingencies (note 16)				
Subsequent event (note 21)				
	$	638,054	$	3,930,807

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

On behalf of the Board: M. Whaley Director Mary C. Ritchie Director

Consolidated Statement of Comprehensive Income (Loss)

Year ended December 31
(Thousands of Canadian Dollars)

		2015		2014
Revenue:				
Gain on sale of investment in common shares (note 9)	$	2,130,987	$	-
Net crude oil revenue (note 14)		127,762		262,343
Dividends (note 9)		28,102		189,006
Gain on derecognition of investment in common shares (note 9)		-		858,099
Foreign exchange gain		40,316		627
Change in fair value of investment in preferred shares (note 9)		-		17,989
Interest income		2,567		2,542
		2,329,734		1,330,606
Expenses:				
Depletion and depreciation (note 8)		28,697		47,458
Production and operating expenses (note 14)		24,847		26,094
Professional fees		3,245		6,546
Salaries and benefits		3,386		3,468
Change in estimates of provision for site restoration (note 10)		(1,146)		4,161
Other expenses		999		1,074
Defined benefit expense		64		80
		60,092		88,881
Finance costs:				
Unwind of discount on decommissioning obligations (note 10)		2,343		1,978
Interest on finance lease obligation		-		35
Unwind of discount on provision for site restoration (note 10)		214		267
		2,557		2,280
Profit before income taxes		2,267,085		1,239,445
Income taxes (note 11):				
Current		18,191		55,756
Deferred		2,597		(4,135)
		20,788		51,621
Profit		2,246,297		1,187,824
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Change in fair value of investment in common shares		282,849		(394,225)
Gain on derecognition of investment in common shares transferred to profit or loss (note 9)		-		(858,099)
Gain on sale of investment in common shares transferred to profit or loss (note 9)		(2,130,987)		-
		(1,848,138)		(1,252,324)
		(1,848,138)		(1,252,324)
Comprehensive income (loss)	$	398,159	$	(64,500)

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

Consolidated Statement of Changes in Shareholder's Equity

Year ended December 31
(Thousands of Canadian Dollars)

	2015	2014
Share capital		
Balance, beginning and end of year	$ 1	$ 1
Contributed surplus		
Balance, beginning of year	1,726,527	2,757,143
Dividends (note 12)	(1,123,233)	(466,989)
Dividend in kind (note 12)	-	(561,616)
Transfer to accumulated deficit (note 12)	-	(2,011)
Balance, end of year	603,294	1,726,527
Accumulated deficit		
Balance, beginning of year	(255,545)	(308,885)
Profit	2,246,297	1,187,824
Dividends	(2,140,893)	(278,396)
Dividend in kind (note 9)	-	(858,099)
Transfer from contributed surplus (note 12)	-	2,011
Balance, end of year	(150,141)	(255,545)
Accumulated other comprehensive income		
Balance, beginning of year	1,848,138	3,100,462
Gain on derecognition of investment in common shares transferred to profit or loss (note 9)	-	(858,099)
Gain on sale of investment in common shares transferred to profit or loss (note 9)	(2,130,987)	-
Change in fair value of investment in common shares	282,849	(394,225)
Balance, end of year	-	1,848,138
Total shareholder's equity	$ 453,154	$ 3,319,121

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

Consolidated Statement of Cash Flows

Year ended December 31
(Thousands of Canadian Dollars)

	2015	2014
Cash provided by (used in):		
Operating activities:		
Profit	$ 2,246,297	$ 1,187,824
Adjustments for:		
Depletion and depreciation	28,697	47,458
Income tax expense	20,788	51,621
Defined benefits paid in excess of expenses	(100)	(145)
Finance interest	-	35
Interest income from Consolidated Revenue Fund (note 6)	(601)	(981)
Unwind of discount on decommissioning obligations	2,343	1,978
Net foreign exchange gain	(33,452)	(83)
Change in fair value of investment in preferred shares	-	(17,989)
Gain on sale of investment in common shares (note 9)	(2,130,987)	-
Gain on derecognition of investment in common shares (note 9)	-	(858,099)
Change in provision for site restoration	(932)	4,428
Provisions settled	(2,700)	(3,527)
Income taxes paid	(14,017)	(66,950)
	115,336	345,570
Change in non-cash working capital (note 13)	6,568	24,870
	121,904	370,440
Financing activities:		
Dividends paid	(3,731,115)	(278,396)
Finance interest paid	-	(35)
Lease obligation payments	-	(1,979)
	(3,731,115)	(280,410)
Investing activities:		
Proceeds on sale of investment in common shares	3,287,671	-
Proceeds on redemption of preferred shares (note 9)	-	466,989
Purchase of property and equipment (note 8)	(62,502)	(49,951)
Decrease in cash and cash equivalents held in escrow	1,366	-
Withdrawal from Consolidated Revenue Fund (note 6)	-	5,000
Change in non-cash working capital (note 13)	18,051	(4,416)
	3,244,586	417,622
Change in cash and cash equivalents	(364,625)	507,652
Cash and cash equivalents, beginning of year	609,420	101,768
Cash and cash equivalents, end of year	$ 244,795	$ 609,420

	2015	2014
Supplementary disclosure of cash flow from operating activities:		
Amount of interest received during the year	$ 2,495	$ 2,564
Amount of dividends received during the year	$ 28,102	$ 189,006

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

1. Reporting entity:

Canada Development Investment Corporation ("the Corporation" or "CDEV") was incorporated in 1982 under the provisions of the *Canada Business Corporations Act* and is wholly-owned by Her Majesty in Right of Canada. The Corporation is an agent Crown corporation listed in Schedule III, Part II of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*. In November 2007, the Minister of Finance informed CDEV that its mandate "should reflect a future focused on the ongoing management of its current holdings in a commercial manner, providing assistance to the Government of Canada ("Government") in new policy directions suited to CDEV's capabilities, while maintaining the capacity to divest CDEV's existing holdings, and any other government interests assigned to it for divestiture, upon the direction of the Minister of Finance". In late 2009, the Corporation began assisting the Department of Finance in its Corporate Asset Management Review programme involving the review of certain Government corporate assets.

In July 2015, the Corporation 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 the Corporation's legal obligations and to report on the implementation of the directive in its next corporate plan. The Corporation aligned its policies, guidelines and practices as of October 2015.

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

The Corporation consolidates three wholly-owned subsidiaries: Canada Eldor Inc. ("CEI"), Canada Hibernia Holding Corporation ("CHHC"), and Canada GEN Investment Corporation ("GEN").

CEI was incorporated under the provisions of the *Canada Business Corporations Act*. It is subject to the *Financial Administration Act*, is an agent of Her Majesty in Right of Canada and is not subject to the provisions of the *Income Tax Act*. During 1988, CEI sold substantially all of its assets and operations to Cameco Corporation ("Cameco") in exchange for share capital of the purchaser and a promissory note. As a result of the sale of the Cameco shares and the assumption of certain of CEI's remaining debt by the Government in 1995, CEI is left with the net cash proceeds from the final sale of Cameco shares as its only significant asset. CEI's remaining obligations include site restoration and retiree defined benefit obligations.

CHHC was incorporated under the provisions of the *Canada Business Corporations Act* and was acquired by CDEV in March 1993. CHHC is subject to the *Financial Administration Act* and the *Income Tax Act*. CHHC's sole purpose is the holding and management of its interests in the Hibernia Development Project ("Hibernia Project"). The Hibernia Project is an oil development and production project located offshore Newfoundland and Labrador. CHHC holds an 8.5% working interest in the original Hibernia Project area and a corresponding 8.5% equity interest in the Hibernia Management and Development Company Ltd. ("HMDC"). CHHC's interest in the Hibernia Project has been recorded in CHHC's financial statements which are consolidated into CDEV's financial statements.

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

During 2010 and 2011, CHHC and other participants signed agreements with the Province of Newfoundland and Labrador (the "Province") and the Government, received regulatory approvals from the Canada-Newfoundland and Labrador Offshore Petroleum Board ("C-NLOPB") and authorized full funding for development of the Hibernia Southern Extension Unit. CHHC's initial unit working interest was 5.08% and was adjusted to 5.73% effective December 1, 2015 pursuant to the first interim reset as provided for in the Unit Agreement.

GEN was incorporated under the provisions of the *Canada Business Corporations Act* and was acquired by the Corporation on May 30, 2009. GEN is subject to the *Financial Administration Act* but is not subject to the *Income Tax Act*. Until April 6, 2015, GEN held common shares of General Motors Company ("GM") and, until December 31, 2014, GEN held Series A Fixed Rate Cumulative Perpetual Preferred Stock of GM with a liquidation preference value of US$25/preferred share. GEN received the shares of GM as a result of loans made by Export Development Canada's Canada Account (a related party to CDEV and GEN) to GM.

2. Basis of preparation:

a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as set out in Part I of the Chartered Professional Accountants (CPA) Canada Handbook.

The consolidated financial statements were authorized for issue by the Board of Directors on March 10, 2016.

b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- inventory is measured at the lower of cost to produce or net realizable value

The methods used to measure fair values are discussed in note 3.

c) Functional and presentation currency:

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

d) Use of estimates and judgments:

The timely preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Key sources of estimation uncertainty:

Reserves

Amounts recorded for depletion and depreciation and amounts used for impairment calculations are based on estimates of oil reserves. By their nature, the estimates of reserves, including the estimates of future prices, exchange rates, operating and capital costs, royalties and net profits interest, HSE Unit working interest adjustments, discount rates and the related future cash flows, as well as the interpretation of complex geological and geophysical models and data, are subject to measurement uncertainty. Accordingly, the impact to the consolidated financial statements in future periods could be material.

Pursuant to the HSE Unit Agreement dated February 16, 2010, unit interest ownership is subject to change as a result of revised tract factor allocations. These tract factors are subject to interim resets once oil production and water injection wells have been drilled and completed, and sustained production has been established. All production adjustments from interim resets are prospective in nature. The agreement also has provisions for a first and a final redetermination. These redeterminations call for adjustments of historical oil production to be settled on a prospective basis, as well as operating costs. Historical capital costs will be adjusted at the time of each reset and redetermination if a threshold level of adjustment is attained. The first interim reset occurred in 2015 and the final redetermination is expected to be complete in 2024.

2. Basis of preparation: (continued)

d) Use of estimates and judgments: (continued)

Decommissioning obligations

A provision is set up for decommissioning costs which will be incurred when certain of CHHC's tangible long-lived assets are retired. Assumptions, based on current economic factors which management believes are reasonable, have been made to estimate the future obligation. However, the actual cost of decommissioning is uncertain and cost estimates may change in response to numerous factors including changes in legal requirements, technological advances, inflation and the timing of expected decommissioning and restoration. The impact to comprehensive income over the remaining economic life of the assets could be significant due to the changes in cost estimates as new information becomes available. In addition, CHHC determines the appropriate discount rate at the end of each reporting period. This discount rate, which is not credit adjusted, is used to determine the present value of the estimated future cash outflows required to settle the obligation and may change in response to numerous market factors.

Some uncertainties relate to CEI's future costs of fulfilling its obligations for site restoration including the estimation of future costs, including inflation, timing and other variables to complete restoration.

Critical judgments in applying accounting policies:

Contingencies

Considerable judgment is used in measuring and recognizing provisions and the exposure to contingent liabilities. Judgment is necessary to determine the likelihood that pending litigation or other claims will succeed, or a liability will arise and to quantify the possible range of the final settlement.

Joint arrangements and subsidiaries

Management has applied judgment in determining whether CHHC's joint arrangement, the Hibernia Project represents a joint venture or joint operation. This determination required judgment based on the structure of the arrangement including the existence of joint control, the legal form of any separate vehicle, the contractual rights and obligations of the parties to the arrangement, and other relevant facts and circumstances. Based on its evaluation, management has classified its joint arrangement as a joint operation.

Judgment was used in determining not to consolidate the results of PPP Canada Inc. ("PPP") which is wholly-owned by the Corporation as discussed in note 3(a).

Royalties

When calculating the net revenues on which royalties are based, management must determine the appropriate eligible costs. This requires the use of judgment in the application of the Hibernia royalty agreements. The royalty audit and redetermination process can take several years to confirm such eligible costs. Accordingly, the final outcome could result in royalty amounts different from those initially recorded, thereby impacting the royalty expense in the year of such redeterminations.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently by the Corporation and its subsidiaries to all years presented in these consolidated financial statements, unless otherwise disclosed.

a) Basis of consolidation:

The consolidated financial statements include the assets, liabilities, results of operations and cash flows of the Corporation and all of its subsidiaries after the elimination of intercompany transactions and balances. Subsidiaries are defined as corporations controlled by CDEV. The Corporation controls an entity when it is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the entity.

Although the Corporation owns all of the outstanding shares of PPP, it does not consolidate its operations because the Corporation does not meet the criteria for control of PPP. In May 2008, the Governor-in-Council declared PPP a parent Crown Corporation for the purposes of Part X, except section 90, of the *Financial Administration Act*. As a result, the Corporation is not involved in PPP's operations and does not have the current ability to direct its activities. The Corporation is also not exposed (nor has rights) to variable returns from PPP.

b) Joint arrangements:

CHHC has a material joint operation, the Hibernia Project (including its interests in HMDC and the HSE Unit). The Hibernia Project explores for, develops and produces oil reserves from the Hibernia offshore oilfield, which is located east of St. John's, NL, Canada. The activities of Hibernia are conducted jointly, primarily through HMDC, as operator and agent of the Hibernia Development Project joint account. HMDC's principal place of business is located in St. John's, NL, Canada. The Hibernia Project is of strategic importance to CHHC as it is the Company's sole business activity from which it derives all of its crude oil revenues.

CHHC has an 8.5% working interest in the original Hibernia Project area (with a corresponding 8.5% equity interest in HMDC) and has a 5.73% working interest in the HSE Unit development. This unit interest ownership increased to 5.73% effective December 1, 2015 from the previous initial 5.08% working interest pursuant to the first interim reset provisions of the Unit Agreement, and is subject to further change as a result of future resets and redeterminations (see note 2). Associated with the first interim reset was an adjustment required to reflect certain historical capital expenditures at the higher working interest, also effective December 1, 2015. This incremental capital expenditure totaled $11,858 and is included in accounts payable and accrued liabilities.

Under the terms of the joint operation, CHHC has a direct share in the assets employed by the operation and is liable for its share of the liabilities incurred. Accordingly, CHHC has recorded in its financial statements its contractual share of the assets, liabilities, revenues and expenses of the joint operation.

c) Cash and cash equivalents:

Cash and cash equivalents include funds in bank accounts and short-term investments, which are considered to be highly liquid investments with original maturities of three months or less.

d) Inventory:

Inventory of crude oil is an asset that is held for sale in the ordinary course of business, and is valued at the lower of cost to produce or net realizable value. Cost to produce includes production and operating expenses, transportation costs and depletion and depreciation. Crude oil lifted below or above CHHC's working interest share of production results in production underlifts or overlifts. Net underlifts are recorded at the lower of cost to produce or net realizable value in inventory and net overlifts are recorded in accounts payable and accrued liabilities at fair market value. CHHC follows the first-in, first-out basis of accounting for inventories.

3. Significant accounting policies: (continued)

e) Property and equipment:

i. Recognition and measurement:

Items of property and equipment, which include oil development and production assets, are measured at acquisition cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into cash generating units ("CGU's") for impairment testing. The Corporation has grouped its development and production assets into one CGU. When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate components within the CGU.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in profit or loss.

ii. Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property and equipment are recognized as oil interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred. Such capitalized oil interests represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

iii. Depletion and depreciation:

The net carrying value of property and equipment is depleted using the unit of production method by reference to the ratio of production in the period to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

Proven and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of crude oil which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

The depletion and depreciation methods for certain oil production assets for the current and comparative periods are as follows:

Oil development assets and production facilities	Unit of production
Crude oil tanker	Straight line over life of lease

CHHC has estimated the useful life of the offshore production facilities, which includes the gravity base structure, topsides and offshore loading system, to be consistent with the reserve lives of the areas for which they serve, with the exception of facility turnarounds and major overhauls which may be necessary to extend the life of these facilities. As a result, CHHC includes the cost of these assets within their associated major component for the purpose of depletion using the unit of production method.

Leased assets that are recognized as finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Corporation will obtain ownership by the end of the lease term.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. Depletion and depreciation on assets under construction begins only when the asset is complete and is put into service.

3. Significant accounting policies: (continued)

f) Leased assets:

Leases where the Corporation assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Minimum lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expenses are allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases, which are not recognized on the Corporation's consolidated statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

g) Financial instruments:

(i) Recognition:

All financial assets and financial liabilities are initially recognized on the date at which the Corporation becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized or derecognized on a trade date basis.

Transaction costs of financial instruments at fair value through profit or loss are recognized in profit or loss immediately. Transaction costs of other financial instruments are included in the initial measurement of the financial instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability. The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(ii) Classification and measurement:

(a) Financial Assets

Financial instruments are, for measurement purposes, grouped into classes. The classification depends on the purpose and is determined at initial recognition. The Corporation has the following financial assets: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated as fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. Derivatives are also classified as fair value through profit or loss unless they are designated as hedges. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Corporation designated its cash on deposit in the Consolidated Revenue Fund as fair value through profit or loss. The preferred shares of GM were designated at fair value through profit or loss.

g) Financial instruments: (continued)

Held-to-maturity financial assets

Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Corporation from classifying investment securities as held-to-maturity for the current financial year. Classification of held-to-maturity occurs only when the Corporation has the intention and ability to hold the asset to maturity. Cash equivalents held in escrow are classified as held-to-maturity.

Loans and receivables

Loans and receivables, comprised of cash and cash equivalents and accounts receivable, are recognized initially at fair value plus any directly attributable transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

The common shares of GM were designated as available-for-sale financial assets. Available-for-sale financial assets are carried at fair value with subsequent changes in fair value, other than impairment losses, recognized in other comprehensive income, and presented within equity. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(b) Financial liabilities

All of the Corporation's financial liabilities are classified as other financial liabilities and are initially measured at fair value plus any directly attributable transaction costs. Subsequent to the initial recognition and measurement, these financial liabilities are measured at amortized cost using the effective interest method. The Corporation's financial liabilities consist of accounts payable and accrued liabilities and dividend payable.

(iii) Disclosures

Fair value measurements recognized in the consolidated statement of financial position are classified using a three level fair value hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices available in active markets for identical assets and liabilities. Fair value of assets and liabilities included in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are not based on observable market data. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change has occurred. The required disclosures are included in note 18(d).

3. Significant accounting policies: (continued)

h) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are recognized in the consolidated statement of comprehensive income.

For available-for-sale assets, if there is objective evidence of impairment, any losses recognized in other comprehensive income are reclassified to income. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be attributed objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in profit or loss. For available-for-sale equity investments, impairment losses cannot be reversed.

(ii) Non-financial assets:

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, development and production assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ("CGU's"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

3. Significant accounting policies: (continued)

i) Foreign currency transactions:

Transactions in foreign currencies are translated to Canadian dollars at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the period end date exchange rates. Non-monetary items which are measured using historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognized in other comprehensive income.

j) Provisions and contingencies:

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are not recognized for future operating losses.

Decommissioning obligations:

The decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as unwind of discount on decommissioning obligations within finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized in the statement of financial position as part of property and equipment. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Corporation, or present obligations where it is not probable that an outflow of economic resources will be required or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

k) Income taxes:

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax is the expected tax payable on profit before income taxes for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Significant accounting policies: (continued)

l) Revenue recognition:

Revenue from the sale of crude oil is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party. Revenue from the sale of crude oil is recognized when the bill of lading for a shipment is obtained. The bill of lading transfers the significant risks and rewards of ownership to the buyer. Net crude oil revenue is presented net of marketing fees, royalties and net profits interest.

Dividend income is recognized when the shareholder's right to receive payment is established. This occurs upon the dividend payment date for preferred shares and the dividend date of record for dividends on common shares.

m) Finance costs and income:

Finance costs comprise interest expense on finance lease, unwinding of the discount on decommissioning obligations, unwinding of the discount on provision for site restoration and impairment losses recognized on financial assets. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

4. Recent accounting pronouncements issued but not yet effective:

A number of new standards, amendments to standards and interpretations are effective for future annual periods, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Corporation are set out below. The Corporation does not plan to adopt these pronouncements early.

IFRS 9, *Financial Instruments* ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early application is permitted. Related amendments to IFRS 7, *Financial Instruments: Disclosures* are to be applied simultaneously with IFRS 9. The Corporation continues to evaluate the potential impact of IFRS 9 on its consolidated financial statements, therefore the impact is not known at this time.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

IFRS 15 was issued in May 2014 and provides a framework that replaces existing revenue recognition guidance in IFRS. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 using one of the following methods: retrospective or modified retrospective with the cumulative effect of initially applying the standard as an adjustment to opening equity at the date of initial application. Early application is permitted. The Corporation continues to evaluate the potential impact of IFRS 15 on its consolidated financial statements therefore the impact is not known at this time.

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

In January 2016, the IASB issued IFRS 16, completing its project to improve the financial reporting of leases. The new standard will replace IAS 17 "*Leases*" (IAS 17), and it sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. For lessees, IFRS 16 eliminates the classification of leases as either operating or finance leases that exist under IAS 17, and requires recognition of assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements under IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early application permitted for companies that also apply IFRS 15. The Corporation continues to evaluate the potential impact of IFRS 16 on the financial statements, therefore the impact is not known at this time.

4. Recent accounting pronouncements issued but not yet effective: (continued)

Amendments to IAS 1, *Presentation of Financial Statements: Disclosure Initiative* ("IAS 1")

The IAS 1 amendments were issued in December 2014 as part of the IASB's initiative to improve presentation and disclosure in financial statements. The amendments to IAS 1 provide guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after January 1, 2016. The Corporation does not expect the amendments to have a material impact on its consolidated financial statements.

Amendments to IAS 7, *Statement of Cash Flows* ("IAS 7")

In January 2016, the IASB issued amendments to IAS 7 requiring entities to provide disclosures about changes in their financing liabilities to assist readers in evaluating changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses). The narrow-scope amendments to IAS 7 are to be applied prospectively for annual periods beginning on or after January 1, 2017. Early application is permitted. The effect on the Corporation's financial statements of adopting the amendments to IAS 7 has not yet been determined.

5. Cash and cash equivalents:

Cash and cash equivalents on the consolidated statement of financial position include cash, term deposits and bankers' acceptances. Interest revenue arising on cash and cash equivalents was earned at interest rates ranging from 0.6% to 1.4% for 2015 (2014 - 0.9% to 1.4%). The details are as follows:

		2015		2014
Bank balances	$	55,436	$	517,021
Short term investments		189,359		92,399
Cash and cash equivalents	$	244,795	$	609,420

6. Cash on deposit in the Consolidated Revenue Fund:

The Corporation has deposited cash in the Consolidated Revenue Fund ("CRF") of the Government of Canada established under Section 129(1) of the *Financial Administration Act*. Cash on deposit in the CRF is as follows:

		2015		2014
Balance, beginning of year	$	118,861	$	122,880
Allocated interest		601		981
Withdrawal		-		(5,000)
Balance, end of year	$	119,462	$	118,861
Represented by:				
Current portion	$	3,578	$	4,228
Non-current portion		115,884		114,633
	$	119,462	$	118,861

At December 31, 2015, the balance in the CRF consists of deposits of $21,629 held for CEI and $97,833 held for CHHC.

Year ended December 31, 2015 (All dollar amounts are stated in thousands of Canadian dollars unless otherwise stated)

6. Cash on deposit in the Consolidated Revenue Fund: (continued)

CEI has deposited cash in the CRF to provide for obligations resulting from the sale of assets and other potential future liabilities related to site restoration. The non-current portion in the CRF has been allocated by CEI to provide for non-current liabilities and other potential future liabilities related to site restoration obligations. CHHC has deposited cash in the CRF to provide for future abandonment of the Hibernia facility and to provide for security against future risks. CHHC has reduced certain of its third party insurance coverage as a result of the risk fund.

Funds held in these accounts are interest bearing at a rate of 90% of the three-month treasury bill tender rate. The average annual interest rate was 0.51% during the year (2014 - 0.82%). Access to these funds is unrestricted.

7. Cash and cash equivalents held in escrow:

In the granting of operations and drilling authorizations associated with Hibernia Project, the C-NLOPB requires evidence of financial responsibility. CHHC maintains an escrow account in the amount of $2,550 (2014 - $2,550) to satisfy this requirement. The C-NLOPB has the right to make claims against the cash equivalents held in escrow under certain circumstances and CHHC retains any interest earned on the account. The current escrow agreement is scheduled to expire on June 1, 2016, but is expected to be terminated earlier in conjunction with new legislation and arrangements as described in note 21.

Similarly the C-NLOPB requires a letter of credit as evidence that certain research and development commitments will be carried out. CHHC maintains an escrow account in the amount of $2,053 (2014 - $3,419) to secure the letter of credit and satisfy this obligation. The C-NLOPB has the right to make claims on the letter of credit if sufficient qualifying commitments have not been made by the maturity date. CHHC retains any interest earned on the account.

8. Property and equipment:

	Oil development assets and production facilities	Crude oil tanker	Total
Cost			
Balance at December 31, 2013	$ 261,252	$ 13,547	$ 274,799
Additions for the year	49,951	–	49,951
Decommissioning adjustments	30,979	–	30,979
Termination of tanker finance lease	–	(13,547)	(13,547)
Balance at December 31, 2014	342,182	–	342,182
Additions for the year	62,502	–	62,502
Decommissioning adjustments	33,340	–	33,340
Balance at December 31, 2015	$ 438,024	$ –	$ 438,024
Depletion and depreciation			
Balance at December 31, 2013	$ 139,328	$ 11,040	$ 150,368
Depletion and depreciation	43,260	2,507	45,767
Termination of tanker finance lease	–	(13,547)	(13,547)
Balance at December 31, 2014	182,588	–	182,588
Depletion and depreciation	31,330	–	31,330
Balance at December 31, 2015	$ 213,918	$ –	$ 213,918
Carrying amounts:			
At December 31, 2014	$ 159,594	$ –	$ 159,594
At December 31, 2015	$ 224,106	$ –	$ 224,106

Year ended December 31, 2015 (All dollar amounts are stated in thousands of Canadian dollars unless otherwise stated)

8. Property and equipment: (continued)

Certain costs have been excluded from the calculations of depletion and depreciation, including costs of equipment and facilities currently under construction of $19,998 at December 31, 2015 (2014 – $10,633). Future development costs of $832,000 (2014 - $809,000) have been included in the calculation. Oil development assets and production facilities include $113,795 (2014 - $80,455) of capitalized costs relating to decommissioning obligations, which will be depreciated over the life of the asset.

An assessment of potential indicators of impairment was conducted at December 31, 2015 for CHHC's cash generating unit (CGU). In performing the review, management determined that the decline in forecasted oil benchmark pricing was a potential indicator of impairment for the Company's CGU. For the purposes of determining whether impairment of assets has occurred, and the extent of any impairment or its reversal, management exercises judgment in estimating future cash flows (as described in note 2d)) for the recoverable amount, being the higher of fair value less costs of disposal and value in use. Based on the impairment test performed, there was no impairment of property and equipment for the year ended December 31, 2015 (2014 - nil).

9. Investments:

		2015		2014
Available-for-sale assets:				
Common shares of GM	$	-	$	2,971,370
Nil common shares				
(2014 -73,389,831 common shares)				
	$	-	$	2,971,370

The changes in investment balances by each classification of financial instruments reflected in the consolidated statement of comprehensive income are as follows:

		2015		2014
Financial assets at fair value through profit or loss:				
Preferred shares of GM				
Foreign exchange gain	$	-	$	(37,847)
Fair value loss		-		19,858
	$	-	$	(17,989)
Net change in fair value of available-for-sale assets (in Other Comprehensive Income):				
Common shares of GM				
Gain on derecognition of investment in common shares	$	-	$	(858,099)
Gain on sale of investment in common shares transferred to profit or loss		(2,130,987)		-
Change in fair value of investment in common shares		282,849		(394,225)
	$	(1,848,138)	$	(1,252,324)

Year ended December 31, 2015 (All dollar amounts are stated in thousands of Canadian dollars unless otherwise stated)

9. Investments: (continued)

Financial assets at Fair Value through profit or loss:

On December 31, 2014, the preferred shares were repurchased by GM at the liquidation preference value of US $25 per preferred share for total cash consideration of $466,989. The change in value of the shares in 2014 was recorded in profit as a change in fair value of investment in preferred shares of a $17,989 gain. In 2014, GEN received $42,248 in preferred share dividends.

Available-for-sale financial assets:

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

The GM common shares were measured at fair value with any changes recorded in other comprehensive income. The balance in accumulated other comprehensive income at December 31, 2014 related solely to the changes in fair value of the GM common shares. On December 22, 2014 the Corporation declared and paid a dividend in kind of 36,694,915 GM common shares which, upon direction from the Government of Canada, were transferred to the Province of Ontario. The dividend in kind was recorded and the 36,694,915 common shares were derecognized at a price of US $33.23 per share which represented the fair value of the shares on that date for a total value of $1,419,715. Consequently, the gain on derecognition of these shares of $858,099 was reclassified from accumulated other comprehensive income to profit or loss.

In 2015, GEN received $28,102 (2014 - $146,758) in dividends on the GM common shares.

During the year, the Corporation sold its holdings of 73,389,831 common shares of GM for proceeds of US $2.613 billion. The trade date of the sale was April 6, 2015 at which time the Canadian equivalent was $3.254 billion resulting in a realized gain of $2.131 billion. Proceeds received upon settlement were $3.288 billion, resulting in a foreign exchange gain of $33.5 million.

10. Provisions:

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

		Decommissioning obligations		Site restoration
Balance at December 31, 2014	$	95,936	$	19,393
Additional provisions		3,758		977
Changes in estimates		22,785		(2,533)
Obligations settled		(705)		(1,995)
Changes in discount rate		6,797		410
Unwind of discount		2,343		214
Balance at December 31, 2015	$	130,914	$	16,466
Current		-		3,379
Non-current		130,914		13,087
Provisions	$	130,914	$	16,466

Sensitivity Analysis:
Changes to the discount rate or the inflation rate would have the following impact on the provision for decommissioning obligations at December 31, 2015:

		One percent increase		One percent decrease
Discount rate	$	(30,696)	$	44,549
Inflation rate	$	44,108	$	(30,985)

a) Provision for decommissioning obligations of CHHC:

The provision for decommissioning obligations is based on CHHC's net ownership interest in wells and facilities and management's estimate of costs to abandon and reclaim those wells and facilities as well as an estimate of the future timing of the costs to be incurred. CHHC estimates the total future undiscounted liability to be $253,006 at December 31, 2015 (2014 - $246,819). Estimates of decommissioning obligation costs can change significantly based on factors such as operating experience and changes in legislation and regulations.

These obligations will be settled based on the expected timing of abandonment, which currently extends up to the year 2055 and is based upon the useful lives of the underlying assets. At December 31, 2015 a risk-free rate of 2.15% (2014 – 2.33%) and an inflation rate at December 31, 2015 of 2.0% (2014 – 2.0%) were used to calculate the provision.

b) Provision for site restoration of CEI:

Under the terms of the purchase and sale agreement in 1988 between CEI and Cameco, CEI is responsible for obligations relating to the sale of assets to Cameco. Provision for site restoration as at the date of the consolidated statement of financial position is related to the decommissioning of a former mine site. Cameco is responsible for the monitoring and management of this site. CEI accrues for these costs based on estimates provided by Cameco. These estimates are based on variables and assumptions which are subject to uncertainty including the time to completion and the costs over this period. The costs are estimated over a period ending in 2023 (2014 – 2023). The future estimate of costs for site restoration has been discounted at a rate of 0.73% (2014 – 1.34%) and an inflation rate of 2.0% (2014 – 2.0%) was used to calculate the provision at December 31, 2015. The current estimate for costs and the amount accrued as at December 31, 2015 is $16,466 (2014 - $19,393).

Year ended December 31, 2015 (All dollar amounts are stated in thousands of Canadian dollars unless otherwise stated)

11. Income taxes:

CDEV, CEI and GEN are not subject to income tax in Canada. CHHC is subject to income tax. Dividends received by GEN are not subject to income tax within the United States.

a) Income tax expense:

The components of income tax expense are as follows:

		2015		2014
Current tax expense				
Current period	$	17,122	$	57,152
Adjustment related to prior periods		1,242		(1,201)
Investment tax credit		(173)		(195)
	$	18,191	$	55,756
Deferred tax expense				
Origination and reversal of temporary differences		4,062		(4,469)
Adjustment related to prior periods		(1,404)		700
Changes in tax rates applied to temporary differences		(61)		(366)
	$	2,597	$	(4,135)
Total income tax expense	$	20,788	$	51,621

b) Reconciliation of effective tax rate

The statutory combined federal and provincial income tax rates applicable to CHHC remained stable at 28.4% in 2015 from 28.2% in 2014. A reconciliation of the amount recorded for income tax expense from the expected amount by applying the Company's combined federal and provincial income tax rate to profit before income tax is as follows:

		2015		2014
Net profit for the year (see note 20)	$	53,616	$	135,000
Total income tax expense		20,788		51,621
Profit before income tax	$	74,404	$	186,621
Income tax using CHHC's combined federal and provincial Canadian tax rate of 28.4% (2014 - 28.2%)	$	21,146	$	52,683
Non-deductible expenses and other		(15)		(10)
Investment tax credits		(174)		(195)
(Over) Under-provided in prior periods		(128)		147
Revisions and reassessments to prior years' tax returns		(287)		(650)
Differences attributed to rate differences and other		246		(354)
	$	20,788	$	51,621

Year ended December 31, 2015 (All dollar amounts are stated in thousands of Canadian dollars unless otherwise stated)

11. Income taxes: (continued)

Unrecognized deferred tax assets:

At December 31, 2015, CHHC has not recognized the tax benefit in respect of investment tax credits, net of tax on utilization, associated with experimental development claims for the 2006 taxation year. The claim for investment tax credits is under dispute with the Canada Revenue Agency and management has determined the recoverability of these credits is uncertain. Unrecognized tax assets totaled $1,384 at December 31, 2015 and 2014.

Recognized deferred tax assets (liabilities):

Deferred tax assets refer to estimated deductible temporary differences between the carrying value and tax basis of certain balance sheet amounts. The amount of deferred tax assets and liabilities are as follows:

	Inventory	Property and equipment	Provisions	Accrued liabilities	Total
At December 31, 2014	$ (145)	$ (15,931)	$ 27,083	$ 2,969	$ 13,976
Credited/ (charged) to the statement of comprehensive income	(756)	(12,169)	10,371	(43)	(2,597)
At December 31, 2015	$ (901)	$ (28,100)	$ 37,454	$ 2,926	$ 11,379

12. Share capital and contributed surplus:

	2015	2014
Share Capital:		
Authorized - unlimited number of common shares		
Issued and fully paid - 101 common shares (2014 - 101)	$ 1	$ 1

The holder of common shares is entitled to receive dividends as declared from time to time, and is entitled to one vote per share at meetings of the Corporation.

Contributed surplus is a component of shareholder's equity used to record the transfer of capital to the Corporation by a related party where there is no requirement to repay the amount under any circumstances. In 2015, a dividend of $1,123,233 was paid from contributed surplus from the sale of GM common shares representing the proportionate value of the asset initially received as contributed surplus.

In 2014, a dividend of $466,989 was declared from contributed surplus relating to the redemption of the GM preferred shares which represented the proportionate value of the asset initially received as contributed surplus. The remaining value of the asset initially received of $2,011 was reclassified from contributed surplus to accumulated deficit as the asset was no longer held by the Corporation. In addition, in 2014 a dividend of $561,616 was paid from contributed surplus in relation to the dividend in kind of GM common shares which represented the proportionate value of the asset initially received as contributed surplus.

Year ended December 31, 2015 (All dollar amounts are stated in thousands of Canadian dollars unless otherwise stated)

13. Supplemental cash flow disclosure:

Changes in non-cash working capital balances for the years ended December 31 include the following:

		2015		2014
Change in accounts receivable	$	18,240	$	19,680
Change in inventory		(1,910)		623
Change in prepaid expenses		37		28
Change in accounts payable and accrued liabilities		8,252		123
Change in non-cash working capital items	$	24,619	$	20,454
Relating to:				
Operating activities	$	6,568	$	24,870
Investing activities		18,051		(4,416)
Change in non-cash working capital items	$	24,619	$	20,454

In 2014, a dividend of $466,989 was declared from contributed surplus and included in dividend payable at December 31, 2014. The dividend was paid in 2015. As discussed in note 9, in 2014, the Corporation paid a dividend in kind of 36,694,915 common shares at a fair value of $1,419,715 of which $858,099 was paid from accumulated deficit and $561,616 was paid from contributed surplus.

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

a) Net crude oil revenue for the years ended December 31 is comprised as follows:

		2015		2014
Gross crude oil revenue	$	168,484	$	404,020
Less: marketing fees		(386)		(348)
Less: royalties		(31,306)		(108,207)
Less: net profits interest		(9,030)		(33,122)
Net crude oil revenue	$	127,762	$	262,343

b) Royalties:

CHHC pays royalties monthly to the Province on the revenues generated from Hibernia Project production in accordance with two royalty agreements which govern the applicable license areas. Both royalty agreements consist of tiered royalty structures including gross royalty, net royalty and supplementary royalty. While the stated royalty rates range from 5% of gross transfer revenue to over 40% of net transfer revenue depending on the royalty area, the majority of the Company's revenue in 2015 was encumbered by a royalty rate of 30% of net transfer revenue. Gross transfer revenue reflects gross revenue adjusted for eligible transportation costs, while net transfer revenue reflects gross transfer revenue adjusted for eligible operating and capital costs. In 2015, total royalties averaged 19% of gross revenue (2014 - 27%).

c) Net Profits Interest ("NPI"):

CHHC is also party to an NPI Agreement, which provides for a monthly NPI payment to the Government of Canada by all Hibernia Project owners. The NPI payment is based on 10% of net revenue (gross revenue adjusted for eligible transportation, operating and capital costs). In 2015, NPI payments averaged 5% of gross revenue (2014 - 8%).

Year ended December 31, 2015 (All dollar amounts are stated in thousands of Canadian dollars unless otherwise stated)

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

d) Production and operating expenses for the years ended December 31 are comprised as follows:

		2015		2014
Hibernia joint account production and operating expense	$	20,617	$	21,039
Crude oil transportation		5,884		5,520
Facility use fees net of incidental net profits interest		(1,654)		(465)
Total production and operating expense	$	24,847	$	26,094

15. Commitments:

a) CHHC's commitments at December 31, 2015 are summarized in the table below and include crude oil transportation and transshipment commitments, CHHC's share of Hibernia Project contract commitments (drilling, well and related services including helicopters and support vessels) and operating leases for its office premises and its share of HMDC's office premises.

		2016		2017-2020		Thereafter		Total
Crude oil transportation and transshipment services (i)	$	5,506	$	19,187	$	43,317	$	68,010
Hibernia Project contracts		21,339		13,136		6,104		40,579
Office premises		543		1,481		–		2,024
Total Commitments	$	27,388	$	33,804	$	49,421	$	110,613

(i) On June 1, 2015, CHHC entered into a long term commitment for oil transportation services pursuant to a Contract of Affreightment ("COA"), as part of the Basin Wide Transportation and Transshipment System ("BWTTS") which also involves other East Coast Canada oil producers. The term of the COA is fifteen years and involves a commitment for voyage charters on shuttle tankers managed by a third-party shipping service provider, Teekay (Atlantic) Chartering ("Teekay") for CHHC's needs at Hibernia. This contrasts with CHHC's previous fixed 25% time charter and capital lease arrangement specifically for the Mattea shuttle tanker, which was novated to Teekay on June 1, 2015. The commitment cost includes an estimate for fuel costs, which can fluctuate.

In conjunction with the BWTTS, CHHC also amended and extended its Reserved Capacity Services agreement at the Newfoundland Transshipment Ltd. terminal effective June 1, 2015 for a fifteen year term.

While CHHC's costs for the fifteen year COA commitment are provided in the table above, there is a provision such that if a nil production forecast is submitted to Teekay, the Company would only be committed to a further 27 to 39 months (nominally three years) of COA costs.

b) HMDC has provided a $70,000 non-negotiable demand promissory note as part of the Operator's requirement to provide proof of financial responsibility to the C-NLOPB in the event of potential claims under certain sections of the *Canada Newfoundland Atlantic Accord Implementation Act*, the Newfoundland Offshore Petroleum Drilling Regulations and the Newfoundland Offshore Area Petroleum Production and Conservation Regulations. The Operator's Operations Authorization has been extended to October 30, 2018, while the note will expire on April 30, 2016. There were no draws on the promissory note during 2015 or 2014. CHHC's share of this commitment is $5,950.

In addition, the Hibernia owners are required to provide further proof of financial responsibility by depositing letters of credit or cash in the gross amount of $30,000 with the C-NLOPB. CHHC's share of this commitment is $2,550 and it satisfies this requirement with an escrow account funded to $2,550 (note 7). At December 31, 2015 and 2014, there have been no draws on the escrow account.

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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. Where it is probable that a past event will require an outflow of resources to settle the obligation and a reliable estimate can be made, management accrues its best estimate of the costs to satisfy such claims.

CHHC is a party to a contractual dispute, the outcome of which is subject to confidential dispute resolution proceedings. CHHC is not disclosing its estimate of the financial effect, if any, of the dispute as such disclosure would prejudice CHHC. Based on information presently available and after consultation with external legal counsel, management believes that the probable resolution will be favorable to CHHC, and thus no amount has been recognized in the financial statements.

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

In March 2015, CDEV received notice of a lawsuit filed in 2014 in the Republic of Panama against Multidata Systems International Inc., Nordion Inc., and CDEV. The lawsuit alleges that the defendants are liable for injuries to the plaintiffs as a result of overexposure to radiation from equipment during treatments received at a clinic in Panama. Management believes that it is not probable there will be an outflow of resources in relation to this lawsuit and thus no accrual has been recorded on the consolidated financial statements as at December 31, 2015.

17. Capital management:

The Corporation considers its capital structure as the aggregate of its shareholder's equity of $453,154 (2014 - $3,319,121), which is comprised of its share capital, contributed surplus, accumulated other comprehensive income and accumulated deficit. The Corporation and its subsidiaries' objectives when managing capital are to prudently manage its revenues, expenses, assets, liabilities and general dealings to ensure that it effectively achieves its objectives and purpose, while remaining a going concern.

CHHC monitors changes in economic conditions and the risk characteristics of the underlying petroleum industry so that it can continue to provide returns for shareholders and benefits for other stakeholders. In 2015, CHHC maintained higher levels of cash and cash equivalents, in response to lower oil prices and to ensure full funding of its capital expenditure program.

CEI monitors its cash and cash equivalents position and its cash held in the CRF so that it can meet its liabilities.

During the year, GEN sold its remaining investments and paid out most of the proceeds by a dividend to its shareholder. GEN currently maintains a cash balance to fund minimal operations and potential contingencies.

During the year, the Corporation increased its cash balances to compensate for lower dividend revenue in GEN and lower cash flow from operations at CHHC. The Corporation's share capital is not subject to any external restrictions.

18. Risks to the Corporation:

Overview:

The nature of CDEV's consolidated operations expose the Corporation to risks arising from its financial instruments that may have a material effect on cash flows, profit and comprehensive income. This note provides information about the Corporation's exposure to each of these risks as well as the Corporation's objectives, policies and processes for measuring and managing them.

(a) Credit risk:

Credit risk is the risk of financial loss to the Corporation if counterparties do not fulfill their contractual obligations. The most significant exposure to this risk is relative to the sale and marketing of crude oil. CHHC has assessed the risk of non-collection of funds as low, as CHHC shares cargos with the marketer, generally contracts with large purchasers with established credit history and utilizes credit risk mitigation tools when necessary. The marketer maintains credit surveillance over all pre-approved purchasers. Of the total amount of accounts receivable, 68% (2014 – 58%) relates to accounts receivable from the marketer, which has all been collected subsequent to year end. Remaining receivables at December 31, 2015 consist primarily of input tax credits (GST/HST) receivable and cash calls receivable, which represent funds advanced to the operator of the Hibernia Project for capital and operating activities. These receivables will draw down as the funds are expended by the operator.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Corporation did not have an allowance for doubtful accounts as at December 31, 2015 and 2014 and did not provide for any doubtful accounts during 2015 or 2014. As at December 31, the following amounts were included in accounts receivable:

		2015		2014
Outstanding under 120 days	$	19,508	$	38,514
Outstanding greater than 120 days		777		11
Total accounts receivable	$	20,285	$	38,525

Cash and cash equivalents, as well as cash and cash equivalents held in escrow are held by major Canadian chartered banks. All cash equivalents are purchased from issuers with a credit rating of R1 High by Dominion Bond Rating Service.

(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. Trade payables are normally payable within 30 days of invoice.

The Corporation's liquidity is dependent upon its operating cash flows. Expected future cash flow from the working interest in the Hibernia Development Project currently exceeds estimated operating expenses and future capital expenditures. Considering these circumstances and the cash and cash equivalents balance at December 31, 2015 of $244,795 (2014 - $609,420), the Corporation's liquidity risk is assessed as insignificant. Some operating expenses and commitments of subsidiaries can be funded by capital contributions from the Corporation to maintain the liquidity of subsidiaries.

(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, interest rate risk and other price 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.

Year ended December 31, 2015 (All dollar amounts are stated in thousands of Canadian dollars unless otherwise stated)

18. Risks to the Corporation: (continued)

(i) Foreign exchange risk:

The Corporation is exposed to foreign exchange risk on revenues, certain expenditures and financial instruments that are denominated in U.S. dollars.

Crude oil is priced in U.S. dollars and fluctuations in USD/CAD exchange rates may have a significant impact on revenues. It is estimated that a 1% strengthening in the Canadian dollar relative to the U.S. dollar would result in a $936 decrease to the Corporation's profit for the year ended December 31, 2015 (2014 - $1,963), with all other variables held constant.

The Corporation did not have any foreign exchange rate contracts in place as at or during the year ended December 31, 2015 or 2014. A 1% change in the the Canadian dollar relative to the U.S. dollar with all other variables held constant would have an impact on profit of $281 (2014 - $6,090) and an impact on other components of equity of $nil (2014 - $25,613).

(ii) Commodity price risk:

CHHC's financial performance is closely linked to crude oil prices (including differentials). All of CHHC's oil production is sold at spot prices, exposing the Corporation to the risk of price movements and resulting fluctuations in revenues. CHHC did not have any commodity price contracts in place as at or during the year ended December 31, 2015 or 2014. It is estimated that a 10% decrease in realized oil price would result in a $9,361 decrease to CHHC's comprehensive income for the year ended December 31, 2015 (2014 - $19,627), with all other variables held constant.

(iii) Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate fluctuations on its cash and cash equivalents which bear a fixed rate of interest. The risk is not considered significant as the Corporation's interest revenue is less than 1% of total revenue.

(iv) Other price risk:

Other price risk is the risk that the fair value of certain financial instruments is subject to market price fluctuations. As all of the GM common shares were sold during the year, the Corporation is no longer exposed to this risk.

(d) Fair value of financial instruments:

The following table summarizes information on the fair value measurement of the Corporation's financial assets grouped by the fair value level:

	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
December 31, 2015				
Cash on deposit in the CRF	$ 119,462	$ 119,462	$ -	$ -
Total	$ 119,462	$ 119,462	$ -	$ -
December 31, 2014				
Cash on deposit in the CRF	$ 118,861	$ 118,861	$ -	$ -
Common shares of GM	2,971,370	2,971,370	-	-
Total	$ 3,090,231	$ 3,090,231	$ -	$ -

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and dividend payable approximate fair value because of the short-term nature of these items. There were no movements between levels in the fair value hierarchy during the period.

Year ended December 31, 2015 (All dollar amounts are stated in thousands of Canadian dollars unless otherwise stated)

19. Related party transactions:

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

CDEV declared dividends payable to the Government of Canada during the year ended December 31, 2015 in the amount of $3,264,126, of which $1,123,233 was paid from contributed surplus (2014 - $2,165,102 of which $1,028,605 was paid from contributed surplus).

On December 22, 2014, the Corporation declared a dividend in kind of 36,694,915 GM common shares. At the direction of the Government of Canada, CDEV's sole shareholder, the GM common shares were delivered directly to the Province of Ontario.

a) Key management personnel compensation

Key management personnel are comprised of the directors and executive officers of CDEV and its subsidiaries. In addition to their salaries, the Corporation also provides non-cash benefits to executive officers.

There were no amounts paid to key management personnel relating to post-employment benefits, other long-term benefits, termination benefits or share-based payment.

		2015		2014
Key management personnel compensation comprised of:				
Salaries, other short-term benefits, director fees	$	2,721	$	2,881

b) Other related party transactions affecting Profit:

		2015		2014
CRF Interest income	$	601	$	981

c) Items affecting Statement of Financial Position

		2015		2014
Cash on deposit in the CRF	$	119,462	$	118,861
Dividend payable	$	-	$	466,989

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20. Supplementary information:

The consolidated financial statements of the Corporation include 100% of the assets, liabilities, revenues and expenses of CHHC as follows:

		2015		2014
Statement of Financial Position:				
Assets:				
Current	$	172,948	$	166,515
Non-current		337,921		276,880
		510,869		443,395
Liabilities:				
Current		35,960		27,080
Non-current		130,914		95,936
		166,874		123,016
Shareholder's Equity		343,995		320,379
	$	510,869	$	443,395
Statement of Comprehensive Income:				
Revenue:				
Net crude oil revenue	$	127,762	$	262,343
Other income		5,899		1,584
Expense:				
Total expenses		(59,257)		(77,306)
Income taxes		(20,788)		(51,621)
Comprehensive income	$	53,616	$	135,000
Statement of Cash Flows:				
Cash provided (used) by:				
Operating activities	$	96,392	$	189,985
Financing activities		(30,000)		(99,014)
Investing activities		(41,825)		(53,094)
Increase in cash and cash equivalents	$	24,567	$	37,877

21. Subsequent event:

On February 26, 2016, the *Energy Safety and Security Act* came into force. The legislation required an increase to the amount of evidence of financial responsibility to be provided by the Hibernia owners to the C-NLOPB in relation to the operations and drilling authorizations provided to the Hibernia Project. CHHC's proportionate share of the financial responsibility totaled $14,227, comprised of $8,500 relating to the operations authorization for Hibernia and $5,727 relating to the drilling authorization for the HSE Unit. CHHC satisfied its requirements by issuing letters of credit for the respective Hibernia and HSE Unit amounts on February 24, 2016, each backed by a cash escrow account. The C-NLOPB has the right to make claims against the cash held in escrow under certain circumstances, and CHHC retains any interest earned on the accounts. The previous escrow agreement and cash escrow account of $2,550 reflecting the evidence of financial responsibility provided with respect to the former legislation will be terminated and the escrow funds returned to the Company.

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