TIDEWATER
Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Financial Statements

For the three month period ended March 31, 2023

Tidewater Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited, millions of Canadian dollars)

As at	Notes	**March 31, 2023**	December 31, 2022
Assets			
Current			
Cash and cash equivalents		**$ 2.5**	$ 17.0
Accounts receivable		**253.5**	269.9
Derivative contracts		**9.6**	18.5
Inventory	3	**69.0**	87.9
Prepaid expenses and other		**56.7**	57.6
Total current assets		**391.3**	450.9
Derivative contracts		**6.9**	22.2
Prepaid expenses and other		**5.7**	6.4
Investments		**94.1**	94.5
Right-of-use assets		**85.5**	92.8
Inventory	3	**40.8**	37.0
Property, plant and equipment	4	**1,656.7**	1,570.8
Total assets		**$ 2,281.0**	$ 2,274.6
Liabilities			
Current			
Accounts payable and accrued liabilities		**$ 437.5**	$ 470.0
Dividends payable	8(c)	**4.2**	4.2
Derivative contracts		**18.6**	13.0
Warrant liability	6	**5.2**	12.4
Lease liabilities		**48.4**	47.0
Total current liabilities		**513.9**	546.6
Bank debt	5	**613.5**	537.6
Term debt	6	**129.0**	127.9
Convertible debentures	7	**71.7**	71.2
Derivative contracts		**25.7**	13.8
Decommissioning obligations		**47.2**	46.6
Deferred tax liabilities		**42.0**	51.0
Lease liabilities and other		**124.4**	133.6
Total liabilities		**1,567.4**	1,528.3
Equity			
Attributable to shareholders		**676.8**	703.3
Attributable to non-controlling interest		**36.8**	43.0
Total equity		**713.6**	746.3
Total liabilities and equity		**$ 2,281.0**	$ 2,274.6

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Statements of Net (Loss) Income and Comprehensive (Loss) Income

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

	Notes		Three months ended March 31, 2023		Three months ended March 31, 2022
Revenue	9	**$**	**614.5**	$	658.4
Operating expenses	9		**563.2**		604.6
Gross margin			**51.3**		53.8
General and administrative			**11.2**		9.7
Share-based compensation			**4.0**		3.5
Depreciation			**21.9**		19.9
Operating income			**14.2**		20.7
Finance costs and other	10		**24.1**		16.1
Realized gain on derivative contracts			**(7.2)**		(13.2)
Unrealized loss (gain) on derivative contracts			**34.5**		(45.5)
Loss (gain) on sale of assets			**2.0**		(1.2)
Loss from equity investments			**0.4**		1.6
Transaction costs			**0.4**		0.2
(Loss) earnings before income tax			**(40.0)**		62.7
Deferred income tax (recovery) expense			**(9.0)**		15.7
Net (loss) income and comprehensive (loss) income		**$**	**(31.0)**	$	47.0
Net (loss) income and comprehensive (loss) income attributable to:					
Shareholders			**(24.8)**		41.2
Non-controlling interest			**(6.2)**		5.8
Net (loss) income and comprehensive (loss) income		**$**	**(35.6)**	$	47.0
Net (loss) income per share attributable to shareholders:					
Basic	8(d)	**$**	**(0.06)**	$	0.12
Diluted	8(d)	**$**	**(0.06)**	$	0.10

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited, millions of Canadian dollars)

		Attributable to Shareholders of the Corporation					
	Notes	Share capital	Employee share reserve	Convertible debentures	Retained earnings	Non-controlling interest	Total Equity
Balance, January 1, 2023		$ 537.6	$ 15.0	$ 4.9	$ 145.8	$ 43.0	$ 746.3
Net loss		-	-	-	(24.8)	(6.2)	(31.0)
Issuance of common shares		0.3	(0.3)	-	-	-	-
Share-based compensation		-	2.5	-	-	-	2.5
Dividends declared	8(c)	-	-	-	(4.2)	-	(4.2)
Balance, March 31, 2023		**$ 537.9**	**$ 17.2**	**$ 4.9**	**$ 116.8**	**$ 36.8**	**$ 713.6**
Balance, January 1, 2022		$ 445.6	$ 13.6	$ 4.9	$ 152.6	$ 26.1	$ 642.8
Net income		-	-	-	41.2	5.8	47.0
Issuance of common shares		0.1	(0.1)	-	-	-	-
Share-based compensation		-	1.7	-	-	-	1.7
Dividends declared	8(c)	-	-	-	(3.4)	-	(3.4)
Balance, March 31, 2022		$ 445.7	$ 15.2	$ 4.9	$ 190.4	$ 31.9	$ 688.1

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited, millions of Canadian dollars)

	Notes	**Three months ended March 31, 2023**	Three months ended March 31, 2022
Cash provided by (used in):			
Operating activities			
Net (loss) income		**$ (31.0)**	$ 47.0
Adjustments:			
Non-cash share-based compensation		**2.5**	1.7
Depreciation		**21.9**	19.9
Interest and finance charges	10	**14.9**	9.8
Accretion and other	10	**6.8**	6.4
Unrealized gain on foreign exchange		**-**	(0.5)
Unrealized loss (gain) on derivative contracts		**34.5**	(45.5)
Loss (gain) on sale of assets		**2.0**	(1.2)
Loss from equity investments		**0.4**	1.6
Deferred income tax (recovery) expense		**(9.0)**	15.7
Decommissioning costs incurred		**(0.6)**	(0.8)
Changes in non-cash operating working capital		**(5.3)**	(1.9)
Net cash provided by operating activities		**37.1**	52.2
Financing activities			
Advances (repayments) of bank debt		**77.2**	(7.3)
Payment of lease liabilities and other		**(12.5)**	(12.3)
Interest and financing charges paid		**(12.5)**	(8.8)
Payment of dividends		**(4.2)**	(3.4)
Net cash provided by (used in) financing activities		**48.0**	(31.8)
Investing activities			
Expenditures on property, plant and equipment	4	**(106.1)**	(65.0)
Proceeds from capital emissions credit sales	3	**18.7**	5.4
Receipt of government grant		**2.6**	-
Proceeds from sale of assets		**6.1**	1.2
Contribution to investments		**-**	(0.4)
Changes in non-cash investing working capital		**(20.9)**	36.3
Net cash used in investing activities		**(99.6)**	(22.5)
Decrease in cash and cash equivalents		**(14.5)**	(2.1)
Cash and cash equivalents, beginning of period		**17.0**	15.8
Cash and cash equivalents, end of period		**$ 2.5**	$ 13.7

See the accompanying notes to the condensed interim consolidated financial statements

1. REPORTING ENTITY

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

As at March 31, 2023 and December 31, 2022, Tidewater Midstream owned 23.9 million common shares of Tidewater Renewables Ltd. ("Tidewater Renewables"), representing approximately 69% of Tidewater Renewables' issued and outstanding common shares. Tidewater Renewables is a multi-faceted, energy transition company focusing on the production of low carbon fuels, and is publicly traded on the TSX under the symbol "LCFS".

These condensed interim consolidated financial statements ("Interim Financial Statements") include the results of Tidewater Midstream, its subsidiary companies, partnerships and joint arrangements as at and for the three months ended March 31, 2023.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These Interim Financial Statements are in compliance with IAS 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board. The accounting policies applied are in accordance with International Financial Reporting Standards ("IFRS"), are consistent with the Corporation's consolidated financial statements as at and for the year ended December 31, 2022 ("Consolidated Financial Statements") and should be read in conjunction with those Consolidated Financial Statements. The Interim Financial Statements were approved and authorized for issuance by Tidewater's Board of Directors on May 10, 2023.

3. INVENTORY

The following table summarizes the Corporation's inventory:

		March 31, 2023		December 31, 2022
Crude and refined petroleum products	**$**	**54.9**	$	51.2
Materials and supplies		**6.5**		5.7
Marketing inventory		**5.4**		7.5
Capital emissions credits		**2.2**		23.5
Total current inventory		**69.0**		87.9
Long term inventory		**40.8**		37.0
Total inventory	**$**	**109.8**	$	124.9

At March 31, 2023 and December 31, 2022, all inventory was carried at cost and $NIL was carried at net realizable value.

During the three months ended March 31, 2023, Tidewater Renewables generated $2.0 million of British Columbia Low Carbon Fuel Standard ("BC LCFS") credits for achieving construction milestones on its renewable diesel and renewable hydrogen complex (three months ended March 31, 2022 - $5.4 million). During the current quarter, Tidewater sold BC LCFS credits to third parties for cash proceeds of $18.7 million (three months ended March 31, 2022 - $4.9 million) and utilized an additional $4.6 million of BC LCFS credits to reduce the Corporation's emissions liability.

On April 13, 2023, Tidewater Renewables received additional capital emissions credits related to the HDRD Complex. These credits were subsequently sold to third parties for proceeds of $43.2 million.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following:

		Plant and infrastructure		Assets under construction		Total
Cost						
Balance, January 1, 2022	$	1,482.5	$	77.1	$	1,559.6
Non-controlling interest contributions		-		6.5		6.5
Acquisitions		20.6		-		20.6
Additions		-		349.3		349.3
Capital emission credits awarded		-		(56.0)		(56.0)
Completed projects		94.1		(94.1)		-
Disposals		(46.2)		-		(46.2)
Decommissioning asset		0.8		-		0.8
Balance, December 31, 2022	$	1,551.8	$	282.8	$	1,834.6
Additions		-		106.1		106.1
Capital emission credits awarded		-		(2.0)		(2.0)
Receipt of government grant		-		(2.6)		(2.6)
Completed projects		14.3		(14.3)		-
Disposals		(33.8)		-		(33.8)
Decommissioning asset		0.8		-		0.8
Balance, March 31, 2023	$	1,533.1	$	370.0	$	1,903.1
Accumulated Depreciation and Impairment						
Balance, January 1, 2022	$	183.3	$	-	$	183.3
Depreciation		50.5		-		50.5
Impairment		55.0		-		55.0
Disposals		(25.0)		-		(25.0)
Balance, December 31, 2022	$	263.8	$	-	$	263.8
Depreciation		13.8		-		13.8
Disposals		(31.2)		-		(31.2)
Balance, March 31, 2023	$	246.4	$	-	$	246.4
Net book value						
December 31, 2022	$	1,288.0	$	282.8	$	1,570.8
March 31, 2023	**$**	**1,286.7**	**$**	**370.0**	**$**	**1,656.7**

During the three months ended March 31, 2023, Tidewater disposed of certain non-core assets. The Corporation recognized a loss of $2.0 million on these dispositions (three months ended March 31, 2022 - $1.2 million gain on sale of assets).

During the three months ended March 31, 2023, Tidewater received $2.6 million of government grant funding for achieving engineering design milestones on Tidewater Renewables proposed renewable natural gas facility.

5. BANK DEBT

The following table summarizes the Corporation's bank debt:

		March 31, 2023		December 31, 2022
Tidewater Midstream Senior Credit Facility	**$**	**490.4**	$	470.2
Tidewater Renewables Senior Credit Facility		**129.5**		72.6
Financing costs		**(6.4)**		(5.2)
Total bank debt	**$**	**613.5**	$	537.6

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

Tidewater Midstream

On February 15, 2023, Tidewater Midstream amended its Senior Credit Facility to extend the maturity to February 10, 2026. In addition, the requirement to maintain minimum availability of not less than $50.0 million was waived for the period from April 1, 2023 to March 31, 2024.

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. At March 31, 2023, the Corporation was in compliance with its financial covenants.

Tidewater Midstream's deconsolidated financial covenants as at March 31, 2023, and December 31, 2022, were as follows:

	Ratio	March 31, 2023	December 31, 2022
Deconsolidated debt to adjusted EBITDA(1)	Maximum 4.50:1	**3.28**	2.97
Deconsolidated first lien senior debt (2) to adjusted EBITDA	Maximum 3.50:1	**3.28**	2.97
Adjusted EBITDA to interest coverage	Minimum 2.50:1	**3.97**	4.47

(1) Deconsolidated debt includes the Tidewater Midstream Senior Credit Facility and excludes the Tidewater Renewables Senior Credit Facility, AIMCo Facility, and convertible debentures.

(2) Deconsolidated first lien senior debt includes the Tidewater Midstream Senior Credit Facility and excludes the Tidewater Renewables Senior Credit Facility, AIMCo Facility and convertible debentures.

At March 31, 2023, Tidewater Midstream had $53.0 million (December 31, 2022 - $45.5 million) of letters of credit outstanding, which operate under a separate facility.

Tidewater Renewables

On March 27, 2023, Tidewater Renewables amended its Senior Credit Facility and AIMCo Facility (note 6), which relaxed the debt to adjusted EBITDA covenant as at March 31, 2023.

Subsequent to quarter end, on May 10, 2023, Tidewater Renewables further amended its credit facilities to provide a temporary increase of $25.0 million under the Senior Credit Facility and $25.0 million under the AIMCo Facility. Funding remains subject to customary closing conditions. The amendments also waive the financial covenants up to and including September 30, 2023. During this period the AIMCo Facility will be subject to an additional 300 bps of interest and the Senior Credit facility will be subject to an additional 175 bps of interest.

Following the commissioning of the HDRD Complex, any amounts outstanding under the additional $50.0 million of debt capacity are repayable in variable quarterly installments based on Tidewater Renewables cash flows. Tidewater Renewables expects to repay any amounts drawn under the additional debt capacity within the next twelve months.

Tidewater Renewables is required to maintain certain financial covenants on a trailing-quarterly basis. The calculations for each of these ratios are based on specific definitions in the agreements governing Tidewater Renewable's Senior Credit Facility, are not in accordance with GAAP, and cannot be easily calculated by referring to Tidewater Renewable's consolidated financial statements. At March 31, 2023, Tidewater Renewables was in compliance with its financial covenants.

Tidewater Renewables financial covenants as at March 31, 2023, and December 31, 2022, were as follows:

	Ratio	**March 31, 2023**	December 31, 2022
Senior debt (1) to adjusted EBITDA	Maximum 6.05:1	**5.24**	3.93
First lien senior debt (2) to adjusted EBITDA	Maximum 3.50:1	**2.43**	1.35
Adjusted EBITDA to interest coverage	Minimum 2.50:1	**4.60**	7.05

(1) Senior debt includes the Tidewater Renewables Senior Credit Facility and AIMCo Facility (note 6).
(2) First lien senior debt includes the Tidewater Renewables Senior Credit Facility and excludes the AIMCo Facility.

At March 31, 2023, Tidewater Renewables had $5.0 million (December 31, 2022 - $5.0 million) of letters of credit outstanding, which operate under a separate facility.

6. TERM DEBT AND WARRANT LIABILITY

The following table summarizes the Corporation's term debt:

		March 31, 2023		December 31, 2022
AIMCo Facility(1)	**$**	**150.0**	$	150.0
Discount (2)		**(21.0)**		(22.1)
Total term debt	**$**	**129.0**	$	127.9

(1) The AIMCo Facility initially bears interest of 6.50% per annum, increases by 37.5 basis points in year four and year five, and is subject to certain inflation escalators
(2) Includes the original issue discount, debt issuance costs and the fair value of the warrant liability upon issuance, net of accretion.

The following table summarizes the Corporation's warrant liability at March 31, 2023, and December 31, 2022:

	Number of warrants outstanding (000s)		Fair value
Balance upon issuance, October 24, 2022	3,375	$	10.4
Loss on warrant liability revaluation(1)	-		2.0
Balance, December 31, 2022	3,375	$	12.4
Gain on warrant liability revaluation(1)	-		(7.2)
Balance, March 31, 2023	**3,375**	**$**	**5.2**

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

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

		March 31, 2023		December 31, 2022
Exercise price per share	**$**	**14.84**	$	14.84
Tidewater Renewables common share price	**$**	**8.37**	$	11.51
Volatility factor of expected market price		**38.37%**		41.04%
Risk-free interest rate		**3.02%**		3.41%
Remaining life (years)		**4.57**		4.81
Expected annual dividend per share		**0.00%**		0.00%
Fair value	**$**	**1.54**	$	3.69

7. CONVERTIBLE DEBENTURES

The following table summarizes the Corporation's convertible debentures:

	Number of convertible debentures (000s)		Liability component		Equity component
Balance, January 1, 2022	750	$	69.2	$	4.9
Unwinding of discount	-		2.0		-
Balance, December 31, 2022	750	$	71.2	$	4.9
Unwinding of discount	-		0.5		-
Balance, March 31, 2023	**750**	**$**	**71.7**	**$**	**4.9**

The debentures mature on September 30, 2024 and accrue interest at the rate of 5.5% per annum, payable semi-annually.

8. EQUITY ATTRIBUTABLE TO SHAREHOLDERS

a) Issued and outstanding common shares

As at March 31, 2023, Tidewater had 424.8 million of common shares outstanding with a carrying value of $537.9 million (December 31, 2022 - 424.5 million outstanding common shares with a carrying value of $537.6 million).

b) Issued and outstanding equity warrants

As at March 31, 2023 and December 31, 2022, Tidewater had 40.1 million equity warrants outstanding and exercisable, with 38.6 million equity warrants expiring on August 16, 2024, and 1.5 million equity warrants expiring on September 16, 2024.

c) Dividends to shareholders

	Three months ended March 31,			
		2023		2022
Dividends declared on common shares	**$**	**4.2**	$	3.4
Dividends declared per share	**$**	**0.01**	$	0.01

As at March 31, 2023, dividends of $4.2 million were payable on 424.8 million outstanding common shares at $0.01 per share (December 31, 2022 - $4.2 million payable on 424.5 million outstanding common shares at $0.01 per share). The dividends were paid on April 28, 2023.

d) Net (loss) income per share

	Three months ended March 31, 2023			Three months ended March 31, 2022		
	Net Loss	Common shares (millions)	Net loss per share	Net income	Common shares (millions)	Net income per share
Net (loss) income attributable to shareholders - basic	**$ (24.8)**	**424.6**	**$ (0.06)**	41.2	341.8	$ 0.12
Dilutive effect of share awards	**-**	**-**	**-**	-	14.1	-
Dilutive effect of convertible debentures	**-**	**-**	**-**	0.8	59.4	-
Net (loss) income attributable to shareholders - diluted	**$ (24.8)**	**424.6**	**$ (0.06)**	$ 42.0	415.3	$ 0.10

For the three months ended March 31, 2023, 24.4 million share awards (March 31, 2022 – 5.4 million), 40.1 million shares relating to equity warrants (March 31, 2022 – NIL), and 87.7 million shares related to convertible debentures (March 31, 2022 – NIL) were anti-dilutive.

9. REVENUE AND OPERATING EXPENSES

For the three months ended March 31, 2023 and 2022, the Corporation had one vertically integrated operating segment: midstream and infrastructure, as the chief operating decision maker reviews operating results at this level to assess financial performance and make resource allocation decisions. The midstream and infrastructure operating segment includes the following revenue categories: midstream; downstream; and marketing and other. Amounts disclosed below do not include realized or unrealized gains and losses on derivative contracts resulting from the Corporation's commodity price risk management initiatives.

Three months ended March 31, 2023	Midstream	Downstream	Marketing and other	Total
Revenue (before intercompany eliminations)	$ 68.2	$ 258.4	$ 383.0	$ 709.6
Intercompany eliminations	(8.6)	(47.7)	(38.8)	(95.1)
Revenue from external customers	$ 59.6	$ 210.7	$ 344.2	$ 614.5
Operating expenses (before intercompany eliminations)	$ 32.4	$ 222.1	$ 403.8	$ 658.3
Intercompany eliminations	(2.5)	(38.3)	(54.3)	(95.1)
Operating expenses from external vendors	$ 29.9	$ 183.8	$ 349.5	$ 563.2
Gross margin	**$ 29.7**	**$ 26.9**	**$ (5.3)**	**$ 51.3**

Three months ended March 31, 2022	Midstream	Downstream	Marketing and other	Total
Revenue (before intercompany eliminations)	$ 62.4	$ 264.7	$ 398.2	$ 725.3
Intercompany eliminations	(9.1)	(49.5)	(8.3)	(66.9)
Revenue from external customers	$ 53.3	$ 215.2	$ 389.9	$ 658.4
Operating expenses (before intercompany eliminations)	$ 30.6	$ 230.0	$ 410.9	$ 671.5
Intercompany eliminations	(3.5)	(41.0)	(22.4)	(66.9)
Operating expenses from external vendors	$ 27.1	$ 189.0	$ 388.5	$ 604.6
Gross margin	$ 26.2	$ 26.2	$ 1.4	$ 53.8

10. FINANCE COSTS AND OTHER

Finance costs and other are comprised of the following:

	Three months ended March 31	
	2023	2022
Interest on bank debt, term debt and convertible debentures	**$ 17.2**	$ 10.8
Interest capitalized	**(2.3)**	(1.0)
Total interest expense	**14.9**	9.8
Foreign exchange loss (gain)	**2.4**	(0.1)
Total finance costs and other before accretion	**$ 17.3**	$ 9.7
Unwinding of discount on decommissioning obligations	**0.8**	0.8
Unwinding of discount on long-term debt	**2.3**	1.5
Unwinding of discount on lease liabilities	**3.9**	4.0
Other	**(0.2)**	0.1
Total accretion	**6.8**	6.4
Total finance costs and other	**$ 24.1**	$ 16.1

11. COMMITMENTS

The Corporation has assumed commitments in various transportation agreements through its normal course of operations. The estimated annual minimum payments are presented below gross of any anticipated flow-through operating cost recoveries from customers.

	Within one year	After one year but not more than five years	More than five years	Total
Firm transportation contracts	$ 53.5	$ 220.3	$ 260.0	$ 533.8

12. CAPITAL MANAGEMENT

The Corporation manages its capital to ensure sufficient financial flexibility to achieve ongoing business objectives, including funding of future investment and growth opportunities and financial obligations, and to maximize shareholder return by enhancing share value.

The Corporation considers its capital employed to be bank debt, term debt, convertible debentures and shareholders' equity. The Corporation makes adjustments to capital employed by monitoring economic conditions and investment opportunities. The Corporation generally relies on credit facilities and cash flows from operations in excess of dividends and interest to fund capital requirements. To maintain or modify its capital structure, the Corporation may issue new common or preferred shares, issue new subordinated debt, renegotiate existing debt terms, or repay existing debt. The Corporation is not currently subject to any externally imposed capital requirements, other than covenants (note 5) on its bank debt and term debt. The Corporation was compliant with all financial covenants as at March 31, 2023 and December 31, 2022.

The Corporation also monitors its capital structure based on consolidated net debt to adjusted EBITDA. This metric measures the Corporation's financial leverage. Consolidated net debt is defined as bank debt, term debt and convertible debentures, less cash and cash equivalents. The definition of adjusted EBITDA for capital management purposes is the same measure used in the calculation of Tidewater Midstream's financial covenants on its Senior Credit Facility (note 5).

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

a) Fair value of financial instruments

At March 31, 2023, the fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and dividends payable approximated their carrying value due to their short-term maturity. The carrying value of the outstanding bank debt and term debt approximated fair value due to the use of floating interest rates.

At March 31, 2023, the fair value of the Corporation's Debentures was approximately $72.2 million using quoted market prices on the TSX.

b) Credit risk

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

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

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

The Corporation assesses lifetime expected credit losses for accounts receivable using historical default rates, aged accounts receivable analysis, and forward-looking information to determine the appropriate expected credit losses. At March 31, 2023, lifetime expected credit losses for accounts receivable outstanding were $2.0 million (December 31, 2022 - $2.1 million).

c) Liquidity risk

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

The Corporation anticipates that working capital, cash flow from operating activities, 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 following table details the contractual maturities of the Corporation's financial liabilities as at March 31, 2023, and December 31, 2022:

	March 31, 2023		December 31, 2022	
	Less than one year	Greater than one year	Less than one year	Greater than one year
Accounts payable and accrued liabilities(1)	$ **437.5**	$ **-**	$ 470.0	$ -
Dividend payable	**4.2**	**-**	4.2	-
Derivative contracts	**18.6**	**25.7**	13.0	13.8
Warrant liability	**5.2**	**-**	12.4	-
Lease liabilities and other (2)	**48.6**	**155.3**	48.1	166.4
Bank debt (3)	**-**	**619.9**	-	542.8
Term debt (3)	**-**	**150.0**	-	150.0
Convertible debentures (3)	**-**	**75.0**	-	75.0
Total financial liabilities	$ **514.1**	$ **1,025.9**	$ 547.7	$ 948.0

(1) Included in accounts payables and accrued liabilities is an obligation of $24.8 million (December 31, 2022 - $24.8 million) secured by crude oil and refined product inventory. The Corporation, at its option, may renew the arrangement every four months, with the current rate being 8% per annum, or settle the obligation for $24.8 million. The next renewal period is from May 2023 to September 2023.
(2) Amounts represent the expected undiscounted cash payments related to leases.
(3) Amounts represent undiscounted principle only and exclude accrued interest and transaction costs.

d) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates, will affect the Corporation's cash flow, income, or the value of its financial instruments. The objective of the Corporation's market risk management program is to manage and control market risk exposures within acceptable parameters, while maximizing the Corporation's return. The Corporation's financial derivatives are governed through International Swaps and Derivatives Association ("ISDA") master agreements and clearing brokerage agreements.

Interest rate risk

Interest rate risk refers to the risk that the value of the financial instrument or cash flows associated with the financial instrument will fluctuate due to changes in market interest rates. The Corporation continuously monitors interest rates and economic conditions. The Corporation may use forward interest rate swaps to hedge the interest rate associated with interest payments occurring as a result of its bank debt. At March 31, 2023, the Corporation had variable rate bank debt (note 5) totalling $613.5 million (March 31, 2022 - $484.5 million) and therefore a 1% change in the interest rate on bank debt would have had an after-tax impact of $1.2 million on net (loss) income for the three months ended March 31, 2023 (three months ended March 31, 2022 - $0.9 million).

Foreign currency exchange rate risk

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Corporation's foreign currency risk arises from certain working capital balances denominated in United States Dollars (USD). The Corporation continuously monitors exchange rate trends and economic conditions. As at March 31, 2023, net working capital balances denominated in USD were $31.8 million (March 31, 2022 – $15.6 million). A 5% change in foreign exchange rates between the USD and the Canadian Dollar would have a $1.6 million after-tax impact on net (loss) income for the three months ended March 31, 2023 (three months ended March 31, 2022 – $0.7 million).

Commodity price risk

Commodity price risk is the risk that the fair value of a commodity derivative will fluctuate because of changes in market prices. In the normal course of operations, the Corporation purchases and sells various commodities and uses derivatives to protect its revenue and operating costs from price fluctuations. The Corporation's commodity price risk management policies are designed to help ensure that its hedging activities address its risks by monitoring its derivative positions, as well as physical volumes, grades, locations, and storage capacity. These include crude oil feedstock, renewable and low carbon fuel feedstocks, refined product sales, natural gas purchases and related sales, NGL purchases for fractionation and related sales of the resulting products (including ethane, propane, butane and condensate), and power to hedge a portion of the Corporation's power supply requirements at its facilities. The Corporation is subject to price risk through these derivative contract assets and liabilities. A 10% change in prices for the underlying commodities, related to the Corporation's derivative contracts, would have an after-tax impact on net (loss) income of $24.1 million for the three months ended March 31, 2023 (three months ended March 31, 2022 - $19.7 million).