TIDEWATER
Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2024

Tidewater Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited, millions of Canadian dollars)

As at	Notes		September 30, 2024		December 31, 2023
Assets					
Current					
Cash and cash equivalents		$	**0.1**	$	0.1
Accounts receivable			**177.2**		147.8
Derivative contracts			**9.5**		3.0
Inventory and emission credits	4		**133.3**		98.1
Prepaid expenses and other			**13.2**		18.1
Investments	5		**-**		336.6
Assets held for sale	6(c)		**14.3**		-
Total current assets			**347.6**		603.7
Derivative contracts			**1.6**		1.0
Prepaid expenses and other			**7.6**		4.6
Investments	5		**31.7**		34.8
Right-of-use assets			**22.8**		46.9
Inventory	4		**35.3**		35.0
Property, plant and equipment	6(a)		**807.9**		877.6
Total assets		$	**1,254.5**	$	1,603.6
Liabilities					
Current					
Accounts payable, accrued liabilities and provisions	7	$	**219.4**	$	360.7
Derivative contracts			**35.3**		31.0
Warrant liability			**0.5**		3.2
Bank debt	8		**9.9**		395.5
Second lien debt	9		**-**		24.5
Convertible debentures	10		**-**		73.3
Lease liabilities and other			**17.9**		36.5
Total current liabilities			**283.0**		924.7
Bank debt	8		**272.8**		89.8
Second lien debt	9		**158.4**		132.5
Convertible debentures	10		**89.2**		-
Derivative contracts			**10.7**		21.3
Decommissioning obligations			**86.9**		77.9
Lease liabilities and other			**13.9**		16.9
Total liabilities			**914.9**		1,263.1
Equity					
Attributable to shareholders			**297.0**		310.8
Attributable to non-controlling interest			**42.6**		29.7
Total equity			**339.6**		340.5
Total liabilities and equity		$	**1,254.5**	$	1,603.6

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss

(Unaudited, millions of Canadian dollars, except per share information)

	Notes	Three months ended September 30, **2024**	2023	Nine months ended September 30, **2024**	2023
Revenue	12	**$ 377.7**	$ 582.1	**$ 1,278.5**	$ 1,705.3
Operating expenses	12	**327.7**	535.8	**1,108.6**	1,576.7
Gross margin		**50.0**	46.3	**169.9**	128.6
General and administrative	14	**10.5**	12.3	**33.0**	32.1
Share-based compensation		**1.8**	3.8	**4.6**	11.7
Depreciation		**21.2**	25.9	**65.7**	70.5
Operating income		**16.5**	4.3	**66.6**	14.3
Finance costs and other	13	**20.1**	26.0	**60.0**	73.3
Realized loss (gain) on derivative contracts		**13.2**	(5.3)	**34.8**	(23.2)
Unrealized (gain) loss on derivative contracts		**(18.9)**	14.8	**(16.0)**	44.2
Realized gain on marketable securities	5	**-**	-	**(5.0)**	-
Impairment expense	5, 6	**4.6**	-	**4.6**	-
(Gain) loss on sale of assets		**(0.9)**	0.4	**(0.9)**	1.3
Loss (income) from equity investments		**0.7**	(1.7)	**0.1**	(7.4)
Transaction costs		**3.0**	2.8	**4.3**	4.5
Loss before income tax		**(5.3)**	(32.7)	**(15.3)**	(78.4)
Deferred income tax recovery		**-**	(7.8)	**-**	(17.8)
Net loss and comprehensive loss		**$ (5.3)**	$ (24.9)	**$ (15.3)**	$ (60.6)
Net (loss) income and comprehensive (loss) income attributable to:					
Shareholders		**(7.3)**	(22.9)	**(23.3)**	(54.1)
Non-controlling interest		**2.0**	(2.0)	**8.0**	(6.5)
Net loss and comprehensive loss		**$ (5.3)**	$ (24.9)	**$ (15.3)**	$ (60.6)
Net loss per share attributable to shareholders:					
Basic	11(b)	**$ (0.02)**	$ (0.05)	**$ (0.05)**	$ (0.13)
Diluted	11(b)	**$ (0.02)**	$ (0.05)	**$ (0.05)**	$ (0.13)

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited, millions of Canadian dollars)

		Attributable to Shareholders of the Corporation				
	Notes	Share capital	Equity reserves	Retained earnings (deficit)	Non-controlling interest	Total equity
Balance, January 1, 2024		$ 540.8	$ 22.9	$ (252.9)	$ 29.7	$ 340.5
Net (loss) income		-	-	(23.3)	8.0	(15.3)
Issuance of common shares		2.9	(1.7)	-	-	1.2
Share issue costs (net of tax)		(0.3)	-	-	-	(0.3)
Share-based compensation		-	2.2	-	-	2.2
Tidewater Renewables Ltd. issuance of common shares		-	-	-	4.9	4.9
Issuance of 2024 Convertible Debentures	10	-	6.6	-	-	6.6
Repayment of 2019 Convertible Debentures	10	-	(0.2)	-	-	(0.2)
Balance, September 30, 2024		**$ 543.4**	**$ 29.8**	**$ (276.2)**	**$ 42.6**	**$ 339.6**
Balance, January 1, 2023		$ 537.6	$ 19.9	$ 145.8	$ 43.0	$ 746.3
Net loss		-	-	(54.1)	(6.5)	(60.6)
Issuance of common shares		1.7	(1.7)	-	-	-
Share issue costs (net of tax)		(0.1)	-	-	-	(0.1)
Share-based compensation		-	7.3	-	-	7.3
Dividends declared		-	-	(12.8)	-	(12.8)
Balance, September 30, 2023		$ 539.2	$ 25.5	$ 78.9	$ 36.5	$ 680.1

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited, millions of Canadian dollars)

	Notes	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Cash provided by (used in):					
Operating activities					
Net loss		**$ (5.3)**	$ (24.9)	**$ (15.3)**	$ (60.6)
Adjustments:					
Non-cash share-based compensation		**1.4**	1.6	**2.2**	7.3
Depreciation		**21.2**	25.9	**65.7**	70.5
Interest and finance charges	13	**13.2**	17.7	**38.9**	50.1
Accretion and other	13	**7.0**	6.9	**19.0**	20.5
Unrealized (gain) loss on foreign exchange		**(0.2)**	0.8	**0.6**	(0.1)
Unrealized (gain) loss on derivative contracts		**(18.9)**	14.8	**(16.0)**	44.2
Realized gain on marketable securities	5	**-**	-	**(5.0)**	-
Impairment expense	5, 6	**4.6**	-	**4.6**	-
(Gain) loss on sale of assets		**(0.9)**	0.4	**(0.9)**	1.3
Loss (income) from equity investments		**0.7**	(1.7)	**0.1**	(7.4)
Deferred income tax recovery		**-**	(7.8)	**-**	(17.8)
Decommissioning costs incurred		**(1.5)**	(2.3)	**(1.8)**	(3.3)
Changes in non-cash operating working capital		**(70.2)**	30.0	**(142.5)**	38.0
Net cash (used in) provided by operating activities		**(48.9)**	61.4	**(50.4)**	142.7
Financing activities					
Advances (repayment) of bank debt		**58.9**	45.0	**(202.4)**	163.8
Advances of second lien debt		**-**	-	**-**	25.0
Net proceeds from issuance of 2024 Convertible Debentures	10	**-**	-	**95.4**	-
Repayment of 2019 Convertible Debentures	10	**-**	-	**(75.0)**	-
Payment of lease liabilities and other		**(9.5)**	(12.2)	**(29.7)**	(36.8)
Interest and financing charges paid		**(16.5)**	(19.0)	**(41.4)**	(53.5)
Net proceeds from common share issuance		**1.3**	(0.1)	**1.0**	(0.1)
Payment of dividends		**-**	(4.3)	**-**	(12.7)
Changes in non-cash financing working capital		**5.8**	-	**9.4**	-
Net cash provided by (used in) financing activities		**40.0**	9.4	**(242.7)**	85.7
Investing activities					
Expenditures on property, plant and equipment	6(a)	**(3.9)**	(39.3)	**(33.7)**	(241.4)
Proceeds from capital emission credit sales	4	**2.4**	3.8	**23.6**	101.2
Receipt of government grant		**0.2**	-	**2.0**	2.6
Proceeds from sales of assets		**8.9**	0.2	**350.5**	8.5
Contribution to investments		**-**	-	**-**	(0.4)
Changes in non-cash investing working capital		**(0.5)**	(55.0)	**(49.3)**	(112.3)
Net cash provided by (used in) investing activities		**7.1**	(90.3)	**293.1**	(241.8)
Decrease in cash and cash equivalents		**(1.8)**	(19.5)	**-**	(13.4)
Cash and cash equivalents, beginning of period		**1.9**	23.1	**0.1**	17.0
Cash and cash equivalents, end of period		**$ 0.1**	$ 3.6	**$ 0.1**	$ 3.6

See the accompanying notes to the condensed interim consolidated financial statements

1. REPORTING ENTITY

Tidewater Midstream and Infrastructure Ltd. ("Tidewater" or the "Corporation" when referring to the consolidated group, and "Tidewater Midstream" when referring to the legal entity) is a diversified midstream and infrastructure company with an integrated value chain across the North American natural gas processing, natural gas liquids ("NGL"), and petroleum refining and renewables markets. Tidewater's common shares are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "TWM". The Corporation's principal place of business is Suite 900, 222 – 3rd Ave SW, Calgary, Alberta, Canada, T2P 0B4.

As at September 30, 2024 and December 31, 2023, Tidewater Midstream owned 23.9 million common shares of Tidewater Renewables Ltd. ("Tidewater Renewables"), representing approximately 66% of Tidewater Renewables' issued and outstanding common shares at September 30, 2024. Tidewater Renewables is a multi-faceted, energy transition company focusing on the production of low carbon fuels, and is publicly traded on the TSX under the symbol "LCFS".

These condensed interim consolidated financial statements ("Interim Financial Statements") include the results of Tidewater Midstream, its subsidiary companies, partnerships and joint arrangements as at and for the three and nine months ended September 30, 2024.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These Interim Financial Statements are in compliance with IAS 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board. The accounting policies applied are in accordance with International Financial Reporting Standards ("IFRS"), are consistent with the Corporation's consolidated financial statements as at and for the year ended December 31, 2023 ("Consolidated Financial Statements") and should be read in conjunction with those Consolidated Financial Statements. The Interim Financial Statements were approved and authorized for issuance by Tidewater's Board of Directors on November 13, 2024.

3. TRANSACTION BETWEEN TIDEWATER MIDSTREAM AND TIDEWATER RENEWABLES

On September 12, 2024, Tidewater Midstream and Tidewater Renewables completed the related party Assets Sale Agreement (the "Transaction") valued at $129.7 million.

The consideration paid by Tidewater Midstream on close of the Transaction consisted of $122.0 million in cash and Tidewater Midstream's right to receive certain BC LCFS credits for a minimum value of $7.7 million.

Under the Transaction, the assets and liabilities divested by Tidewater Renewables and acquired by Tidewater Midstream include:

- the 100% owned canola co-processing infrastructure, fluid catalytic cracking co-processing infrastructure, and steam methane reformer;
- working interests in various Prince George Refinery assets including tankage, rack and truck infrastructure, water treatment and electrical utilities;
- a 100% owned natural gas storage facility co-located at Tidewater Midstream's Brazeau River Complex; and
- decommissioning liabilities associated with the divested assets.

As part of the Transaction, Tidewater Renewables' take-or-pay processing and storage agreements with Tidewater Midstream were terminated as of August 1, 2024.

Concurrent with the close of the Transaction, Tidewater Midstream agreed to purchase BC LCFS emission credits over the next nine months, representing minimum proceeds of $77.5 million to Tidewater Renewables, under the assumption that the HDRD Complex continues to operate at over 90% utilization. The minimum proceeds of $77.5 million are inclusive of the $7.7 million in proceeds recognized as consideration discussed above.

(Tabular amounts stated in millions of Canadian dollars, except as noted)

While the Transaction had a $NIL impact on net income and the property, plant and equipment of the consolidated group, the Transaction has improved liquidity for Tidewater Renewables. The debt refinancings associated with the Transaction are discussed in notes 8 and 9.

4. INVENTORY AND EMISSION CREDITS

The following table summarizes the Corporation's inventory and emission credits:

		September 30, 2024		December 31, 2023
Feedstocks	**$**	**29.6**	$	42.7
Refined products		**29.3**		27.4
Materials and supplies		**9.6**		7.8
Marketing inventory		**28.9**		4.3
Emission credits		**35.9**		15.9
Total current inventory		**133.3**		98.1
Long-term inventory		**35.3**		35.0
Total inventory	**$**	**168.6**	$	133.1

During the three and nine months ended September 30, 2024, Tidewater Renewables generated $9.3 million and $42.9 million, respectively, of capital emission credits (three and nine months ended September 30, 2023 - $3.8 million and $82.4 million, respectively) for achieving construction, engineering and operational milestones on the HDRD Complex and the proposed sustainable aviation fuel facility. During the three and nine months ended September 30, 2024, Tidewater sold capital emission credits to third parties for cash proceeds of $2.4 million and $23.6 million, respectively (three and nine months ended September 30, 2023 - $3.8 million and $101.2 million, respectively), and utilized $19.3 million of capital emission credits to reduce the Corporation's emissions liability.

At September 30, 2024 and December 31, 2023, all inventory and operating emission credits were carried at cost and $NIL was carried at net realizable value.

5. INVESTMENTS

The following table summarizes the carrying values of the Corporation's investments:

		September 30, 2024		December 31, 2023
Investment in AltaGas common shares	**$**	**-**	$	336.6
Investment in Rimrock Cattle Company Ltd. (1)		**31.7**		30.9
Other investments at fair value		**-**		3.9
Total	**$**	**31.7**	$	371.4

(1) Accounted for by the equity method.

On January 9, 2024, Tidewater sold 12,466,437 AltaGas Ltd. ("AltaGas") common shares for cash proceeds of $341.6 million. The Corporation recognized a gain of $5.0 million on this sale.

At September 30, 2024, Tidewater decided to cease further contributions to the NGIF Cleantech Ventures Fund, and other minor non-core investments as part of the Corporation's strategic focus, leading to a revaluation of the fair value of the investment. Consequently, the Corporation recognized an impairment of $3.9 million on its investment during this period. The NGIF Cleantech Ventures Fund focuses on investing in start-up renewable and low-carbon energy companies, and a former board member of the Corporation serves as an officer of the Fund. The Corporation initiated plans to exit the investment.

(Tabular amounts stated in millions of Canadian dollars, except as noted)

6. PROPERTY, PLANT AND EQUIPMENT

a) Property, plant and equipment is comprised of the following:

	Plant and infrastructure	Assets under construction	Total
Cost			
Balance, January 1, 2023	$ 1,551.8	$ 282.8	$ 1,834.6
Additions	-	301.7	301.7
Capital emission credits awarded	-	(82.7)	(82.7)
Receipt of government grant	-	(2.6)	(2.6)
Completed projects	427.7	(427.7)	-
Disposals	(43.9)	-	(43.9)
Sale of Pipestone assets	(471.9)	(37.9)	(509.8)
Decommissioning asset	41.7	-	41.7
Balance, December 31, 2023	$ 1,505.4	$ 33.6	$ 1,539.0
Additions	-	33.7	33.7
Capital emission credits awarded	(35.8)	(7.1)	(42.9)
Receipt of government grant	-	(2.0)	(2.0)
Completed projects	39.4	(39.4)	-
Disposals	(16.7)	-	(16.7)
Reclassification to assets held for sale	-	(12.5)	(12.5)
Decommissioning asset	4.9	-	4.9
Balance, September 30, 2024	$ 1,497.2	$ 6.3	$ 1,503.5
Accumulated Depreciation and Impairment			
Balance, January 1, 2023	$ 263.8	$ -	$ 263.8
Depreciation	64.4	-	64.4
Impairment	405.4	-	405.4
Disposals	(38.2)	-	(38.2)
Sale of Pipestone assets	(34.0)	-	(34.0)
Balance, December 31, 2023	$ 661.4	$ -	$ 661.4
Depreciation	42.6	-	42.6
Impairment	0.4	-	0.4
Disposals	(8.8)	-	(8.8)
Balance, September 30, 2024	$ 695.6	$ -	$ 695.6
Net book value			
December 31, 2023	$ 844.0	$ 33.6	$ 877.6
September 30, 2024	**$ 801.6**	**$ 6.3**	**$ 807.9**

b) Sale of cooking oil feedstock assets

On September 12, 2024, Tidewater Renewables completed the sale of its used cooking oil feedstock assets (the "Feedstock Assets Sale") for total proceeds of $10.6 million, resulting in a gain on sale of $1.7 million.

Total proceeds	$ 10.6
Contingent consideration	(2.0)
Proceeds received	8.6
Net assets sold	(6.9)
Gain on Feedstock Assets Sale	**$ 1.7**

(Tabular amounts stated in millions of Canadian dollars, except as noted)

The cash proceeds from the Feedstock Assets Sale were used to repay amounts outstanding on the Corporation's bank debt (note 8).

c) Assets held for sale

As at September 30, 2024, the Corporation classified certain non-core renewable natural gas assets as held for sale. Immediately prior to classifying the assets as held for sale, the Corporation conducted a review of the assets' recoverable amounts and recorded an impairment loss of $0.4 million on property, plant & equipment and $0.3 million on accounts receivable. The recoverable amount was determined based on the assets fair value less costs of disposal and based on the expected consideration. At September 30, 2024 the renewable natural gas assets that have been reclassified are as follows:

		September 30, 2024
Cash [(1)]	$	1.8
Property, plant and equipment		12.5
Assets held for sale	**$**	**14.3**

(1) Includes an accounts receivable and accounts payable net balance of $0.1 million.

7. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND PROVISIONS

		September 30, 2024		December 31, 2023
Trade and accrued payables	**$**	**186.4**	$	258.8
Deferred revenue		**0.9**		0.8
Interest payable		**8.9**		6.3
Emission liabilities and provisions		**-**		46.8
Secured liability [(1)]		**-**		24.8
Government grant		**16.2**		16.2
Current portion of decommissioning obligation		**7.0**		7.0
Total accounts payable, accrued liabilities and provisions	**$**	**219.4**	$	360.7

(1) The secured obligation was repaid on July 25, 2024, using funds drawn from the Tidewater Midstream Senior Credit Facility.

8. BANK DEBT

The following table summarizes the Corporation's bank debt:

		September 30, 2024		December 31, 2023
Tidewater Midstream Senior Credit Facility	**$**	**283.3**	$	322.3
Tidewater Renewables Senior Credit Facility		**8.3**		171.8
Financing costs		**(8.9)**		(8.8)
Total bank debt	**$**	**282.7**	$	485.3
Current portion of bank debt, net of financing costs		**9.9**		395.5
Long-term portion of bank debt, net of financing costs		**272.8**		89.8

Tidewater Midstream and Tidewater Renewables each have a revolving credit facility (each a "Senior Credit Facility" and together, the "Senior Credit Facilities") with a syndicate of banks. The Senior Credit Facilities are not cross-collateralized, are not subject to cross defaults, nor are Tidewater Midstream and Tidewater Renewables consolidated for the purposes of covenant testing or availability.

(Tabular amounts stated in millions of Canadian dollars, except as noted)

Tidewater Midstream

At December 31, 2023, The Tidewater Midstream Senior Credit Facility had capacity of $375.0 million, and was composed of a $100.0 million syndicated facility, a $50.0 million operating facility, and a $225.0 million term debt facility.

On January 10, 2024, Tidewater Midstream fully repaid the $225.0 million of term debt drawn under its Senior Credit Facility with proceeds from the monetization of the AltaGas common shares (note 5).

On September 12, 2024, the Tidewater Midstream Senior Credit Facility was amended and restated ("Fifth ARCA"). The total aggregate revolving capacity under the Tidewater Midstream Senior Credit Facility was increased by $25.0 million to $175.0 million, and the maturity date was extended from February 10, 2026 to September 12, 2026.

The Fifth ARCA also includes a three-year delayed draw term facility of $150.0 million to finance the Transaction.

The following facilities are available to Tidewater Midstream under the Fifth ARCA:

		Facility amount	Maturity date		**Amount drawn September 30, 2024**
Syndicated facility	$	125.0	September 12, 2026	**$**	**125.0**
Operating facility		50.0	September 12, 2026		**23.3**
Term facility		150.0	August 30, 2027		**135.0**
Tidewater Midstream Senior Credit Facility	**$**	**325.0**		**$**	**283.3**

The syndicated and operating facilities are revolving facilities that can be drawn in either Canadian or U.S. funds and bear interest at the agent bank's prime lending rate or adjusted Canadian Overnight Repo Rate Average ("CORRA") or Secured Overnight Financing Rate ("SOFR") lending rates, plus applicable margins and stamping fees. Pricing and margins are tied to Tidewater Midstream's quarterly deconsolidated debt to adjusted EBITDA ratio, as calculated for covenant reporting.

The term facility under the Fifth ARCA is a non-revolving, variable rate facility which permitted a maximum initial draw of $135.0 million on the September 12, 2024, Transaction closing date, with subsequent draws of one per month permitted until September 12, 2025. Tidewater Midstream is required to make mandatory quarterly repayments of $5.0 million, beginning April 30, 2025. Repayments made prior to the maturity date permanently reduce the total funds available under the facility. The term facility matures on August 30, 2027.

Tidewater Midstream is required to maintain certain deconsolidated financial covenants on an annualized basis. The calculations for each of these ratios are based on specific definitions in the Senior Credit Facility, are not in accordance with GAAP, and cannot be directly calculated by referring to the Corporation's consolidated financial statements. At September 30, 2024, Tidewater Midstream was in compliance with its financial covenants.

Tidewater Midstream's deconsolidated financial covenants as at September 30, 2024 and December 31, 2023, were as follows:

	Ratio	**September 30, 2024**	December 31, 2023
Deconsolidated debt to adjusted EBITDA (1)	Maximum 4.50:1	2.62	2.86
Deconsolidated first lien senior debt (2) to adjusted EBITDA	Maximum 3.50:1	2.62	2.86
Adjusted EBITDA to interest coverage	Minimum 2.50:1	6.37	2.58

(1) Deconsolidated debt includes the syndicated and operating facilities under the Tidewater Midstream Senior Credit Facility and excludes the Tidewater Renewables Senior Credit Facility, Term Debt Facility, and convertible debentures.
(2) Deconsolidated first lien senior debt includes the syndicated and operating facilities under the Tidewater Midstream Senior Credit Facility and excludes the Tidewater Renewables Senior Credit Facility, Term Debt Facility, and convertible debentures.

(Tabular amounts stated in millions of Canadian dollars, except as noted)

At September 30, 2024, Tidewater Midstream had $30.6 million (December 31, 2023 - $117.8 million) of letters of credit outstanding, which operate under a separate facility.

Tidewater Renewables

On August 15, 2024, Tidewater Renewables obtained an extension on its $175.0 million Senior Credit Facility from August 18, 2024 to August 30, 2024. On August 30, 2024, Tidewater Renewables obtained an additional extension on the Senior Credit Facility from August 30, 2024 to September 18, 2024.

On September 12, 2024, the Tidewater Renewables Senior Credit Facility was amended and restated. The total aggregate availability under the Tidewater Renewables Senior Credit Facility was reduced from $175.0 million to $30.0 million, and the maturity date was extended from September 18, 2024 to February 28, 2026.

The Tidewater Renewables Senior Credit Facility can be drawn in Canadian funds and bears interest at the agent bank's prime lending rate or adjusted CORRA or SOFR lending rates, plus applicable margins and stamping fees.

Compliance by Tidewater Renewables with the quarterly financial covenants applicable to the bank debt has been waived for one year, until September 30, 2025.

At September 30, 2024, Tidewater Renewables had $8.1 million (December 31, 2023 - $8.1 million) of letters of credit outstanding, which operate under a separate facility.

9. SECOND LIEN CREDIT FACILITY

The following table summarizes the Tidewater Renewables' second lien credit facility:

		September 30, 2024		December 31, 2023
Second Lien Credit Facility	**$**	**175.0**	$	175.0
Discount [(1)]		**(16.6)**		(18.0)
Total Second Lien Credit Facility	**$**	**158.4**	$	157.0
Current portion, net of discount		**-**		24.5
Long-term portion, net of discount	**$**	**158.4**	$	132.5

(1) Includes the issue discount, debt issuance costs and the fair value of the 2022 warrant liability upon issuance, net of accretion.

On October 24, 2022, Tidewater Renewables announced the closing of a five-year second lien credit facility (the "Second Lien Credit Facility") with a face value of $150.0 million (the "Tranche A Facility") through an Alberta based pension fund (the "Term Lender"). The Second Lien Credit Facility was issued along with 3.4 million warrants, each of which entitles the holder to purchase one common share of Tidewater Renewables for a term of five years. On May 10, 2023, the Second Lien Credit Facility was amended and an additional $25.0 million tranche B second lien credit facility (the "Tranche B Facility") was advanced.

On August 15, 2024, Tidewater Renewables obtained an extension on the Tranche B second Facility from August 18, 2024 to August 30, 2024. On August 30, 2024, Tidewater Renewables obtained an additional extension on the Tranche B Facility from August 30, 2024 to September 18, 2024.

On September 12, 2024, in connection with the Transaction (note 3), Tidewater Renewables amended and restated its Second Lien Credit Facility. The maturity of the $150.0 million Tranche A Facility remains unchanged and matures on October 24, 2027. The maturity of the $25.0 million Tranche B Facility was extended from September 18, 2024 to February 28, 2026.

The Tranche A Facility bears minimum interest at 6.5% for periods up to and including October 25, 2025, minimum 6.875% for periods between October 26, 2025 and October 24, 2026, and minimum 7.25% from October 25, 2026 up to but excluding the maturity date of October 24, 2027. The rates are subject to an annual CPI Index adjustment factor with a maximum cumulative increase of 4% per annum.

The Tranche B Facility continues to bear interest at 9.5% and is subject to variable quarterly repayments based on a portion of Tidewater Renewables' adjusted cash flows. The calculation of these adjusted cash flows is based on specific definitions in the agreements governing the Second Lien Credit Facility, are not in accordance with GAAP, and cannot be directly calculated by referring to Tidewater Renewables' consolidated financial statements. The $25.0 million Tranche B Facility can be repaid at Tidewater Renewables' option without penalty.

As part of the amended and restated agreement, a new $33.0 million tranche C second lien credit facility (the "Tranche C Facility") was added, for the purpose of refinancing the Tidewater Renewables Senior Credit Facility in certain circumstances, with a maturity of February 28, 2026. In the event a First Lien Demand Notice is presented to Tidewater Renewables, the Tranche C Facility can be drawn down by way of a single advance and bears interest at the adjusted CORRA rate plus 8.0% payable quarterly in arrears. At Tidewater Renewables discretion, the $33.0 million Tranche C Facility is subject to variable repayments.

Compliance by Tidewater Renewables with the quarterly financial covenants applicable to the Second Lien Credit Facility has been waived until September 30, 2025.

In conjunction with the amended and restated Second Lien Credit Facility, Tidewater Renewables issued 1.0 million warrants (the "2024 warrants"), which entitles the holder to purchase 1.0 million Tidewater Renewables common shares at an exercise price of $3.99 per share for a term of five years. The exercise price represents a 50% premium to the five- day volume weighted average trading price ("VWAP") of the common shares on the TSX prior to September 12, 2024.

On September 13, 2024, certain fees payable to Term Lender as part of the Second Lien Credit Facility amendments were settled with the issuance of 1,449,239 common shares of Tidewater Renewables at the 10-day VWAP of the Tidewater Renewables common shares on the TSX.

10. CONVERTIBLE DEBENTURES

On June 4, 2024, the Corporation issued convertible unsecured subordinated debentures (the "2024 Convertible Debentures") for a principal amount of $100.0 million at a price of $1,000 per convertible debenture. The 2024 Convertible Debentures mature on June 30, 2029, and accrue interest at the rate of 8.0% per annum payable semi-annually on the last day of June and December, commencing on December 31, 2024.

The 2024 Convertible Debentures are convertible at the holder's option into common shares of Tidewater Midstream at a conversion price of $0.78. The 2024 Convertible Debentures are not redeemable before June 30, 2027. On or after June 30, 2027, the 2024 Convertible Debentures may be redeemed, in whole or in part, at the option of Tidewater Midstream at par plus accrued and unpaid interest, provided that the volume weighted average trading price of the Tidewater Midstream common shares on the TSX for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the conversion price. Tidewater Midstream shall provide not more than 60 days, nor less than 30 days, prior notice of redemption.

The liability component of the 2024 Convertible Debentures was initially recognized at the fair value of a similar liability which does not contain an equity conversion option, based on an estimated market interest rate of 9.5%. The difference between the $100.0 million principal amount of the 2024 Convertible Debentures and the fair value of the liability component was recognized in shareholders' equity. Total transaction costs directly attributable to the offering of $4.6 million were allocated proportionately to the liability and equity components of the 2024 Convertible Debentures. Accretion of the liability component and accrued interest payable on the 2024 Convertible Debentures are included as financing costs.

The following table summarizes the Corporation's 2024 Convertible Debentures:

	Number of convertible debentures (000s)		Liability component		Equity component
Balance, December 31, 2023	-	$	-	$	-
Issuance of convertible debentures	100		93.2		6.8
Issue costs	-		(4.4)		(0.2)
Unwinding of discount	-		0.4		-
Balance, September 30, 2024	**100**	**$**	**89.2**	**$**	**6.6**

On June 4, 2024, the proceeds from the issuance of the 2024 Convertible Debentures were used to repay the $75.0 million principal amount and associated accrued and unpaid interest of the 5.5% convertible debentures (the "2019 Convertible Debentures") that were due to mature on September 30, 2024. As the 2019 Convertible Debentures were repaid prior to maturity, the amount paid was allocated to the debt and equity components using the same method as was used to allocate the original issuance price. The repayment amount allocated to the liability component was the $74.8 million fair value of the 2019 Convertible Debentures on June 4, 2024, using quoted market prices on the TSX. The residual amount of $0.2 million was allocated to the equity component.

The following table summarizes the Corporation's 2019 Convertible Debentures:

	Number of convertible debentures (000s)		Liability component		Equity component
Balance, January 1, 2023	750	$	71.2	$	4.9
Unwinding of discount	-		2.1		-
Balance, December 31, 2023	750	$	73.3	$	4.9
Unwinding of discount	-		1.5		-
Repayment of convertible debentures	(750)		(74.8)		(0.2)
Balance, September 30, 2024	**-**	**$**	**-**	**$**	**4.7**

11. EQUITY ATTRIBUTABLE TO SHAREHOLDERS

a) Issued and outstanding common shares

As at September 30, 2024, Tidewater had 430.2 million of common shares outstanding with a carrying value of $543.4 million (December 31, 2023 - 427.8 million outstanding common shares with a carrying value of $540.8 million).

b) Net loss per share

	Three months ended September 30, 2024					Three months ended September 30, 2023				
		Net loss	Common shares (millions)		Net loss per share		Net loss	Common shares (millions)		Net loss per share
Net loss attributable to shareholders – basic and diluted	**$**	**(7.3)**	**430.1**	**$**	**(0.02)**	$	(22.9)	425.2	$	(0.05)

For the three months ended September 30, 2024, 19.0 million share awards (September 30, 2023 - 18.9 million), NIL shares relating to equity warrants (September 30, 2023 - 40.1 million), and 363.0 million shares related to convertible debentures (September 30, 2023 - 76.6 million) were anti-dilutive.

(Tabular amounts stated in millions of Canadian dollars, except as noted)

	Nine months ended September 30, 2024			Nine months ended September 30, 2023		
	Net loss	Common shares (millions)	Net loss per share	Net loss	Common shares (millions)	Net loss per share
Net loss attributable to shareholders – basic and diluted	**$ (23.3)**	**429.1**	**$ (0.05)**	$ (54.1)	424.8	$ (0.13)

For the nine months ended September 30, 2024, 14.8 million share awards (September 30, 2023 - 19.8 million), NIL shares relating to equity warrants (September 30, 2023 - 40.1 million), and 363.0 million shares related to convertible debentures (September 30, 2023 - 76.6 million) were anti-dilutive.

12. REVENUE AND OPERATING EXPENSES

For the three and nine months ended September 30, 2024 and 2023, the Corporation had one vertically integrated operating segment: midstream and infrastructure, as the chief operating decision maker reviews operating results at this level to assess financial performance and make resource allocation decisions. The midstream and infrastructure operating segment includes the following revenue categories: midstream; downstream; and marketing and other. Amounts disclosed below do not include realized or unrealized gains and losses on derivative contracts resulting from the Corporation's commodity price risk management initiatives.

Three months ended September 30, 2024	Midstream	Downstream	Marketing and other	Total
Revenue (before intercompany eliminations)	$ 29.3	$ 370.8	$ 126.3	$ 526.4
Intercompany eliminations	(8.0)	(132.9)	(7.8)	(148.7)
Revenue from external customers	$ 21.3	$ 237.9	$ 118.5	$ 377.7
Operating expenses (before intercompany eliminations)	$ 23.2	$ 323.8	$ 129.4	$ 476.4
Intercompany eliminations	(0.9)	(133.0)	(14.8)	(148.7)
Operating expenses from external vendors	$ 22.3	$ 190.8	$ 114.6	$ 327.7
Gross margin	**$ (1.0)**	**$ 47.1**	**$ 3.9**	**$ 50.0**

Three months ended September 30, 2023	Midstream	Downstream	Marketing and other	Total
Revenue (before intercompany eliminations)	$ 65.3	$ 269.3	$ 315.3	$ 649.9
Intercompany eliminations	(8.1)	(42.7)	(17.0)	(67.8)
Revenue from external customers	$ 57.2	$ 226.6	$ 298.3	$ 582.1
Operating expenses (before intercompany eliminations)	$ 31.1	$ 240.2	$ 332.3	$ 603.6
Intercompany eliminations	(2.5)	(42.9)	(22.4)	(67.8)
Operating expenses from external vendors	$ 28.6	$ 197.3	$ 309.9	$ 535.8
Gross margin	$ 28.6	$ 29.3	$ (11.6)	$ 46.3

(Tabular amounts stated in millions of Canadian dollars, except as noted)

Nine months ended September 30, 2024		Midstream		Downstream		Marketing and other		Total
Revenue (before intercompany eliminations)	$	118.2	$	1,004.1	$	447.4	$	1,569.7
Intercompany eliminations		(33.3)		(237.3)		(20.6)		(291.2)
Revenue from external customers	$	84.9	$	766.8	$	426.8	$	1,278.5
Operating expenses (before intercompany eliminations)	$	68.6	$	872.5	$	458.7	$	1,399.8
Intercompany eliminations		(5.6)		(246.7)		(38.9)		(291.2)
Operating expenses from external vendors	$	63.0	$	625.8	$	419.8	$	1,108.6
Gross margin	**$**	**21.9**	**$**	**141.0**	**$**	**7.0**	**$**	**169.9**

Nine months ended September 30, 2023		Midstream		Downstream		Marketing and other		Total
Revenue (before intercompany eliminations)	$	205.6	$	706.8	$	1,004.7	$	1,917.1
Intercompany eliminations		(24.0)		(117.7)		(70.1)		(211.8)
Revenue from external customers	$	181.6	$	589.1	$	934.6	$	1,705.3
Operating expenses (before intercompany eliminations)	$	101.2	$	629.4	$	1,057.9	$	1,788.5
Intercompany eliminations		(7.4)		(102.3)		(102.1)		(211.8)
Operating expenses from external vendors	$	93.8	$	527.1	$	955.8	$	1,576.7
Gross margin	$	87.8	$	62.0	$	(21.2)	$	128.6

13. FINANCE COSTS AND OTHER

Finance costs and other are comprised of the following:

		Three months ended September 30,				**Nine months ended September 30,**		
		2024		2023		**2024**		2023
Interest on bank debt, second lien debt and convertible debentures	**$**	**13.2**	$	23.0	**$**	**38.9**	$	61.4
Interest capitalized		**-**		(5.3)		**-**		(11.3)
Total interest expense		**13.2**		17.7		**38.9**		50.1
Foreign exchange (gain) loss		**(0.1)**		1.4		**2.1**		2.7
Total finance costs and other before accretion	**$**	**13.1**	$	19.1	**$**	**41.0**	$	52.8
Unwinding of discount on decommissioning obligations		**1.9**		1.0		**5.5**		2.7
Unwinding of discount on long-term debt		**4.6**		2.7		**11.2**		7.6
Unwinding of discount on lease liabilities		**0.5**		3.2		**2.3**		10.4
Other		**-**		-		**-**		(0.2)
Total accretion		**7.0**		6.9		**19.0**		20.5
Total finance costs and other	**$**	**20.1**	$	26.0	**$**	**60.0**	$	73.3

(Tabular amounts stated in millions of Canadian dollars, except as noted)

14. GENERAL AND ADMINISTRATIVE

General and administrative expenses are comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Employee costs	**$ 5.8**	$ 6.6	**$ 16.5**	$ 21.6
Capitalized corporate costs	**(0.1)**	(0.8)	**(0.6)**	(3.2)
Non-recurring [(1)]	**2.0**	3.7	**8.4**	5.7
External services [(2)]	**0.9**	0.8	**3.0**	2.8
Licenses and insurance	**1.0**	0.9	**2.6**	2.6
Rent and office expenses	**0.4**	-	**1.6**	0.7
Other	**0.5**	1.1	**1.5**	1.9
Total general and administrative expenses	**$ 10.5**	$ 12.3	**$ 33.0**	$ 32.1

(1) Includes costs related to executive and management restructuring changes and the Transaction.
(2) Includes accounting, legal and consulting costs.

15. COMMITMENTS

In addition to the commitments disclosed elsewhere in the Interim Financial Statements, the Corporation has assumed commitments in various transportation and term purchase agreements through its normal course of operations. The estimated annual minimum payments are presented below, gross of any anticipated flow-through operating cost recoveries from customers.

	Within one year	After one year but not more than five years	More than five years	Total
Purchase obligations	$ 4.1	$ -	$ -	$ **4.1**
Firm transportation contracts	$ 24.1	$ 89.5	$ 31.7	$ **145.3**

16. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure sufficient financial flexibility to achieve ongoing business objectives, including funding future investment and growth opportunities and financial obligations, and maximizing shareholder returns.

The Corporation considers its capital employed to be bank debt, second lien debt, convertible debentures and shareholders' equity. The Corporation makes adjustments to capital employed by monitoring economic conditions and investment opportunities. The Corporation generally relies on credit facilities and cash flows from operations in excess of interest to fund capital requirements. To maintain or modify its capital structure, the Corporation may issue new common or preferred shares, issue new subordinated debt, renegotiate existing debt terms, or repay existing debt. The Corporation is not currently subject to any externally imposed capital requirements, other than covenants (note 8) on Tidewater Midstream's bank debt.

The Corporation also monitors its capital structure based on consolidated net debt to adjusted EBITDA. This metric measures the Corporation's financial leverage. Consolidated net debt is defined as bank debt, second lien debt and convertible debentures, less cash and cash equivalents. The definition of adjusted EBITDA for capital management purposes is the same measure used in the calculation of Tidewater Midstream's financial covenants on its Senior Credit Facility (note 8).

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

At September 30, 2024, the fair value of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and provisions approximated their carrying value due to their short-term maturity. The carrying value of the outstanding bank debt and second lien debt approximated fair value due to the use of floating interest rates.

At September 30, 2024, the fair value of the Corporation's 2024 Convertible Debentures was $91.9 million using quoted market prices on the TSX.

b) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Corporation's accounts receivable, and from financial counterparties holding cash, cash equivalents and derivative contracts. Cash consists of amounts on deposit with Canadian chartered banks. The Corporation manages credit exposure of cash and cash equivalents by selecting financial institutions with high credit ratings.

The Corporation assesses lifetime expected credit losses for accounts receivable using historical default rates, aged accounts receivable analysis, and forward-looking information to determine the appropriate expected credit losses. At September 30, 2024, lifetime expected credit losses for accounts receivable outstanding were $3.0 million (December 31, 2023 - $1.9 million).

c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet financial obligations at the point at which they are due. The Corporation manages its liquidity risk through ongoing capital management. Management's assessment of its liquidity reflects estimates, assumptions and judgements relating to current market conditions.

Tidewater Renewables

On September 30, 2024, Tidewater Renewables had negative working capital of $3.0 million (excluding the assets held for sale), nominal cash and cash equivalents and cash flow provided by operating activities of $3.1 million and $76.1 million for the three and nine months ended September 30, 2024, respectively.

As disclosed in the Tidewater Renewables interim condensed financial statements for the second quarter of 2024, Tidewater Renewables had insufficient cash to fund its operations for the next 12 months if Tidewater Renewable's sales declined and/or the Senior Credit Facility and Tranche B Facility matured without extension or refinancing.

During the first half 2024, Tidewater Renewables contracted and sold BC LCFS emission credits at an average price of approximately $450 per emission credit to various customers. Tidewater Renewables had intended to forward sell emission credits to de-risk and manage liquidity of the business, however, towards the end of the second quarter of 2024, Tidewater Renewables was unable to secure forward sales agreements for the BC LCFS emission credits expected to be generated during the third and fourth quarter of 2024. Management attributes the inability to contract near-term BC LCFS emission credit sales to a substantial increase in the volume of subsidized U.S. renewable diesel physically moving out of the oversupplied U.S. renewable fuel market and into the higher value BC market. This increased supply of U.S. renewable diesel being imported into Canada has reduced the demand for emission credits. This is a result of overlapping U.S. and Canadian low carbon fuel policies which allow U.S. renewable diesel producers to take advantage of U.S. subsidies and incentives, which are generated at the point of production, then import their volumes to Canada and generate emission credits, at the point of sale. Tidewater Renewables relies heavily on the revenue generated from sale of emission credits.

In addition, political developments arising outside of Canada and the U.S., including changes in political regimes or parties in power, may have a significant impact on the price of oil and natural gas. It is unclear exactly what actions the current or future Canadian or U.S. administrations will implement, and if implemented, how these actions may impact Canada and, in particular, the renewable energy industry. Any actions taken by the current or any future U.S. administration may have a negative impact on the Canadian economy and on the businesses, financial conditions, results of operations and the valuation of Canadian energy companies, including Tidewater Renewables. A change in federal or provincial governments in Canada may have an impact on the directions taken by such governments on matters that may impact the energy industry including the balance between economic development and environmental policy. The reduction, elimination or expiration of government subsidies and economic incentives could adversely affect Tidewater Renewables.

While Tidewater Renewables completed the transaction between Tidewater Midstream (note 3) and successfully amended and restated its Senior Credit Facility and Second Lien Credit Facility (notes 8 and 9), which immediately enhanced Tidewater Renewables' leverage profile and reduced cash interest costs, there can be no assurances that the future market prices of BC LCFS emission credits will recover to historical levels. If the BC LCFS emission credit prices do not recover by the second quarter of 2025, Tidewater Renewable's profitability will be significantly impacted, necessitating alternative funding sources and there can be no assurances that such financing will be available to Tidewater Renewables. Any refinancing may also be at higher interest rates, less favourable terms, may require compliance with more onerous covenants, or result in dilution of shareholders.

Tidewater Midstream

During the third quarter of 2024, the Corporation has experienced declining crack spreads, increased North American refining production, imports of renewable diesel into BC by competitors that take advantage of both U.S. and Canadian government incentives, and slowing demand due to recessionary pressures in Canada. These conditions have had a negative impact on the Corporation's profitability and liquidity. Additionally, the importation of renewable diesel into BC has also decreased the demand and price for emission credits, which negatively impacts the Corporation. These conditions have continued into the fourth quarter of 2024 and the expiration of the offtake agreement with Cenovus Energy Inc. is expected to further lower the margins previously obtained by Tidewater Midstream.

While in the short term Tidewater anticipates that net cash provided by operating activities, cash available from its Senior Credit Facilities, proceeds from the sale of BC LCFS emission credits and other sources of financing will be sufficient to meet its obligations and financial commitments and provide sufficient funding for anticipated capital expenditures, if the above stated conditions continue, Tidewater may experience pressure on its liquidity and the financial covenants on its Senior Credit Facility during 2025.

(Tabular amounts stated in millions of Canadian dollars, except as noted)

Contractual maturities

The following table details the contractual maturities of the Corporation's financial liabilities as at September 30, 2024 and December 31, 2023:

	September 30, 2024		December 31, 2023	
	Less than one year	Greater than one year	Less than one year	Greater than one year
Accounts payable, accrued liabilities and provisions (1)	$ 219.4	$ -	$ 342.2	$ -
Derivative contracts	35.3	10.7	31.0	21.3
Warrant liability	-	0.5	3.2	-
Lease liabilities and other (2)	18.3	15.8	37.5	20.4
Bank debt (3)	10.0	281.6	396.8	97.3
Second lien debt (3)	-	175.0	25.0	150.0
Convertible debentures (3)	-	100.0	75.0	-
Total financial liabilities	**$ 283.0**	**$ 583.6**	$ 910.7	$ 289.0

(1) Amounts at December 31, 2023 excludes provisions of $18.5 million settled in the first quarter of 2024.
(2) Amounts represent the expected undiscounted cash payments related to leases.
(3) Amounts represent undiscounted principal only and exclude accrued interest and transaction costs.

d) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates, will affect the Corporation's cash flow, income, or the value of its financial instruments. The objective of the Corporation's market risk management program is to manage and control market risk exposures within acceptable parameters, while maximizing the Corporation's return.

Interest rate risk

Interest rate risk refers to the risk that the value of the financial instrument or cash flows associated with the financial instrument will fluctuate due to changes in market interest rates. The Corporation may use forward interest rate swaps to hedge the interest rate associated with interest payments occurring as a result of its bank debt.

At September 30, 2024, the Corporation had variable rate bank debt (note 8) totalling $291.6 million. A 1% change in the interest rates on bank debt would have an after-tax impact on net loss of approximately $0.6 million and $1.7 million for the three and nine months ended September 30, 2024, respectively.

Foreign currency exchange rate risk

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Corporation's foreign currency risk arises from certain working capital balances denominated in United States Dollars (USD). As at September 30, 2024, net working capital and derivative contract balances denominated in USD were $19.5 million. A 5% change in foreign exchange rates between the USD and the Canadian Dollar would have an after-tax impact on net loss of approximately $1.0 million for the nine months ended September 30, 2024.

Commodity price risk

Commodity price risk is the risk that the fair value of a commodity derivative will fluctuate because of changes in market prices. In the normal course of operations, the Corporation purchases and sells various commodities and uses derivatives to protect its revenue and operating costs from price fluctuations. The Corporation is subject to price risk through these derivative contract assets and liabilities. A 10% change in prices for the underlying commodities, related to the Corporation's derivative contracts, would have an after-tax impact on net loss of $5.0 million for the nine months ended September 30, 2024.