TIDEWATER
Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2023

Tidewater Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited, millions of Canadian dollars)

As at	Notes	**September 30, 2023**	December 31, 2022
Assets			
Current			
Cash and cash equivalents		**$ 3.6**	$ 17.0
Accounts receivable		**254.8**	269.9
Derivative contracts		**4.1**	18.5
Inventory	4	**52.7**	87.9
Prepaid expenses and other		**31.3**	57.6
Assets held for sale	3	**567.9**	-
Total current assets		**914.4**	450.9
Derivative contracts		**3.6**	22.2
Prepaid expenses and other		**5.4**	6.4
Investments	5	**37.2**	94.5
Right-of-use assets		**67.0**	92.8
Inventory	4	**36.3**	37.0
Property, plant and equipment	6	**1,213.1**	1,570.8
Total assets		**$ 2,277.0**	$ 2,274.6
Liabilities			
Current			
Accounts payable and accrued liabilities		**$ 378.1**	$ 470.0
Dividends payable	11(c)	**4.3**	4.2
Derivative contracts		**23.6**	13.0
Warrant liability	8	**4.3**	12.4
Bank debt	7	**157.7**	-
Term debt	8	**24.5**	-
Convertible debentures	9	**72.7**	-
Lease liabilities and other	10	**38.8**	47.0
Liabilities held for sale	3	**86.8**	-
Total current liabilities		**790.8**	546.6
Bank debt	7	**543.5**	537.6
Term debt	8	**131.3**	127.9
Convertible debentures	9	**-**	71.2
Derivative contracts		**22.5**	13.8
Decommissioning obligations		**47.2**	46.6
Deferred tax liabilities		**33.2**	51.0
Lease liabilities and other	10	**28.4**	133.6
Total liabilities		**1,596.9**	1,528.3
Equity			
Attributable to shareholders		**643.6**	703.3
Attributable to non-controlling interest		**36.5**	43.0
Total equity		**680.1**	746.3
Total liabilities and equity		**$ 2,277.0**	$ 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 September 30, 2023		Three months ended September 30, 2022		Nine months ended September 30, 2023		Nine months ended September 30, 2022
Revenue	12	**$**	**582.1**	$	712.1	**$**	**1,705.3**	$	2,164.1
Operating expenses	12		**535.8**		658.7		**1,576.7**		1,990.2
Gross margin			**46.3**		53.4		**128.6**		173.9
General and administrative			**12.3**		9.1		**32.1**		27.8
Share-based compensation			**3.8**		3.4		**11.7**		10.7
Depreciation			**25.9**		20.8		**70.5**		60.8
Operating income			**4.3**		20.1		**14.3**		74.6
Finance costs and other	13		**26.0**		17.3		**73.3**		51.3
Realized gain on derivative contracts			**(5.3)**		(13.0)		**(23.2)**		(37.5)
Unrealized loss (gain) on derivative contracts			**14.8**		38.7		**44.2**		(10.2)
Loss on sale of assets			**0.4**		7.2		**1.3**		9.4
Income from equity investments			**(1.7)**		(4.0)		**(7.4)**		(2.4)
Transaction costs			**2.8**		2.9		**4.5**		3.7
(Loss) earnings before income tax			**(32.7)**		(29.0)		**(78.4)**		60.3
Deferred income tax (recovery) expense			**(7.8)**		(7.0)		**(17.8)**		16.5
Net (loss) income and comprehensive (loss) income		**$**	**(24.9)**	$	(22.0)	**$**	**(60.6)**	$	43.8
Net (loss) income and comprehensive (loss) income attributable to:									
Shareholders			**(22.9)**		(18.8)		**(54.1)**		38.5
Non-controlling interest			**(2.0)**		(3.2)		**(6.5)**		5.3
Net (loss) income and comprehensive (loss) income		**$**	**(24.9)**	$	(22.0)	**$**	**(60.6)**	$	43.8
Net (loss) income per share attributable to shareholders:									
Basic	11(d)	**$**	**(0.05)**	$	(0.05)	**$**	**(0.13)**	$	0.11
Diluted	11(d)	**$**	**(0.05)**	$	(0.05)	**$**	**(0.13)**	$	0.09

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		-	-	-	(54.1)	(6.5)	(60.6)
Issuance of common shares		1.7	(1.7)	-	-	-	-
Share issue costs (net of tax)		(0.1)	-	-	-	-	(0.1)
Share-based compensation		-	7.3	-	-	-	7.3
Dividends declared	11(c)	-	-	-	(12.8)	-	(12.8)
Balance, September 30, 2023		**$ 539.2**	**$ 20.6**	**$ 4.9**	**$ 78.9**	**$ 36.5**	**$ 680.1**
Balance, January 1, 2022		$ 445.6	$ 13.6	$ 4.9	$ 152.6	$ 26.1	$ 642.8
Net income		-	-	-	38.5	5.3	43.8
Issuance of common shares		97.2	(1.0)	-	-	-	96.2
Share issue costs (net of tax)		(7.0)	-	-	-	-	(7.0)
Share-based compensation		-	5.9	-	-	-	5.9
Dividends declared	11(c)	-	-	-	(11.1)	-	(11.1)
Contributions from non-controlling interest		-	-	-	-	6.5	6.5
Balance, September 30, 2022		$ 535.8	$ 18.5	$ 4.9	$ 180.0	$ 37.9	$ 777.1

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)

		Three months ended September 30,		Nine months ended September 30,	
	Notes	**2023**	2022	**2023**	2022
Cash provided by (used in):					
Operating activities					
Net (loss) income		$ **(24.9)**	$ (22.0)	$ **(60.6)**	$ 43.8
Adjustments:					
Non-cash share-based compensation		**1.6**	1.3	**7.3**	5.9
Depreciation		**25.9**	20.8	**70.5**	60.8
Interest and finance charges	13	**17.7**	10.6	**50.1**	31.3
Accretion and other	13	**6.9**	6.6	**20.5**	20.1
Unrealized loss (gain) on foreign exchange		**0.8**	2.3	**(0.1)**	3.0
Unrealized loss (gain) on derivative contracts		**14.8**	38.7	**44.2**	(10.2)
Loss on sale of assets		**0.4**	7.2	**1.3**	9.4
Income from equity investments		**(1.7)**	(3.9)	**(7.4)**	(2.3)
Deferred income tax (recovery) expense		**(7.8)**	(7.0)	**(17.8)**	16.5
Decommissioning costs incurred		**(2.3)**	(1.3)	**(3.3)**	(2.5)
Changes in non-cash operating working capital		**30.0**	13.7	**38.0**	0.4
Net cash provided by operating activities		**61.4**	67.0	**142.7**	176.2
Financing activities					
Advances of bank debt		**45.0**	50.7	**163.8**	90.0
Repayment of notes payable		**-**	(125.0)	**-**	(125.0)
Advances of term debt	8	**-**	-	**25.0**	-
Payment of lease liabilities and other	10	**(12.2)**	(11.7)	**(36.8)**	(36.1)
Interest and financing charges paid		**(19.0)**	(16.2)	**(53.5)**	(38.7)
Net proceeds from common share issuance		**(0.1)**	87.1	**(0.1)**	87.1
Payment of dividends		**(4.3)**	(3.4)	**(12.7)**	(10.2)
Net cash provided by (used in) financing activities		**9.4**	(18.5)	**85.7**	(32.9)
Investing activities					
Expenditures on property, plant and equipment	6	**(39.3)**	(89.4)	**(241.4)**	(238.8)
Proceeds from capital emissions credit sales	4	**3.8**	11.5	**101.2**	22.7
Receipt of government grant	6	**-**	-	**2.6**	-
Proceeds from sales of assets		**0.2**	4.0	**8.5**	9.6
Contribution to investments		**-**	(7.7)	**(0.4)**	(23.5)
Changes in non-cash investing working capital		**(55.0)**	26.2	**(112.3)**	83.5
Net cash used in investing activities		**(90.3)**	(55.4)	**(241.8)**	(146.5)
Decrease in cash and cash equivalents		**(19.5)**	(6.9)	**(13.4)**	(3.2)
Cash and cash equivalents, beginning of period		**23.1**	19.5	**17.0**	15.8
Cash and cash equivalents, end of period		$ **3.6**	$ 12.6	$ **3.6**	$ 12.6

See the accompanying notes to the condensed interim consolidated financial statements

1. REPORTING ENTITY

Tidewater Midstream and Infrastructure Ltd. (“Tidewater” or the “Corporation” when referring to the consolidated group, and “Tidewater Midstream” when referring to the legal entity) is a diversified midstream and infrastructure company with an integrated value chain across North American natural 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 September 30, 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 and nine months ended September 30, 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 November 8, 2023.

3. ASSETS HELD FOR SALE

On August 31, 2023, Tidewater Midstream announced that it has entered into an agreement with AltaGas Ltd. (“AltaGas”) to sell its Pipestone natural gas plant (“Pipestone Phase I”), Pipestone expansion project (“Pipestone Phase II”, collectively “Pipestone”), the Pipestone Partnership which owns the Dimsdale natural gas storage facility, and associated gathering and other infrastructure for $650 million (the “Transaction”), subject to customary closing adjustments.

The form of consideration will be $325 million in cash and 12,466,437 AltaGas common shares, representing approximately $325 million using an AltaGas share price of $26.07.

The Transaction is expected to be completed in the fourth quarter of 2023, subject to regulatory approvals and certain closing conditions, including a positive final investment decision (“FID”) on the Pipestone Phase II project. To facilitate reaching FID, AltaGas and Tidewater Midstream have entered into an agreement to create a new joint venture (the “Pipestone Joint Venture”) to advance the final steps required to develop and construct the project. The Pipestone Joint Venture will be conveyed to AltaGas upon closing of the Transaction.

Prior to the close of the Transaction, Tidewater will acquire the remaining 15% joint venture interest in the Pipestone Partnership.

The assets and liabilities of Pipestone and the investment in the Pipestone Partnership have been classified as held for sale on Tidewater’s consolidated balance sheet as their carrying amounts will be recovered principally through the sale transaction. The assets are measured at their carrying value which is lower than the fair value less costs of disposal. No impairments were recorded on the assets held for sale at September 30, 2023. Assets held for sale are not depreciated while they are classified as held for sale. All revenue and expenses attributable to the assets held for sale continue to be recognized until the close of the Transaction.

At September 30, 2023, the assets and liabilities of Pipestone and the investment in the Pipestone Partnership have been reclassified as follows:

		September 30, 2023
Prepaid expenses and other	$	28.9
Investments		65.1
Right-of-use assets		1.5
Inventory		5.8
Property, plant and equipment		466.6
Assets held for sale	**$**	**567.9**
Decommissioning obligations	$	0.6
Lease liabilities and other		86.2
Liabilities held for sale	**$**	**86.8**

At September 30, 2023, Pipestone had the following undiscounted lease payments and commitments under firm transportation contracts:

		Within one year		After one year but not more than five years		More than five years		Total
Undiscounted lease payments	$	7.7	$	36.8	$	66.8	$	111.3
Firm transportation contracts	$	35.0	$	159.8	$	223.3	$	418.1

The Pipestone leases and firm transportation contracts will be assigned to AltaGas upon the close of the Transaction.

4. INVENTORY

The following table summarizes the Corporation's inventory:

		September 30, 2023		December 31, 2022
Feedstocks and refined petroleum products	**$**	**43.4**	$	52.2
Materials and supplies		**7.0**		5.7
Marketing inventory		**2.2**		6.5
Capital emissions credits		**0.1**		23.5
Total current inventory		**52.7**		87.9
Long term inventory		**36.3**		37.0
Total inventory	**$**	**89.0**	$	124.9

At September 30, 2023 and December 31, 2022, all inventory was carried at cost and $NIL was carried at net realizable value.

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

		Three months ended September 30,				**Nine months ended September 30,**		
		2023		2022		**2023**		2022
Balance, beginning of period	**$**	**0.1**	$	23.1	**$**	**23.5**	$	-
Emissions credits generated		**3.8**		-		**82.4**		34.3
Emissions credits sold for cash proceeds		**(3.8)**		(11.5)		**(101.2)**		(22.7)
Emissions credits utilized to reduce emissions liability		**-**		-		**(4.6)**		-
Revaluation of capital emissions credits		**-**		0.9		**-**		0.9
Balance, end of period	**$**	**0.1**	$	12.5	**$**	**0.1**	$	12.5

5. INVESTMENTS

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

		September 30, 2023		December 31, 2022
Pipestone Partnership (note 3)	**$**	**-**	$	60.9
Rimrock Cattle Company		**33.5**		30.2
Investments at fair value		**3.7**		3.4
Total	**$**	**37.2**	$	94.5

6. 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		-		241.4		241.4
Capital emission credits awarded		-		(82.4)		(82.4)
Receipt of government grant		-		(2.6)		(2.6)
Completed projects		92.9		(92.9)		-
Disposals		(36.3)		-		(36.3)
Reclassification to assets held for sale (note 3)		(472.2)		(28.4)		(500.6)
Decommissioning asset		3.8		-		3.8
Balance, September 30, 2023	$	1,140.0	$	317.9	$	1,457.9
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		46.3		-		46.3
Disposals		(31.3)		-		(31.3)
Reclassification to assets held for sale (note 3)		(34.0)		-		(34.0)
Balance, September 30, 2023	$	244.8	$	-	$	244.8
Net book value						
December 31, 2022	$	1,288.0	$	282.8	$	1,570.8
September 30, 2023	**$**	**895.2**	**$**	**317.9**	**$**	**1,213.1**

During the nine months ended September 30, 2023, Tidewater disposed of certain non-core assets. The Corporation recognized a loss of $1.3 million on these dispositions. During the nine months ended September 30, 2023, Tidewater received $2.6 million of government grant funding for achieving engineering design milestones on Tidewater Renewables proposed renewable natural gas facility.

7. BANK DEBT

The following table summarizes the Corporation's bank debt:

		September 30, 2023		December 31, 2022
Tidewater Midstream Senior Credit Facility	**$**	**547.2**	$	470.2
Tidewater Renewables Senior Credit Facility		**159.4**		72.6
Financing costs		**(5.4)**		(5.2)
Total bank debt	**$**	**701.2**	$	537.6
Current portion of bank debt, net of financing costs		**157.7**		-
Long term portion of bank debt, net of financing costs		**543.5**		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.

On September 29, 2023, the Tidewater Midstream Senior Credit Facility was amended to increase the deconsolidated first lien senior debt to adjusted EBITDA financial covenant to 4.0 from 3.5 for September 30, 2023.

Subsequent to quarter end, on October 17, 2023, the Tidewater Midstream Senior Credit Facility was further amended to increase the deconsolidated first lien senior debt to adjusted EBITDA financial covenant to 4.0 for December 31, 2023. The financial covenant will revert to 3.5 for periods thereafter. The amendment also increased the capacity of the facility by an additional $50 million, to $600 million.

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 September 30, 2023, Tidewater Midstream was in compliance with its financial covenants.

Tidewater Midstream's deconsolidated financial covenants as at September 30, 2023, and December 31, 2022, were as follows:

	Ratio	**September 30, 2023**	December 31, 2022
Deconsolidated debt to adjusted EBITDA (1)	Maximum 4.50:1	**3.89**	2.97
Deconsolidated first lien senior debt (2) to adjusted EBITDA	Maximum 4.00:1	**3.89**	2.97
Adjusted EBITDA to interest coverage	Minimum 2.50:1	**2.87**	4.47

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

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

At September 30, 2023, Tidewater Midstream had $60.2 million (December 31, 2022 - $45.5 million) of letters of credit outstanding, which operate under a separate facility.

Tidewater Renewables

The Tidewater Renewables Senior Credit Facility was amended on May 10, 2023, to temporarily increase availability by $25.0 million, and was further amended on June 12, 2023, to access a $25.0 million accordion feature and cancel the temporary availability increase. Total aggregate availability under the Tidewater Renewables Senior Credit Facility is $175.0 million, with a maturity on August 18, 2024.

Tidewater Renewables' quarterly financial covenants were waived at September 30, 2023. This "Waiver Period" ends on December 31, 2023, at which time Tidewater Renewables will be required to maintain certain financial covenants on an annualized basis. Tidewater Renewables may, at its option, exit the Waiver Period earlier, with the annualization period beginning upon the exit of the Waiver Period. The calculations for each of the financial covenants are based on specific definitions in the agreements governing Tidewater Renewable's Senior Credit Facility and Term Debt Facility (note 8), are not in accordance with GAAP, and cannot be easily calculated by referring to Tidewater Renewable's consolidated financial statements. The upcoming annualized financial covenants are as follows:

	December 31, 2023	Thereafter
Senior debt [1] to adjusted EBITDA	Maximum 5.50:1	Maximum 4.00:1
First lien senior debt [2] to adjusted EBITDA	Maximum 3.50:1	Maximum 3.00:1
Adjusted EBITDA to interest coverage	Minimum 2.00:1	Minimum 2.50:1

(1) Senior debt includes the Tidewater Renewables Senior Credit Facility and Term Debt Facility.
(2) First lien senior debt includes the Tidewater Renewables Senior Credit Facility and excludes the Term Debt Facility.

Tidewater Renewables must also maintain contracts with investment grade entities representing no less than 80% of EBITDA, having a term of no less than three years, provided that for the purposes of this covenant, Tidewater Midstream shall be deemed to be investment grade. At September 30, 2023, Tidewater Renewables was in compliance with its financial covenants.

At September 30, 2023, Tidewater Renewables had $5.0 million (December 31, 2022 - $5.0 million) of letters of credit outstanding, which operate under a separate facility.

8. TERM DEBT AND WARRANT LIABILITY

The following table summarizes Tidewater Renewables' term debt:

	September 30, 2023	December 31, 2022
Term Debt Facility	**$ 175.0**	$ 150.0
Discount [1]	**(19.2)**	(22.1)
Total term debt	**$ 155.8**	$ 127.9
Current portion of term debt, net of discount	**24.5**	-
Long term portion of term debt, net of discount	**131.3**	127.9

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

On October 24, 2022, Tidewater Renewables announced the closing of a five-year senior secured second lien credit facility (the "Term Debt Facility"), with a face value of $150.0 million (the "Original Principal Amount"), through an Alberta based pension fund. The Term Debt Facility was issued along with 3.4 million warrants, which entitles the holder to purchase one common share of Tidewater Renewables for a term of five years. On May 10, 2023, the Term Debt Facility was amended and an additional $25.0 million was advanced (the "Additional Debt Capacity").

The $25.0 million of Additional Debt Capacity matures on August 18, 2024, and will be extended to a maximum of August 18, 2025, in the event of an extension of the Tidewater Renewables Senior Credit Facility. The $25.0 million of Additional Debt Capacity is subject to variable quarterly repayments provided that the undrawn aggregate availability under the Tidewater Renewables Senior Credit Facility exceeds $50.0 million. The variable repayments are based on a portion of Tidewater Renewables' adjusted cash flows.

The Term Debt Facility is subordinated to and is subject to the same financial covenants as Tidewater Renewables' Senior Credit Facility, as described in note 7. The Term Debt Facility is due on October 24, 2027, with interest paid semi-annually on the Original Principal Amount and monthly on the Additional Debt Capacity. During the Waiver Period, as described in note 7, the Term Debt Facility bears interest at 9.5% per annum. Following the Waiver Period, the base interest rate reverts to 6.5% for the Original Principal Amount and remains at 9.5% for any amounts outstanding under the Additional Debt Capacity.

Tidewater Renewables, at its option, may redeem up to 100% of the Original Principal Amount with a 2.5% penalty after the second anniversary date or without penalty after the third anniversary date. The Additional Debt Capacity can be repaid at Tidewater Renewables' option without penalty.

The following table summarizes the Corporation's warrant liability at September 30, 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]	-		(8.1)
Balance, September 30, 2023	**3,375**	**$**	**4.3**

(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:

		September 30, 2023		December 31, 2022
Exercise price per share	**$**	**14.48**	$	14.84
Tidewater Renewables common share price	**$**	**8.30**	$	11.51
Volatility factor of expected market price		**35.90%**		41.04%
Risk-free interest rate		**4.25%**		3.41%
Remaining life (years)		**4.07**		4.81
Expected annual dividend per share		**0.00%**		0.00%
Fair value	**$**	**1.27**	$	3.69

9. 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	-		1.5		-
Balance, September 30, 2023	**750**	**$**	**72.7**	**$**	**4.9**

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

10. LEASE LIABILITIES AND OTHER

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

		September 30, 2023		December 31, 2022
Balance, beginning of period	**$**	**180.6**	$	204.9
Additions		**6.1**		10.2
Accretion		**10.4**		15.2
Lease payments		**(36.8)**		(48.4)
Lease terminations		**(6.8)**		(3.7)
Reclassified to liabilities held for sale (note 3)		**(86.2)**		-
Foreign exchange re-measurement		**(0.1)**		2.4
Balance, end of period	**$**	**67.2**	$	180.6
Current portion of lease liability and other		**38.8**		47.0
Long term portion of lease liability and other		**28.4**		133.6

In addition to the Pipestone undiscounted lease payments disclosed in note 3 to the Interim Financial Statements, the undiscounted payments associated with lease liabilities and other as at September 30, 2023, are summarized below:

		Within one year		After one year but not more than five years		More than five years		Total
Undiscounted lease payments	$	39.3	$	28.8	$	0.8	$	68.9

11. EQUITY ATTRIBUTABLE TO SHAREHOLDERS

a) Issued and outstanding common shares

As at September 30, 2023, Tidewater had 426.2 million of common shares outstanding with a carrying value of $539.2 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 September 30, 2023 and December 31, 2022, Tidewater had 40.1 million equity warrants outstanding and exercisable at a price of $1.44 per warrant, 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 September 30,				**Nine months ended September 30,**			
		2023		2022		**2023**		2022
Dividends declared on common shares	**$**	**4.3**	$	4.2	**$**	**12.8**	$	11.1
Dividends declared per share	**$**	**0.01**	$	0.01	**$**	**0.03**	$	0.03

As at September 30, 2023, dividends of $4.3 million were payable on 426.2 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 October 31, 2023.

d) Net (loss) income per share

	Three months ended September 30, 2023					Three months ended September 30, 2022				
		Net Loss	Common shares (millions)		Net loss per share		Net Loss	Common shares (millions)		Net loss per share
Net loss attributable to shareholders - basic	**$**	**(22.9)**	**425.2**	**$**	**(0.05)**	$	(18.8)	380.5	$	(0.05)
Dilutive effect of share awards		**-**	**-**		**-**		-	-		-
Dilutive effect of convertible debentures		**-**	**-**		**-**		-	-		-
Net loss attributable to shareholders - diluted	**$**	**(22.9)**	**425.2**	**$**	**(0.05)**	$	(18.8)	380.5	$	(0.05)

For the three months ended September 30, 2023, 18.9 million share awards (September 30, 2022 – 3.4 million), 40.1 million shares relating to equity warrants (September 30, 2022 – 19.1 million), and 76.6 million shares related to convertible debentures (September 30, 2022 – 79.7 million) were anti-dilutive.

	Nine months ended September 30, 2023					Nine months ended September 30, 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	**$**	**(54.1)**	**424.8**		**(0.13)**	$	38.5	354.8	$	0.11
Dilutive effect of share awards		**-**	**-**		**-**		-	11.0		-
Dilutive effect of convertible debentures		**-**	**-**		**-**		2.3	79.8		(0.02)
Net (loss) income attributable to shareholders - diluted	**$**	**(54.1)**	**424.8**		**(0.13)**	$	40.8	445.6	$	0.09

For the nine months ended September 30, 2023, 19.8 million share awards (September 30, 2022 – 6.8 million), 40.1 million shares relating to equity warrants (September 30, 2022 – 6.4 million), and 76.6 million shares related to convertible debentures (September 30, 2022 – NIL) were anti-dilutive.

12. REVENUE AND OPERATING EXPENSES

For the three and nine months ended September 30, 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 do not include realized or unrealized gains and losses on derivative contracts resulting from the Corporation's commodity price risk management initiatives.

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

Three months ended September 30, 2022	Midstream	Downstream	Marketing and other	Total
Revenue (before intercompany eliminations)	$ 70.0	$ 330.3	$ 401.0	$ 801.3
Intercompany eliminations	(7.8)	(49.5)	(31.9)	(89.2)
Revenue from external customers	$ 62.2	$ 280.8	$ 369.1	$ 712.1
Operating expenses (before intercompany eliminations)	$ 39.3	$ 285.2	$ 423.4	$ 747.9
Intercompany eliminations	(2.0)	(42.9)	(44.3)	(89.2)
Operating expenses from external vendors	$ 37.3	$ 242.3	$ 379.1	$ 658.7
Gross Margin	$ 24.9	$ 38.5	$ (10.0)	$ 53.4

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

Nine months ended September 30, 2022	Midstream	Downstream	Marketing and other	Total
Revenue (before intercompany eliminations)	$ 202.1	$ 910.4	$ 1,291.0	$ 2,403.5
Intercompany eliminations	(25.0)	(157.5)	(56.9)	(239.4)
Revenue from external customers	$ 177.1	$ 752.9	$ 1,234.1	$ 2,164.1
Operating expenses (before intercompany eliminations)	$ 108.6	$ 780.4	$ 1,340.6	$ 2,229.6
Intercompany eliminations	(8.3)	(139.7)	(91.4)	(239.4)
Operating expenses from external vendors	$ 100.3	$ 640.7	$ 1,249.2	$ 1,990.2
Gross Margin	$ 76.8	$ 112.2	$ (15.1)	$ 173.9

13. FINANCE COSTS AND OTHER

Finance costs and other are comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Interest on bank debt, term debt and convertible debentures	**$ 23.0**	$ 12.1	**$ 61.4**	$ 34.9
Interest capitalized	**(5.3)**	(1.5)	**(11.3)**	(3.6)
Total interest expense	**17.7**	10.6	**50.1**	31.3
Foreign exchange loss	**1.4**	1.0	**2.7**	0.8
Revaluation of capital emissions credits	**-**	(0.9)	**-**	(0.9)
Total finance costs and other before accretion	**$ 19.1**	$ 10.7	**$ 52.8**	$ 31.2
Unwinding of discount on decommissioning obligation	**1.0**	0.8	**2.7**	2.5
Unwinding of discount on long-term debt	**2.7**	2.2	**7.6**	5.1
Unwinding of discount on lease liabilities	**3.2**	3.7	**10.4**	11.5
Other	**-**	(0.1)	**(0.2)**	1.0
Total accretion	**6.9**	6.6	**20.5**	20.1
Total finance costs and other	**$ 26.0**	$ 17.3	**$ 73.3**	$ 51.3

14. COMMITMENTS

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

	Within one year	After one year but not more than five years	More than five years	Total
Firm transportation contracts	$ 24.2	$ 94.5	$ 29.7	$ 148.4

15. 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 7) on its bank debt and term debt. The Corporation was compliant with all financial covenants as at September 30, 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 7).

16. 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 September 30, 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 September 30, 2023, the fair value of the Corporation's Debentures was approximately $72.4 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 September 30, 2023, lifetime expected credit losses for accounts receivable outstanding were $1.8 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, proceeds from the Transaction, 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 September 30, 2023, and December 31, 2022:

	September 30, 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)	**$ 378.1**	**$ -**	$ 470.0	$ -
Dividend payable	**4.3**	**-**	4.2	-
Derivative contracts	**23.6**	**22.5**	13.0	13.8
Warrant liability	**4.3**	**-**	12.4	-
Lease liabilities and other (2)	**39.3**	**29.6**	48.1	166.4
Bank debt (3)	**159.4**	**547.2**	-	542.8
Term debt (3)	**25.0**	**150.0**	-	150.0
Convertible debentures (3)	**75.0**	**-**	-	75.0
Liabilities held for sale (note 3)	**86.8**	**-**	-	-
Total financial liabilities	**$ 795.8**	**$ 749.3**	$ 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 current interest rate is 8% per annum and the next renewal date is in January 2024.
(2) Amounts represent the expected undiscounted cash payments related to leases.
(3) Amounts represent undiscounted principal only and exclude accrued interest and transaction costs.

d) Market risk

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

Interest rate risk

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

At September 30, 2023, the Corporation had variable rate bank debt (note 7) totalling $706.6 million. A 1% change in the interest rates on bank debt would have an after-tax impact on net (loss) income of $1.3 million and $4.0 million, respectively, for the three and nine months ended September 30, 2023.

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 September 30, 2023, net working capital balances denominated in USD were $34.1 million. A 5% change in foreign exchange rates between the USD and the Canadian Dollar would have an after-tax impact on net (loss) income of $1.8 million for the nine months ended September 30, 2023.

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 $16.3 million for the nine months ended September 30, 2023.