

Financial Statements of

**TRANS MOUNTAIN PIPELINE
RECLAMATION TRUST**

And Independent Auditors' Report thereon

Year ended December 31, 2020



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INDEPENDENT AUDITORS' REPORT

To the Trustee of Trans Mountain Pipeline Reclamation Trust

Opinion

We have audited the financial statements of Trans Mountain Pipeline Reclamation Trust (the "Trust"), which comprise:

- the statement of financial position as at December 31, 2020
- the statement of comprehensive income for the year then ended
- the statement of changes in net assets available for pipeline abandonment for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Trust’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Trust’s internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 16, 2021

TRANS MOUNTAIN PIPELINE RECLAMATION TRUST

Statement of Financial Position

December 31, 2020, with comparative information for 2019

	Notes	2020	2019
Assets			
Cash and cash equivalents		\$ 3,400,984	\$ 2,500,810
Contribution receivable		585,966	704,945
Interest receivable		265,540	165,614
Investments	4	91,139,523	70,911,045
		95,392,013	74,282,414
Liabilities			
Accrued liabilities and accounts payable		67,135	59,764
Income taxes payable		533,590	502,619
Deferred tax liability	5	2,059,846	473,827
		2,660,571	1,036,210
Net assets , available for pipeline abandonment		\$ 92,731,442	\$ 73,246,204

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

Approved on behalf of the Trustee:

TRANS MOUNTAIN PIPELINE RECLAMATION TRUST

Statement of Comprehensive Income

Year ended December 31, 2020, with comparative information for 2019

	Notes	2020	2019
Investment income:			
Interest income		\$ 2,153,379	\$ 1,788,521
Changes in fair value of investments:			
Realized gain (loss) on investments		510,769	433,479
Change in unrealized appreciation		6,794,663	2,170,573
Other income		188	-
		9,458,999	4,392,573
Expenses:			
Investment management fees		148,801	121,610
Audit and legal fees		29,823	29,249
Trustee fees		22,325	17,885
		200,949	168,744
Increase in net assets available for pipeline abandonment before income tax expense		9,258,050	4,223,829
Income tax expense:	5		
Current		533,590	502,619
Deferred		1,586,019	577,114
		2,119,609	1,079,733
Increase in net assets available for pipeline abandonment		\$ 7,138,441	\$ 3,144,096

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

TRANS MOUNTAIN PIPELINE RECLAMATION TRUST

Statement of Changes in Net Assets Available for Pipeline Abandonment

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Net assets available for pipeline abandonment, beginning of year	\$ 73,246,204	\$ 56,090,831
Increase in net assets available for pipeline abandonment	7,138,441	3,144,096
Contributions made during the year	12,346,797	14,011,277
Change in net assets available for pipeline abandonment during the year	19,485,238	17,155,373
Net assets available for pipeline abandonment, end of year	\$ 92,731,442	\$ 73,246,204

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

TRANS MOUNTAIN PIPELINE RECLAMATION TRUST

Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in)		
Operating:		
Increase in net assets available for pipeline abandonment	\$ 7,138,441	\$ 3,144,096
Adjustments for:		
Net change in unrealized appreciation from investments	(6,794,663)	(2,170,573)
Net change in unrealized depreciation		
(appreciation) from treasury bills	(1,579)	2,159
Realized (gain) loss on investments	(510,769)	(433,479)
Income tax expense	2,119,609	1,079,733
Interest income	(2,153,379)	(1,788,521)
Redemption of investments	25,778,190	17,110,221
Purchase of investments	(38,699,656)	(30,636,199)
Change in non-cash working capital accounts:		
Contribution receivable	118,978	19,580
Accrued liabilities and accounts payable	7,371	7,562
	(12,997,457)	(13,665,421)
Interest received	2,053,453	1,805,994
Income tax paid	(502,619)	(334,329)
	(11,446,623)	(12,193,756)
Financing:		
Contributions	12,346,797	14,011,277
Increase in cash and cash equivalents	900,174	1,817,521
Cash and cash equivalents, beginning of year	2,500,810	683,289
Cash and cash equivalents, end of year	\$ 3,400,984	\$ 2,500,810
Represented by:		
Cash	\$ 554,724	\$ 464,505
Cash equivalents	2,846,260	2,036,305
	\$ 3,400,984	\$ 2,500,810

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

TRANS MOUNTAIN PIPELINE RECLAMATION TRUST

Notes to Financial Statements

Year ended December 31, 2020

1. Description of Trust:

The Trans Mountain Pipeline Reclamation Trust (the "Trust") was created on January 30, 2015 and is available to fund the abandonment of the pipeline assets of Trans Mountain Pipeline ULC (the "Company"). The Company operates the Trans Mountain Pipeline (the "Pipeline"). The Pipeline is subject to regulation by the Canada Energy Regulator (the "CER"), formerly known as the National Energy Board, under the Canadian Energy Regulator Act. The CER approves the amounts to be collected by the Company in respect of future pipeline abandonment. Amounts collected by the Company in respect of future pipeline abandonment are contributed to the Trust.

The Company is the beneficiary of the Trust. However, the Company may only access the funds from the Trust with the approval of the CER, or for the payment of reasonable expenses related to administering the Trust and the Trust assets, including settling tax obligations. The Company is ultimately responsible for the full costs of construction, operating and abandoning the Pipeline, and the CER will hold the Company responsible for these costs.

Valiant Trust Company is the Trustee. The Trust's investments are governed by the Statement of Investment Policies and Procedures ("SIPP") which provides investment policies and a framework for risk management. Canadian Western Bank Wealth Management (the "Investment Manager") is the investment manager of the Trust.

2. Basis of preparation:

These financial statements present the information of the Trust as a separate reporting entity independent of the Company.

(a) Statement of compliance:

These financial statements of the Trust have been prepared in compliance with International Financial Reporting Standards ("IFRS").

These financial statements were authorized for issue by the Trustee on April 16, 2021.

(b) Basis of measurement:

These financial statements have been prepared on a historical cost basis except for investments, which are measured at fair value.

(c) Functional and presentation currency:

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

TRANS MOUNTAIN PIPELINE RECLAMATION TRUST

Notes to Financial Statements

Year ended December 31, 2020

2. Basis of preparation (continued):

(d) Use of estimates and judgment:

The preparation of 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Cash and cash equivalents:

Cash and cash equivalents comprise cash balances, demand deposits and money market instruments with original maturities of three months or less.

(b) Financial instruments:

(i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Trust becomes a party to the contractual provisions of the instrument. The Trust derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets only when the Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

TRANS MOUNTAIN PIPELINE RECLAMATION TRUST

Notes to Financial Statements

Year ended December 31, 2020

3. Significant accounting policies:

(b) Financial instruments (continued):

(i) Recognition and measurement (continued):

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition the Trust may irrevocably elect to measure financial assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL when doing so results in more relevant information.

Financial assets are not reclassified subsequent to their initial recognition, unless the Trust changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Trust has not classified any of its financial assets as FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Trust may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

TRANS MOUNTAIN PIPELINE RECLAMATION TRUST

Notes to Financial Statements

Year ended December 31, 2020

3. Significant accounting policies (continued):

(b) Financial instruments (continued):

(ii) Fair value through profit and loss:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statement of comprehensive income in the period in which they occur. The Trust's investments are classified as FVTPL.

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 at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Trust uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Trust's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Management, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(iii) Amortized cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Trust classifies cash and cash equivalents, contributions receivable, interest receivable, and accrued liabilities and accounts payable as amortized cost.

(c) Income recognition:

Interest income is accounted for on an accrual basis. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

TRANS MOUNTAIN PIPELINE RECLAMATION TRUST

Notes to Financial Statements

Year ended December 31, 2020

3. Significant accounting policies (continued):

(d) Income taxes:

The Trust qualifies as a Qualified Environmental Trust ("QET") as defined in the Income Tax Act (Canada) ("Tax Act") subsection 211.6(1). A QET is a trust that is maintained for the sole purpose of funding the reclamation of a site used mainly for a specified purpose, as defined in the Tax Act. The Trust is obligated to invest in qualifying investments as defined in section 204 of the Tax Act and that are not prohibited investments as defined in subsection 211.6(1) of the Tax Act.

The Trust follows the asset and liability method of accounting for income taxes. Deferred income tax assets and liabilities are computed based on differences between carrying amount of assets or liabilities on the statement of financial position and their corresponding tax values using the enacted or substantially enacted income tax rates that are expected to be applied when the asset is realized or when the liability is settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in operations in the year that include the date of enactment or substantive enactment.

(e) Contributions:

The Company contributes amounts to the Trust as collected in the course of operations and in accordance with amounts approved by the CER.

4. Investments:

The following tables summarize the average cost and fair value of investments held by the Trust as at December 31, 2020 and 2019.

December 31, 2020	Fair value	Average cost
Canadian government bonds	\$ 67,908,037	\$ 60,600,828
Federal agency bonds	23,231,486	21,956,835
Total investments	\$ 91,139,523	\$ 82,557,663

December 31, 2019	Fair value	Average cost
Canadian government bonds	\$ 53,512,350	\$ 51,374,238
Federal agency bonds	17,398,695	17,751,190
Total investments	\$ 70,911,045	\$ 69,125,428

TRANS MOUNTAIN PIPELINE RECLAMATION TRUST

Notes to Financial Statements

Year ended December 31, 2020

5. Income tax expense:

The Trust is subject to a statutory tax rate of 24% (2019 – 26.5%). The effective rate is not materially different from the statutory rate. As at December 31, 2020, the deferred income tax liability of \$2,059,846 (2019 - \$473,827) relates to the net change in unrealized appreciation on investments.

6. Capital management:

The Trust's capital is represented by its net assets available for pipeline abandonment. The Pipeline is subject to regulation by the CER. The CER approves the amounts as to be collected by the Company in respect of future pipeline abandonment. Further, the Company may only access funds from the Trust with the approval of the CER for the sole purpose of pipeline abandonment. The Trust's objective is to hold funds contributed by the Company over the operating period of the Pipeline and invest those funds as directed in the SIPP. It is the Company's goal to ensure there is sufficient funds available to satisfy pipeline abandonment obligations at the time pipeline abandonment occurs.

7. Financial risk management:

(a) Risk management framework:

The Investment Manager has been given discretionary authority to manage the assets in line with the Trust's investment objectives as defined in the SIPP. Compliance with the target asset allocations and the composition of the portfolio are monitored by the Investment Manager on a daily basis. In instances where the portfolio has diverged from target asset allocations, the Investment Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

The Trust's investment activities expose it to a variety of financial risks. The Trust's exposure to financial risks is concentrated in its investments. Significant risks that are relevant to the Trust are discussed below.

(b) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust, resulting in a financial loss to the Trust. The risk arises principally from its investment activities. The fair value of investments, as recorded in the statement of financial position, reflects the Trust's maximum exposure to credit risk.

The Trust's policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out in the SIPP. All investments held by the Trust as at December 31, 2020 are rated A+ or higher.

TRANS MOUNTAIN PIPELINE RECLAMATION TRUST

Notes to Financial Statements

Year ended December 31, 2020

7. Financial risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Trust's investment policy specifies that, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, including estimated pipeline abandonment restoration costs, without incurring unacceptable losses. The Trust maintains a significant amount of its assets in cash and liquid investments, which can be readily disposed in order to meet the Company's obligations related to pipeline abandonment.

The Trust's accrued liabilities and accounts payable are due within three months of the year end of the Trust.

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and other price risks will affect the Trust's income or the fair value of its holdings of financial instruments.

The Trust's strategy for the management of market risk is driven by the investment objective as set out in the SIPP. The Investment Manager seeks to achieve a balance between capital appreciation and capital preservation by investing in fixed income securities.

The Trust's market risk is managed on a daily basis by the Investment Manager in accordance with the policies and procedures in place.

(i) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of interest-bearing financial instruments will fluctuate as a result of changes in market interest rates.

The Investment Manager is required to manage interest rate risk on a daily basis in accordance with the policies and procedures in place. In the event that the interest rate risk is not in accordance with the investment policy or guidelines of the Trust, the Investment Manager is required to re-balance the portfolio in line with the established targets, within prescribed time limits.

The Investment Manager has determined that a fluctuation in interest rates of 1% is reasonably possible, considering the economic environment in which the Trust operates. As at December 31, 2020, if interest rates increased or decreased by 1%, with all other variables held constant, net assets available for pipeline abandonment would have decreased or increased by \$14,274,270 (2019 - \$9,996,632). This analysis assumes that all other variables remain constant. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

TRANS MOUNTAIN PIPELINE RECLAMATION TRUST

Notes to Financial Statements

Year ended December 31, 2020

7. Financial risk management (continued):

(d) Market risk (continued):

(ii) Currency risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Trust is not directly exposed to currency risk as all transactions are carried out in Canadian dollars.

(iii) Other price risk:

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market conditions other than those arising from interest rate risk or currency risk. The Trust is not exposed to significant other price risk.

8. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Trust determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Trust measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (*i.e.*, as prices) or indirectly (*i.e.*, derived from prices).
- Level 3: inputs that are unobservable.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

TRANS MOUNTAIN PIPELINE RECLAMATION TRUST

Notes to Financial Statements

Year ended December 31, 2020

8. Fair value of financial instruments (continued):

(a) Valuation models (continued):

The Trust uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as treasury bills and bonds that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as forward currency contracts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

(b) Fair value hierarchy - financial instruments measured at fair value:

The table below analyzes financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

All fair value measurements below are recurring.

2020	Level 1	Level 2	Level 3	Total
Canadian government bonds	\$ -	\$ 67,908,037	\$ -	\$ 67,908,037
Federal agency bonds	-	23,231,486	-	23,231,486
Total	\$ -	\$ 91,139,523	\$ -	\$ 91,139,523

2019	Level 1	Level 2	Level 3	Total
Canadian government bonds	\$ -	\$ 53,512,350	\$ -	\$ 53,512,350
Federal agency bonds	-	17,398,695	-	17,398,695
Total	\$ -	\$ 70,911,045	\$ -	\$ 70,911,045

During 2020 and 2019, no financial assets and liabilities were transferred between the three levels in the hierarchy.

(c) Financial instruments not measured at fair value:

The carrying value of cash and cash equivalents, contribution receivable, interest receivable and accrued liabilities and accounts payable approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.