TIDEWATER
Midstream and Infrastructure Ltd.

Management's Discussion and Analysis
For the year ended December 31, 2022

March 8, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the annual audited consolidated financial and operating results of 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 dated March 8, 2023, and should be read in conjunction with Tidewater's audited consolidated financial statements as at and for the years ended December 31, 2022 and 2021 (the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), representing generally accepted accounting principles ("GAAP"). This MD&A contains non-GAAP measures which are used to measure and analyze financial performance, financial position, and cash flow and therefore may not be comparable to similar measures presented by other entities. This MD&A also contains forward-looking statements. Readers are cautioned that the MD&A should be read in conjunction with Tidewater's disclosure under "Non-GAAP Measures" and "Forward-Looking Information" included at the end of this MD&A. Unless otherwise indicated, references herein to "$" or "dollars" are to Canadian dollars.

Management is responsible for preparing the MD&A. The MD&A has been reviewed and recommended by the Audit Committee of Tidewater's Board of Directors (the "Board") and approved by the Board.

BUSINESS OVERVIEW

Tidewater's business objective is to build a diversified midstream and infrastructure company across the North American 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 oil, refined products, natural gas, NGLs and renewable products and services to customers across North America.

The Corporation's midstream assets include facilities and infrastructure supporting some of Canada's most profitable and active resource developments in the Montney, Deep Basin, and Central Alberta regions. Tidewater's natural gas processing plants gather and process raw natural gas before it is injected into long-distance pipeline systems for transportation to end-use markets. Tidewater's fractionation and straddle plants process, store and transport the by-products of natural gas processing, including NGLs such as ethane, propane, butane and condensate. Tidewater engages in liquids blending and operates facilities at Brazeau, Acheson, Pipestone and Valhalla, allowing the Corporation to transport, process and blend various butane and condensate streams. Margins are earned by blending products of lower value into higher-value products. As a result of these transactions, Tidewater takes advantage of the price and quality differentials between various product streams. Tidewater is well-positioned to facilitate producer growth through egress options and improved netbacks.

Tidewater's key midstream assets include: the Pipestone Gas Plant, a deep-cut sour natural gas processing and NGL terminal facility which has the majority of its volumes under take-or-pay contracts; the Brazeau River Complex and Fractionation Facility ("BRC"), a full-service natural gas and NGL processing facility with natural gas storage pools; and the Ram River Gas Plant, a sour natural gas processing facility with sulphur handling solutions and rail connections.

Tidewater's downstream assets diversify commodity exposure by supplying highly profitable refined products to a niche market and provides an asset base for renewables initiatives. The key downstream asset is the Prince George Refinery ("PGR"), the sole light oil refinery within the interior British Columbia market which has an offtake agreement with Cenovus Energy Inc. ("Cenovus"). The PGR refines crude oil feedstock into gasoline and diesel and is where Tidewater Renewable's co-processing, hydrotreating and catalytic cracking activities take place. The Hydrogen Derived Renewable Diesel Complex ("HDRD Complex"), currently under construction, is also located at PGR. The terminals at Acheson and Valhalla integrate with and have the ability to transfer volumes to the PGR and provide product blending, storage, and fractionation capabilities.

The most significant exposure faced by the Corporation is related to declines in production volumes and volatility in commodity prices. However, Tidewater's gas processing facilities are located in prolific natural gas supply areas, with high barriers to entry to new participants. Additionally, with the Corporation's minimum volume commitment contracts at the Pipestone Gas Plant and PGR, the net cash provided by operating activities is anticipated to remain stable and be sufficient to support operations, fund maintenance capital expenditures and generate distributable cash flow. The financial performance of Tidewater's refining operations is impacted by the difference between refined product prices and the prices of feedstock ("crack spread"). Refining margins are subject to seasonal factors as production changes to match seasonal demand.

Overall, the integration of Tidewater's infrastructure allows it to benefit from differentials in commodity prices through its processing facilities, fractionation, extraction, storage, and transportation assets.

Tidewater's common shares are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "TWM".

Tidewater is a majority shareholder in Tidewater Renewables Ltd. ("Tidewater Renewables"), a multi-faceted, energy transition company focusing on the production of renewable diesel, renewable natural gas, and renewable hydrogen. Tidewater Renewables' common shares are publicly traded on the TSX under the symbol "LCFS". Tidewater owns 69% of the issued and outstanding common shares of Tidewater Renewables. The majority ownership position gives the Corporation control over Tidewater Renewables and it is therefore consolidated in the Tidewater financial statements, with the 31% divested interest reflected as a non-controlling interest. As a result, any transactions between Tidewater and Tidewater Renewables are eliminated on consolidation in the Corporation's financial statements.

As at December 31, 2022, Tidewater owns 23.9 million common shares of Tidewater Renewables.

Additional information relating to Tidewater is available on SEDAR at www.sedar.com and at www.tidewatermidstream.com.

HIGHLIGHTS

- Net income attributable to shareholders was $8.5 million for the year ended December 31, 2022. The fourth quarter of 2022 had a net loss attributable to shareholders of $30.0 million.

- Driven by strong margins and operating performance, Tidewater earned record consolidated adjusted EBITDA(1) of $249.8 million in 2022, an increase of 19% over the previous year. Fourth quarter 2022 consolidated adjusted EBITDA was $60.4 million, representing a 12% increase over the fourth quarter of 2021.

- Annual distributable cash flow(1) attributable to shareholders increased by 18% to $75.5 million compared to 2021, as strong refining crack spreads offset increased maintenance capital expenditures during the year. Fourth quarter 2022 distributable cash flow(1) attributable to shareholders was $13.1 million, a decrease of 6% compared to the fourth quarter of 2021, due to the planned maintenance capital program within the midstream assets.

- Tidewater safely and successfully completed planned turnarounds at the Pipestone Gas Plant, the BRC, and Ram River Gas Plant in 2022. Deconsolidated maintenance capital was $41.5 million for the year, within the previously guided maintenance budget of $40 million to $45 million. With the 2022 maintenance activities now complete, Tidewater's core natural gas processing plants are not due for major turnarounds until 2024.

- At December 31, 2022, Tidewater reached its targeted debt levels with net debt to adjusted EBITDA of 2.9x, within the Corporation's target of 2.5x to 3.0x. During 2022, Tidewater successfully completed a significant refinancing and repaid the senior unsecured notes and the second lien term loan which matured in 2022, simplifying the Corporation's capital structure, extending its debt maturity profile and reduced overall financing expenses.

(1) Adjusted EBITDA and distributable cash flow are non-GAAP financial measures. See the "Non-GAAP Measures" section for more information on the composition of these measures.

CONSOLIDATED AND DECONSOLIDATED FINANCIAL HIGHLIGHTS

In addition to reviewing consolidated results, management also reviews net income attributable to shareholders, net income attributable to shareholders per share, adjusted EBITDA, distributable cash flow attributed to shareholders, distributable cash flow attributed to shareholders per share, dividends declared, dividends declared per share, net debt, and capital expenditures, excluding the impact of the Corporation's ownership in Tidewater Renewables (referred to as "Tidewater Deconsolidated") to further evaluate financial results, financial position, leverage, and to calculate debt covenants. Tidewater Deconsolidated measures are non-GAAP measures. Readers should refer to the "Non-GAAP Measures" section for more information on the composition of these values.

	Three months ended December 31			
	Tidewater Deconsolidated [2]		Tidewater Consolidated	
(in millions of Canadian dollars except per share information)	**2022**	2021	**2022**	2021
Net loss attributable to shareholders	**$ (44.3)**	$ (5.9)	**$ (30.0)**	$ (3.0)
Net loss attributable to shareholders per share - basic	**$ (0.10)**	$ (0.02)	**$ (0.07)**	$ (0.01)
Adjusted EBITDA [1]	**$ 43.7**	$ 43.3	**$ 60.4**	$ 53.9
Distributable cash flow attributable to shareholders [1]	**$ 6.6**	$ 8.6	**$ 13.1**	$ 14.0
Distributable cash flow per share – basic [1]	**$ 0.02**	$ 0.03	**$ 0.03**	$ 0.04
Dividends declared [3]	**$ 4.2**	$ 3.4	**$ 4.2**	$ 3.4
Dividends declared per share	**$ 0.01**	$ 0.01	**$ 0.01**	$ 0.01
Total capital expenditures	**$ 33.6**	$ 16.9	**$ 110.5**	$ 44.5

(1) Non-GAAP financial measures. See the "Non-GAAP Measures" section of this MD&A for information.
(2) Deconsolidated results exclude the results of Tidewater Renewables. See the "Non-GAAP Measures" section of this MD&A for information on deconsolidated measures.
(3) Dividends declared are based on Tidewater's outstanding common shares that are publicly traded on the TSX under the symbol "TWM".

	Year ended December 31			
	Tidewater Deconsolidated [2]		Tidewater Consolidated	
(in millions of Canadian dollars except per share information)	**2022**	2021	**2022**	2021
Net (loss) income attributable to shareholders	**$ (19.2)**	$ 64.8	**$ 8.5**	$ 71.5
Net (loss) income attributable to shareholders per share - basic	**$ (0.05)**	$ 0.19	**$ 0.02**	$ 0.21
Adjusted EBITDA [1]	**$ 187.4**	$ 194.4	**$ 249.8**	$ 210.4
Distributable cash flow attributable to shareholders [1]	**$ 49.3**	$ 55.9	**$ 75.5**	$ 64.0
Distributable cash flow per share – basic [1]	**$ 0.13**	$ 0.16	**$ 0.20**	$ 0.19
Dividends declared [3]	**$ 15.3**	$ 13.6	**$ 15.3**	$ 13.6
Dividends declared per share	**$ 0.04**	$ 0.04	**$ 0.04**	$ 0.04
Net debt [4]	**$ 539.6**	$ 619.0	**$ 750.8**	$ 678.0
Total capital expenditures	**$ 104.7**	$ 85.8	**$ 349.3**	$ 116.8

(1) Non-GAAP financial measures. See the "Non-GAAP Measures" section of this MD&A for information.
(2) Deconsolidated results exclude the results of Tidewater Renewables. See the "Non-GAAP Measures" section of this MD&A for information on deconsolidated measures.
(3) Dividends declared are based on Tidewater's outstanding common shares that are publicly traded on the TSX under the symbol "TWM".
(4) Capital management measure. See the "Non-GAAP Measures" section of this MD&A for information.

Deconsolidated results in the table above for the three months ended December 31, 2022, were primarily impacted by:

- higher PGR diesel margins from an increase in commodity prices;
- an unrealized gain on derivative contracts compared to an unrealized loss recognized in the comparative period;

- a non-cash impairment expense recorded on certain non-core assets in the Deep Basin cash generating unit ("CGU");
- a non-cash loss recognized on the acquisition of the remaining 50% ownership interest in Tidewater Brazeau Gas Storage LP ("Brazeau Partnership"); and
- higher maintenance capital expenditures due to planned maintenance work on the Pipestone Gas Plant.

Deconsolidated results in the table above for the year ended December 31, 2022, were primarily impacted by:

- higher PGR product margins from an increase in commodity prices;
- lower realized gains on derivative contracts;
- an impairment expense recorded on certain non-core assets in the Deep Basin CGU;
- a loss on the acquisition of the remaining 50% ownership interest in the Brazeau Partnership in the fourth quarter;
- higher maintenance capital expenditures due to scheduled turnaround programs at the BRC, the Pipestone Gas Plant, and the Ram River Gas Plant during the year;
- lower cash flow from operating activities, before changes in non-cash working capital; and
- repayment of Tidewater Midstream debt using proceeds from the third quarter equity offering, resulting in lower cash financing costs.

Consolidated results in the table above for three months ended December 31, 2022, were primarily impacted by:

- higher diesel product margins from higher commodity prices;
- unrealized gains on derivative contracts compared to unrealized losses recognized in the comparative period;
- an impairment expense recorded on certain non-core assets in the Deep Basin CGU;
- a loss on the acquisition of the remaining 50% ownership interest in the Brazeau Partnership;
- higher cash flow from operating activities, before changes in non-cash working capital; and
- higher maintenance and growth capital expenditures.

Consolidated results in the table above for the year ended December 31, 2022, were primarily impacted by:

- higher product margins from an increase in commodity prices;
- lower realized gains on derivative contracts;
- an impairment expense recorded on certain non-core assets in the Deep Basin CGU;
- a loss on the acquisition of the remaining 50% ownership interest in the Brazeau Partnership;
- higher employee costs due to increased headcount;
- higher cash flow from operating activities, before changes in non-cash working capital;
- higher growth and maintenance capital;
- a decrease in lease payments;
- a new $150.0 million five-year senior secured second lien credit facility in Tidewater Renewables; and
- repayment of Tidewater Midstream debt using proceeds from the third quarter equity offering, resulting in lower cash financing costs.

OUTLOOK AND CORPORATE UPDATE

Tidewater delivered another strong year of consolidated adjusted EBITDA as the Pipestone Gas Plant and PGR continue to run at or near design capacity. The Corporation has seen consistent strong PGR refining margin throughout 2022.

Tidewater is well positioned to leverage its existing assets to play a key role in Canada's energy transition and take advantage of opportunities including renewable fuels, existing carbon capture assets and energy transition infrastructure.

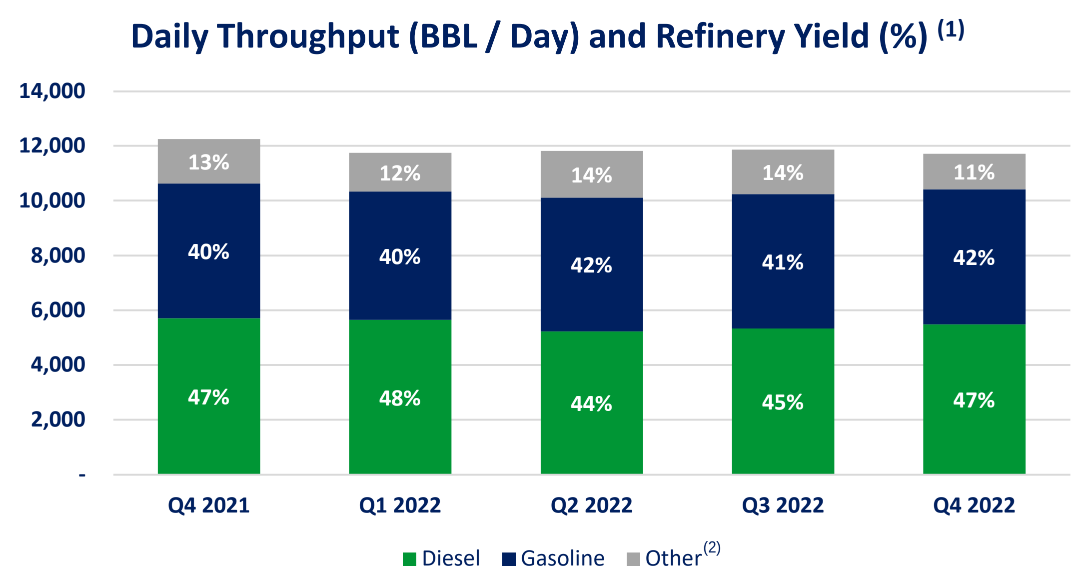
Prince George Refinery

PGR is a 12,000 bbl/day light oil refinery that predominantly produces low sulphur diesel and gasoline to supply the greater Prince George region. PGR has significant onsite storage capacity of more than 1.0 MMbbl and flexible logistics, with pipeline, rail, and truck connectivity in place. The Prince George region is a net importer of refined products, and the refinery's location within the region makes it a critical piece of infrastructure with a significant logistical advantage to satisfy demand in central/northern British Columbia ("BC").

PGR has significant strategic advantages, compared to other refineries in western Canada, as it is situated in a unique supply orbit within the BC central/northern interior market. Barriers to entry include logistical constraints given high transport costs, lack of offloading facilities in the area and a growing social/political reluctance to sanction similar greenfield projects within the province of BC. Additionally, the refinery supplies the majority of the region's fuel demand, which is comprised of major local industries such as forestry, mining, and oil and gas.

During the fourth quarter of 2022, total throughput was approximately 11,715 bbl/day, consistent with the three previous quarters. PGR is scheduled for a six-week major maintenance turnaround in the second quarter of 2023.

Tidewater's daily throughput and refined product yields at PGR were as follows:



(1) Refinery yield includes crude, intermediates, and canola oil.
(2) Other refers to heavy fuel oil, LPG and feedstock consumed to fuel the refinery.

Tidewater's refining margins are largely driven by commodity prices, particularly the cost of crude feedstock and other raw materials, along with market prices for refined products. The Prince George crack spread averaged slightly over $100/bbl during the quarter, a 5% increase from the third quarter of 2022. The increase in the Prince George crack spread was mainly attributed to improved diesel pricing, partially offset by reduced gasoline pricing. Consistent with the move in the Prince George crack spread, PGR realized higher margins on diesel and lower margins on gasoline as compared to the third quarter of 2022. Gasoline demand in the fourth quarter of 2022 decreased as compared to the previous quarter, which is consistent with the seasonal demand profile, but increased from 2021 fourth quarter demand. Diesel sales volumes have decreased as compared to both the previous quarter of 2022 and the fourth quarter of 2021 due to lower demand.

Tidewater continues to pursue numerous low capital and high rate of return debottleneck and optimization opportunities within its downstream business unit. In August 2021, Tidewater Renewables commissioned its canola co-processing project and began processing canola feedstock which yields both renewable gasoline and renewable diesel. Tidewater Renewables continues to test alternative low-cost feedstocks, including beef tallow, through its fluid catalytic cracking and canola co-processing projects with encouraging results.

Pipestone Gas Plant

The Pipestone Gas Plant is designed to process up to 110 MMcf/day of sour natural gas. The Pipestone Gas Plant has two acid gas injection wells, a saltwater disposal well and sales gas pipelines directly connected to the Pipestone Gas Storage Facility and the Alliance and NGTL pipeline systems. The facility is also pipeline connected to Pembina's liquids gathering systems for the C2+ and C5+ liquids streams.

The Pipestone Gas Plant processed volumes of 89 MMcf/day in the fourth quarter of 2022, a 10% decrease from the fourth quarter of 2021 and an increase of 30% from the third quarter of 2022. Facility availability for the fourth quarter of 2022 averaged 87%, a 9% decrease from the fourth quarter of 2021, and a 20% increase from the third quarter of 2022. The third quarter to fourth quarter variance in facility uptime and processed volumes is attributable to the Pipestone Gas Plant's planned turnaround which was successfully completed early in the fourth quarter. The local Montney formation remains very active, and the plant remains fully contracted with over 80% committed capacity on take-or-pay arrangements.

Brazeau River Complex and Fractionation Facility

The BRC is a core asset for Tidewater, offering a full suite of services to producers, including NGL and condensate pipeline connections, NGL fractionation capacity, sweet and sour deep-cut gas processing capacity, truck loading and offloading facilities, physical natural gas storage facilities, and two natural gas egress connections.

Throughput at the BRC gas processing facility in the fourth quarter of 2022 was in-line with the third quarter of 2022, and 18% higher relative to the fourth quarter of 2021. Tidewater continues to look for opportunities to increase the utilization of the BRC's facilities by working with our partners to add value and increase netbacks.

The Brazeau River fractionation facility was able to maintain steady operations during the fourth quarter of 2022 by maintaining stable plant production and truck in volumes. The fractionation facility utilization averaged 72%, in-line with both the third quarter of 2022 and fourth quarter of 2021. The fractionation facility continues to serve as a key asset for Tidewater's NGL marketing business.

In 2022, the Government of Alberta introduced a request for full project proposals, on a voluntary basis, to provide carbon sequestration services across the province of Alberta. Tidewater was successful and was awarded two evaluation permits for carbon sequestration, one in the Ram River area and one in the Brazeau River area. If the evaluation demonstrates that the area is suitable for permanent carbon sequestration, Tidewater will be able to apply for the right to inject captured carbon dioxide.

CAPITAL PROGRAM

With a planned major turnaround at Tidewater's Prince George refinery scheduled for the second quarter of 2023, the Corporation expects to invest minimal consolidated growth capital in 2023, outside of Tidewater Renewable's HDRD Complex project. The Corporation expects 2023 deconsolidated maintenance capital to range between $55 million to $65 million.

During 2022, the Corporation safely and successfully completed three large planned turnarounds at its Ram River Gas Plant, Pipestone Gas Plant and at the BRC. Tidewater's full year 2022 deconsolidated maintenance capital expenditures were $41.5 million, in line with the third quarter forecast.

Tidewater Renewables has made significant progress on the construction of its HDRD Complex that will be one of Canada's first standalone renewable diesel facilities and expects to complete construction in April 2023 and commence operations during the second quarter of 2023. Tidewater Renewables has executed a renewable diesel offtake agreement with an investment grade partner to sell approximately 50% of the HDRD Complex's production through to the end of 2024.

Undertaking the construction of the HDRD Complex during a major inflationary period, and consistent with the global economic environment, the HDRD Complex has endured material cost pressures. A challenging labour market, global supply chain issues, specialty metal shortages and general cost inflation have resulted in the current estimated gross project cost, including commissioning, of approximately $342 million, compared to the previous estimate of $260 million. Gross project costs are expected to be offset by an estimated $125 million of BC LCFS credits issued by the Government of British Columbia, under a Part 3 agreement, for achieving certain construction milestones. At December 31, 2022, inception to date costs incurred on the HDRD Complex are approximately $245 million, with $82 million of British Columbia Low Carbon Fuel Standard ("BC LCFS") credits received to date.

Tidewater Renewables expects to fund the remaining project costs through the sale of BC LCFS credits and with the support of its current capital providers, among other sources. During the first half of 2023, Tidewater Renewables expects to receive proceeds of approximately $53 million for the sale of BC LCFS credits under executed agreements. Despite the cost pressures, the project's economics remain attractive, and payback is expected in less than three years of operations.

RESULTS OF OPERATIONS

Financial overview

(in millions of Canadian dollars except per share and percentage information)	Three months ended December 31, **2022**		2021		Year ended December 31, **2022**		2021
Revenue	**$**	**711.1**	$ 534.6	**$**	**2,875.2**	$	1,698.4
Operating expenses	**$**	**653.6**	$ 490.7	**$**	**2,643.8**	$	1,531.2
General and administrative	**$**	**9.1**	$ 7.9	**$**	**36.9**	$	26.3
Share-based compensation	**$**	**2.8**	$ 2.1	**$**	**13.5**	$	6.7
Depreciation	**$**	**23.6**	$ 20.6	**$**	**84.4**	$	81.8
Finance costs and other	**$**	**18.6**	$ 11.4	**$**	**69.9**	$	68.4
Realized gain on derivative contracts	**$**	**(8.8)**	$ (17.0)	**$**	**(46.3)**	$	(61.2)
Impairment expense	**$**	**55.0**	$ -	**$**	**55.0**	$	-
Unrealized (gain) loss on derivative contracts	**$**	**(21.8)**	$ 19.4	**$**	**(32.0)**	$	(25.0)
(Gain) loss on sale of assets	**$**	**(4.0)**	$ 0.1	**$**	**5.4**	$	(26.1)
Loss (income) from equity investments	**$**	**14.0**	$ 0.4	**$**	**11.6**	$	(1.3)
Transaction costs	**$**	**2.8**	$ 0.9	**$**	**6.5**	$	3.4
Deferred income tax (recovery) expense	**$**	**(8.9)**	$ 0.1	**$**	**7.6**	$	20.3
Net (loss) income attributable to shareholders	**$**	**(30.0)**	$ (3.0)	**$**	**8.5**	$	71.5
Basic net (loss) income attributable to shareholders per share	**$**	**(0.07)**	$ (0.01)	**$**	**0.02**	$	0.21
Diluted net (loss) income attributable to shareholders per share	**$**	**(0.07)**	$ (0.01)	**$**	**0.02**	$	0.18
Net cash provided by operating activities	**$**	**66.7**	$ 32.7	**$**	**242.9**	$	126.7
Total common shares outstanding (millions)		**424.5**	341.6		**424.5**		341.6
Total consolidated assets	**$**	**2,274.6**	$ 1,970.6	**$**	**2,274.6**	$	1,970.6
Payout ratio [(1)]		**32%**	24%		**20%**		21%

(1) Payout ratio is a non-GAAP ratio. See the "Non-GAAP Measures" section of this MD&A for information.

Results overview

Gross margin by revenue category

(in millions of Canadian dollars) **Three months ended December 31, 2022**		**Midstream**		**Downstream**		**Marketing and Other**		**Total**
Revenue from external customers	**$**	**61.2**	**$**	**248.9**	**$**	**401.0**	**$**	**711.1**
Operating expenses from external vendors		**38.6**		**211.5**		**403.5**		**653.6**
Gross margin	**$**	**22.6**	**$**	**37.4**	**$**	**(2.5)**	**$**	**57.5**

Three months ended December 31, 2021		**Midstream**		**Downstream**		**Marketing and Other**		**Total**
Revenue from external customers	$	52.9	$	168.7	$	313.0	$	534.6
Operating expenses from external vendors		29.2		152.3		309.2		490.7
Gross margin	$	23.7	$	16.4	$	3.8	$	43.9

(in millions of Canadian dollars) **Year ended December 31, 2022**		**Midstream**		**Downstream**		**Marketing and Other**		**Total**
Revenue from external customers	**$**	**238.3**	**$**	**1,001.8**	**$**	**1,635.1**	**$**	**2,875.2**
Operating expenses from external vendors		**138.9**		**852.2**		**1,652.7**		**2,643.8**
Gross margin	**$**	**99.4**	**$**	**149.6**	**$**	**(17.6)**	**$**	**231.4**

Year ended December 31, 2021		**Midstream**		**Downstream**		**Marketing and Other**		**Total**
Revenue from external customers	$	200.1	$	597.8	$	900.5	$	1,698.4
Operating expenses from external vendors		109.2		523.8		898.2		1,531.2
Gross margin	$	90.9	$	74.0	$	2.3	$	167.2

Revenue and operating expenses

Revenue increased by 33% to $711.1 million in the fourth quarter of 2022, from $534.6 million in the same period of 2021, primarily driven by stronger commodity prices and a higher crack spread that averaged in excess of $100/bbl during the quarter at PGR.

Net throughput volumes at Tidewater's natural gas processing and extraction facilities averaged 436 MMcf/day during the fourth quarter of 2022, remaining relatively consistent with the 430 MMcf/day in the same period of 2021.

During the year ended December 31, 2022, the Corporation generated revenue of $2,875.2 million, an increase of 69% compared to $1,698.4 million for the same period in 2021. The year-over-year increase was primarily due to stronger commodity pricing and higher PGR refining margins.

Net throughput volumes at Tidewater's natural gas processing and extraction facilities averaged 422 MMcf/day during the year ended December 31, 2022, a 3% decrease compared to 438 MMcf/day during the same period of 2021. The lower throughput in 2022 is primarily a result of planned turnarounds at the BRC, the Pipestone Gas Plant, and the Ram River Gas Plant, compared to the absence of scheduled turnaround work in 2021.

Operating expenses in the fourth quarter of 2022 were $653.6 million, an increase of 33% compared to $490.7 million in the fourth quarter of 2021. Operating expenses for the year ended December 31, 2022, increased 73% to $2,643.8 million from $1,531.2 million in the same period of 2021. Both the three months and year ended December 31, 2022, were impacted by higher feedstock costs, higher commodity prices for marketing and extraction purchases, and higher power, utility and fuel prices at the Corporation's facilities.

The increased cost of feedstock purchases and power usage was partially offset by realized hedging gains related to the Corporation's risk management policy that helps minimize exposure to fluctuations in commodity prices.

General and administrative

General and administrative ("G&A") expenses in the three months ended December 31, 2022, were $9.1 million, compared to $7.9 million in the same period of 2021. During the year ended December 31, 2022, G&A expenses were $36.9 million compared to $26.3 million in the same period of 2021. The increase for both periods was primarily due to higher costs for additional employees required to support operations, including new employees for Tidewater Renewables.

Share-based compensation

Tidewater incurred share-based compensation costs of $2.8 million in the three months ended December 31, 2022, remaining relatively consistent with the $2.1 million expense in the three months ended December 31, 2021. During the year ended December 31, 2022, share-based compensation expense was $13.5 million compared to $6.7 million in the same period of 2021. The increase is primarily attributable to the timing of long-term incentive grants issued to employees and a higher number of share awards issued by Tidewater Renewables during 2022.

Depreciation

Depreciation expense in the three months ended December 31, 2022, was $23.6 million, compared to $20.6 million in the comparative period. During the year ended December 31, 2022, depreciation was $84.4 million compared to $81.8 million in the same period of 2021. Depreciation remained relatively consistent period over period.

Finance costs and other

Finance costs and other in the three months ended December 31, 2022, were $18.6 million, compared to $11.4 million in the same period of 2021. Higher interest expense was largely attributed to increased draws on Tidewater Renewables' credit facilities to fund the construction of the HDRD Complex. The comparative quarter included a non-cash one-time derecognition of a contingent liability related to the PGR acquisition, which reduced finance costs and other. Year-over-year, finance costs remained relatively consistent at $69.9 million and $68.4 million for 2022 and 2021, respectively. The higher average debt drawn in Tidewater Renewables resulted in increased interest costs, which were offset by higher capitalized interest for the HDRD Complex project, and lower interest costs in Tidewater Midstream as the proceeds from the equity issuance was used to repay debt in the third quarter of 2022.

Realized gain on derivative contracts

Tidewater uses physical and financial forward contracts to protect operating income and the value of its crude oil, natural gas, NGL and refined product inventories against volatility in commodity prices. Overall, the Corporation hedges 30% to 100% of its commodity price exposure outside of PGR.

The realized gain on derivative contracts for the three months ended December 31, 2022, was $8.8 million compared to a realized gain of $17.0 million for the same period in 2021. The realized gain on derivative contracts for the year ended December 31, 2022, was $46.3 million compared to a realized gain of $61.2 million in the comparative period of 2021. The realized gains recognized in the three months and year ended December 31, 2022, were predominantly driven by crude oil, vegetable oils, refined product and power hedges that were settled during the periods. Gains were partially offset by physical losses recorded in operating expenses.

Unrealized gain (loss) on derivative contracts

The unrealized non-cash gain on derivative contracts for the three months ended December 31, 2022, was $21.8 million, compared to an unrealized loss of $19.4 million for the three months ended December 31, 2021. The quarter-over-quarter change is primarily due to volatility in vegetable oil derivative contracts in Tidewater Renewables. During the year ended December 31, 2022, the Corporation incurred an unrealized gain on derivative contracts of $32.0 million compared to an unrealized gain of $25.0 million during the same period in 2021. The increase in the gain is primarily due to the rising commodity price environment throughout 2022 and contracts maturing in the periods, offset in part by the non-cash revaluation of Tidewater Renewables' warrant liability.

The majority of the Corporation's unrealized gains and losses on derivative contracts relate to long-term contracts, with terms of up to five years, to protect a portion of Tidewater's feedstock supply cost at PGR, to manage power price exposure, and to manage the commodity price risk related to the co-processing and renewable diesel operations of Tidewater Renewables. Fair values of derivative contracts fluctuate depending on commodity prices and can impact profit in the form of realized or unrealized gains and losses, offset by the cost of physical inventories, and can significantly change period over period.

The fair value of the derivative contract asset or liability is the estimated value to settle the outstanding contracts at a point in time. Accordingly, the unrealized gains or losses on these financial instruments are recorded directly to the statement of net income and can fluctuate materially quarter-over-quarter with price volatility. In general, the increase or decrease in the fair value of the derivative contracts is intended to mitigate fluctuations in the value of inventories and future commitments and protect operating income. Unrealized gains and losses on derivative contracts do not impact net cash provided by operating activities or distributable cash flow.

Actual gains or losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices as compared to the valuation assumptions. The Corporation's risk management policy is designed to limit fluctuations in the overall business where gains and losses on derivative contracts are inherently offset in the Corporation's asset base.

At December 31, 2022, the fair value of the Corporation's derivative contracts was a net asset of $13.9 million, of which $8.4 million is classified as long-term. This compares to a total net liability of $20.2 million as at December 31, 2021.

Impairment expense

Tidewater identified that certain non-core assets in the Deep Basin CGU had a recoverable amount of $NIL, based on the assets value in use. As the carrying value of the assets exceeded the recoverable amount, an impairment expense of $55.0 million was recorded in the fourth quarter of 2022.

Gain (loss) on sale of assets

During the fourth quarter of 2022, the Corporation disposed of certain non-core assets for a gain of $4.0 million. During the year ended December 31, 2022, the Corporation recognized losses of $5.4 million on the disposal of non-core assets, compared to a gain of $26.1 million in the same period of 2021. The variance is attributable to the Corporation's disposition of its 50% interest in the Pioneer Pipeline on June 30, 2021 where a gain of $30.2 million was recognized on this disposition.

Transaction costs

Transaction costs for the three months ended December 31, 2022, were $2.8 million compared to $0.9 million in the same period of 2021. During the year ended December 31, 2022, transaction costs were $6.5 million compared to $3.4 million for the same period of 2021. Transaction costs in 2022 related to the Corporation's refinancing, acquisition and divestiture activities.

Loss (Income) from equity investments

The loss from equity investments increased by $13.6 million and $12.9 million for the three months and year ended December 31, 2022, respectively, from the comparative periods in 2021. The change in both periods is due to the recognition of a $13.5 million loss on remeasurement to fair value of the equity interest upon the acquisition of the remaining 50% ownership interest in the Brazeau Partnership during the fourth quarter of 2022. Details of the acquisition are discussed in note 5 of the Financial Statements for the year ended December 31, 2022.

Deferred income tax expense (recovery)

The deferred income tax recovery for the three months ended December 31, 2022, was $8.9 million compared to an expense of $0.1 million in the comparative period. The reduction in the expense is primarily attributable to deferred tax recoveries on the $13.5 million loss related to the acquisition of the remaining 50% ownership interest in the Brazeau Partnership and the $55.0 million impairment expense recognized on certain non-core assets in the Deep Basin CGU. Deferred income tax expense of $7.6 million for the year ended December 31, 2022, was $12.7 million lower than the $20.3 million expense for the same period in 2021, due to the same factors discussed for the fourth quarter.

Net income (loss) attributable to shareholders

During the three months ended December 31, 2022, the Corporation generated a net loss attributable to shareholders of $30.0 million, compared to a net loss attributable to shareholders of $3.0 million for the same period of 2021. The increase in the net loss was primarily due to the $55.0 million non-cash impairment expense recognized on certain non-core assets in the Deep Basin CGU and the recognition of a $13.5 million loss on the acquisition of the remaining 50% ownership interest in the Brazeau Partnership, offset in part by an increase in the non-cash unrealized gain on derivative contracts and higher diesel product margins.

Net income attributable to shareholders for the year ended December 31, 2022, was $8.5 million compared to $71.5 million for the same period of 2021. The decrease in net income was largely the result of the $55.0 million impairment expense recognized on certain non-core assets in the Deep Basin CGU, lower realized gains on derivative contracts in the current year, the recognition of a $13.5 million loss on the acquisition of the remaining 50% ownership interest in the Brazeau Partnership, costs for additional employees, and a realized gain on the sale of the Pioneer Pipeline in 2021, offset in part by higher product margins from an increase in commodity prices.

Capital Expenditures

The following table summarizes acquisitions, growth and maintenance capital expenditures for the three months and years ended December 31, 2022 and 2021:

(in millions of Canadian dollars)	Three months ended December 31, 2022	Three months ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2021
Growth capital [(1)]	**$ 99.1**	$ 35.8	**$ 295.8**	$ 94.0
Maintenance capital [(1)]	**11.4**	8.7	**53.5**	22.8
Total capital expenditures	**$ 110.5**	$ 44.5	**$ 349.3**	$ 116.8
Capital emissions credits awarded [(2)]	**$ (21.6)**	$ -	**$ (56.0)**	$ -
Cash paid for asset acquisition	**$ 10.5**	$ 2.2	**$ 10.5**	$ 2.2

(1) Supplementary financial measures. See the "Non-GAAP Measures" section of this MD&A for more information.

(2) During the year ended December 31, 2022, $33.3 million of capital emission credits were monetized.

Growth capital

Growth capital expenditures for the fourth quarter of 2022 were $99.1 million, compared to $35.8 million for the fourth quarter of 2021. During the year ended December 31, 2022, growth capital increased by $201.8 million to $295.8 million from $94.0 million in 2021.

For both periods, the increase in growth capital expenditures is primarily due to growth projects underway in Tidewater Renewables, including the continued construction of the HDRD Complex. Additional information on the HDRD project is discussed in the **OUTLOOK AND CORPORATE UPDATE** section of this MD&A. Growth capital expenditures of $73.5 million and $232.6 million were incurred by Tidewater Renewables during the three months and year ended December 31, 2022, respectively. These costs were partially offset by funds received from the sale of BC LCFS credits awarded by the Government of BC.

The remaining growth capital expenditures for both the three months and year ended December 31, 2022, were largely for preliminary work on the potential Pipestone Gas Plant expansion project, construction of a propylene splitter at Acheson, small-scale optimization projects, and debottlenecking and blending projects.

Maintenance capital

Tidewater places a high priority on the maintenance of its assets to provide safe and reliable services to its customers. Maintenance capital expenditures for the three months ended December 31, 2022, were $11.4 million, compared to $8.7 million for the same period of 2021. The increase is primarily due to planned maintenance work on the Pipestone Gas Plant extending into the fourth quarter, preliminary work on the 2023 scheduled plant turnaround at the PGR, and ongoing tank refurbishment projects. Capital maintenance expenditures for the years ended December 31, 2022 and 2021, were $53.5 million and $22.8 million, respectively. The increase in maintenance capital is the result of planned turnaround programs at the BRC, the Pipestone Gas Plant, and the Ram River Gas Plant in 2022, compared to no scheduled turnaround work during the prior year.

Cash paid for asset acquisition

On December 23, 2022, Tidewater acquired the remaining 50% ownership interest in the Brazeau Partnership, for cash consideration of $10.5 million.

SELECTED ANNUAL INFORMATION

The following table presents selected consolidated annual financial information for Tidewater:

(In millions of Canadian dollars, except per share information)	Year ended December 31, **2022**	2021	2020
Revenue	**$ 2,875.2**	$ 1,698.4	$ 979.4
Net income (loss) attributable to shareholders	**8.5**	71.5	(33.8)
Net income (loss) per share attributable to shareholders – basic	**0.02**	0.21	(0.10)
Net income (loss) per share attributable to shareholders – diluted	**0.02**	0.18	(0.10)
Dividends declared	**15.3**	13.6	13.5
Dividends declared per common share	**0.04**	0.04	0.04
Total assets	**2,274.6**	1,970.6	1,863.7
Total non-current liabilities	**981.7**	803.8	1,097.9

SUMMARY OF QUARTERLY RESULTS

The following table presents a summary of Tidewater's quarterly results for the last eight quarters:

(In millions of Canadian dollars, except per share information)	**Q4 2022**	Q3 2022	Q2 2022	Q1 2022
Revenue	**$ 711.1**	$ 712.1	$ 793.6	$ 658.4
Net (loss) income attributable to shareholders	**(30.0)**	(18.8)	16.1	41.2
Net (loss) income per share attributable to shareholders – basic	**(0.07)**	(0.05)	0.05	0.12
Net (loss) income per share attributable to shareholders – diluted	**(0.07)**	(0.05)	0.04	0.10
Consolidated adjusted EBITDA (1)	**$ 60.4**	$ 62.1	$ 69.9	$ 57.4

(1) Non-GAAP financial measure. See the "Non-GAAP Measures" section of this MD&A for information.

(In millions of Canadian dollars, except per share information)	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Revenue	$ 534.6	$ 434.0	$ 369.8	$ 360.0
Net income (loss) attributable to shareholders	(3.0)	1.8	64.3	8.4
Net income (loss) per share attributable to shareholders – basic	(0.01)	0.01	0.19	0.02
Net income (loss) per share attributable to shareholders – diluted	(0.01)	0.01	0.16	0.02
Consolidated adjusted EBITDA (1)	$ 53.9	$ 53.1	$ 52.3	$ 51.1

(1) Non-GAAP financial measure. See the "Non-GAAP Measures" section of this MD&A for information.

During 2022, Tidewater's results were impacted by the following factors and trends:

- strong refining margins at PGR;
- scheduled turnarounds at the Ram River Gas Plant and BRC in the second quarter, and the Pipestone Gas Plant during the third and fourth quarters, reducing throughput volume during these periods;
- increased producer drilling and activity;
- volatility in commodity prices impacting product margins, partially offset by the Corporation's risk management strategy;
- higher power prices and inflation impacting operating costs;
- large realized and unrealized gains on derivative contracts due to fluctuating commodity prices;
- a $55.0 million impairment expense recorded on certain non-core assets in the Deep Basin CGU; and
- the recognition of a $13.5 million loss on the acquisition of the remaining 50% ownership interest in the Brazeau Partnership during the fourth quarter.

During 2021, Tidewater's results were impacted by the following factors and trends:

- recovery of commodity prices driving increases in revenues and operating expenses;
- increased natural gas prices and increased producer activity;
- continued strong crack spreads at PGR; and
- large realized and unrealized gains on derivative contracts due to significant recovery in forecasted crude prices.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Sources

The Corporation's primary liquidity and capital resource needs are to fund ongoing capital expenditures, future growth opportunities, interest payments, working capital and a stable dividend.

Tidewater anticipates that net cash provided by operating activities, of which a portion is derived from fee-based contracts, cash flow generated from growth projects, cash available from its Senior Credit Facilities, and other sources of financing will be sufficient to meet its obligations and financial commitments and will provide sufficient funding for anticipated capital expenditures. The current financial position of the Corporation provides sufficient financial flexibility and resources to manage its liquidity requirements. Accordingly, over the short-term, the Corporation expects to maintain sufficient liquidity sources to fund its ongoing operations, debt service requirements, dividend payments, and working capital needs.

The Corporation's actual expenditures may vary depending on a variety of factors, including the availability of equipment and personnel, unexpected expenses, delays in the receipt of necessary regulatory approvals, permits and licenses, and the success of the Corporation's business development activities, among other variables.

The following table summarizes Tidewater's credit facilities and debt outstanding as at December 31, 2022:

(in millions of Canadian dollars)	Maturity Date	Rate		Facility Amount		Amount Drawn
Tidewater Midstream syndicated credit facility(1)(2)	August 18, 2024(3)	variable	$	550.0	**$**	**470.2**
Convertible debentures	September 30, 2024	fixed		75.0		**75.0**
Tidewater Midstream total			$	625.0	**$**	**545.2**
Tidewater Renewables syndicated credit facility(1)	August 18, 2024	variable		150.0		**72.6**
Tidewater Renewables AIMCo Facility	October 24, 2027	fixed(4)		150.0		**150.0**
Tidewater Renewables total			$	300.0	**$**	**222.6**
Tidewater Consolidated			$	925.0	**$**	**767.8**

(1) Tidewater Midstream and Tidewater Renewables each have a revolving credit facility with a syndicate of banks. The facilities are not cross-collateralized, are not subject to cross defaults nor will Tidewater Midstream and Tidewater Renewables be consolidated for the purposes of covenant testing or availability.
(2) The Corporation is required to maintain availability under the Senior Credit Facility of not less than $50 million.
(3) On February 23, 2023, the Senior Credit Facility was amended to extend the maturity date to February 10, 2026.
(4) The facility initially bears interest of 6.50% per annum until October 2025 and then increases by 37.5 basis points for the remainder of the term. The facility is also subject to certain inflation escalators.

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 Corporation's Senior Credit Facilities are used to provide financing for working capital, to fund capital expenditures and acquisitions, and for other general corporate purposes.

On June 30, 2022, Tidewater Renewables, through a wholly owned subsidiary, entered into a $26.3 million credit facility with a Canadian bank (the "RNG Credit Facility"). The RNG Credit Facility could be drawn in Canadian dollars and bore interest at the agent bank's prime lending rate or Canadian Dollar

Offered Rate rates, plus applicable margins. On October 24, 2022, the RNG Credit Facility was repaid and extinguished.

On August 16, 2022, the Corporation closed a distribution of 48.4 million units ("Units") at a price of $1.20 per Unit (the "Offering"), for gross proceeds of $58.1 million. Each Unit consists of one common share of the Corporation (a "Unit Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one common share in the capital of the Corporation (a "Warrant Share") at a price of $1.44 per Warrant Share until August 16, 2024. Underwriter commissions of $2.9 million were 5% of the total gross proceeds raised from the Offering.

Concurrently with the Offering and under the same terms as the Offering, Birch Hill Private Equity Partners Fund V, and certain affiliated entities controlled by Birch Hill, (collectively, "Birch Hill"), Kicking Horse Capital Inc., as manager of KHC SVP I LP, or entities controlled by it (collectively, "Kicking Horse"), and certain members of management purchased 28.8 million Units of the Corporation at a price of $1.20 per unit, comprised of one Unit Share and one-half of one Warrant on a private placement basis (the "Concurrent Private Placement"). In addition, each subscriber was granted an over-allotment option, which was partially exercised on September 16, 2022, and increased total gross proceeds of the Concurrent Private Placement to $38.1 million. Total fees paid to Birch Hill and Kicking Horse under the terms of the Concurrent Private Placement were $3.6 million.

On September 22, 2022, the Tidewater Renewables' Senior Credit Facility was amended (the "Amendment") to relax certain financial covenants. The amended financial covenants are calculated on a trailing-quarterly basis and include consolidated debt (being Tidewater Renewables' Senior Credit Facility and the AIMCo Facility to adjusted EBITDA of less than or equal to 4.00:1; first lien senior debt (being, Tidewater Renewables' Senior Credit Facility but excluding the AIMCo Facility, as defined below) to adjusted EBITDA of less than or equal to 3.00:1; and an adjusted EBITDA to interest coverage ratio greater than or equal to 2.50:1. Upon the closing of the AIMCo Facility, the Amendment provided a further increase to the financial covenants, including consolidated debt to adjusted EBITDA of less than or equal to 4.5:1 and first lien senior debt to adjusted EBITDA of less than or equal to 3.50:1.

On October 24, 2022, Tidewater Renewables announced the closing of a $150.0 million five-year senior secured second lien credit facility (the "AIMCo Facility") with an affiliate of Alberta Investment Management Corporation ("AIMCo"). The AIMCo Facility initially bears interest of 6.50% per annum and increases by 37.5 basis points in year four and year five and is subject to certain inflation escalators. In conjunction with the AIMCo Facility issuance, Tidewater Renewables issued 3.4 million warrants to AIMCo. Each warrant entitles the holder to purchase one common share of Tidewater Renewables at a price of $14.84, subject to certain adjustments, for a term of five years. A portion of the proceeds from the AIMCo Facility were used to pay and extinguish the RNG Credit Facility.

Subsequent to the year ended December 31, 2022, on February 15, 2023, Tidewater Midstream's Senior Credit Facility was amended to extend the maturity date to February 10, 2026. In addition, for the period April 1, 2023, to March 31, 2024, the requirement to maintain minimum availability under the Senior Credit Facility of not less than $50 million has been waived.

The Corporation does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Corporation's financial performance. Credit facilities held by Tidewater's equity accounted investees are non-recourse to both Tidewater Midstream and Tidewater Renewables.

On occasion, the Corporation issues letters of credit in connection with transactions in which the counterparty requires such security. At December 31, 2022, the Corporation had $50.5 million in letters of credit issued to facilitate commercial transactions with third parties and to support regulatory requirements. The letters of credit are issued under separate facilities from the Senior Credit Facilities.

Financial Covenants

The following table is a list of Tidewater Midstream's deconsolidated financial covenants as at December 31, 2022:

	Ratio	December 31, 2022
Deconsolidated debt to adjusted EBITDA	Maximum 4.50:1	2.97
Deconsolidated first lien senior debt to adjusted EBITDA	Maximum 3.50:1	2.97
Adjusted EBITDA to interest coverage	Minimum 2.50:1	4.47

Tidewater Midstream is required to maintain certain deconsolidated financial covenants on a trailing-quarterly basis. The calculations for each of these ratios are based on specific definitions in the agreements governing the Senior Credit Facility, are not in accordance with GAAP, and cannot be easily calculated by referring to the Corporation's consolidated financial statements. For purposes of the covenant calculation, Tidewater Midstream's convertible debentures are excluded from the calculations. At December 31, 2022, Tidewater Midstream was in compliance with its financial covenants.

The following table is a list of Tidewater Renewables financial covenants as at December 31, 2022:

	Ratio	December 31, 2022
Tidewater Renewables debt to adjusted EBITDA	Maximum 4.50:1	3.93
Tidewater Renewables first lien senior debt to adjusted EBITDA	Maximum 3.50:1	1.35
Adjusted EBITDA to interest coverage	Minimum 2.50:1	7.05

Tidewater Renewable's financial covenants are calculated on a trailing-quarterly basis and include consolidated debt (being Tidewater Renewables' Senior Credit Facility and the AIMCo Facility to adjusted EBITDA, first lien senior debt (being Tidewater Renewables' Senior Credit Facility but excluding the AIMCo Facility) to adjusted EBITDA and an adjusted EBITDA to interest coverage ratio.

The calculations for each of these ratios are based on specific definitions in the agreements governing the Tidewater Renewables' Senior Credit Facility and AIMCo Facility, are not in accordance with GAAP, and cannot be easily calculated by referring to Tidewater Renewables' financial statements. At December 31, 2022, Tidewater Renewables was in compliance with its financial covenants.

Tidewater Renewables is also subject to customary restrictions on its Senior Credit Facilities which include restrictions on the granting of security, incurring indebtedness and the sale of its assets.

Credit Rating

On August 25th, 2022, Standard & Poor's ("S&P") raised the Corporation's issuer credit rating to "B" from "CCC" as a result of Tidewater refinancing its senior unsecured notes. This outlook remains stable.

The rating is based on Tidewater's financial strength as well as factors not entirely within the Corporation's control, including conditions affecting the energy industry and the economy. The Corporation's ability to access senior unsecured debt in the capital markets depends, in part, on the credit rating. Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. There is no assurance that the rating will remain in effect for any given period of time or will not be revised or withdrawn entirely by the rating agency.

A credit rating downgrade could limit the Corporation's access to private and public credit markets in the future and increase the costs of borrowing. The credit rating assigned by the rating agency is not a recommendation to purchase, hold or sell Tidewater securities, nor does the credit rating comment on market price or suitability for a particular investor.

Cash Flow Summary

The following table summarizes the Corporation's sources and uses of funds for the three months and years ended December 31, 2022 and 2021:

(in millions of Canadian dollars)	Three months ended December 31,		Year ended December 31,	
Cash flows provided by (used in)	**2022**	2021	**2022**	2021
Operating activities	**$ 66.7**	$ 32.7	**$ 242.9**	$ 126.7
Financing activities	**$ 70.8**	$ (2.3)	**$ 37.9**	$ (140.6)
Investing activities	**$ (133.1)**	$ (40.4)	**$ (279.6)**	$ 19.8

Net cash provided by operating activities

Net cash provided by operating activities was $66.7 million for the three months ended December 31, 2022, compared to $32.7 million in the three months ended December 31, 2021. The increase is primarily attributable to higher operating income in the fourth quarter of 2022.

For the year ended December 31, 2022, net cash provided by operating activities was $242.9 million compared to $126.7 million in the same period in 2021. The increase is primarily attributable to higher operating income during the year.

The increase in operating cash flows reflects the supportive commodity pricing environment as well as strong utilization rates at PGR and the Pipestone Gas Plant.

Cash provided by operating activities will fluctuate quarter-over-quarter because of inventory purchased at PGR, the commodity prices at which inventory is bought and sold, and seasonal demand. Commodity prices and PGR inventory fluctuate period over period and, accordingly, working capital requirements also fluctuate with changes in commodity prices and demand.

Net cash provided by (used in) financing activities

Net cash provided by financing activities was $70.8 million for the three months ended December 31, 2022, compared to net cash used in financing activities of $2.3 million for the three months ended December 31, 2021. Proceeds from the closing of the AIMCo Facility were received during the current quarter and were used in part to repay and extinguish the RNG Credit Facility.

Net cash provided by financing activities was $37.9 million for the year ended December 31, 2022, compared to net cash used in financing activities of $140.6 million for the year ended December 31, 2021. The year-over-year change in cash provided by financing activities is predominantly due to repayments of Tidewater Midstream's Senior Credit Facility and the initial public offering of Tidewater Renewables in 2021, proceeds from the new AIMCo Facility in the fourth quarter of 2022, and the share issuance in the third quarter of 2022. Proceeds from the 2022 share issuance and new credit facility were primarily used for the construction of the HDRD Complex in 2022 and to repay the senior unsecured notes.

The Corporation continues to pay dividends on a quarterly basis at $0.01 per common share.

Net cash provided by (used in) investing activities

Net cash used in investing activities was $133.1 million and $279.6 million for the three months and year ended December 31, 2022, respectively, compared to net cash used in investing activities of $40.4 million and net cash provided by investing activities of $19.8 million for the three months and year ended December 31, 2021, respectively. The change in the three months and year ended December 31, 2022, was primarily a result of expenditures incurred on the construction of Tidewater Renewables' HDRD Complex, the planned turnarounds during 2022, the sale of the Pioneer Pipeline closing during the second quarter of 2021, and the acquisition of the remaining 50% ownership interest in the Brazeau Partnership during the fourth quarter.

CONTRACTUAL LIABILITIES AND COMMITMENTS

At December 31, 2022, the Corporation had contractual liabilities and commitments related to leased (right-of-use) assets, firm transportation contracts, and long-term debt. Lease liabilities relate to pipelines, storage tanks, rail cars, buildings, field equipment, surface leases, and energy service arrangements. The firm transportation contracts relate to downstream pipelines, ranging from one to thirteen years.

The Corporation had the following contractual obligations and commitments, including those recognized as leases, as at December 31, 2022:

(in millions of Canadian dollars)		Within one year		After one year but not more than five years		More than five years		Total
Accounts payables and accrued liabilities [1]	$	470.0	$	-	$	-	$	470.0
Dividends payable		4.2		-		-		4.2
Derivative contracts		13.0		13.8		-		26.8
Lease liabilities and other [2]		48.1		92.5		73.9		214.5
Warrant liability		-		12.4		-		12.4
Bank debt [3]		-		542.8		-		542.8
Term debt [3]		-		150.0				150.0
Convertible debentures interest [4]		4.1		3.1		-		7.2
Convertible debentures repayment [3]		-		75.0		-		75.0
Firm transportation contracts [5]		53.7		216.0		234.7		504.4
Total	**$**	**593.1**	**$**	**1,105.6**	**$**	**308.6**	**$**	**2,007.3**

(1) Included in accounts payables and accrued liabilities is an obligation of $24.8 million (December 31, 2021 - $24.8 million) secured by crude oil and refined product inventory. The Corporation, at its option, may renew the arrangement every four months at a rate of 8% per annum, or settle the obligation for $24.8 million. The arrangement was renewed in January 2023 and the next renewal period is from May 2023 to September 2023.

(2) Amounts represent the expected undiscounted cash payments related to lease liabilities and other.

(3) Amounts represent undiscounted principle only and exclude accrued interest.

(4) Fixed interest payments on convertible debentures. The convertible debentures mature on September 30, 2024.

(5) Fixed transportation contracts are presented gross of flow-through operating cost recoveries from customers.

On July 4, 2022, the Pipestone Partnership limited partnership agreement was amended to revise the Corporation's call option rights.

OUTSTANDING EQUITY

At March 7, 2023, Tidewater Midstream had the following outstanding common shares, restricted share units ("RSUs"), deferred share units ("DSUs") and options:

(In millions)	
Common shares	424.6
RSUs	11.1
DSUs	0.7
Options	13.8

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are in the normal course of business and are recorded at market rates. The Corporation contract operates, on a cost recovery basis, the natural gas storage assets in its equity accounted investments.

Costs related to contract operating are incurred in the normal course of business and are not accounted for as revenue or expenses in the Corporation's financial statements, but rather flow-through cost recoveries recorded in accounts receivable. Given the seasonality of natural gas storage revenues, the cost recovery balances will fluctuate through the summer and winter storage seasons.

The transactions with related parties during the three months and year ended December 31, 2022, are summarized in the following table:

(in millions of Canadian dollars)	Three months ended December 31, 2022		Year ended December 31, 2022	
Related Party	Revenue	Operating expenses	Revenue	Operating expenses
Tidewater Brazeau Gas Storage LP [1]	$ **0.6**	$ **0.6**	$ **1.2**	$ **5.4**

(1) Tidewater Brazeau Gas Storage LP was a joint arrangement until December 23, 2022, when the Corporation acquired the remaining 50% ownership. The transactions involving Tidewater Brazeau Gas Storage LP consist of natural gas processing fee revenue, natural gas storage fee expenses and commodity purchases.

The Concurrent Private Placement and related commitment fees to Birch Hill, as discussed in the **LIQUIDITY AND CAPITAL RESOURCES** section are considered related party transactions and are under the same terms of the offered Units to the public.

The related party balances included in the consolidated statement of financial position as at December 31, 2022, are summarized in the following table:

(in millions of Canadian dollars)	As at December 31, 2022	
Related Party	Accounts receivable	Accounts payable
Tidewater Pipestone Infrastructure LP [1]	$ **9.6**	$ **-**

(1) Tidewater Pipestone Infrastructure LP is a joint arrangement. Accounts receivable consist of flow-through expenditures as operator of the facility, on a cost recovery basis.

For the three months and year ended December 31, 2022, Tidewater had no other transactions with related parties, except those pertaining to contributions to Tidewater's long-term incentive plans and remuneration of key management personnel in the ordinary course of their employment.

FINANCIAL INSTRUMENTS

Tidewater’s financial instruments consist of cash and cash equivalents, accounts receivable, derivative contracts, investments, accounts payable and accrued liabilities, dividends payable, bank debt, term debt, notes payable and convertible debenture liability. Tidewater employs risk management strategies and policies to ensure that any exposure to market risks are in compliance with the Corporation’s business objectives and risk tolerance levels.

The majority of Tidewater’s accounts receivable are due from entities in the oil and gas industry and are subject to normal industry credit risks. Approximately 50% of the Corporation's cash flow is derived from investment-grade counterparties. Tidewater evaluates and monitors the financial strength of its customers in accordance with its credit policy. Financial assurances are received to mitigate and reduce risk may include letters of credit and prepayments.

With respect to counterparties for financial instruments used for hedging purposes, the Corporation limits its credit risk through dealing with recognized futures exchanges or investment-grade financial institutions and by maintaining credit policies which minimize overall counterparty credit risk. For the three months and year ended December 31, 2022, revenue attributable to Cenovus, through the PGR offtake agreement, accounted for approximately 32% of the Corporation’s total revenue. The Corporation believes the credit risk associated with Cenovus is minimal.

The Corporation enters into certain financial derivative contracts to manage commodity price, power, interest and foreign exchange risk. These instruments are not used for speculative purposes. The Corporation has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all commodity, power, interest rate and foreign exchange contracts to be effective economic hedges.

Derivative contracts are recorded on the consolidated statement of financial position at fair value, with changes in the fair value being recognized as an unrealized gain or loss on the consolidated statement of net income.

RISK FACTORS

The Corporation continually works to mitigate the impact of risks to its business by identifying all significant risks so that they can be appropriately managed. The risks that may affect the business and operation of Tidewater are described within the Corporation's Annual Information Form ("AIF"), an electronic copy of which is available on Tidewater's SEDAR profile at www.sedar.com. In addition, the Corporation's financial risks are discussed in note 25 of the Financial Statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Tidewater is committed to conducting its business in a way that respects the environment, enhances the health and safety of its employees and communities, and meets stakeholder expectations. As part of its commitment to enhancing transparency, Tidewater proudly published its inaugural ESG report in the first quarter of 2022. This report details Tidewater's ESG journey, performance highlights, approach to sustainability, recent accomplishments, and other material items which will drive the success of Tidewater's long term ESG goals. Building upon this report, ESG metrics were updated with 2021 data at the end of 2022. The full report and 2022 update can be found on the Corporation's website at www.tidewatermidstream.com.

Environmental stewardship

Tidewater recognizes and values the importance of responsible environmental stewardship and has made significant investments in infrastructure to improve efficiencies and enhance environmental performance. The impact to the environment is a key consideration in how Tidewater designs, constructs and implements its projects. Tidewater's environmental programs focus on preventing environmental impacts and adopting appropriate remediation strategies when required. As part of this commitment, Tidewater strives to conduct its operations in accordance with internally developed environmental operating guidelines and provides its employees with training that includes health, safety, and environmental matters. Tidewater also has systems in place for reporting, tracking, and monitoring its environmental and regulatory key performance indicators. Results are regularly reviewed to evaluate performance, share information with internal groups and identify areas for improvement.

In 2021, Tidewater became a partner in NGIF Cleantech Ventures, a $50 million industry-led venture capital fund (the "Fund") that makes equity investments in early-stage start-ups. The Fund's investments include solutions that lead to emissions reductions and other environmental benefits in existing natural gas production, transmission, distribution, storage, and end-use applications, as well as leading to the expanded production of renewable natural gas and hydrogen.

In 2020, Tidewater became the first official partner and founding member of Project Forest, a non-profit organization committed to rewilding Alberta's local landscape by planting trees to sequester carbon. Tidewater has committed to a 5-year partnership with Project Forest that will include planting 20,000 trees as part of the program. In the first two years of our commitment, we planted over 5,300 trees, including 1,355 trees in the Cumberland House Cree Nation Food and Medicine Forest in Saskatchewan.

Community engagement

Tidewater is committed to developing and maintaining meaningful, long-term relationships with the communities in which it operates and any stakeholders that may be affected by its operations. Tidewater's community programs include community engagement, investment and sponsorship, use of local service providers, educational and workplace scholarship programs and open house community consultation programs. These programs are intended to keep Tidewater's neighbours informed about its operations, foster open communication, build relationships and to proactively identify and address community concerns.

In 2022, Tidewater invested approximately $0.4 million toward local community initiatives across Alberta and British Columbia. We continued to focus on enriching communities through physical and educational programs for children, providing scholarships for higher education, and strengthening our partnerships.

Indigenous relations

Tidewater recognizes that it constructs and operates facilities in Indigenous communities. Tidewater's approach towards stakeholder engagement is to work together with Indigenous communities to proactively identify any potential impacts of its activities on the community to develop mutually acceptable solutions and benefits. Tidewater is guided by the following principles in its relationships with Indigenous peoples: respecting the diversity of Indigenous cultures and seeking to understand the customs, values and traditions of Indigenous peoples; being committed to honest, open, ongoing communication with Indigenous communities affected by its operations and engaging in timely and meaningful consultation with these communities; and offering support for strategies intended to encourage development within Indigenous communities, including training, employment, business development and community opportunities related to Tidewater's operational activities.

As part of our community engagements, Tidewater invested approximately 17% of its total community investment budget in Indigenous initiatives, including supporting the Indigenous Resource Network. We also continuously explore opportunities to engage and partner with Indigenous communities in business and community developments. As part of the 2020 federal government's $1.2 billion Site Rehabilitation Program ("SRP"), Tidewater has engaged with several Indigenous-led companies in both Alberta and British Columbia to acquire SRP funding for abandonment, decommissioning, remediation and reclamation of facilities and well sites. 100% of funding acquired through this program is directly awarded to Indigenous companies for completion of SRP projects.

Governance

Tidewater's management team and board of directors are committed to the highest ethical standards and governance processes. Tidewater strives for continuous improvement in this area. Tidewater's executive compensation plan is based on a lower salary component relative to its peers whereby the executive leadership team is heavily incentivized by financial performance and shareholder returns. Tidewater's Board is comprised of 86% independent directors including two female directors representing 25% of the Board.

Since being established in 2020, Tidewater's ESG Committee comprised of Tidewater's Chief Executive Officer, Chief Financial Officer, Chief Legal Officer, Vice President of People Services, and Manager, Sustainability, among other Tidewater personnel meets weekly to guide Tidewater's efforts in measuring and reporting on the Corporation's ESG metrics.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changing circumstances may result in actual results or changes to estimates that differ materially from current estimates. The Corporation's use of estimates and judgments is discussed in note 2 of the Financial Statements for the year ended December 31, 2022.

CONTROL ENVIRONMENT

Disclosure controls and procedures

The Corporation's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P"), as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), to provide reasonable assurance that material information relating to the Corporation is made known to them by others, particularly during the period in which the annual filings are being prepared, and information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Corporation's management, including the Chief Executive Officer and Chief Financial Officer, evaluate the effectiveness of the Corporation's DC&P annually.

Internal controls over financial reporting

Tidewater's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting ("ICFR"), as defined by NI 52-109. They have as at the year ended December 31, 2022, designed ICFR or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used by the officers to design the Corporation's ICFR is the Internal Control – *Integrated Framework (2013*) issued by the Committee of Sponsoring Organizations.

Management of the Corporation, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Corporation's DC&P and ICFR as at December 31, 2022. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's DC&P and ICFR are effective as of the end of the year, in all material respects.

The Corporation's Chief Executive Officer and Chief Financial Officer are required to disclose any change in the ICFR that occurred during the most recent period that has materially affected or is reasonably likely to materially affect, the Corporation's ICFR. No material changes in the ICFR were identified during the period ended December 31, 2022, that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR. It should be noted that while the Chief Executive Officer and Chief Financial Officer believe that the Corporation's design of DC&P and ICFR provide a reasonable level of assurance that they are effective, they do not expect that the control system will prevent all errors and fraud. A control system, no matter how well conceived or operated, does not provide absolute assurance, but rather is designed to provide reasonable assurance that the objective of the control system is met. The Corporation's ICFR may not prevent or detect all misstatements because of inherent limitations. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Corporation's policies and procedures.

NON-GAAP MEASURES

Throughout this MD&A and in other materials disclosed by the Corporation, Tidewater uses a number of financial measures when assessing its results and measuring overall performance. The intent of non-GAAP measures and ratios is to provide additional useful information to investors and analysts. Certain of these financial measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other entities.

As such, these measures should not be considered in isolation or used as a substitute for measures of performance prepared in accordance with GAAP. Except as otherwise indicated, these financial measures will be calculated and disclosed on a consistent basis from period to period. Specific adjusting items may only be relevant in certain periods.

The following are the Corporation's non-GAAP financial measures, non-GAAP ratios, capital management measures, and supplementary financial measures.

Non-GAAP Financial Measures

The non-GAAP financial measures used by the Corporation are adjusted EBITDA and distributable cash flow.

Consolidated and deconsolidated adjusted EBITDA

Consolidated adjusted EBITDA is calculated as income before finance costs, taxes, depreciation, impairment, share-based compensation, unrealized gains and losses on derivative contracts, transaction costs, gains and losses on the sale of assets, and other items considered non-recurring in nature plus the Corporation's proportionate share of EBITDA in its equity investments. Deconsolidated adjusted EBITDA is calculated as consolidated adjusted EBITDA less the portion of consolidated adjusted EBITDA attributable to Tidewater Renewables.

In accordance with IFRS, Tidewater's jointly controlled investments are accounted for using equity accounting. Under equity accounting, net earnings from investments in equity accounted investees are recognized in a single line item in the consolidated statement of net income and comprehensive income. The adjustments made to net income, as described above, are also made to share of profit from investments in equity accounted investees.

Consolidated adjusted EBITDA is used by management to set objectives, make operating and capital investment decisions, monitor debt covenants and assess performance. In addition to its use by management, Tidewater also believes consolidated adjusted EBITDA is a measure widely used by securities analysts, investors, lending institutions, and others to evaluate the financial performance of the Corporation and other companies in the midstream industry. The Corporation issues guidance on this key measure. As a result, consolidated adjusted EBITDA is presented as a relevant measure in the MD&A to assist analysts and readers in assessing the performance of the Corporation as seen from management's perspective. In addition to reviewing consolidated adjusted EBITDA, management reviews deconsolidated adjusted EBITDA to highlight the Corporation's performance, excluding the portion of consolidated adjusted EBITDA attributable to Tidewater Renewables. Investors should be cautioned that consolidated adjusted EBITDA and deconsolidated adjusted EBITDA should not be construed as alternatives to net (loss) income, net cash provided by (used in) operating activities or other measures of financial results determined in accordance with GAAP as an indicator of the Corporation's performance and may not be comparable to companies with similar calculations.

The following table reconciles net (loss) income, the nearest GAAP measure, to adjusted EBITDA:

	Three months ended December 31,		Year ended December 31,	
(in millions of Canadian dollars)	**2022**	2021	**2022**	2021
Net (loss) income	**$ (24.9)**	$ (2.0)	**$ 18.9**	$ 73.9
Deferred income tax (recovery) expense	**(8.9)**	0.1	**7.6**	20.3
Depreciation	**23.6**	20.6	**84.4**	81.8
Finance costs and other	**18.6**	11.4	**69.9**	68.4
Share-based compensation	**2.8**	2.1	**13.5**	6.7
Impairment expense	**55.0**	-	**55.0**	-
(Gain) loss on sale of assets	**(4.0)**	0.1	**5.4**	(26.1)
Unrealized (gain) loss on derivative contracts	**(21.8)**	19.4	**(32.0)**	(25.0)
Transaction costs	**2.8**	0.9	**6.5**	3.4
Non-recurring transactions	**0.7**	0.1	**2.1**	1.6
Adjustment to share of profit from equity accounted investments	**16.5**	1.2	**18.5**	5.4
Consolidated adjusted EBITDA	**$ 60.4**	$ 53.9	**$ 249.8**	$ 210.4
Less: Consolidated adjusted EBITDA attributable to Tidewater Renewables	**(16.7)**	(10.6)	**(62.4)**	(16.0)
Deconsolidated adjusted EBITDA	**$ 43.7**	$ 43.3	**$ 187.4**	$ 194.4

Distributable cash flow attributable to shareholders

Distributable cash flow attributable to shareholders is a non-GAAP measure. Management believes distributable cash flow is a useful metric for investors when assessing the amount of cash flow generated from normal operations and to evaluate the adequacy of internally generated cash flow to fund dividends. Distributable cash flow is calculated as net cash provided by operating activities before changes in non-cash working capital, plus cash distributions from investments, transaction costs, non-recurring transactions, and less other expenditures that use cash from operations. Also deducted is the distributable cash flow of Tidewater Renewables that is attributed to non-controlling interest shareholders.

Changes in non-cash working capital are excluded from the determination of distributable cash flow because they are primarily the result of seasonal fluctuations or other temporary changes and are generally funded with short term debt or cash flows from operating activities. Transaction costs are added back as they can vary significantly based on the Corporation's acquisition and disposition activity. Non-recurring transactions that do not reflect Tidewater's ongoing operations are also excluded. Lease payments, interest and financing charges, and maintenance capital expenditures, including turnarounds, are deducted as they are ongoing recurring expenditures which are funded from operating cash flows.

Deconsolidated distributable cash flow is calculated by subtracting the portion of Tidewater Renewables' distributable cash flow that is attributed to shareholders of Tidewater from distributable cash flow attributable to shareholders.

The following table reconciles net cash provided by operating activities, the nearest GAAP measure, to distributable cash flow and deconsolidated distributable cash flow:

(in millions of Canadian dollars)	Three months ended December 31, 2022	2021	Year ended December 31, 2022	2021
Net cash provided by operating activities	**$ 66.7**	$ 32.7	**$ 242.9**	$ 126.7
Add (deduct):				
Changes in non-cash operating working capital	**(19.4)**	13.5	**(19.8)**	61.3
Transaction costs	**2.8**	0.9	**6.5**	3.4
Non-recurring transactions	**0.7**	0.1	**2.1**	1.6
Interest and financing charges	**(11.7)**	(9.6)	**(43.0)**	(50.8)
Payment of lease liabilities and other, net of sublease payments	**(11.7)**	(12.5)	**(47.8)**	(51.7)
Maintenance capital	**(11.4)**	(8.7)	**(53.5)**	(22.8)
Tidewater Renewables' distributable cash flow to non-controlling interest shareholders	**(2.9)**	(2.4)	**(11.9)**	(3.7)
Distributable cash flow attributable to shareholders	**$ 13.1**	$ 14.0	**$ 75.5**	$ 64.0
Tidewater Renewables' distributable cash flow attributed to shareholders of Tidewater	**$ (6.5)**	$ (5.4)	**$ (26.2)**	$ (8.1)
Deconsolidated distributable cash flow attributable to shareholders	**$ 6.6**	$ 8.6	**$ 49.3**	$ 55.9

Growth capital expenditures are generally funded from retained operating cash flow and additional debt or equity, as required.

Non-GAAP Financial Ratios

Tidewater uses non-GAAP financial ratios to present aspects of its financial performance or financial position, including dividend payout ratio and distributable cash flow per share.

Payout ratio

Payout ratio is calculated by expressing dividends declared to shareholders for the period as a percentage of distributable cash flow attributable to shareholders. This measure, in combination with other measures, is used by management, and may be used by the investment community to assess the sustainability of the current dividends.

(in millions of Canadian dollars except percentage information)	Three months ended December 31, 2022	2021	Year ended December 31, 2022	2021
Dividends declared	**$ 4.2**	$ 3.4	**$ 15.3**	$ 13.6
Distributable cash flow attributable to shareholders	**$ 13.1**	$ 14.0	**$ 75.5**	$ 64.0
Payout ratio	**32%**	24%	**20%**	21%

Tidewater's objective is to pay out stable dividends throughout the year. There is no assurance regarding the amounts of cash to be distributed by Tidewater or generated by Tidewater and, therefore, the funds available for distribution to its shareholders. The actual amount distributed will depend on a variety of factors, including, without limitation, the performance of the Corporation's assets, the effect of acquisitions on Tidewater and other factors that may be beyond the control of Tidewater. In the event significant capital expenditures are required, or the profitability of Tidewater declines, there would be a decrease in the amount of cash available for distribution to shareholders, and such a decrease could be material. Tidewater's dividend policy is subject to change at the discretion of the Board. The actual amount of future dividends is proposed by management and is subject to the approval and discretion of the Board. The Board reviews future dividends in conjunction with their review of quarterly financial and operating results.

Distributable cash flow per share

Distributable cash flow and deconsolidated distributable cash flow are non-GAAP financial measures. Management believes that these measures provide investors an indicator of funds generated from the business that could be allocated to each shareholder's equity position.

Distributable cash flow per share is calculated as distributable cash flow attributable to shareholders divided by the basic or diluted weighted average number of common shares outstanding for the period.

Deconsolidated distributable cash flow per share is calculated as deconsolidated distributable cash flow attributable to shareholders divided by the basic or diluted weighted average number of common shares outstanding for the period.

(in millions of Canadian dollars except share and per share information)	Three months ended December 31, 2022	2021	Year ended December 31, 2022	2021
Distributable cash flow attributable to shareholders	**$ 13.1**	$ 14.0	**$ 75.5**	$ 64.0
Deconsolidated distributable cash flow attributable to shareholders	**$ 6.6**	$ 8.6	**$ 49.3**	$ 55.9
Weighted average common shares outstanding – basic (millions)	**423.5**	339.8	**372.1**	339.8
Weighted average common shares outstanding – diluted (millions)	**423.5**	340.9	**380.4**	411.8
Distributable cash flow per share – basic	**$ 0.03**	$ 0.04	**$ 0.20**	$ 0.19
Deconsolidated distributable cash flow per share – basic	**$ 0.02**	$ 0.03	**$ 0.13**	$ 0.16
Distributable cash flow per share – diluted	**$ 0.03**	$ 0.04	**$ 0.20**	$ 0.16
Deconsolidated distributable cash flow per share – diluted	**$ 0.02**	$ 0.03	**$ 0.13**	$ 0.14

Capital Management Measures

Tidewater's methods for managing capital and liquidity are discussed in the **LIQUIDITY AND CAPITAL RESOURCES** section of this MD&A and within note 24 of the Financial Statements for the year ended December 31, 2022.

Consolidated and deconsolidated net debt

Consolidated net debt is used by the Corporation to monitor its capital structure and financing requirements. It is also used as a measure of the Corporation's overall financial strength. Consolidated net debt is defined as bank debt, term debt, notes payable and convertible debentures, less cash.

In addition to reviewing consolidated net debt, management reviews deconsolidated net debt to highlight Tidewater Midstream's financial flexibility, balance sheet strength and leverage. Deconsolidated net debt is calculated as consolidated net debt less the portion attributable to Tidewater Renewables.

Consolidated and deconsolidated net debt exclude working capital, lease liabilities and derivative contracts as the Corporation monitors its capital structure based on deconsolidated net debt to deconsolidated adjusted EBITDA, consistent with its credit facility covenants as described in the **LIQUIDITY AND CAPITAL RESOURCES** section.

The following table reconciles consolidated and deconsolidated net debt:

(in millions of Canadian dollars)		**December 31, 2022**		**December 31, 2021**
Tidewater Midstream Senior Credit Facility	**$**	**470.2**	$	414.6
Tidewater Renewables Senior Credit Facility		**72.6**		60.0
Tidewater Renewables AIMCo Facility		**150.0**		-
Second Lien Term Loan - principal		**-**		20.0
Notes payable		**-**		124.2
Convertible debentures - principal		**75.0**		75.0
Cash		**(17.0)**		(15.8)
Consolidated net debt	**$**	**750.8**	$	678.0
Less: Tidewater Renewables Senior Credit Facility		**(72.6)**		(60.0)
Less: Tidewater Renewables AIMCo Facility		**(150.0)**		-
Add: Tidewater Renewables cash		**11.4**		1.0
Deconsolidated net debt	**$**	**539.6**	$	619.0

Supplementary Financial Measures

"Growth capital" expenditures are generally defined as expenditures which are recoverable or incrementally increase cash flow or earnings potential of assets, expand the capacity of current operations or significantly extend the life of existing assets. This measure is used by the investment community to assess the extent of discretionary capital spending.

"Maintenance capital" expenditures are generally defined as expenditures which support and/or maintain the current capacity, cash flow or earnings potential of existing assets without the associated benefits characteristic of growth capital expenditures. These expenditures include major inspections and overhaul costs that are required on a periodic basis. This measure is used by the investment community to assess the extent of non-discretionary capital spending. Maintenance capital is included in the calculation of distributable cash flow.

Deconsolidated "net (loss) income attributable to shareholders" is comprised of net income or loss attributable to shareholders, as determined in accordance with IFRS, less the net income or loss of Tidewater Renewables attributed to the shareholders of Tidewater.

Deconsolidated "net (loss) income attributable to shareholders – per share" is calculated by dividing deconsolidated "net income or loss attributable to shareholders" by the basic weighted average number of Tidewater Midstream common shares outstanding for the period.

Deconsolidated "Total capital expenditures" is comprised of consolidated capital expenditures, as disclosed in Tidewater's statement of cash flows, less the capital expenditures of Tidewater Renewables.

OPERATIONAL DEFINITIONS

"bbl/d" means barrels per day; "MMcf/d" means million cubic feet per day.

"Crack spread" refers to the general price differential between crude oil and the petroleum products refined from it.

"Refinery yield" (expressed as a percentage) represents the percentage of finished product produced from inputs of crude oil and renewable feedstock as well as intermediates. Refinery yields are an important measure of refinery performance indicating the outputs that running a particular feedstock and intermediates through a refinery configuration will produce.

"Throughput" with respect to a natural gas plant, means inlet volumes processed (including any off-load or reprocessed volumes); with respect to a pipeline, the estimated natural gas or liquid volume transported therein; and with respect to NGL processing facilities, means the volume of inlet NGLs processed.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking statements and forward-looking information (collectively referred to herein as, "forward-looking statements") within the meaning of applicable Canadian securities laws. Such forward-looking statements relate to future events, conditions or future financial performance of Tidewater Midstream and Infrastructure Ltd. (the "**Corporation**" or "**Tidewater**") based on future economic conditions and courses of action. All statements other than statements of historical fact may be forward-looking statements. Such forward-looking statements are often, but not always, identified by the use of any words such as "seek", "anticipate", "budget", "plan", "continue", "forecast", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "will likely result", "are expected to", "will continue", "is anticipated", "believes", "estimated", "intends", "plans", "projection", "outlook" and similar expressions. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon.

In particular, this MD&A contains forward-looking statements pertaining to but not limited to the following:

- the ability of Tidewater to utilize its existing infrastructure to benefit from commodity price differentials;
- Tidewater's development of the Tidewater Renewables' HDRD Complex;
- Tidewater's ability to benefit from the combination of growth opportunities and the ability to grow through capital projects;
- Tidewater's positioning and ability to leverage its existing assets to take advantage of opportunities in Canada's energy transition including renewable fuels and existing carbon capture assets;
- supply and demand for products and services;
- estimated throughput;
- budgets, including future capital, operating or other expenditures and projected costs;
- Tidewater Renewable's testing of new feedstocks and processes;
- the activity levels of upstream producers in areas that the Corporation operates;

- the evaluation of carbon capture opportunities;
- expectations regarding maintenance requirements and maintenance capital expenditures;
- the effect of commodity prices on Tidewater's refining margins;
- the evaluation and execution of debottlenecking and optimization opportunities within Tidewater's downstream business unit;
- expectations that net cash provided by operating activities, cash flow generated from growth projects, cash available from its Senior Credit Facilities, and other sources of financing will be sufficient to meet the Corporation's obligations and financial commitments and will provide sufficient funding for anticipated capital expenditures;
- expectations that the current financial position of the Corporation provides sufficient financial flexibility and resources to manage liquidity requirements;
- expectations regarding the Corporations ability to maintain sufficient liquidity sources to fund its ongoing operations, debt service requirements, dividends and working capital needs;
- the Corporation's use of financial derivative contracts to manage commodity price, power, interest and foreign exchange risk;
- the Corporation's commitment to conducting its business in a way that balances diverse stakeholder expectations, respects the environment, and emphasizes the health and safety of its employees and communities;
- guidance with respect to forecasted net debt to Adjusted EBITDA;
- continued consistent performance of the Corporation's facilities;
- demand for refined and renewable products;
- Tidewater's expectations to pay dividends from distributable cash flow;
- expectations relating to legislation and regulations, including environmental legislation and regulations, and the impacts of such governmental actions on the Corporation's operations;
- maintenance of financial covenants under the Corporation's debt instruments;
- credit rating changes; and
- the Corporation expectations regarding counterparty credit risk.

Although the forward-looking statements contained in this MD&A are based upon assumptions which management of the Corporation believes to be reasonable, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this MD&A, the Corporation has assumptions regarding, but not limited to:

- Tidewater's ability to execute on its business plan;
- the timely receipt of all governmental and regulatory approvals sought by the Corporation;
- that PGR crack spreads remain strong and refined product demand continues to increase;
- general economic and industry trends, including the duration and effect of the COVID-19 pandemic;
- future commodity prices, including natural gas, crude oil, NGL and renewable energy prices;
- impacts of commodity prices and demand on the Corporation's working capital requirements;
- continuing government support for existing policy initiatives;
- processing and marketing margins;
- impacts of seasonality and climate disruptions;
- future capital expenditures to be made by the Corporation;
- foreign currency, exchange and interest rates, and expectations relating to inflation;
- that there are no unforeseen events preventing the performance of contracts;
- the amount of future liabilities relating to lawsuits and environmental incidents and the availability of coverage under the Corporation's insurance policies;

- Cenovus volume demands from the PGR are consistent with forecasts;
- successful negotiation and execution of agreements with counterparties;
- oil and gas industry exploration and development activity and the geographic region of such activity;
- the Corporation’s ability to obtain and retain qualified staff and equipment in a timely and cost-effective manner;
- the amount of operating costs to be incurred;
- that there are no unforeseen costs relating to the facilities, not recoverable from customers;
- distributable cash flow and net cash provided by operating activities are consistent with expectations;
- the ability to obtain additional financing on satisfactory terms;
- the availability of capital to fund future capital requirements relating to existing assets and projects;
- the ability of Tidewater to successfully market its products;
- credit rating changes;
- the successful integration of acquisitions and projects into the Corporation’s existing business; and
- the Corporation’s future debt levels and the ability of the Corporation to repay its debt when due.

The Corporation’s actual results could differ materially from those anticipated in the forward-looking statements, as a result of numerous known and unknown risks and uncertainties and other factors including but not limited to:

- changes in demand for refined and renewable products;
- general economic, political, market and business conditions, including fluctuations in interest rates, foreign exchange rates, stock market volatility, supply/demand trends, armed hostilities, acts of war, terrorism, cyberattacks, diplomatic developments and inflationary pressures;
- activities of producers and customers and overall industry activity levels;
- failure to negotiate and conclude any required commercial agreements;
- non-performance of agreements in accordance with their terms;
- failure to execute formal agreements with counterparties in circumstances where letters of intent or similar agreements have been executed and announced by Tidewater;
- failure to close transactions as contemplated and in accordance with negotiated terms;
- the conflict in Ukraine and the corresponding impact on supply chains and the global economy;
- risks of health epidemics, pandemics, public health emergencies, quarantines, and similar outbreaks, including COVID-19, which may have sustained material adverse effects on the Corporation’s business financial position results of operations and/or cash flows;
- changes in environmental and other laws and regulations or the interpretations of such laws or regulations;
- cost of compliance with applicable regulatory regimes, including, but not limited to, environmental laws and regulations, including greenhouse gas emissions;
- Indigenous and landowner consultation requirements;
- climate change initiatives or policies or increased environmental regulation;
- that receipt of third party, regulatory, environmental and governmental approvals and consents relating to Tidewater’s capital projects can be obtained on the necessary terms and in a timely manner;
- that the resolution of any particular legal proceedings could have an adverse effect on the Corporation’s operating results or financial performance;
- competition for, among other things, business capital, acquisition opportunities, requests for proposals, materials, equipment, labour, and skilled personnel;

- the ability to secure land and water, including obtaining and maintaining land access rights;
- operational matters, including potential hazards inherent in the Corporation's operations and the effectiveness of health, safety, environmental and integrity programs;
- actions by governmental authorities, including changes in regulation, tariffs and taxation;
- changes in operating and capital costs, including fluctuations in input costs;
- legal risks and environmental risks and hazards, including risks inherent in the transportation of NGLs and refining of light crude oils which may create liabilities to the Corporation in excess of the Corporation's insurance coverage, if any;
- actions by joint venture partners or other partners which hold interests in certain of the Corporation's assets;
- reliance on key relationships and agreements;
- losses of key customers;
- construction and engineering variables associated with capital projects, including the availability of contractors, engineering and construction services, accuracy of estimates and schedules, and the performance of contractors;
- the availability of capital on acceptable terms;
- changes in the credit-worthiness of counterparties;
- changes in the credit rating of the Corporation, and the impacts of this on the Corporation's access to private and public credit markets in the future and increase the costs of borrowing;
- adverse claims made in respect of the Corporation's properties or assets;
- risks and liabilities associated with the transportation of dangerous goods and derailments;
- effects of weather conditions (such severe weather or catastrophic events including, but not limited to, fires, floods, lightning, earthquakes, extreme cold weather, storms or explosions);
- reputational risks
- reliance on key personnel;
- technology and security risks, including cybersecurity;
- potential losses which would stem from any disruptions in production, including work stoppages or other labour difficulties, or disruptions in the transportation network on which the Corporation is reliant;
- technical and processing problems, including the availability of equipment and access to properties;
- changes in gas composition; and
- failure to realize the anticipated benefits of acquisitions.

The foregoing lists are not exhaustive. Additional information on these and other factors which could affect the Corporation's operations or financial results are included in the Corporation's most recent AIF and in other documents on file with the Canadian securities regulatory authorities.

Management of the Corporation has included the above summary of assumptions and risks related to forward-looking statements provided in this MD&A in order to provide holders of common shares in the capital of the Corporation with a more complete perspective on the Corporation's current and future operations and such information may not be appropriate for other purposes.

The Corporation's actual results' performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any off them do so, what benefits the Corporation will derive therefrom. Readers are therefore cautioned that the foregoing list of important factors is not exhaustive, and they should not unduly rely on the forward-looking statements included in this MD&A. Tidewater does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable securities law. All forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Further information about factors affecting forward-looking statements and management's assumptions and analysis thereof is available in filings made by the Corporation with Canadian provincial securities commissions available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.