TIDEWATER
Midstream and Infrastructure Ltd.

Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Tidewater Midstream and Infrastructure Ltd. ("Tidewater") is responsible for the preparation of the consolidated financial statements. The consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") and include certain estimates that reflect management's best estimates and judgements. Management has determined such estimates on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

Management has developed and maintains an extensive system of internal accounting controls that provide reasonable assurance that all transactions are accurately recorded, that the consolidated financial statements present fairly Tidewater's financial results, and that Tidewater's assets are safeguarded. Management believes that this system of internal controls has operated effectively for the year ended December 31, 2024. Tidewater has effective disclosure controls and procedures to ensure timely and accurate disclosure of material information relating to Tidewater which complies with the requirements of Canadian securities legislation.

Deloitte LLP was appointed by a resolution of the Board of Directors to audit the consolidated financial statements of Tidewater and to provide an independent professional opinion. Deloitte LLP was appointed to hold such office until the next annual meeting of the shareholders of Tidewater.

The Board of Directors, through its Audit Committee, has reviewed the consolidated financial statements including notes thereto with management and Deloitte LLP. The members of the Audit Committee are independent directors who are not employees of Tidewater. The Board of Directors have approved the information contained in the consolidated financial statements based on the recommendation of the Audit Committee.

"Jeremy Baines"
Chief Executive Officer

"Aaron Ames"
Interim Chief Financial Officer

March 26, 2025
Calgary, Alberta

Deloitte.

Deloitte LLP
700, 850 2 Street SW
Calgary, AB T2P 0R8
Canada

Tel: 403-267-1700
Fax: 587-774-5379
www.deloitte.ca

Independent Auditor's Report

To the Shareholders and the Board of Directors of Tidewater Midstream and Infrastructure Ltd.

Opinion

We have audited the consolidated financial statements of Tidewater Midstream and Infrastructure Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Property, Plant and Equipment – Impairment – Deep Basin Cash Generating Unit- Refer to Note 3 and 9 of the financial statements

Key Audit Matter Description

The Company assesses property, plant and equipment for indicators of impairment at each reporting date or when events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Impairment losses recognized in prior periods are also assessed at each reporting date by the Company for any indicators that the impairment losses may no longer exist or may have decreased. The Company identified indicators of impairment and reversal within the Deep Basin CGU. The Company determined the recoverable amounts of Ram River Gas Plant and Brazeau River Complex (collectively "the assets") using a discounted cash flow model, and additionally the Brazeau River Complex recoverable amount considered the fair value of the Brazeau Roadway Network from the potential sale. As a result of the tests, a net reversal was recorded within the Deep Basin CGU.

While there are several inputs that are required to determine the recoverable amounts of the assets, the estimates and assumptions with the highest degree of subjectivity and judgment uncertainty are earnings before income taxes, depreciation and amortization ("EBITDA") margins and discount rates. Auditing these estimates and assumptions required a high degree of subjectivity in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort, including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the EBITDA margins and discount rates used to determine the recoverable amounts of the assets included the following, among others:

- Evaluated the reasonableness of forecasted EBITDA margins by considering the historical results, and evidence obtained in other areas of the audit.

- With the assistance of fair value specialists, evaluated the reasonableness of the discount rates by developing a range of independent estimates and comparing those to the discount rates selected by management.

Revenue Recognition - Refer to Note 3 and 19 of the financial statements

Key Audit Matter Description

The Company primarily generates revenue from 1) the sale of refined petroleum products including gasoline, low sulfur diesel and ancillary products including heavy fuel oil, liquified petroleum gas, ethanol and very low sulfur fuel oil, as well as renewable fuels and emissions credits; 2) gathering, storage, processing, natural gas liquids ("NGL") fractionation, and transportation revenue generated through arrangements that are designed to recover operating costs and provide a return on capital; and 3) marketing revenue from the sale of crude oil, and NGL's. Revenue from the rendering of services or the sale of goods is recognized when a specific performance obligation is satisfied through the transfer of goods or services to a customer.

Revenue is a key audit matter due to the significant audit effort required in performing audit procedures related to the Company's revenue recognition.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to revenue recognition included the following, among others:

- Obtaining and analyzing the executed contracts to understand the key facts and circumstances,
- Identifying the performance obligation and evaluating revenue recognition by obtaining and inspecting a combination of the following audit evidence: external confirmations, invoices, bill of ladings/shipping documents and cash receipts.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 IFRS Accounting Standards as issued by the IASB, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Mandeep Singh.

/s/ Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
March 26, 2025

Tidewater Midstream and Infrastructure Ltd.

Consolidated Statements of Financial Position

(Millions of Canadian dollars)

As at December 31	Notes		**2024**		2023
Assets					
Current					
Cash and cash equivalents		**$**	**0.1**	$	0.1
Accounts receivable			**159.1**		147.8
Derivative contracts			**7.9**		3.0
Inventory and emission credits	6		**132.8**		98.1
Prepaid expenses and other			**10.0**		18.1
Investments	7		**-**		336.6
Assets held for sale	9(d)(g)		**38.3**		-
Total current assets			**348.2**		603.7
Derivative contracts			**-**		1.0
Prepaid expenses and other			**6.8**		4.6
Investments	7		**35.4**		34.8
Right-of-use assets	8		**18.9**		46.9
Inventory	6		**35.1**		35.0
Property, plant and equipment	9		**796.6**		877.6
Total assets		**$**	**1,241.0**	$	1,603.6
Liabilities					
Current					
Accounts payable, accrued liabilities and provisions	10	**$**	**206.1**	$	360.7
Derivative contracts			**37.5**		31.0
Warrant liabilities	12		**0.2**		3.2
Bank debt	11		**14.8**		395.5
Second lien debt	12		**-**		24.5
Convertible debentures	13		**-**		73.3
Lease liabilities and other	15		**12.7**		36.5
Total current liabilities			**271.3**		924.7
Bank debt	11		**281.2**		89.8
Second lien debt	12		**160.0**		132.5
Convertible debentures	13		**89.8**		-
Derivative contracts			**3.7**		21.3
Decommissioning obligations	14		**87.7**		77.9
Lease liabilities and other	15		**14.3**		16.9
Total liabilities			**908.0**		1,263.1
Equity					
Attributable to shareholders			**290.6**		310.8
Attributable to non-controlling interest	18		**42.4**		29.7
Total equity			**333.0**		340.5
Total liabilities and equity		**$**	**1,241.0**	$	1,603.6

See the accompanying notes to the consolidated financial statements

Approved by the Board:

(signed) "Jeremy Baines", Director

(signed) "David Smith", Director

Tidewater Midstream and Infrastructure Ltd.
Consolidated Statements of Net Loss and Comprehensive Loss
(Millions of Canadian dollars, except per share information)

For the year ended December 31	Notes		**2024**		2023
Revenue	19	**$**	**1,640.5**	$	2,208.3
Operating expenses			**1,442.6**		2,051.9
Gross margin			**197.9**		156.4
General and administrative	21		**39.5**		51.3
Share-based compensation	22(c)		**5.0**		13.9
Depreciation	8,9		**90.5**		96.8
Operating income (loss)			**62.9**		(5.6)
Finance costs and other	20		**81.5**		99.9
Realized loss (gain) on derivative contracts			**42.4**		(17.3)
Unrealized (gain) loss on derivative contracts			**(17.9)**		52.8
Realized gain on marketable securities	7(a)		**(5.0)**		-
Unrealized gain on marketable securities			**-**		(5.9)
Impairment (reversal) expense	7,9		**(19.7)**		417.6
Loss (gain) on sale of assets	9(b)(f)		**1.0**		(110.8)
Income from equity investments	7(b)		**(3.7)**		(5.3)
Transaction costs			**4.7**		13.6
Loss before income tax			**(20.4)**		(450.2)
Deferred income tax recovery	16		**(1.6)**		(51.0)
Net loss and comprehensive loss		**$**	**(18.8)**	$	(399.2)
Net (loss) income and comprehensive (loss) income attributable to:					
Shareholders			**(26.6)**		(385.9)
Non-controlling interest			**7.8**		(13.3)
Net loss and comprehensive loss		**$**	**(18.8)**	$	(399.2)
Net loss per share attributable to shareholders:					
Basic and diluted	17(d)	**$**	**(0.06)**	$	(0.91)

See the accompanying notes to the consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.

Consolidated Statements of Changes in Shareholders' Equity

(Millions of Canadian dollars)

	Notes	Share capital	Equity reserves	Deficit	Non-controlling interest	Total equity
		Attributable to Shareholders of the Corporation				
Balance, January 1, 2024		$ 540.8	$ 22.9	$ (252.9)	$ 29.7	$ 340.5
Net (loss) income		-	-	(26.6)	7.8	(18.8)
Issuance of common shares	17(b)	3.0	(1.8)	-	-	1.2
Share issue costs (net of tax)	17(b)	(0.3)	-	-	-	(0.3)
Share-based compensation		-	0.7	-	-	0.7
Tidewater Renewables Ltd. issuance of common shares		-	-	-	4.9	4.9
Issuance of 2024 Convertible Debentures (net of tax)	13	-	5.0	-	-	5.0
Repayment of 2019 Convertible Debentures	13	-	(0.2)	-	-	(0.2)
Balance, December 31, 2024		**$ 543.5**	**$ 26.6**	**$ (279.5)**	**$ 42.4**	**$ 333.0**
Balance, January 1, 2023		$ 537.6	$ 19.9	$ 145.8	$ 43.0	$ 746.3
Net loss		-	-	(385.9)	(13.3)	(399.2)
Issuance of common shares	17(b)	3.3	(3.3)	-	-	-
Share issue costs (net of tax)	17(b)	(0.1)	-	-	-	(0.1)
Share-based compensation		-	6.3	-	-	6.3
Dividends declared	17(c)	-	-	(12.8)	-	(12.8)
Balance, December 31, 2023		$ 540.8	$ 22.9	$ (252.9)	$ 29.7	$ 340.5

See the accompanying notes to the consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.
Consolidated Statements of Cash Flows
(Millions of Canadian dollars)

For the year ended December 31	Notes	2024	2023
Cash provided by (used in):			
Operating activities			
Net loss		**$ (18.8)**	$ (399.2)
Adjustments:			
Non-cash share-based compensation		**0.7**	6.3
Depreciation	8,9	**90.5**	96.8
Interest and finance charges	20	**52.8**	70.9
Accretion and other	20	**24.6**	27.8
Unrealized loss (gain) on foreign exchange		**2.0**	(0.7)
Unrealized (gain) loss on derivative contracts		**(17.9)**	52.8
Realized gain on marketable securities	7(a)	**(5.0)**	-
Unrealized gain on marketable securities		**-**	(5.9)
Impairment (reversal) expense	7,9	**(19.7)**	417.6
Loss (gain) on sale of assets	9(b)(f)	**1.0**	(110.8)
Income from equity investments	7(b)	**(3.7)**	(5.3)
Deferred income tax recovery	16	**(1.6)**	(51.0)
Decommissioning costs incurred	14	**(4.4)**	(5.5)
Other non-cash expenses		**-**	6.4
Changes in non-cash operating working capital	23(a)	**(134.0)**	37.3
Net cash (used in) provided by operating activities		**(33.5)**	137.5
Financing activities			
Repayment of bank debt		**(191.3)**	(48.8)
Advances of second lien debt		**-**	25.0
Net proceeds from issuance of 2024 Convertible Debentures	13	**95.4**	-
Repayment of 2019 Convertible Debentures	13	**(75.0)**	-
Payment of lease liabilities and other	15	**(39.1)**	(49.2)
Interest and financing charges paid		**(55.0)**	(78.6)
Net proceeds from common share issuance		**1.0**	(0.1)
Payment of dividends		**-**	(17.0)
Changes in non-cash financing working capital	23(b)	**4.1**	-
Net cash used in financing activities		**(259.9)**	(168.7)
Investing activities			
Expenditures on property, plant and equipment	9(a)	**(44.9)**	(292.6)
Proceeds from capital emission credit sales	6	**23.6**	101.3
Receipt of government grant	9	**2.0**	2.6
Proceeds from sales of assets	7(a),9(c)	**353.2**	336.7
Contribution to investments		**-**	(46.8)
Changes in non-cash investing working capital	23(c)	**(40.5)**	(86.9)
Net cash provided by investing activities		**293.4**	14.3
Decrease in cash and cash equivalents		**-**	(16.9)
Cash and cash equivalents, beginning of year		**0.1**	17.0
Cash and cash equivalents, end of year		**$ 0.1**	$ 0.1

See the accompanying notes to the 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”), petroleum refining and renewables markets. The Corporation’s strategy is to profitably grow and create shareholder value by acquiring and building high quality, strategically located infrastructure. To achieve its business objective, Tidewater is focused on providing customers with a full service, vertically integrated value chain through the acquisition and development of energy infrastructure, including downstream facilities, natural gas processing facilities, natural gas liquids infrastructure, pipelines, storage, and various renewable initiatives. To complement its infrastructure asset base, the Corporation also markets crude, refined product, natural gas, NGLs and renewable products and services to customers across North America.

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.

Tidewater Renewables

Tidewater Renewables Ltd. (“Tidewater Renewables") is an energy transition company focusing on the production of low carbon fuels and is publicly traded on the TSX under the symbol “LCFS”. As at December 31, 2024, the Corporation owned 23.9 million common shares of Tidewater Renewables (December 31, 2023 - 23.9 million common shares), representing 66% of Tidewater Renewables’ issued and outstanding common shares (December 31, 2023 - 69%). The Corporation retains control over Tidewater Renewables and therefore consolidates the subsidiary.

2. BASIS OF PRESENTATION

a) Statement of compliance

The Corporation prepares its consolidated financial statements in accordance with IFRS® Accounting Standards as issued by the IASB. The accounting policies that follow have been consistently applied to all years presented.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 26, 2025.

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except as otherwise allowed for in accordance with IFRS Accounting Standards.

c) Basis of consolidation

Subsidiaries are entities controlled by the Corporation. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing these consolidated financial statements.

Non-controlling interest (“NCI”) represents the portion of equity ownership in a subsidiary not attributable to the Corporation’s shareholders. NCI is initially measured as the proportionate share of its interest in the subsidiary and is subsequently adjusted for the proportionate share of net income and comprehensive income attributable to the NCI, as well as any dividends paid to the NCI.

d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency, with all values presented in millions unless otherwise indicated.

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Revenue and expenses are translated using the average exchange rates for the period. Foreign currency differences arising on translation or from the settlement of foreign currency transactions are recognized in the statement of net income and comprehensive income.

e) Management's material accounting judgements, estimates and related assumptions

The timely preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions based on currently available information that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of financial position and the reported amounts of income and expenses during the reporting period. Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key sources of judgement and estimation uncertainty:

The following are the key judgements and estimates that have been made in the preparation of the consolidated financial statements that significantly impact the carrying amounts of assets and liabilities:

Judgements

i) Depreciation

Depreciation of an asset often requires management to make judgements regarding the determination of an asset's future economic benefit and useful life. Among other factors, these judgements are based on industry standards and historical experience.

ii) Impairment

The determination of an asset, cash generating unit ("CGU") or group of CGUs' impairment is based on management's judgements in regard to the existence of internal or external indicators of impairment. The determination of a CGU is also based on management's judgement in regard to determining the smallest group of assets that generate cash inflows independently of other assets. The asset composition of a CGU can directly impact the recoverability of the related assets. The allocation of assets into a CGU requires judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructure and the way in which management monitors the operations. In assessing recoverability, each CGU's carrying value is compared against the recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use.

iii) Revenue recognition

To determine the timing and amount of revenue recognition, management utilizes judgment, which includes the nature and type of performance obligations under contract, the timing of when such performance obligations have been satisfied and the likelihood that customers will have the ability to exercise any make-up rights that have accumulated before they expire.

iv) Joint arrangements and midstream operations

The Corporation is party to various joint operating, processing and other agreements in conjunction with its natural gas processing activities. The revenue and expenses allocated between partners are governed by the terms of these agreements and are subject to interpretation and audit by the applicable parties.

v) Deferred income tax

Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse.

Estimates

i) Depreciation

Processing facilities and related equipment are depreciated, net of estimated residual values, on a straight-line basis over their estimated useful lives. Where facilities and equipment, including major components, are significant in relation to the total cost of the assets and have differing useful lives, they are depreciated separately. Depreciation methods, useful lives and residual values are reviewed on an annual basis and, if necessary, any changes are accounted for prospectively.

ii) Decommissioning obligations

The carrying amount of decommissioning obligations depends on estimates of current pre-tax credit-adjusted risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures. The estimated costs for decommissioning obligations include such activities as dismantling, demolition and disposal of the facilities and equipment, as well as remediation and restoration of the sites.

iii) Share-based compensation

Tidewater Midstream and Tidewater Renewable use the fair value method of accounting for long-term incentive plans, which includes the incentive stock option plans, Restricted Share Units (“RSUs”), Performance Share Units (“PSUs”), Deferred Share Units (“DSUs”) and the Employee Stock Purchase Plans (“ESPP”). Estimates and assumptions are used in the appropriate valuation models to determine fair value.

For stock options, Tidewater Midstream and Tidewater Renewables use the Black-Scholes option pricing model, which requires that management make assumptions for the expected life of the option, the anticipated volatility of the share price over the life of the option, the risk-free interest rate for the life of the option and forfeiture rate.

iv) Impairment of property, plant and equipment

In determining the recoverable amount of assets in the absence of quoted market prices, estimates are made regarding the present value of future cash flows. Future cash flow estimates are based on future production profiles and reserves for surrounding wells, commodity prices, demand for refined product and costs. Estimates are also made in determining the discount rate used to calculate the present value of cash flows.

v) Derivative financial instruments

Fair values of derivative contracts fluctuate depending on the underlying estimates of future commodity prices and foreign currency exchange rates. The estimated fair value of all derivative financial instruments are based on observable market data, including commodity price curves, foreign currency curves and credit spread.

To estimate the fair value of warrant liabilities, the Corporation uses the Black-Scholes option pricing model which requires that management make assumptions for the expected life of the warrant, the exercise price of the warrant, the anticipated volatility of the share price over the life of the warrant, and the risk-free interest rate for the life of the warrant.

3. MATERIAL ACCOUNTING POLICIES

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

a) Financial instruments

Recognition and measurement

Tidewater measures financial assets at amortized cost if the asset is held with the objective to collect contractual cash flows on specified dates that are solely payments of principal and interest. At initial recognition, financial assets are recognized at fair value plus transaction costs. Subsequent to initial recognition, these financial assets are recorded at amortized cost using the effective interest method less any impairment losses. At each statement of financial position date an assessment is made whether there is objective evidence that a financial asset is impaired based on expected credit loss information. For the Corporation's financial assets measured at amortized cost, loss allowances are determined based on the expected credit loss over the asset's lifetime. Expected credit losses are a probability-weighted estimate of credit losses, considering possible default events over the expected life of a financial asset.

The Corporation classifies financial assets or liabilities as fair value through profit or loss when the financial instrument is held with the objective to sell the asset or settle the liability within a short period of time. These financial instruments are measured at fair value on initial recognition and subsequently remeasured at fair value, with changes in the fair values recognized in net income. Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in the statement of net income and comprehensive income. Investments in level one fair value hierarchy securities are carried at their period-end trading price (level one fair value hierarchy estimate).

Where a financial liability is not measured at fair value through profit or loss, it is measured at amortized cost. For interest bearing debt, this is the fair value of the proceeds received net of transaction costs associated with the borrowing. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

The Corporation derecognizes financial assets when the contractual rights to the cash flow expire or when the rights to receive the cash flow are transferred in a transaction in which either: substantially all of the risks and rewards of ownership of the financial asset are transferred; or the Corporation neither transfers nor retains substantially all of the risks and rewards of ownership; and it does not retain control of the financial asset. In transactions where the Corporation retains either all or substantially all of the risks and rewards of the transferred assets they are not derecognized.

The Corporation has classified and measured all financial instruments at amortized cost except for cash and cash equivalents, current investments, derivative contracts, and the warrant liabilities which are measured at fair value through profit and loss.
Derivative contracts

Derivative contracts executed by the Corporation to manage market risk are classified as fair value through profit or loss. The estimated fair value is determined by reference to observable market data including commodity price curves, foreign currency curves and credit spreads. Transaction costs are charged to the consolidated statements of net income and comprehensive income as incurred. Realized gains and losses on these contracts are recorded as gains and losses on derivative contracts in the consolidated statement of net income and comprehensive income in the period they occur. Changes in the fair value of derivative contracts are recorded as unrealized gains and losses on derivative contracts in the consolidated statement of net income and comprehensive income.

Derivatives may include those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. For embedded derivatives within a financial asset host contract, the embedded derivative is not separated from the host contract and instead, the whole contract is accounted for as a single instrument. For embedded derivatives within a financial liability host contract, the embedded derivative is separated from the host contract and accounted for as a derivative instrument.

Fair value hierarchy

The Corporation classifies the fair value of financial instruments according to the following hierarchies based on the amount of observable inputs used to value the instruments:

- Level 1 – values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value of any marketable securities has been derived with reference to the quoted closing bid prices of the underlying securities. The Corporation has used level 1 inputs to determine the fair value of the convertible debentures and current investments in marketable securities.
- Level 2 – values based on inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. Such inputs can be corroborated with other observable inputs for substantially the complete term of the contract. The Corporation has used level 2 inputs to determine the fair value of certain investments, derivative contracts and the warrant liabilities.
- Level 3 – values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. The Corporation does not use any level 3 inputs for its fixed rate debt or derivative financial instrument fair value measurements.

b) Joint arrangements

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint ventures are accounted for using the equity method.

The Corporation may conduct certain activities through jointly controlled operations. The consolidated financial statements reflect only Tidewater's rights to assets and obligations for liabilities in such activities. Joint control exists for contractual arrangements governing Tidewater's assets whereby Tidewater has less than 100% working interest, all of the partners have control of the arrangement collectively, and spending on the project requires unanimous consent of all parties who collectively control the arrangement and share the associated risks. The Corporation consolidates all joint operations in line with its rights to assets and obligation for liabilities as follows:

- in the consolidated statement of financial position for the Corporation's share of the assets held jointly and the liabilities for which it is jointly responsible; and
- in the consolidated statements of net income and comprehensive income for the Corporation's share of the income and expenses generated by the jointly controlled operation.

c) Inventory

Inventories are valued at the lower of weighted average cost or net realizable value. Costs include direct purchase costs, transportation, and an appropriate portion of fixed and variable overhead costs incurred in converting materials into finished goods, based on the normal production capacity. When the costs of joint products are not separately identifiable, they are allocated based on their expected relative sales values. Net realizable value is the estimated selling price for inventories less the estimated costs to sell.

The reversal of previous net realizable value write-downs is recorded when there is a subsequent increase in the value of inventories.

Long-term inventory is recorded at historical cost and consists of crude oil, NGL and natural gas. The Corporation classifies as long-term inventory:

- its proportionate share of barrels used to fill a pipeline such that when an incremental barrel is pumped into or enters a pipeline it forces product out at another location; and
- barrels that represent the minimum working requirements in tanks.

Carrying amounts of long-term inventory that are not expected to be recoverable through future cash flows are written down to net realizable value.

d) Emission credits and allowances

Under the British Columbia low carbon fuel standard and Canadian clean fuel regulations, emission credits are issued for supplying or offering for sale fuels with a carbon intensity below the targets in the relevant jurisdiction (collectively “operating emission credits”) or for achieving certain capital project investment milestones under an agreement with the government of British Columbia (“capital emission credits”).

The operating emission credits obtained with renewable fuel production can be sold with the renewable fuel, sold separately, or used by the Corporation to offset carbon emission liabilities. Such operating emission credits are held for sale in the ordinary course of business as inventory at cost and carried at the lower of cost or net realizable value. When the costs of joint products are not separately identifiable, they are allocated based on their expected relative sales values. Net realizable value is the estimated future sales price of the operating emission credits the Corporation expects to realize when they are sold, less estimated costs to sell. The number of operating emission credits issued is determined based on pre-approved carbon intensities of feedstock consumed.

The Corporation recognizes revenue for operating emission credits generated, that is in the ordinary course of business, when it transfers control of the emission credits to the customer. When the Corporation offsets the calculated emission liability with operating emission credits, the difference between the proceeds received and the carrying value of the operating credits is recognized on a net basis as other income when the relevant emission compliance report is filed.

Capital emission credits granted to the Corporation under the British Columbia low carbon fuel standard for achieving certain capital project investment milestones are valued at fair value less costs to sell. The cost to sell is usually nominal. Fair value is determined based on market prices or forward contracted prices. When earned, the emission credits are recognized in inventory as held for sale. Subsequent to initial recognition, any changes to fair value less cost to sell are recorded in the consolidated statements of net income and comprehensive income. Proceeds from the sale of capital emission credits are presented within investing activities in the consolidated statements of cash flows.

e) Assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable, and the asset is available for immediate sale in its present condition. For the sale to be highly probable, management must be committed to sell the asset and an active program to locate a buyer and complete the sale must have been initiated. In addition, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale should be expected to be completed within one year from the date of classification. Assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs of disposal, with impairments recognized in the consolidated statement of net income and comprehensive income in the period measured. Assets held for sale are not depreciated.

f) Investments

Short-term investments in marketable securities are accounted for at fair value through profit and loss and remeasured each period with gains and losses recognized in net income. Dividends received on investments are recognized in the statement of net income and comprehensive income.

Equity investments are initially measured at cost and are adjusted for the Corporation's proportionate share of earnings or losses. Equity investments are increased for contributions made and decreased for distributions received. The Corporation funds its portion of development, construction or capital expansion projects through capital contributions and classifies these contributions as cash used in investing activities in its consolidated statement of cash flows. The Corporation considers distributions received as a return on investment to the extent that the distribution was generated through operating results, and therefore classifies these distributions as cash flows from operating activities in its consolidated statement of cash flows. An equity method investment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. When such a condition is deemed other than temporary, the carrying value of the investment is written down to its fair value, and an impairment charge is recorded in the consolidated statement of net income and comprehensive income.

g) Leases

Lease identification and initial measurement

The Corporation assesses each new contract to determine whether it contains a lease. A specific asset is the subject of a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation allocates contract consideration to the lease and non-lease components on the basis of their relative stand-alone prices.

The lease liability and initial right-of-use asset are recognized at the lease commencement date measured at the present value of fixed lease payments (including in-substance fixed payments) plus the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, discounted at a rate the Corporation would be required to borrow over a similar term.

Subsequent measurement

After initial recognition, the lease liability is accreted for the passage of time and reduced for lease settlements made during each period. For leases denominated in a currency other than the Corporation's functional currency, the lease liability is considered a monetary item and is revalued at each reporting date.

After initial recognition, the right-of-use asset is depreciated on a straight-line basis over the term of the lease. The right-of-use asset is considered a non-monetary item and is reported using the exchange rate at the lease commencement date. Similar to property, plant and equipment, right-of-use assets are subject to the impairment requirements of IAS® Standards 36, Impairment of Assets. The Corporation assesses right-of-use assets whenever events or changes in circumstances indicate that the carrying value of the right-of-use asset may not be recoverable. An impairment loss is recognized immediately in the consolidated statement of net income and comprehensive income for the amount that the right-of-use asset's carrying amount exceeds its recoverable amount.

h) Property, plant and equipment

Measurement

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Initial cost includes expenditures that are directly attributable to the acquisition or construction of the asset, any other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, estimated decommissioning provisions and borrowing costs on qualifying assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Corporation and the costs can be measured reliably.

Major maintenance programs (turnaround costs) comprise of costs of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Corporation, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection. All other repair and maintenance costs are expensed as incurred.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recognized separately in the consolidated statement of net income and comprehensive income.

Depreciation

Depreciation commences when property, plant and equipment are considered available for use. Assets under construction are not depreciated until they are in the location and condition necessary to be capable of operating in the manner intended by management. Depreciation is recognized in the statement of net income and comprehensive income on a straight-line basis over the useful lives of each component of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Major maintenance (turnaround costs) are depreciated over the period to the next scheduled maintenance. Depreciation method and useful lives of the assets are reviewed annually and adjusted on a prospective basis when required.

The estimated useful lives of the Corporation’s property, plant and equipment are as follows:

Crude refining, processing and storage facilities	20 to 50 years
Renewable fuel refinery units	20 to 60 years
Processing and storage facilities and equipment (1)	20 to 30 years
Turnaround costs	4 to 5 years
Other equipment	2 to 25 years

(1) Certain Pipestone assets had an estimated useful life of 75 years. These assets were sold on December 22, 2023.

Impairment

The carrying values of the Corporation’s property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. These indicators include, but are not limited to, the economic performance of the assets, the Corporation’s business plans, changes in commodity prices leading to lower activity levels, an increase in the discount rate and evidence of physical damage. If any such indication exists, then the CGU’s recoverable amount is estimated.

For the purpose of assessing impairment, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or CGUs. Recoverability is measured by comparing the carrying amount of the asset or the CGU to which the asset belongs to the higher of its value in use and its fair value less costs of disposal. Value in use is calculated using estimated discounted future cash flows generated by the asset or its CGU. The Corporation estimates fair value less cost to sell based upon recent market transactions for similar assets. In the absence of such transactions, an appropriate valuation model is used.

An impairment loss is recognized if the carrying amount of an asset or its respective CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. An impairment loss in respect of property, plant and equipment recognized in prior years is 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 depreciation if no impairment loss had been recognized. Reversals of impairment losses are recognized in net income.

i) Government grants

Government grants are recognized at fair value where there is reasonable assurance that the grant will be received and any conditions attached to the grant will be fulfilled. Grants related to the acquisition of long-term assets are deducted from the carrying amount of the related asset which reduces the depreciation expense recognized in net income over the useful life of the related asset. Grants that compensate the Corporation for expenses incurred are recognized as a reduction to expenses in the same periods in which the expenses are incurred.

j) Provisions and contingent liabilities

Provisions are recognized by the Corporation when a legal or constructive obligation exists as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation. A contingent liability is recorded when it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event.

From time to time, the Corporation will assume a counterparty's emission liabilities for cash proceeds. Provisions for emission liabilities are initially recorded in the period when the emission liability is assumed using the best estimate of the cost required to settle the obligation and is remeasured at each reporting date. The Corporation may use certain operating and capital emission credits, or a portion thereof, towards the settlement of this liability when the relevant emission compliance report is filed, and any gain or loss is recognized as other income. Emission compliance reports are filed on an annual or quarterly basis.

Provisions for decommissioning obligations are recognized for decommissioning and restoration obligations associated with the Corporation's property, plant and equipment. The best estimate of the expenditures required to settle the present obligation at each reporting date are recorded on a discounted basis using the pre-tax credit-adjusted risk-free interest rate. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated property, plant and equipment asset and depreciated in accordance with the depreciation policy. The obligation is accreted over time through charges to finance costs and other. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows or to the discount rate are recognized as changes in the decommissioning obligation and associated property, plant and equipment asset. Actual decommissioning expenditures up to the recorded liability at the time are charged against the obligation as the costs are incurred.

k) Convertible debentures

Convertible debentures are a non-derivative financial instrument that creates a financial liability for the entity and grants an option to the holder of the instrument to convert it into common shares of the Corporation. The liability component of the debentures is initially recorded at the fair value of a similar liability that does not have a conversion option. The equity component is recognized initially, net of deferred income taxes, as the difference between gross proceeds and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds. Subsequent to initial recognition, the liability component of the debentures is measured at amortized cost using the effective interest method and is accreted each period, such that the carrying value will equal the principal amount outstanding at maturity. The equity component is not re-measured. The carrying amounts of the liability and equity components of the debentures are reclassified to shareholders' capital on conversion to common shares.

l) Income taxes

Income taxes are comprised of current and deferred taxes. Income taxes are recognized in net income (loss) except to the extent that they relate to items recognized directly in equity, in which case the related income taxes are also recognized directly in equity.

Current income taxes are based on the expected taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred taxes are recognized using the liability method, providing for 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. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized.

m) Revenue

Revenue is measured at the fair value of the consideration received or receivable, after eliminating intercompany sales. Revenue from the rendering of services or the sale of goods is recognized when a specific performance obligation is satisfied through the transfer of goods or services to a customer.

In addition to the above general principle, the Corporation also applies the following specific revenue recognition policies:

i) Conventional gasoline and diesel and other refined product revenue

The Corporation generates revenue from the sale of refined petroleum products, including gasoline, low sulphur diesel, and ancillary products including, but not limited to, heavy fuel oil (“HFO”), liquified petroleum gas (“LPG”), ethanol and very low sulfur fuel oil (“VLSFO”). Revenue contracts are usually for periods of less than one year and contracted prices are based on a market index price. Revenue is recognized when control of the products is transferred to the customer at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those products. Performance obligations associated with the sale of these products are satisfied at the point in time when the products are delivered to and/or title passes to the customer.

ii) Renewable fuels revenue

The Corporation generates revenue from the sale of refined renewable fuels, primarily renewable diesel. Revenue contracts are usually for periods of less than one year and contracted prices are based on a market index price. Revenue from the sale of renewable diesel is recognized when the refined product is transferred to the customer at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for the products. Performance obligations associated with the sale of these products are satisfied at the point in time when the products are delivered to and/or title passes to the customer based on the actual volumes sold at the delivery point.

iii) Emission credits revenue

The Corporation recognizes emission credit revenue when ownership of the credits is transferred or when cash is received. Operating BC LCFS emission credits and CFR emission credits are generated at the point of sale of the renewable fuels and revenue is recognized at an amount that reflects the consideration to which the Corporation expects to be entitled from the sale of the emission credits. Performance obligations associated with the sale of emission credits are satisfied at the point in time when emission credits are delivered to and/or title passes to the customer.

iv) Fee for service revenue

Fee for service revenue is generated from gathering, storage, processing, NGL fractionation, and transportation of natural gas, condensate, and NGLs (natural gas liquids). Gathering and processing revenue is generated through arrangements that are designed to recover operating costs and provide a return on capital. Fees are charged for processing natural gas, condensate and for NGL fractionation services through a combination of month-to-month and multi-year agreements and processing arrangements. The performance obligation from this form of revenue is normally met in the period in which the services are rendered, in accordance with the applicable third-party agreements. Under these arrangements, a fee is charged per unit transported or processed, or through the recovery of operating costs for the facility based upon that customer's pro-rata share of total facility throughput. Users of each facility are charged a fee per unit based upon that customer's pro-rata share of total throughput, with an adjustment to actual costs and throughput completed after the end of each year.

Throughput volumes and operating costs are reviewed to determine whether the estimated unit fee charged properly reflects the actual volumes and costs. The allocation of revenues and operating costs to other plant owners are also reviewed. Amounts collected in excess of the recoverable amounts are recorded as a current liability and recoverable amounts in excess of the amounts collected are recorded as a current receivable.

The Corporation's gas storage assets store natural gas for customers. Storage revenue is generated through arrangements to acquire, inject, store, withdraw and dispose of customers' natural gas. The performance obligation from this form of revenue is normally met in the period in which the services are rendered, in accordance with the applicable third-party agreements. Under these arrangements, the fee is recognized in the period in which the gas acquisition, injection, storage, withdrawal, or disposition occurs. Because the Corporation does not take title to the customer's gas, the Corporation's gas storage inventory transactions are not recorded on the statement of financial position.

v) NGL and crude oil marketing

Tidewater generates revenue from marketing activities related to the sale of crude oil and NGLs. These activities involve purchasing, aggregating, and reselling products to third-party customers. Contracts are usually for periods less than one year and prices are normally based on a market index price adjusted for transportation, quality, and regional differentials. The performance obligations are satisfied when the customer takes possession of the product and title has transferred to the customer based on the actual volumes sold at the delivery point.

n) Operating and general and administrative expenses

Operating expenses consist of the weighted average cost of crude oil, natural gas, NGLs and renewable feedstocks; storage and transportation fees including pipeline, truck and rail; various field operating expenses, including salaries and benefits for operations personnel; fuel and power costs; emission expense; maintenance and integrity management costs; regulatory compliance; insurance; and property taxes. General and administrative expenses consist primarily of salaries and benefits; legal fees; information systems; contract and consultant costs; and audit and tax fees.

o) Share-based compensation

Tidewater Midstream and Tidewater Renewables each have share-based incentive plans in the form of stock options, DSUs, RSUs, PSUs and ESPP.

Stock options granted to directors, officers, employees and consultants of Tidewater Midstream and Tidewater Renewables are accounted for using the fair value method. The fair value of each option granted is estimated on the grant date and that value is recorded as share-based compensation expense over the vesting period of the grants, with a corresponding increase to employee share reserve. The consideration received by Tidewater Midstream and Tidewater Renewables on the exercise of stock options is recorded as an increase to the respective entity's share capital together with corresponding amounts previously recognized as employee share reserve. Forfeitures are estimated based on historical information for each reporting period and adjusted as required to reflect actual forfeitures that have occurred in the period. In order to record share-based compensation expense, Tidewater Midstream and Tidewater Renewables each estimates the fair value of stock options granted using assumptions related to interest rates, expected lives of the options, volatility of the underlying security, forfeiture rates and expected dividend yields.

DSUs granted to directors of Tidewater Midstream and Tidewater Renewables are accounted for using the fair value method. Although DSUs vest immediately, they can only be redeemed upon termination or separation of services. DSUs may be settled in cash or in shares at the option of Tidewater Midstream or Tidewater Renewables. The fair value of each unit granted is estimated on the grant date and that value is recorded as share-based compensation expense, with a corresponding increase to employee share reserve. In order to record share-based compensation expense, Tidewater Midstream and Tidewater Renewables each estimates the fair value of the units granted using assumptions related to interest rates, volatility of the underlying security and expected dividend yields.

RSUs granted to directors, officers, employees and consultants of Tidewater Midstream and Tidewater Renewables are accounted for using the fair value method. The fair value of each RSU granted is estimated on the grant date and that value is recorded as share-based compensation expense over the vesting period of the grants, with a corresponding increase to employee share reserve. RSUs generally vest over three years, expire at the end of the third year, and can be settled by either cash or equity at the discretion of the issuing entity. Forfeitures are estimated based on historical information for each reporting period and adjusted as required to reflect actual forfeitures that have occurred in the period. In order to record share-based compensation expense, Tidewater Midstream and Tidewater Renewables each estimates the fair value of RSUs granted using assumptions related to interest rates, volatility of the underlying security, forfeiture rates and expected dividend yields.

PSUs are granted to officers, employees and consultants of Tidewater Midstream and Tidewater Renewables. The Board of Directors of each entity designates, at the time of grant, the date or dates on which all or a portion of the PSUs will vest and any performance conditions to such vesting. The fair value of the PSUs is determined on the grant date based on the market price of the respective entity’s common shares on the grant date. PSUs issued to participants are held by the plan trustee and are recorded as an employee share reserve. PSUs will be settled in equity in the amount equal to the fair value of the PSU on that date. The fair value is expensed over the vesting term on a graded vesting basis and represents the fair value for the graded vested portion of the PSUs outstanding. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of PSUs that vest.

The Savings Plan and ESPP allow eligible employees of Tidewater Midstream and Tidewater Renewables to contribute cash into the Savings Plan or purchase common shares of the entity they are employed by via the ESPP plan. Tidewater Midstream and Tidewater Renewables will match 100% of the employee’s contribution, up to a maximum of 5% of the employee’s base salary into the plans as elected by the employees. For the ESPP, the shares are acquired on the TSX consistent with the timing of the employee’s remuneration. The cost of the shares purchased to match the employee’s contribution is expensed as incurred.

p) Earnings per share

Basic earnings per share is computed by dividing net income attributable to shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if contracts to issue common shares were exercised, fully vested, or converted to common shares. The weighted average number of diluted shares is calculated in accordance with the treasury stock method for share awards and the if-converted method for potentially issuable common shares through convertible debentures. The treasury stock method assumes that proceeds received from the exercise of in-the-money dilutive instruments are used to repurchase common shares at the average market price during the period. The if-converted method assumes the conversion of convertible debentures at the beginning of the reporting period.

4. CHANGES IN ACCOUNTING POLICIES

a) New accounting policies

Amendments to IAS Standards 1 Presentation of Financial Statements

On January 1, 2024, Tidewater adopted the amendments to IAS Standards 1 *Presentation of Financial Statements* as issued by the IASB that clarify its requirements for the presentation of liabilities as current or non-current in the statement of financial position and specify the classification and disclosure of a liability with covenants. There was not a material impact to Tidewater's financial statements.

b) Future accounting pronouncements

Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

In May 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* relating to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. The amendments will be effective on January 1, 2026, but are not expected to have a material impact on Tidewater's financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements ("IFRS 18")* was issued by the IASB on April 9, 2024. IFRS 18 replaces IAS 1 *Presentation of Financial Statements* and will be applied to annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. IFRS 18 introduces a revised structure for the consolidated statements of net loss, requires disclosures for certain management-defined performance measures, and enhanced requirements for grouping of information in the financial statements. Tidewater is currently assessing the impact of adopting IFRS 18 on the consolidated financial statements.

5. 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. As at December 31, 2024, $1.3 million was recognized as a payable from Tidewater Midstream and was subsequently paid in the first quarter of 2025.

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 until June 2025, 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.

While the Transaction had a $NIL impact on net income and the property, plant and equipment of the consolidated group, the Transaction improved liquidity for Tidewater Renewables. The debt refinancings associated with the Transaction are discussed in notes 11 and 12.

6. INVENTORY AND EMISSION CREDITS

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

		December 31, 2024		December 31, 2023
Feedstocks	**$**	**27.1**	$	42.7
Refined products		**37.9**		27.4
Materials and supplies		**10.0**		7.8
Marketing inventory		**6.7**		4.3
Operating emission credits		**49.8**		15.9
Capital emission credits		**1.3**		-
Total current inventory and emission credits		**132.8**		98.1
Long-term inventory		**35.1**		35.0
Total inventory and emission credits	**$**	**167.9**	$	133.1

For the years ended December 31, 2024, and 2023, all inventory and operating emission credits were carried at cost and $NIL was carried at net realizable value. The cost of inventory and operating emission credits expensed for the year ended December 31, 2024, was $1,266.4 million (December 31, 2023 - $1,747.5 million).

The following table summarizes the Corporation's capital emission credits that are recorded within inventory:

		2024		2023
Balance, beginning of year	**$**	**-**	$	23.5
Emission credits awarded (note 9)		**46.5**		82.7
Emission credits sold for cash proceeds		**(23.6)**		(101.3)
Emission credits utilized to reduce emission liability		**(21.6)**		(4.9)
Balance, end of year	**$**	**1.3**	$	-

7. INVESTMENTS

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

		December 31, 2024		December 31, 2023
Investment in AltaGas common shares	**$**	**-**	$	336.6
Investment in Rimrock Cattle Company Ltd. (1)		**35.4**		30.9
Other investments at fair value		**-**		3.9
Total	**$**	**35.4**	$	371.4

(1) Accounted for by the equity method.

a) Investment in AltaGas common shares

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.

b) Equity investments

The tables below provide summarized financial information (presented at 100 percent) for the Pipestone Partnership (note 9(b)) and Rimrock Cattle Company:

Net income and comprehensive income

	Pipestone Partnership [1]		Rimrock Cattle Company	
For the year ended December 31	**2024**	2023	**2024**	2023
Revenue	**$ -**	$ 18.3	**$ 244.4**	$ 199.7
Operating expenses	**-**	5.8	**237.7**	211.0
General and administrative	**-**	-	**1.9**	1.8
Depreciation	**-**	1.6	**3.3**	3.3
Gain on commodity contracts	**-**	-	**(2.7)**	(0.2)
Unrealized gain on revaluation of biological assets	**-**	-	**(13.6)**	(22.6)
Finance costs and other	**-**	4.1	**6.1**	4.3
Income tax expense	**-**	-	**2.7**	0.7
Net income and comprehensive income	**$ -**	$ 6.8	**$ 9.0**	$ 1.4
Net income and comprehensive income attributable to Tidewater	**$ -**	$ 4.6	**$ 4.5**	$ 0.7

(1) Results for the Pipestone Partnership are presented up to and including December 22, 2023, when the remaining 15% interest in the Partnership was acquired and subsequently sold to AltaGas. The net income and comprehensive income attributable to Tidewater was for the period January 1, 2023, to August 31, 2023, at which point the Pipestone assets were classified as held for sale.

Statement of financial position

	Rimrock Cattle Company	
As at December 31	**2024**	2023
Current assets	**$ 111.9**	$ 97.6
Non-current assets	**65.8**	67.8
Current liabilities	**78.0**	62.4
Non-current liabilities	**28.7**	41.3

c) Fair value investments

In the third quarter of 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 investments. Consequently, the Corporation recognized an impairment of $3.9 million on its investments during the year. 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.

8. RIGHT-OF-USE ASSETS

Right-of-use assets are comprised of the following:

	Pipelines and storage tanks	Rail cars	Buildings, field equipment and surface leases	Total
Cost				
Balance, January 1, 2023	$ 75.4	$ 68.1	$ 15.0	$ 158.5
Additions	-	2.9	2.9	5.8
Disposals	-	(2.7)	(2.1)	(4.8)
Terminations	(9.7)	(0.2)	(0.5)	(10.4)
Sale of Pipestone assets (note 9(b))	-	-	(2.1)	(2.1)
Balance, December 31, 2023	$ 65.7	$ 68.1	$ 13.2	$ 147.0
Additions	-	-	2.3	2.3
Disposals	(65.7)	(10.1)	(2.9)	(78.7)
Terminations	-	(0.1)	(1.2)	(1.3)
Balance, December 31, 2024	$ -	$ 57.9	$ 11.4	$ 69.3
Accumulated Depreciation				
Balance, January 1, 2023	$ 22.3	$ 36.8	$ 6.6	$ 65.7
Depreciation	18.0	11.1	3.3	32.4
Impairment	12.2	-	-	12.2
Disposals	-	(2.7)	(2.1)	(4.8)
Terminations	(4.3)	-	(0.3)	(4.6)
Sale of Pipestone assets (note 9(b))	-	-	(0.8)	(0.8)
Balance, December 31, 2023	$ 48.2	$ 45.2	$ 6.7	$ 100.1
Depreciation	17.5	9.3	2.4	29.2
Disposals	(65.7)	(10.1)	(2.9)	(78.7)
Terminations	-		(0.2)	(0.2)
Balance, December 31, 2024	$ -	$ 44.4	$ 6.0	$ 50.4
Net book value				
December 31, 2023	$ 17.5	$ 22.9	$ 6.5	$ 46.9
December 31, 2024	**$ -**	**$ 13.5**	**$ 5.4**	**$ 18.9**

9. 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 (note 9(b))		(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		-		44.9		44.9
Capital emission credits awarded		(38.1)		(8.4)		(46.5)
Receipt of government grant		-		(2.0)		(2.0)
Completed projects		45.8		(45.8)		-
Impairment		-		(0.4)		(0.4)
Disposals		(15.9)		(4.0)		(19.9)
Reclassification to assets held for sale		(24.0)		(12.9)		(36.9)
Decommissioning asset		7.2		-		7.2
Balance, December 31, 2024	$	1,480.4	$	5.0	$	1,485.4
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 (note 9(b))		(34.0)		-		(34.0)
Balance, December 31, 2023	$	661.4	$	-	$	661.4
Depreciation		61.3		-		61.3
Impairment reversal		(24.3)		-		(24.3)
Disposals		(9.6)		-		(9.6)
Balance, December 31, 2024	$	688.8	$	-	$	688.8
Net book value						
December 31, 2023	$	844.0	$	33.6	$	877.6
December 31, 2024	**$**	**791.6**	**$**	**5.0**	**$**	**796.6**

b) Sale of the Pipestone gas plant and Dimsdale gas storage assets

On December 22, 2023, Tidewater completed the sale of its Pipestone natural gas plant and Pipestone expansion project (collectively "Pipestone"), the Pipestone Partnership which owns the Dimsdale natural gas storage facility, and associated gathering and other infrastructure to AltaGas for gross proceeds before closing adjustments of $665.0 million (the "Pipestone Transaction").

Immediately prior to the close of the Pipestone Transaction, Tidewater acquired the remaining 15% joint venture interest in the Pipestone Partnership.

The net proceeds received on close of the Pipestone Transaction consisted of $328.3 million in cash and 12,466,437 AltaGas common shares (note 7).

Tidewater recognized a gain on sale of assets of $111.6 million related to the Pipestone Transaction.

The following table summarizes the assets and liabilities of Pipestone and the investment in the Pipestone Partnership, that were sold on December 22, 2023:

		Pipestone		Pipestone Partnership (1)		Total
Net working capital	$	42.9	$	-	$	42.9
Investments		-		111.8		111.8
Right-of-use assets (note 8)		1.3		-		1.3
Inventory		6.1		-		6.1
Property, plant and equipment (note 9(a))		475.8		-		475.8
Pipestone assets		526.1		111.8		637.9
Decommissioning obligations (note 14)		0.7		-		0.7
Lease liabilities and other (note 15)		89.8		-		89.8
Pipestone liabilities		90.5		-		90.5
Net assets	**$**	**435.6**	**$**	**111.8**	**$**	**547.4**

(1) The investment in the Pipestone Partnership was accounted for by the equity method until the investment was classified as held for sale on August 31, 2023.

c) 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 $3.7 million. Total proceeds include $2.0 million of contingent consideration that was received in the fourth quarter of 2024.

Total proceeds	$	10.6
Net assets sold		(6.9)
Gain on Feedstock Assets Sale	**$**	**3.7**

The cash proceeds from the Feedstock Assets Sale were used to repay amounts outstanding on Tidewater Renewable's Senior Credit Facility (note 11).

d) Sale of Rimrock Renewables Limited Partnership

During 2024, the Corporation classified its interest in the Rimrock Renewables Limited Partnership ("RNG Partnership") 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 December 31, 2024, the RNG Partnership assets that have been reclassified are as follows:

Working capital (1)	$	1.4
Property, plant and equipment		12.9
Assets held for sale	**$**	**14.3**

(1) Includes cash of $1.6 million, and an accounts receivable, prepaid expenses and accounts payable net balance of $0.1 million.

On January 10, 2025, Tidewater completed the sale of its interest in the RNG Partnership (note 28(a)).

e) Impairment and impairment reversal

		2024		2023
Deep Basin CGU (1)(2)	$	(24.3)	$	390.0
North CGU		-		11.4
Other		0.4		4.0
Total relating to property, plant and equipment	$	(23.9)	$	405.4
Total relating to right-of-use assets (note 8)		-		12.2
Total relating to investments (note 7(c))		3.9		-
Total relating to accounts receivable (note 9(d))		0.3		
Total	$	(19.7)	$	417.6

(1) 2024 includes the Ram River Gas Plant and the Brazeau River Complex. 2023 includes the Brazeau River Complex; Acheson gas plant, rail and blending terminal; and other non-core facilities.
(2) The 2023 impairment expense recorded for the Deep Basin CGU was the result of market conditions, underutilization of the facilities, and cost escalations.

At December 31, 2024, Tidewater recorded $24.3 million of net reversals of previously recorded impairment charges to the Deep Basin CGU. The impairment reversal resulted from a net increase in the estimated recoverable amount of certain assets within the CGU compared to the prior impairment assessment performed at December 31, 2023. The increase in the net estimated recoverable amount was primarily due to the elimination of the take-or-pay fees paid to Tidewater Renewables as a result of the Transaction, and the review of the recoverable amount of the Brazeau River Complex roadway network as a result of the imminent sale (note 9(g) and note 28(b)). The recoverable amounts were calculated based on fair value less costs to dispose or value in use, which represents the estimated net present value of the cash flows expected to be derived from the asset.

During the year ended December 31, 2023, the Corporation identified through its impairment reviews that certain assets had carrying values that were greater than their recoverable amounts. The recoverable amount for each asset was calculated based on value in use, which represents the estimated net present value of the cash flows expected to be derived from the asset, or fair value less costs to dispose.

f) Other

During the year ended December 31, 2024, Tidewater disposed of certain non-core assets that resulted in a loss of $1.0 million (December 31, 2023 - loss of $0.8 million).

g) Sale of Brazeau River Complex roadway network

During the fourth quarter of 2024, the Corporation classified $24.0 million of property, plant and equipment associated with the Brazeau River Complex roadway network (the "BRC Roadway Network") 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 a $24.0 million reversal of previously recorded impairment charges on property, plant & equipment related to the asset. The recoverable amount was determined based on the assets fair value less costs of disposal and based on the expected consideration.

On March 24, 2025, Tidewater completed the sale of the BRC Roadway Network (note 28(b)).

10. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND PROVISIONS

		December 31, 2024		December 31, 2023
Trade and accrued payables	$	178.6	$	258.8
Deferred revenue		0.8		0.8
Interest payable		3.5		6.3
Emission liabilities and provisions		-		46.8
Secured liability		-		24.8
Government grant		16.2		16.2
Current portion of decommissioning obligation (note 14)		7.0		7.0
Total accounts payable, accrued liabilities and provisions	$	206.1	$	360.7

Emission liabilities and provisions

Emission liabilities are typically recorded upon the sale of refined petroleum products, including gasoline, low sulphur diesel, and ancillary products, based on their carbon intensity. The Corporation may use certain operating and capital emission credits, or a portion thereof, towards the settlement of this liability.

During 2024, Tidewater's emissions liability was fully offset by credits purchased under the Transaction. Additional credits purchased above the emissions liability are recorded in inventory.

During 2023, Tidewater Renewables assumed emission liabilities from counterparties in exchange for cash proceeds of $18.5 million and recognized a provision of $18.5 million in accounts payable, accrued liabilities and provisions to satisfy these obligations as at December 31, 2023. The provision was settled in the first quarter of 2024.

Secured liability

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

Government grant

The Corporation received a $20.0 million grant in 2021 under the Government of Alberta's *Industrial Energy Efficiency and Carbon Capture Utilization and Storage Program* to be used solely for project expenditures related to reducing carbon emissions. Tidewater shall not use the grant to fund more than 75% of the total project expenditures and any portion of the grant that has not been used to fund eligible capital expenditures by December 2025 may be required to be refunded to the Government of Alberta.

A reconciliation of the government grant is as follows:

		2024		2023
Balance, beginning of year	**$**	**16.2**	$	16.9
Eligible project expenditures incurred		**-**		(0.7)
Balance, end of year	**$**	**16.2**	$	16.2

11. BANK DEBT

The following table summarizes the Corporation's bank debt:

		December 31, 2024		December 31, 2023
Tidewater Midstream Senior Credit Facility	**$**	**281.8**	$	322.3
Tidewater Renewables Senior Credit Facility		**20.9**		171.8
Financing costs		**(6.7)**		(8.8)
Total bank debt	**$**	**296.0**	$	485.3
Current portion, net of financing costs		**14.8**		395.5
Long-term portion, net of financing costs		**281.2**		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 and the second lien credit facility (note 12) 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.

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 7).

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 that was utilized to finance the Transaction.

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

		Facility amount	Maturity date		**Amount drawn December 31, 2024**
Syndicated facility	$	125.0	September 12, 2026	**$**	**125.0**
Operating facility		50.0	September 12, 2026		**7.5**
Term facility		149.3	August 30, 2027		**149.3**
Tidewater Midstream Senior Credit Facility	**$**	**324.3**		**$**	**281.8**

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, the 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 a trailing twelve-month 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 December 31, 2024, Tidewater Midstream was in compliance with its financial covenants.

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

	Ratio	**December 31, 2024**	December 31, 2023
Deconsolidated debt to adjusted EBITDA (1)	Maximum 4.50:1	**3.06**	2.86
Deconsolidated first lien senior debt (2) to adjusted EBITDA	Maximum 3.50:1	**3.06**	2.86
Adjusted EBITDA to interest coverage	Minimum 2.50:1	**4.55**	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.

At December 31, 2024, Tidewater Midstream had $30.9 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 have been waived until September 30, 2025.

At December 31, 2024, Tidewater Renewables had $NIL letters of credit outstanding (December 31, 2023 - $8.1 million).

12. SECOND LIEN CREDIT FACILITY AND WARRANT LIABILITIES

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

		December 31, 2024		December 31, 2023
Second Lien Credit Facility	**$**	**175.0**	$	175.0
Discount [(1)]		**(15.0)**		(18.0)
Total Second Lien Credit Facility	**$**	**160.0**	$	157.0
Current portion, net of discount		**-**		24.5
Long-term portion, net of discount		**160.0**		132.5

(1) Includes the issue discount, debt issuance costs and the fair value of the warrant liabilities 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 (the "2022 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 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 5), 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 24, 2025, minimum 6.875% for periods between October 25, 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 4.0% 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. As at December 31, 2024, no portion of the Second Lien Credit Facility was classified as current as Tidewater Renewables was not required to make minimum repayments based on the adjusted cash flow calculation. 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.

The following table summarizes the Tidewater Renewables' warrant liabilities as at December 31, 2024:

	Number of warrants outstanding (000s)		Fair value
Balance, January 1, 2023	3,375	$	12.4
Gain on 2022 warrant liability revaluation (1)	-		(9.2)
Balance, December 31, 2023	3,375	$	3.2
Upon issuance of 2024 warrants, September 12, 2024	1,000		0.8
Gain on 2022 warrant liability revaluation (1)	-		(3.2)
Gain on 2024 warrant liability revaluation (1)	-		(0.6)
Balance, December 31, 2024	**4,375**		**0.2**

(1) The gain or loss on warrant liabilities revaluation is included in the 'unrealized (gain) loss on derivative contracts' line of the statement of net loss and comprehensive loss.

The fair value of the 2022 Warrants was determined using the Black-Scholes option pricing model, including the following assumptions:

		December 31, 2024		December 31, 2023
Exercise price per share	**$**	**14.84**	$	14.84
Tidewater Renewables common share price	**$**	**0.81**	$	8.07
Volatility factor of expected market price		**71.06%**		34.96%
Risk-free interest rate		**2.93%**		3.17%
Remaining life (years)		**2.81**		3.81
Expected annual dividend per share		**0.00%**		0.00%
Fair value	**$**	**0.01**	$	0.95

The fair value of the 2024 Warrants was determined using the Black-Scholes option pricing model, including the following assumptions:

		December 31, 2024		September 12, 2024
Exercise price per share	**$**	**3.99**	$	3.99
Tidewater Renewables common share price	**$**	**0.81**	$	2.69
Volatility factor of expected market price		**71.06%**		45.89%
Risk-free interest rate		**2.96%**		2.74%
Remaining life (years)		**4.70**		5.00
Expected annual dividend per share		**0.00%**		0.00%
Fair value	**$**	**0.20**	$	0.85

13. CONVERTIBLE DEBENTURES

The following table summarizes the Corporation's 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
Issuance of convertible debentures	100		93.2		6.8
Issue costs	-		(4.4)		(0.2)
Deferred income tax liability	-		-		(1.6)
Repayment of convertible debentures	(750)		(74.8)		(0.2)
Unwinding of discount	-		2.5		-
Balance, December 31, 2024	**100**	**$**	**89.8**	**$**	**9.7**

On August 8, 2019, the Corporation issued convertible subordinated unsecured debentures (the "2019 Convertible Debentures") for a principal amount of $75.0 million at a price of $100 per debenture with all board lot trades being made in multiples of $1,000. The Debentures had a maturity date of September 30, 2024 and accrued interest at the rate of 5.5% per annum payable semi-annually commencing on March 31, 2020.

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.

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 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.

14. DECOMMISSIONING OBLIGATIONS

Tidewater's decommissioning obligation reflects the discounted cash flows expected to be incurred to decommission the Corporation's physical assets. The estimated economic lives of assets covered by the decommissioning provision range from one to 150 years, with the majority of decommissioning costs expected to be incurred over the next 30 to 60 years. The obligation was inflated using a rate of 2.5% (December 31, 2023 - 2.5%) and discounted using a credit-adjusted risk-free rate of 8.5% (December 31, 2023 - 8.5%).

The following table summarizes changes in the decommissioning obligation:

		2024		2023
Balance, beginning of year	**$**	**84.9**	$	46.6
Additions		**-**		0.9
Sale of Pipestone assets (note 9(b))		**-**		(0.7)
Decommissioning costs incurred		**(4.4)**		(5.5)
Change in discount rate and estimates		**6.7**		39.9
Unwinding of discount included in finance costs		**7.5**		3.7
Balance, end of year	**$**	**94.7**	$	84.9
Current portion of decommissioning obligation (note 10)		**7.0**		7.0
Long-term portion of decommissioning obligation		**87.7**		77.9

15. LEASE LIABILITIES AND OTHER

The Corporation's lease liabilities and other primarily relate to pipelines, storage tanks, rail cars, office space, field equipment and surface leases.

The following table summarizes the changes in lease liabilities and other:

		2024		2023
Balance, beginning of year	**$**	**53.4**	$	180.6
Additions		**8.7**		6.8
Accretion		**2.9**		13.5
Payments		**(39.1)**		(49.2)
Terminations		**(0.9)**		(7.8)
Sale of Pipestone assets (note 9(b))		**-**		(89.8)
Foreign exchange re-measurement		**2.0**		(0.7)
Balance, end of year	**$**	**27.0**	$	53.4
Current portion of lease liability and other		**12.7**		36.5
Long-term portion of lease liability and other		**14.3**		16.9

Undiscounted payments associated with lease liabilities and other as at December 31, 2024, are summarized below:

		Within one year		After one year but not more than five years (1)		More than five years (2)		Total
Undiscounted lease payments	$	13.1	$	15.3	$	0.9	**$**	**29.3**

(1) $9.0 million to be paid in 2026, $4.2 million in 2027, $1.8 million in 2028, and $0.3 million in 2029.
(2) $0.3 million to be paid annually in 2030 to 2032.

As at December 31, 2024, the incremental borrowing rate used to measure lease liabilities was 6.5% (December 31, 2023 - 6.5%). In 2024, variable lease expenses of $18.8 million (2023 - $39.0 million) were incurred. The variable lease payments primarily relate to variable usage charges on pipelines and rail cars.

16. INCOME TAXES

The provision for deferred taxes in the consolidated statements of loss and comprehensive loss reflect an effective tax rate which differs from the expected statutory tax rate. Differences were accounted for as follows:

		2024		2023
Loss before income tax	**$**	**(20.4)**	$	(450.2)
Combined federal and provincial tax rates		**24.0%**		24.0%
Expected tax recovery		**(4.9)**		(108.0)
Differences from:				
Unrecognized deferred tax assets		**5.6**		58.8
Non-taxable portion of capital gains		**0.3**		(3.2)
Share-based compensation		**(0.8)**		1.5
Change in tax rate and other		**(1.8)**		(0.1)
Deferred income tax recovery	**$**	**(1.6)**	$	(51.0)

The following tables summarize the movement of deferred taxes:

Asset (Liability)		December 31, 2023		Recognized in: Net income		Recognized in: Equity		**December 31, 2024**
Property, plant and equipment and leases	$	(153.8)	$	14.7	$	-	$	**(139.1)**
Decommissioning obligation		18.7		4.0		-		**22.7**
Derivative contracts		11.5		(3.2)		-		**8.3**
Convertible debentures		(0.4)		(0.4)		(1.6)		**(2.4)**
Non-capital losses		182.6		(21.0)		-		**161.6**
Unamortized share issuance costs and finance costs		3.2		(0.5)		-		**2.7**
Unrecognized deferred tax asset		(61.8)		8.0		-		**(53.8)**
Total	**$**	**-**	**$**	**1.6**	**$**	**(1.6)**	**$**	**-**

Asset (Liability)	December 31, 2022	Recognized in: Net income	Recognized in: Equity	December 31, 2023
Investments	$ (6.9)	$ 6.9	$ -	$ -
Property, plant and equipment and leases	(177.7)	23.9	-	(153.8)
Decommissioning obligation	10.7	8.0	-	18.7
Derivative contracts	(3.6)	15.1	-	11.5
Convertible debentures	(0.8)	0.4	-	(0.4)
Non-capital losses	125.6	57.0	-	182.6
Unamortized share issuance costs and finance costs	4.7	(1.5)	-	3.2
Unrecognized deferred tax asset	(3.0)	(58.8)	-	(61.8)
Total	$ (51.0)	$ 51.0	$ -	$ -

As at December 31, 2024, the Corporation had estimated tax pools of $281.4 million (December 31, 2023 - $260.1 million) available for deduction against future taxable income. In addition, the Corporation has $666.4 million (December 31, 2023 - $792.4 million) of unused tax losses expiring between 2038 and 2044. The Corporation has temporary differences associated with its investment in Tidewater Renewables. A deferred tax asset or liability has not been recorded for these temporary differences as the Corporation controls the timing of the reversal and it is not probable that the temporary differences will reverse in the foreseeable future.

17. EQUITY ATTRIBUTABLE TO SHAREHOLDERS

a) Authorized

Unlimited number of voting common shares and unlimited number of preferred shares issuable in series.

b) Issued and outstanding common shares

	2024		2023	
	Number of Shares (millions)	Amount	Number of Shares (millions)	Amount
Balance, beginning of year	427.8	$ 540.8	424.5	$ 537.6
Issue of common shares	3.3	3.0	3.3	3.3
Share issuance costs (net of tax)	-	(0.3)	-	(0.1)
Balance, end of year	**431.1**	**$ 543.5**	427.8	$ 540.8

In December 2023, Tidewater's Board of Directors authorized an application to the TSX to institute a normal course issuer bid ("NCIB") which will establish the ability to repurchase, for cancellation, up to 10% of the public float of the common shares of Tidewater. The NCIB was approved by the TSX on March 7, 2024, commenced on March 11, 2024, and ended on on March 10, 2025.

c) Dividends to shareholders

	Year ended December 31, **2024**	2023
Dividends declared on common shares	**$ -**	$ 12.8
Dividends declared per share	**$ -**	$ 0.03

In December 2023, the Board of Directors suspended the quarterly dividend of $0.01 per common share.

d) Net loss per share

	Year ended December 31, 2024					Year ended December 31, 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	**$**	**(26.6)**	**429.5**	**$**	**(0.06)**	$	(385.9)	425.4	$	(0.91)

For the year ended December 31, 2024, 13.9 million share awards (December 31, 2023 - 11.6 million), NIL shares relating to equity warrants (December 31, 2023 - 40.1 million), and 701.8 million shares related to convertible debentures (December 31, 2023 - 74.5 million) were anti-dilutive.

18. NON-CONTROLLING INTEREST

A reconciliation of the NCI as at December 31, 2024 and 2023, is as follows:

		Tidewater Renewables		Other		Total NCI
Balance, January 1, 2023	$	41.5	$	1.5	$	43.0
Net loss attributable to non-controlling interest		(10.6)		(2.7)		(13.3)
Balance, December 31, 2023		30.9		(1.2)		29.7
Issuance of common shares		4.9		-		4.9
Net income attributable to non-controlling interest		6.6		1.2		7.8
Balance, December 31, 2024	**$**	**42.4**	**$**	**-**	**$**	**42.4**

19. REVENUE

a) Disaggregation of revenue

The Corporation disaggregated revenue into categories to reflect how the nature and cash flows are affected by economic factors as follows:

		2024		2023
Conventional gasoline and diesel	**$**	**623.6**	$	729.5
NGL and crude oil marketing		**578.4**		1,195.8
Renewable fuels		**174.6**		44.9
Operating emission credits		**133.5**		6.6
Fee for service (1)		**88.1**		176.2
Other refined products (2)		**33.7**		27.3
Other (3)		**8.6**		28.0
Total revenue	**$**	**1,640.5**	$	2,208.3

(1) Includes revenue from NGL gas handling, processing, fractionation, and storage and transportation services.
(2) Includes HFO, LPG, ethanol and VLSFO.
(3) Includes sulfur revenue and net royalties.

b) Major customers

Total revenue attributable to Cenovus Energy Inc. (“Cenovus”) from all revenue streams accounted for approximately 33% of the Corporation’s revenue (December 31, 2023 - 29%). Tidewater’s five-year offtake agreement with Cenovus expired on November 1, 2024. The Cenovus offtake agreement provided for the sale of the majority of the nameplate capacity on diesel and gasoline volumes produced at the Prince George Refinery and was settled on a weekly basis.

20. FINANCE COSTS AND OTHER

Finance costs and other are comprised of the following:

		2024		2023
Interest on bank debt, second lien debt and convertible debentures	**$**	**52.8**	$	87.4
Interest capitalized (1)		**-**		(16.5)
Total interest expense		**52.8**		70.9
Foreign exchange loss		**4.1**		1.2
Total finance costs and other before accretion	**$**	**56.9**	$	72.1
Unwinding of discount on decommissioning obligations		**7.5**		3.7
Unwinding of discount on long-term debt		**14.2**		10.8
Unwinding of discount on lease liabilities		**2.9**		13.5
Other		**-**		(0.2)
Total accretion		**24.6**		27.8
Total finance costs and other	**$**	**81.5**	$	99.9

(1) For the year ended December 31, 2023, interest was capitalized at a weighted average annualized capitalization rate of approximately 9.90% on funds borrowed.

21. GENERAL AND ADMINISTRATIVE

General and administrative expenses are comprised of the following:

		2024		2023
Employee costs	**$**	**18.3**	$	28.7
Capitalized corporate costs		**(0.5)**		(3.6)
Non-recurring (1)		**10.7**		16.3
External services (2)		**4.2**		3.2
Licenses and insurance		**3.1**		3.5
Rent and office expenses		**2.0**		0.7
Other		**1.7**		2.5
Total general and administrative expenses	**$**	**39.5**	$	51.3

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

22. SHARE-BASED COMPENSATION

a) Share awards

A summary of Tidewater Midstream's stock options, restricted share units and deferred share units outstanding and exercisable is as follows:

(thousands of options and units)	Stock Options	RSUs	DSUs	Total
Outstanding, January 1, 2024	8,160	8,123	931	17,214
Granted	9,100	5,789	210	15,099
Exercised	(60)	(2,519)	(533)	(3,112)
Forfeited	(4,765)	(3,316)	-	(8,081)
Expired	(1,713)	(95)	-	(1,808)
Outstanding, December 31, 2024	**10,722**	**7,982**	**608**	**19,312**
Exercisable, December 31, 2024	**2,232**	**1,024**	**237**	**3,493**

(thousands of options and units)	Stock Options	RSUs	DSUs	Total
Outstanding, January 1, 2023	14,620	11,199	743	26,562
Granted	2,722	4,787	188	7,697
Exercised	(177)	(3,097)	-	(3,274)
Forfeited	(6,172)	(4,741)	-	(10,913)
Expired	(2,833)	(25)	-	(2,858)
Outstanding, December 31, 2023	8,160	8,123	931	17,214
Exercisable, December 31, 2023	4,332	1,989	-	6,321

The range of exercise prices and weighted average remaining contractual lives of Tidewater Midstream's outstanding and exercisable stock options as at December 31, 2024 is summarized below:

	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Prices ($ per option)	Number of Stock Options Outstanding (000s)	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price ($ per option)	Number of Stock Options Exercisable (000s)	Weighted Average Exercise Price ($ per option)
0.28 - 0.75	542	3.9	0.42	85	0.46
0.76 - 1.00	7,272	4.1	0.85	296	0.80
1.01 - 1.25	2,067	3.2	1.09	1,010	1.11
1.26 - 1.51	841	1.6	1.39	841	1.39
Total	**10,722**	**3.7**	**0.92**	**2,232**	**1.15**

The weighted average fair values of Tidewater Midstream's options granted is estimated at the date of grant using the Black-Scholes option pricing model, including the following assumptions:

	2024	2023
Volatility factor of expected market price	**42%**	50%
Annual risk-free interest rate	**3.93%**	4.54%
Expected life (years)	**3.00**	3.00
Expected annual dividend per share	**0.00%**	3.79%
Forfeiture rate	**11.98%**	9.81%
Fair value per option	**$ 0.27**	$ 0.32

b) PSU plan

The following table summarizes the Tidewater Midstream PSUs outstanding, based on their historical fair value at the grant date:

	2024	2023
Balance, beginning of year	**$ 2.6**	$ 3.4
Granted	**-**	2.1
Exercised	**(0.5)**	(1.8)
Forfeited	**(1.3)**	(1.1)
Balance, end of year	**$ 0.8**	$ 2.6

c) Share-based compensation expense

		2024		2023
Stock options	**$**	**1.0**	$	0.7
RSUs		**1.6**		3.7
DSUs		**0.3**		0.5
PSUs		**0.3**		1.6
Employee stock purchase plan		**1.8**		2.3
Plan costs and other		**0.2**		0.3
Tidewater Midstream share-based compensation expense		**5.2**		9.1
Tidewater Renewables share-based compensation expense (1)		**(0.2)**		4.8
Total share-based compensation expense	**$**	**5.0**	$	13.9

(1) At December 31, 2024, Tidewater Renewables had 268 thousand stock options, 125 thousand RSUs, 55 thousand DSUs and $0.1 million PSUs outstanding (December 31, 2023 - 588 thousand stock options, 1.0 million RSUs, 80 thousand DSUs and $1.1 million PSUs outstanding).

23. SUPPLEMENTAL CASH FLOWS INFORMATION

a) Changes in non-cash working capital from operating activities is as follows:

		2024		2023
Accounts receivable	**$**	**(11.3)**	$	73.6
Prepaid expenses and other		**6.2**		2.0
Inventory		**(11.8)**		(37.3)
Accounts payable, accrued liabilities and provisions		**(117.1)**		(1.0)
Change in non-cash working capital from operating activities	**$**	**(134.0)**	$	37.3

b) Changes in non-cash working capital from financing activities is as follows:

		2024		2023
Accounts payable, accrued liabilities and provisions	**$**	**4.1**	$	-
Change in non-cash working capital from financing activities	**$**	**4.1**	$	-

c) Changes in non-cash working capital from investing activities is as follows:

		2024		2023
Accounts receivable	**$**	**-**	$	0.5
Inventory		**(0.1)**		-
Accounts payable, accrued liabilities and provisions		**(40.4)**		(87.4)
Change in non-cash working capital from investing activities	**$**	**(40.5)**	$	(86.9)

24. COMMITMENTS

In addition to the commitments disclosed elsewhere in the Consolidated Financial Statements, the Corporation has assumed commitments in various transportation 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 (1)	More than five years (2)	Total
Firm transportation contracts	$ 24.2	$ 80.6	$ 24.6	$ **129.4**

(1) $25.3 million to be paid in 2026, $23.0 million in 2027, $23.1 million in 2028, and $9.2 million in 2029.
(2) $5.3 million to be paid annually in 2030 to 2033, $1.6 million in 2034, $0.7 million in 2035, $0.5 million in 2036, and $0.3 million in 2037 and 2038.

25. 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 11) 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 11).

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Board of Directors has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board of Directors has implemented and monitors compliance with risk management policies. The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions. The Corporation employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, the Corporation's management has the responsibility to administer and monitor those risks.

a) Fair value of financial instruments

At December 31, 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 December 31, 2024, the fair value of the Corporation's Debentures was $65.0 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’s accounts receivable balances are primarily from purchasers of refined product, natural gas processing fees charged to producers, and purchasers of crude oil, natural gas and NGLs. These purchasers include fuel retailers, producers, marketing and trading companies and financial institutions. The Corporation performs creditworthiness assessment on counterparties including financial status and external credit ratings. Depending on the outcome of each assessment, letters of credit, prepayments, or some other form of credit enhancement may be requested as security.

Accounts receivable balances related to marketing activities are generally settled with counterparties on the industry settlement date, which is typically in the month following the month in which the title transfers. The Corporation generally invoices customers within 30 days for gas processing services and generally requires payment within 30 days of the invoice date. The Corporation reviews all outstanding accounts receivable balances on a monthly basis.

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 December 31, 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

In the first half of 2024, Tidewater Renewables contracted and sold BC LCFS emission credits at an average price of approximately $450 per credit. While Tidewater Renewables initially planned to forward-sell emission credits to mitigate risks and manage liquidity, it was unable to secure new forward sales agreements for the BC LCFS credits expected to be generated in future periods. 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, impacting 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 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 the sale of emission credits.

As of June 30, 2024, Tidewater Renewables disclosed insufficient cash to fund operations for the next 12 months if sales declined or credit facilities matured without extension or refinancing. On September 12, 2024, Tidewater Renewables refinanced and extended its Senior Credit Facility and Second Lien Credit Facility, as well as completing the Transaction with Tidewater Midstream, improving its leverage profile and reducing cash interest costs. As of December 31, 2024, Tidewater Renewables had negative working capital of $1.8 million (excluding assets held for sale), nominal cash and cash equivalents, and cash flow from operating activities of $54.6 million for the year ended December 31, 2024.

On February 27, 2025, the Government of British Columbia announced amendments to the Low Carbon Fuels Act, increasing the renewable fuel requirement for diesel from 4% to 8% for the 2025 compliance period, and mandating that renewable fuel content be produced in Canada effective April 1, 2025 (the "Amendments"). Additionally, on March 6, 2025, the Canada Border Services Agency ("CBSA") initiated a countervailing and anti-dumping duty investigation into U.S. renewable diesel imports (the "Investigation"), following a complaint filed by Tidewater Renewables at the end of 2024 (the "Complaint"). Provisional duties are expected by June 2025, with final duties potentially imposed by September 2025. These actions are expected to support long-term market stability for Tidewater Renewables' renewable diesel production and related emission credits.

The Complaint and Investigation are unrelated to the ongoing U.S.-Canada trade dispute. The Complaint was filed before President Trump took office and the subsequent imposition of tariffs by both countries. Therefore, any countervailing and anti-dumping duties resulting from the Investigation would be in addition to any tariffs imposed by Canada in response to U.S. trade actions.

On March 26, 2025, Tidewater Renewables successfully amended its Senior Credit Facility and Second Lien Credit Facility (the "Refinancing") (note 28(c)). The Refinancing provides over $15.0 million of additional capacity to Tidewater Renewables' credit facilities and extends the maturity date of the Second Lien Tranche B and Tranche C Facilities from February 28, 2026, to October 24, 2027. The Refinancing also waives the requirements to comply with the quarterly financial covenants until March 31, 2026 (previously waived until September 30, 2025) at which time Tidewater Renewables will be required to maintain certain financial covenants on an annualized basis.

The Amendments, Investigation and Refinancing are significant positive developments that are expected to support the long-term financial viability of Tidewater Renewables Supported by these positive developments, Tidewater Renewables continues to work towards executing additional forward renewable diesel and emission credit sales agreements; however, if these actions do not lead to a sustained recovery in Tidewater Renewables' operating cash flows, other strategic options will be considered.

Tidewater Midstream

During the second half of 2024 and continuing into 2025, the Corporation experienced lower 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 oversupply of U.S. renewable diesel into the BC market has also decreased the demand and price for emission credits, which negatively impacts the Corporation. In addition, potential U.S. tariffs have increased the volatility and added uncertainty to the crude and refined product markets. These conditions and the expiration of the offtake agreement with Cenovus Energy Inc. is expected to further lower the margins previously obtained by Tidewater Midstream.

On March 26, 2025, the financial covenants within the Tidewater Midstream Fifth ARCA were revised (note 28(c)) effective January 1, 2025 through March 31, 2026 to increase the deconsolidated first lien senior debt to adjusted EBITDA covenant to 4.5:1 and lower deconsolidated EBITDA to Interest Coverage Ratio to 1.5:1. These amendments will assist in providing financial flexibility as Tidewater navigates the market conditions stated above.

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.

Contractual maturities

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

	December 31, 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)	$ 206.1	$ -	$ 342.2	$ -
Derivative contracts	37.5	3.7	31.0	21.3
Warrant liabilities	0.2	-	3.2	-
Lease liabilities and other (2)	13.1	16.2	37.5	20.4
Bank debt (3)	15.0	287.7	396.8	97.3
Second lien debt (3)	-	175.0	25.0	150.0
Convertible debentures (3)	-	100.0	75.0	-
Total financial liabilities	**$ 271.9**	**$ 582.6**	$ 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. The Corporation's financial derivatives are governed through International Swaps and Derivatives Association ("ISDA") master agreements and clearing brokerage agreements.

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 continuously monitors interest rates and economic conditions. 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 December 31, 2024, the Corporation had variable rate bank debt (note 11) totalling $302.7 million (December 31, 2023 - $494.1 million). A 1% change in the interest rates on bank debt would have an after-tax impact on net loss of $2.3 million for the year ended December 31, 2024 (December 31, 2023 - $3.8 million).

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). The Corporation continuously monitors exchange rate trends and economic conditions. As at December 31, 2024, net working capital and derivative contract balances denominated in USD were $32.2 million (December 31, 2023 - $61.8 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 $1.8 million for the year ended December 31, 2024 (December 31, 2023 - $3.1 million).

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's commodity price risk management policies are designed to help ensure that its hedging activities address its risks by monitoring its derivative positions, as well as physical volumes, grades, locations, and storage capacity. These include crude oil feedstock, renewable and low carbon fuel feedstocks, refined product sales, natural gas purchases and related sales, NGL purchases for fractionation and related sales of the resulting products (including ethane, propane, butane and condensate), and power (to hedge a portion of the Corporation's power supply requirements at its facilities). 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 $7.5 million for the year ended December 31, 2024 (December 31, 2023 - $8.8 million).

e) Legal claims

Tidewater is involved in a limited number of legal claims which arise in the normal course of business. The final outcome of such claims cannot be predicted with certainty and could have a material effect on the consolidated financial statements. However, Tidewater believes that the likelihood of being required to make material payments as a result of these legal claims is remote.

27. KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the corporation. Key management personnel includes directors, officers and executive vice-presidents. Key management personnel compensation is comprised of the following:

		2024		2023
Salaries and other short-term benefits	**$**	**4.2**	$	5.7
Share based compensation		**0.3**		7.7
Termination benefits		**3.0**		5.0
Total key management personnel compensation	**$**	**7.5**	$	18.4

28. SUBSEQENT EVENTS

a) Sale of RNG Partnership

On January 10, 2025, Tidewater completed the sale of its interest in the RNG Partnership for total proceeds of $7.8 million, of which $4.7 million was received on close and a further $3.1 million is expected to be received upon the satisfaction of certain post-closing conditions on or before December 30, 2025.

Total proceeds	$	7.8
Net assets sold		(14.3)
Non-controlling interest derecognized as result of the sale		6.5
Gain on sale of RNG Partnership	**$**	**-**

b) BRC Roadway Network sale

On March 6, 2025, Tidewater entered into a definitive purchase and sale agreement for the sale of the BRC Roadway Network to Canadian Resource Roadways LP for total proceeds of $24.0 million. The BRC Roadway Network is a non-core asset to Tidewater. The sale closed on March 24, 2025, and the $22.5 million of proceeds received upon closing of the sale were used on March 26, 2025, to reduce the term facility component of the Tidewater Midstream Senior Credit Facility (note 11). The balance of the proceeds will be received on or before December 31, 2025.

c) Amendments to Senior Credit Facilities and Second Lien Credit Facility

Tidewater Midstream

On March 26, 2025, with the support of its lenders, Tidewater Midstream made the following amendments to the Fifth ARCA:

- in conjunction with the closing of the BRC Roadway Network sale and the permanent repayment of a portion of the term facility using the proceeds from the sale (note 28(b)), deferred the first mandatory quarterly repayment of $5.0 million on the term facility until April 30, 2026; and
- revised the Tidewater Midstream financial covenant requirements until March 31, 2026, details of which are discussed below.

Included within the March 26, 2025 Fifth ARCA amendments, Tidewater Midstream amended the financial covenant requirements effective January 1, 2025 until March 31, 2026 to increase the first lien senior debt to adjusted EBITDA covenant up to 4.50:1 (from 3.50:1), and decrease the adjusted EBITDA to interest coverage ratio to 1.50:1 (from 2.50:1) during the period.

Tidewater Renewables

On March 26, 2025, with the support of its lenders, Tidewater Renewables made the following amendments to the Tidewater Renewables Senior Credit Facility and the Tidewater Renewables Second Lien Credit Facility:

- increased the total aggregate availability under the Tidewater Renewables Senior Credit Facility by $10.0 million;
- increased the Tranche C Facility by $10.0 million for the purpose of refinancing the Senior Credit Facility in certain circumstances;
- Tidewater Renewables has the option to elect that the April 24, 2025 interest payment (of approximately $5.1M) on the Tranche A Facility, be paid in kind, with the balance added to the aggregate principal amount of the Tranche A Facility.
- the maturity date of the Second Lien Tranche B and Tranche C Facilities was extended from February 28, 2026, to October 24, 2027; and
- the requirement to comply with the quarterly financial covenants has been waived until March 31, 2026 (previously waived until September 30, 2025) at which time the Corporation will be required to maintain certain financial covenants on an annualized basis.