



TIDEWATER
Midstream and Infrastructure Ltd.

Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Tidewater Midstream and Infrastructure Ltd. (“Tidewater”) is responsible for the preparation of the consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include certain estimates that reflect management’s best estimates and judgements. Management has determined such estimates on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

Management has developed and maintains an extensive system of internal accounting controls that provide reasonable assurance that all transactions are accurately recorded, that the consolidated financial statements present fairly Tidewater’s financial results, and that Tidewater’s assets are safeguarded. Management believes that this system of internal controls has operated effectively for the year ended December 31, 2023. Tidewater has effective disclosure controls and procedures to ensure timely and accurate disclosure of material information relating to Tidewater which complies with the requirements of Canadian securities legislation.

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

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

“Jeremy Baines”
Chief Executive Officer

“Aaron Ames”
Interim Chief Financial Officer

March 13, 2024
Calgary, Alberta

Independent Auditor's Report

To the Shareholders of Tidewater Midstream and Infrastructure Ltd.

Opinion

We have audited the consolidated financial statements of Tidewater Midstream and Infrastructure Ltd (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of net income and comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Property, Plant and Equipment – Impairment - Refer to Note 3 and 9 of the financial statements

Key Audit Matter Description

The Company assesses property, plant and equipment for indicators of impairment at each reporting date or when events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. When an impairment indicator is identified, the Company determines the recoverable amount and compares it to the carrying value of the asset. The recoverable amount is estimated based on the higher of the asset's fair value less costs of disposal and its value in use. As at December 31, 2023, an impairment indicator was identified at the Deep Basin Cash Generating Unit ("CGU") specifically affecting the Brazeau River Complex identified asset. The carrying amount of the identified asset exceeded its recoverable amount, which resulted in an impairment loss.

Auditing the Company's assessment of whether an indicator of impairment existed at the CGU and identified asset level as at December 31, 2023 required increased auditor attention due to the judgments made by management when determining whether events or changes in circumstances indicated a potential impairment. Performing audit procedures to evaluate if the recoverable amount of the identified asset exceeded its carrying value required a high degree of auditor judgment and an increased extent of audit effort, including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the assessment of whether an indicator of impairment existed at the CGU included the following, among others:

- Evaluated management's indicator assessment of internal or external factors that could result in an impairment charge.

Our audit procedures related to the evaluation of the recoverable amount of the identified asset against its carrying value included the following, among others:

- Obtained market information surrounding comparable transactions and evaluated their comparability to determine a fair value range and compared it to management's recoverable amount.
- Evaluated the reasonableness of forecast revenues, gross margins and operating margins by comparing them to historical results, and evidence obtained in other areas of the audit.
- With the assistance of fair value specialists, evaluated the reasonableness of the discount rate by developing a range of independent estimates and comparing those to the discount rate selected by management.
- Using the audit evidence obtained, compared the recoverable amount of the identified asset against its carrying value.

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

Key Audit Matter Description

The Company primarily generates revenue from 1) the sale of refined petroleum products, including gasoline, low sulphur diesel and ancillary products as well as renewable fuels and renewable natural gas; 2) gathering, processing and transportation revenue generated through arrangements that are designed to recover operating costs and provide a return on capital; and 3) marketing crude oil, natural gas and nature gas liquids. Revenue is recognized when the performance obligations associated with the sale of these products and services are satisfied, which is at the point in time when the products are delivered to and title passes to the customer, or in the period the services are rendered, in accordance with the applicable arrangements.

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

How the Key Audit Matter Was Addressed in the Audit

To test revenue recognition our audit procedures included among others, on a sample basis, reading the executed contract to understand the contract, identifying the performance obligation and evaluating revenue recognition by obtaining and inspecting a combination of the following audit evidence: external confirmations, invoices, bill of lading/shipping documents and cash receipts.

Other Information

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
March 13, 2024

Tidewater Midstream and Infrastructure Ltd.

Consolidated Statements of Financial Position

(Millions of Canadian dollars)

As at December 31	Notes	2023	2022
Assets			
Current			
Cash and cash equivalents	\$	0.1	\$ 17.0
Accounts receivable		147.8	269.9
Derivative contracts		3.0	18.5
Inventory and emission credits	6	98.1	87.9
Prepaid expenses and other		18.1	57.6
Investments	7	336.6	-
Total current assets		603.7	450.9
Derivative contracts		1.0	22.2
Prepaid expenses and other		4.6	6.4
Investments	7	34.8	94.5
Right-of-use assets	8	46.9	92.8
Inventory	6	35.0	37.0
Property, plant and equipment	9	877.6	1,570.8
Total assets	\$	1,603.6	\$ 2,274.6
Liabilities			
Current			
Accounts payable, accrued liabilities and provisions	10	\$ 360.7	\$ 475.5
Dividends payable	17(d)	-	4.2
Derivative contracts		31.0	13.0
Warrant liability	12	3.2	12.4
Bank debt	11	395.5	-
Term debt	12	24.5	-
Convertible debentures	13	73.3	-
Lease liabilities and other	15	36.5	47.0
Total current liabilities		924.7	552.1
Bank debt	11	89.8	537.6
Term debt	12	132.5	127.9
Convertible debentures	13	-	71.2
Derivative contracts		21.3	13.8
Decommissioning obligations	14	77.9	41.1
Deferred tax liabilities	16	-	51.0
Lease liabilities and other	15	16.9	133.6
Total liabilities		1,263.1	1,528.3
Equity			
Attributable to shareholders		310.8	703.3
Attributable to non-controlling interest	18	29.7	43.0
Total equity		340.5	746.3
Total liabilities and equity	\$	1,603.6	\$ 2,274.6

See the accompanying notes to the consolidated financial statements

Approved by the Board:

(signed) "Jeremy Baines", Director

(signed) "Doug Fraser", Director

Tidewater Midstream and Infrastructure Ltd.
Consolidated Statements of Net (Loss) Income and Comprehensive (Loss) Income

(Millions of Canadian dollars, except per share information)

For the year ended December 31	Notes	2023	2022
Revenue	19	\$ 2,208.3	\$ 2,875.2
Operating expenses	19	2,051.9	2,643.8
Gross margin		156.4	231.4
General and administrative		51.3	36.9
Share-based compensation	21	13.9	13.5
Depreciation	8,9	96.8	84.4
Operating income		(5.6)	96.6
Finance costs and other	20	99.9	69.9
Realized gain on derivative contracts		(17.3)	(46.3)
Unrealized loss (gain) on derivative contracts		52.8	(32.0)
Unrealized gain on marketable securities	7(a)	(5.9)	-
Impairment expense	8,9	417.6	55.0
(Gain) loss on sale of assets	5,9	(110.8)	5.4
(Income) loss from equity investments	7(c)	(5.3)	11.6
Transaction costs		13.6	6.5
(Loss) income before income tax		(450.2)	26.5
Deferred income tax (recovery) expense	16	(51.0)	7.6
Net (loss) income and comprehensive (loss) income		\$ (399.2)	\$ 18.9
Net (loss) income and comprehensive (loss) income attributable to:			
Shareholders		(385.9)	8.5
Non-controlling interest		(13.3)	10.4
Net (loss) income and comprehensive (loss) income		\$ (399.2)	\$ 18.9
Net (loss) income per share attributable to shareholders:			
Basic	17(e)	\$ (0.91)	\$ 0.02
Diluted	17(e)	\$ (0.91)	\$ 0.02

See the accompanying notes to the consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.
Consolidated Statements of Changes in Shareholders' Equity
(Millions of Canadian dollars)

	Notes	Attributable to Shareholders of the Corporation					Non-controlling interest	Total Equity
		Share capital	Employee share reserve	Convertible debentures	Retained earnings (deficit)			
Balance, January 1, 2023		\$ 537.6	\$ 15.0	\$ 4.9	\$ 145.8	\$ 43.0	\$ 746.3	
Net loss		-	-	-	(385.9)	(13.3)	(399.2)	
Issuance of common shares	17(b)	3.3	(3.3)	-	-	-	-	
Share issue costs (net of tax)	17(b)	(0.1)	-	-	-	-	(0.1)	
Share-based compensation		-	6.3	-	-	-	6.3	
Dividends declared	17(d)	-	-	-	(12.8)	-	(12.8)	
Balance, December 31, 2023		\$ 540.8	\$ 18.0	\$ 4.9	\$ (252.9)	\$ 29.7	\$ 340.5	
Balance, January 1, 2022		\$ 445.5	\$ 13.6	\$ 4.9	\$ 152.6	\$ 26.1	\$ 642.7	
Net income		-	-	-	8.5	10.4	18.9	
Issuance of common shares	17(b)	99.2	(2.9)	-	-	-	96.3	
Share issue costs (net of tax)	17(b)	(7.1)	-	-	-	-	(7.1)	
Share-based compensation		-	4.3	-	-	-	4.3	
Dividends declared	17(d)	-	-	-	(15.3)	-	(15.3)	
Contributions from non-controlling interest	18	-	-	-	-	6.5	6.5	
Balance, December 31, 2022		\$ 537.6	\$ 15.0	\$ 4.9	\$ 145.8	\$ 43.0	\$ 746.3	

See the accompanying notes to the consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.
Consolidated Statements of Cash Flows

(Millions of Canadian dollars)

For the year ended December 31	Notes	2023	2022
Cash provided by (used in):			
Operating activities			
Net (loss) income		\$ (399.2)	\$ 18.9
Adjustments:			
Non-cash share-based compensation		6.3	4.3
Depreciation	8,9	96.8	84.4
Interest and finance charges	20	70.9	43.0
Accretion and other	20	27.8	27.1
Unrealized (gain) loss on foreign exchange		(0.7)	2.4
Unrealized loss (gain) on derivative contracts		52.8	(32.0)
Unrealized gain on marketable securities	7(a)	(5.9)	-
Impairment expense	8,9	417.6	55.0
(Gain) loss on sale of assets	5,9	(110.8)	5.4
(Income) loss from equity investments	7(c)	(5.3)	11.6
Deferred income tax (recovery) expense	16	(51.0)	7.6
Decommissioning costs incurred	14	(5.5)	(4.6)
Other non-cash expenses		6.4	-
Changes in non-cash operating working capital	22	37.3	19.8
Net cash provided by operating activities		137.5	242.9
Financing activities			
(Repayment) advances of bank debt		(48.8)	48.7
Repayment of notes payable		-	(125.0)
Advances of term debt	12	25.0	142.5
Payment of lease liabilities and other	15	(49.2)	(48.4)
Interest and financing charges paid		(78.6)	(52.4)
Net proceeds from common share issuance	17(b)	(0.1)	87.0
Payment of dividends		(17.0)	(14.5)
Net cash (used in) provided by financing activities		(168.7)	37.9
Investing activities			
Expenditures on property, plant and equipment		(292.6)	(349.3)
Proceeds from capital emission credit sales	6	101.3	33.3
Cash paid for acquisitions		-	(10.5)
Receipt of government grant	9	2.6	-
Cash proceeds from sales of assets	5,9	336.7	14.7
Contribution to investments	7	(46.8)	(55.2)
Changes in non-cash investing working capital	22	(86.9)	87.4
Net cash provided by (used in) investing activities		14.3	(279.6)
(Decrease) increase in cash and cash equivalents		(16.9)	1.2
Cash and cash equivalents, beginning of year		17.0	15.8
Cash and cash equivalents, end of year		\$ 0.1	\$ 17.0

See the accompanying notes to the consolidated financial statements

1. REPORTING ENTITY

Tidewater Midstream and Infrastructure Ltd. ("Tidewater" or the "Corporation" when referring to the consolidated group, and "Tidewater Midstream" when referring to the legal entity) is a diversified midstream and infrastructure company with an integrated value chain across the North American natural gas processing, natural gas liquids ("NGL"), petroleum refining and renewables markets. The Corporation's strategy is to profitably grow and create shareholder value by acquiring and building high quality, strategically located infrastructure. To achieve its business objective, Tidewater is focused on providing customers with a full service, vertically integrated value chain through the acquisition and development of energy infrastructure, including downstream facilities, natural gas processing facilities, natural gas liquids infrastructure, pipelines, storage, and various renewable initiatives. To complement its infrastructure asset base, the Corporation also markets crude, refined product, natural gas, NGLs and renewable products and services to customers across North America.

Tidewater's common shares are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "TWM". The Corporation's principal place of business is Suite 900, 222 – 3rd Ave SW, Calgary, Alberta, Canada, T2P 0B4.

Tidewater Renewables

Tidewater Renewables Ltd. ("Tidewater Renewables") is 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". As at December 31, 2023, the Corporation owned 23.9 million common shares of Tidewater Renewables (December 31, 2022 - 23.9 million common shares), representing 69% of Tidewater Renewables' issued and outstanding common shares (December 31, 2022 - 69%). The Corporation retains control over Tidewater Renewables and therefore consolidates the subsidiary.

2. BASIS OF PRESENTATION

a) Statement of compliance

The Corporation prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies that follow have been consistently applied to all years presented.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 13, 2024.

b) Basis of measurement

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

c) Basis of consolidation

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

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

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

d) Functional and presentation currency

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

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

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

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

Key sources of judgement and estimation uncertainty:

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

Judgements

i) Depreciation

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

ii) Impairment

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

iii) Revenue recognition

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

iv) Joint arrangements and midstream operations

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

v) Deferred income tax

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

Estimates

i) Depreciation

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

ii) Decommissioning obligations

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

iii) Share-based compensation

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

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

iv) Impairment of property, plant and equipment

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

v) *Derivative financial instruments*

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

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

3. MATERIAL ACCOUNTING POLICIES

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

a) Financial instruments

Recognition and measurement

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

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

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

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

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

Derivative contracts

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

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

Fair value hierarchy

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

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

b) Joint arrangements

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

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

- in the consolidated statement of financial position for the Corporation's share of the assets held jointly and the liabilities for which it is jointly responsible; and

- in the consolidated statements of net income and comprehensive income for the Corporation's share of the income and expenses generated by the jointly controlled operation.

c) Inventory

Inventory primarily consists of crude oil, renewable feedstocks and refined products at the Prince George Refinery; line fill and tank bottoms; and crude oil, natural gas and NGL products for sale through marketing operations at the Corporation's gathering, processing and transportation facilities.

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

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

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

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

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

d) Emission credits and allowances

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

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

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

Capital emission credits granted to the Corporation under the British Columbia low carbon fuel standard for achieving certain capital project investment milestones are valued at fair value less costs to sell. The cost to sell is usually nominal. Fair value is determined based on market prices or forward contracted prices. When earned, the emission credits are recognized in inventory as held for sale. Subsequent to initial recognition, any changes

to fair value less cost to sell are recorded in the consolidated statements of net income and comprehensive income. Proceeds from the sale of capital emission credits are recorded within investing activities in the consolidated statements of cash flows.

e) Assets held for sale

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

f) Investments

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

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

g) Leases

Lease identification and initial measurement

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

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

Subsequent measurement

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

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

h) Property, plant and equipment

Measurement

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

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

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

Depreciation

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

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

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

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

Impairment

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

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

An impairment loss is recognized if the carrying amount of an asset or its respective CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. An impairment loss in respect of property, plant and equipment recognized in prior years is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation if no impairment loss had been recognized. Reversals of impairment losses are recognized in net income.

i) Government grants

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

j) Provisions and contingent liabilities

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

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

Provisions for decommissioning obligations are recognized for decommissioning and restoration obligations associated with the Corporation's property, plant and equipment. The best estimate of the expenditures required to settle the present obligation at each reporting date are recorded on a discounted basis using the pre-tax credit-adjusted risk-free interest rate. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated property,

plant and equipment asset and depreciated in accordance with the depreciation policy. The obligation is accreted over time through charges to finance costs and other. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows or to the discount rate are recognized as changes in the decommissioning obligation and associated property, plant and equipment asset. Actual decommissioning expenditures up to the recorded liability at the time are charged against the obligation as the costs are incurred.

k) Convertible debentures

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

l) Income taxes

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

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

Deferred taxes are recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized.

m) Revenue

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

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

i) Refined products revenue (Downstream)

The Corporation primarily generates revenue from the sale of refined petroleum products, including gasoline, low sulphur diesel, and ancillary products. The Corporation also generates renewable fuels revenue from the sale of renewable fuels and operating emission credits. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those goods or services. Performance

obligations associated with the sale of these products are satisfied at the point in time when the products are delivered to and/or title passes to the customer.

ii) Gathering, storage, processing and transportation revenue (Midstream)

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

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

Under take-or-pay contracts, the customer may not have exercised all of their contractual rights under the contract even though the Corporation would have received non-refundable consideration, thereby possibly requiring the performance of future services to the customer. Customers' make-up rights are subject to conditions, including expiry and availability of asset capacity. If material, the revenue associated with the make-up rights is deferred and a corresponding contract liability is separately disclosed in the consolidated statement of financial position. The amount of revenue attributed to the make-up right is the amount of the non-refundable consideration received for the minimum committed volumes not utilized in the current reporting period. Revenues associated with make-up rights are recognized at the earlier of (i) when the make-up volume is utilized; (ii) the make-up right expires; or (iii) when it is determined the likelihood that the customer will exercise its make-up right is remote.

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

iii) Marketing and extraction revenue

Marketing and extraction revenue is generated from the sale of crude oil, natural gas, NGLs, renewable feedstocks and purchased refined products. Contracts are usually for periods less than one year and prices are normally based on a market index price. The performance obligations are satisfied when the customer takes possession of the product and title has transferred to the customer based on the actual volumes sold at the delivery point.

n) Operating and general and administrative expenses

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

o) Share-based compensation

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

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

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

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

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

The ESPP allows eligible employees of Tidewater Midstream and Tidewater Renewables to purchase common shares of the entity they are employed by. Tidewater Midstream and Tidewater Renewables will match 100% of the employee's contribution, up to a maximum of 5% of the employee's base salary. The shares are acquired on the TSX consistent with the timing of the employee's remuneration. The cost of the shares purchased to match the employee's contribution is expensed as incurred.

p) Common share capital and equity units

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

The Corporation applies the residual value method with respect to the measurement of equity units. The residual value method first allocates value to the more easily measurable common share component based on the closing market price of the common shares on the measurement date. The residual value, if any, is allocated to the less easily measurable equity warrant component.

q) Earnings per share

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

4. FUTURE ACCOUNTING PRONOUNCEMENTS

There were no significant new accounting standards or interpretations issued during the year ended December 31, 2023.

5. SALE OF THE PIPESTONE GAS PLANT AND DIMSDALE GAS STORAGE ASSETS

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

Immediately prior to the close of the Transaction, Tidewater acquired the remaining 15% joint venture interest in the Pipestone Partnership (note 7).

The net proceeds received on close of the Transaction consisted of \$328.3 million in cash and 12,466,437 AltaGas common shares which had a fair value of \$330.7 million on December 22, 2023.

The following table summarizes the gain recorded in net income related to the Transaction:

Gross proceeds before closing adjustments	\$	665.0
Closing adjustments ⁽¹⁾		(6.0)
Net proceeds received		659.0
Net assets sold		(547.4)
Gain on sale of the Pipestone assets	\$	111.6

(1) The proceeds from the Transaction are subject to customary closing adjustments which are expected to be finalized in the first half of 2024.

Tidewater Midstream and Infrastructure Ltd.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

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

	Pipestone		Pipestone Partnership ⁽¹⁾		Total
Net working capital	\$	42.9	\$	-	\$ 42.9
Investments (note 7)		-		111.8	111.8
Right-of-use assets (note 8)		1.3		-	1.3
Inventory		6.1		-	6.1
Property, plant and equipment (note 9)		475.8		-	475.8
Pipestone Assets	\$	526.1	\$	111.8	\$ 637.9
Decommissioning obligations (note 14)	\$	0.7	\$	-	0.7
Lease liabilities and other (note 15)		89.8		-	89.8
Pipestone Liabilities	\$	90.5	\$	-	\$ 90.5
Net assets	\$	435.6	\$	111.8	\$ 547.4

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

The Pipestone leases and certain firm transportation contracts were assigned to AltaGas upon the close of the Transaction. The undiscounted future payments under these contracts totalled approximately \$525 million.

6. INVENTORY AND EMISSION CREDITS

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

	December 31, 2023		December 31, 2022	
Feedstocks	\$	43.0	\$	15.5
Refined products		27.4		36.7
Materials and supplies		7.8		5.7
Marketing inventory		4.3		6.5
Operating emission credits		15.6		-
Capital emission credits		-		23.5
Total current inventory		98.1		87.9
Long-term inventory		35.0		37.0
Total inventory	\$	133.1	\$	124.9

For the years ended December 31, 2023, and 2022, all inventory and operating emission credits were carried at cost and \$NIL was carried at net realizable value. The cost of inventory and operating emission credits expensed for the year ended December 31, 2023, was \$1,747.5 million (December 31, 2022 - \$2,271.2 million).

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

	December 31, 2023		December 31, 2022	
Balance, beginning of period	\$	23.5	\$	-
Emission credits generated		82.7		56.0
Emission credits sold for cash proceeds		(101.3)		(33.3)
Emission credits utilized to reduce emission liability		(4.9)		-
Revaluation of capital emission credits		-		0.8
Balance, end of period	\$	-	\$	23.5

7. INVESTMENTS

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

	December 31, 2023		December 31, 2022	
Investment in AltaGas common shares	\$	336.6	\$	-
Investment in Pipestone Partnership ⁽¹⁾		-		60.9
Investment in Rimrock Cattle Company Ltd. ⁽²⁾		30.9		30.2
Other investments at fair value		3.9		3.4
Total	\$	371.4	\$	94.5

(1) Accounted for by the equity method until August 31, 2023, when the investment was classified as held for sale.

(2) Accounted for by the equity method.

a) Investment in AltaGas common shares

On December 22, 2023, as partial consideration for the Transaction (note 5), Tidewater received 12,466,437 AltaGas common shares, that had a fair value of \$330.7 million. On December 31, 2023, the investment was revalued to its fair value of \$336.6 million, resulting in a \$5.9 million unrealized gain being recognized in the statement of net income.

Subsequent to the end of the year, on January 9, 2024, Tidewater sold all of the AltaGas common shares for cash proceeds of \$341.6 million.

b) Acquisition of Pipestone Partnership

On December 22, 2023, the Corporation paid \$46.3 million to acquire the remaining 15% interest in Tidewater Pipestone Infrastructure LP ("Pipestone Partnership"). The Pipestone Partnership was immediately sold to AltaGas as part of the Transaction (note 5).

c) Equity Investments

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

Net income and Comprehensive Income

For the year ended December 31	Pipestone Partnership ⁽¹⁾		Rimrock Cattle Company	
	2023	2022	2023	2022
Revenue	\$ 18.3	\$ 15.6	\$ 199.7	\$ 91.5
Operating expenses	5.8	7.2	185.9	86.2
Depreciation	1.6	1.9	3.3	2.4
Finance costs and other	4.1	3.2	9.1	2.5
Net income and comprehensive income	\$ 6.8	\$ 3.3	\$ 1.4	\$ 0.4
Net income and comprehensive income attributable to Tidewater	\$ 4.6	\$ 2.8	\$ 0.7	\$ 0.2

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

Statement of Financial Position

As at December 31	Pipestone Partnership		Rimrock Cattle Company	
	2023	2022	2023	2022
Current assets	\$ -	\$ 2.5	\$ 97.6	\$ 84.9
Non-current assets	-	112.0	67.8	68.2
Current liabilities	-	26.2	62.4	50.1
Non-current liabilities	-	26.2	41.3	42.6

8. RIGHT-OF-USE ASSETS

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

	Pipelines and storage tanks		Rail cars		Buildings, field equipment and surface leases		Total
Cost							
Balance, January 1, 2022	\$	116.6	\$	80.8	\$	13.3	\$ 210.7
Additions		-		2.5		5.5	8.0
Lease terminations		(41.2)		(15.2)		(3.8)	(60.2)
Balance, December 31, 2022	\$	75.4	\$	68.1	\$	15.0	\$ 158.5
Additions		-		2.9		2.9	5.8
Lease terminations		(9.7)		(2.9)		(2.6)	(15.2)
Sale of Pipestone assets (note 5)		-		-		(2.1)	(2.1)
Balance, December 31, 2023	\$	65.7	\$	68.1	\$	13.2	\$ 147.0
Accumulated Depreciation							
Balance, January 1, 2022	\$	42.8	\$	39.1	\$	7.5	\$ 89.4
Depreciation		18.2		12.9		2.8	33.9
Lease terminations		(38.7)		(15.2)		(3.7)	(57.6)
Balance, December 31, 2022	\$	22.3	\$	36.8	\$	6.6	\$ 65.7
Depreciation		18.0		11.1		3.3	32.4
Impairment		12.2		-		-	12.2
Lease terminations		(4.3)		(2.7)		(2.4)	(9.4)
Sale of Pipestone assets (note 5)		-		-		(0.8)	(0.8)
Balance, December 31, 2023	\$	48.2	\$	45.2	\$	6.7	\$ 100.1
Net book value							
December 31, 2022	\$	53.1	\$	31.3	\$	8.4	\$ 92.8
December 31, 2023	\$	17.5	\$	22.9	\$	6.5	\$ 46.9

During the year ended December 31, 2023, Tidewater identified that certain right-of-use assets in the Deep Basin CGU had a recoverable amount of \$NIL. As a result, a \$12.2 million impairment expense was recorded.

Tidewater Midstream and Infrastructure Ltd.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2023 and 2022

9. 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		301.7	301.7
Capital emission credits awarded		(82.7)	(82.7)
Receipt of government grant		(2.6)	(2.6)
Completed projects	427.7	(427.7)	-
Disposals	(43.9)	-	(43.9)
Sale of Pipestone assets (note 5)	(471.9)	(37.9)	(509.8)
Decommissioning asset	41.7	-	41.7
Balance, December 31, 2023	\$ 1,505.4	\$ 33.6	\$ 1,539.0
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	64.4	-	64.4
Impairment	405.4	-	405.4
Disposals	(38.2)	-	(38.2)
Sale of Pipestone assets (note 5)	(34.0)	-	(34.0)
Balance, December 31, 2023	\$ 661.4	\$ -	\$ 661.4
Net book value			
December 31, 2022	\$ 1,288.0	\$ 282.8	\$ 1,570.8
December 31, 2023	\$ 844.0	\$ 33.6	\$ 877.6

During the year ended December 31, 2023, Tidewater disposed of certain non-core assets for cash proceeds of \$8.4 million. The Corporation recognized a loss of \$0.8 million on these dispositions.

Tidewater Midstream and Infrastructure Ltd.

Notes to the Consolidated Financial Statements

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

The following property, plant and equipment impairments were recognized during the year ended December 31, 2023:

	Impairment expense
Deep Basin CGU ⁽¹⁾	\$ 390.0
North CGU	11.4
Other	4.0
Total	\$ 405.4

(1) Includes the Brazeau River Complex; Acheson gas plant, rail and blending terminal; and other non-core facilities.

The impairment expense recorded for the Deep Basin CGU is the result of market conditions, underutilization of the facilities, and cost escalations.

During the year ended December 31, 2022, the Corporation identified through its impairment reviews 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, a \$55.0 million impairment expense was recorded.

10. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND PROVISIONS

	December 31, 2023	December 31, 2022
Trade and accrued payables	\$ 262.4	\$ 404.7
Interest payable	3.5	4.9
Emission liabilities and provisions	46.8	18.7
Secured liability	24.8	24.8
Government grant	16.2	16.9
Current portion of decommissioning obligation (note 14)	7.0	5.5
Total accounts payable, accrued liabilities and provisions	\$ 360.7	\$ 475.5

Emission liabilities and provisions

Emission liabilities are typically recorded upon sale of refined petroleum products, including gasoline, low sulphur diesel, and ancillary products, based on their carbon intensity. During the year ended December 31, 2023, Tidewater Renewables assumed emission liabilities from counterparties in exchange for cash proceeds of \$18.5 million. As a result, the Corporation has recognized a provision of \$18.5 million in accounts payable, accrued liabilities and provisions to satisfy these obligations. The Corporation may use certain operating and capital emission credits, or a portion thereof, towards the settlement of this liability.

Secured liability

The Corporation has a \$24.8 million obligation, which incurs interest at a rate of 8.0% per annum, secured by crude oil and refined product inventory. The secured liability was renewed in January 2024 and has a current maturity of July 2024.

Government grant

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

Tidewater Midstream and Infrastructure Ltd.**Notes to the Consolidated Financial Statements****For the years ended December 31, 2023 and 2022**

A reconciliation of the government grant is as follows:

		2023		2022
Balance, beginning of year	\$	16.9	\$	20.0
Eligible project expenditures incurred		(0.7)		(3.1)
Balance, end of year	\$	16.2	\$	16.9

11. BANK DEBT

The following table summarizes the Corporation's bank debt:

		December 31, 2023		December 31, 2022
Tidewater Midstream Senior Credit Facility	\$	322.3	\$	470.2
Tidewater Renewables Senior Credit Facility		171.8		72.6
Financing costs		(8.8)		(5.2)
Total bank debt	\$	485.3	\$	537.6
Current portion of bank debt, net of financing costs		395.5		-
Long-term portion of bank debt, net of financing costs		89.8		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 October 17, 2023, the Tidewater Midstream Senior Credit Facility was further amended to increase the capacity of the facility by an additional \$50 million, to \$600 million.

On December 22, 2023, the Tidewater Midstream Senior Credit facility was amended and restated ("Fourth ARCA"). The following facilities are available to Tidewater Midstream under the Fourth ARCA:

		Facility Amount	Maturity Date		Amount Drawn December 31, 2023
Syndicated facility	\$	100.0	February 10, 2026	\$	50.0
Operating facility		50.0	February 10, 2026		47.3
Term facility		225.0	December 22, 2024		225.0
Tidewater Midstream Senior Credit Facility	\$	375.0		\$	322.3

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

The Fourth ARCA term facility permitted a single draw-down of funds on closing of the Transaction. Repayments made prior to the maturity date permanently reduce the total funds available under the facility. The term facility bears interest at the agent bank's prime lending rate, plus margins subject to monthly escalation.

Subsequent to December 31, 2023, on January 10, 2024, Tidewater fully repaid the \$225 million drawn under the Fourth ARCA term facility with proceeds from the monetization of the AltaGas common shares received as part of the consideration of the Transaction (note 5).

Tidewater Midstream and Infrastructure Ltd.

Notes to the Consolidated Financial Statements

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Tidewater Midstream is required to maintain certain deconsolidated financial covenants on an annualized basis. The calculations for each of these ratios are based on specific definitions in the Fourth ARCA, are not in accordance with GAAP, and cannot be directly calculated by referring to the Corporation's consolidated financial statements. At December 31, 2023, Tidewater Midstream was in compliance with its financial covenants.

Under the Fourth ARCA, annualized covenant calculations for the period ending December 31, 2023, are based on fourth quarter adjusted EBITDA and interest expense after giving pro forma effect to the Transaction and proceeds therefrom, and subsequently multiplied by four. Starting in the first quarter of 2024, covenant calculations will be annualized under each cumulative quarter in 2024 with the covenant calculations returning to rolling twelve-month periods starting at the fourth quarter of 2024.

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

	Ratio	December 31, 2023	December 31, 2022
Deconsolidated debt to adjusted EBITDA ⁽¹⁾	Maximum 4.50:1	2.86	2.97
Deconsolidated first lien senior debt ⁽²⁾ to adjusted EBITDA	Maximum 3.50:1	2.86	2.97
Adjusted EBITDA to interest coverage	Minimum 2.50:1	2.58	4.47

(1) Deconsolidated debt includes Tidewater Midstream's syndicated and operating facilities under the Fourth ARCA and excludes the Tidewater Renewables Senior Credit Facility, Term Debt Facility, and convertible debentures.

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

At December 31, 2023, Tidewater Midstream had \$117.8 million (December 31, 2022 - \$45.5 million) of letters of credit outstanding, which operate under a separate facility. Included within the December 31, 2023 balance is \$50.0 million issued to AltaGas in association with the transition of the Pipestone assets on December 22, 2023.

Tidewater Renewables

Total aggregate availability under the Tidewater Renewables Senior Credit Facility is \$175.0 million, with a maturity on August 18, 2024. The Tidewater Renewables Senior Credit Facility can be drawn in either Canadian or U.S. funds and bears interest at the agent bank's prime lending rate or banker's acceptance rates, plus applicable margins.

Tidewater Renewables' quarterly financial covenants were waived at September 30, 2023. On December 20, 2023, Tidewater Renewables obtained an additional waiver for its December 31, 2023, quarterly financial covenants. Beginning on January 1, 2024, Tidewater Renewables will be required to maintain certain quarterly financial covenants on an annualized basis. 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 12), are not in accordance with GAAP, and cannot be directly calculated by referring to Tidewater Renewables' consolidated financial statements. The upcoming annualized financial covenants are as follows:

	Ratio
Senior debt ⁽¹⁾ to adjusted EBITDA	Maximum 4.00:1
First lien senior debt ⁽²⁾ to adjusted EBITDA	Maximum 3.00:1
Adjusted EBITDA to interest coverage	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 revenue 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 December 31, 2023, Tidewater Renewables had \$8.1 million (December 31, 2022 - \$5.0 million) of letters of credit outstanding, which operate under a separate facility.

12. TERM DEBT AND WARRANT LIABILITY

The following table summarizes Tidewater Renewables' term debt:

	December 31, 2023	December 31, 2022
Term Debt Facility	\$ 175.0	\$ 150.0
Discount ⁽¹⁾	(18.0)	(22.1)
Total term debt	\$ 157.0	\$ 127.9
Current portion of term debt, net of discount	24.5	-
Long-term portion of term debt, net of discount	132.5	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, each of which entitles the holder to purchase one common share of Tidewater Renewables for a term of five years. On May 10, 2023, the 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 no later than 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 based on a portion of Tidewater Renewables' adjusted cash flows. The calculation of these adjusted cash flows is based on specific definitions in the agreements governing the Term Debt Facility, are not in accordance with GAAP, and cannot be directly calculated by referring to Tidewater Renewables' consolidated financial statements. The Additional Debt Capacity can be repaid at Tidewater Renewables' option without penalty.

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 11. 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 Covenant Relief Period, as described in note 11, the Term Debt Facility bore interest at 9.5% per annum. Following the Covenant Relief Period, the base interest rate reverts to 6.7% 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 following table summarizes the Tidewater Renewables' warrant liability upon issuance and at December 31, 2023:

	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⁾	-	(9.2)
Balance, December 31, 2023	3,375	\$ 3.2

(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.

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

	December 31, 2023		December 31, 2022	
Exercise price per share	\$	14.84	\$	14.84
Tidewater Renewables common share price	\$	8.07	\$	11.51
Volatility factor of expected market price		34.96%		41.04%
Risk-free interest rate		3.17%		3.41%
Remaining life (years)		3.81		4.81
Expected annual dividend per share		0.00%		0.00%
Fair value	\$	0.95	\$	3.69

13. 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	-		2.1		-
Balance, December 31, 2023	750	\$	73.3	\$	4.9

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

At the holder's option, the Debentures may be converted into common shares at any time prior to the close of business on the earlier of the business day immediately preceding (i) the maturity date, or (ii) if called for redemption, the date fixed for redemption by the Corporation, at a conversion price of \$1.86 per common share, subject to adjustments in certain events. The Debentures may be redeemed by the Corporation for common shares or cash, subject to certain adjustments and conditions. The Debentures are subordinated to any senior indebtedness of the Corporation.

The liability component of the Debentures was initially recognized at the fair value of a similar liability which does not contain an equity conversion option, based on an estimated market interest rate of 7.5%. The difference between the \$75.0 million principal amount of the Debentures and the fair value of the liability component was recognized in shareholders' equity, net of deferred income taxes. Total transaction costs directly attributable to the offering of \$3.2 million were allocated proportionately to the liability and equity components of the Debentures. Accretion of the liability component and accrued interest payable on the Debentures are included as financing costs.

14. DECOMMISSIONING OBLIGATIONS

Tidewater’s decommissioning obligation reflects the discounted cash flows expected to be incurred to decommission the Corporation’s refinery, upstream production assets, gas processing and fractionation plants, storage facilities and pipeline systems. The estimated economic lives of assets covered by the decommissioning provision range from one to 150 years, with the majority of decommissioning costs expected to be incurred over the next 30 to 60 years. The obligation was inflated using a rate of 2.5% (December 31, 2022 - 2.5%) and discounted using a credit-adjusted risk-free rate of 8.5% (December 31, 2022 - 8.5%).

The following table summarizes changes in the decommissioning obligation:

		2023		2022
Balance, beginning of year	\$	46.6	\$	45.6
Additions		0.9		2.0
Disposals (note 5)		(0.7)		(0.6)
Decommissioning costs incurred		(5.5)		(4.6)
Change in discount rate and estimates		39.9		0.8
Unwinding of discount included in finance costs		3.7		3.4
Balance, end of year	\$	84.9	\$	46.6
Current portion of decommissioning obligation (note 10)		7.0		5.5
Long-term portion of decommissioning obligation		77.9		41.1

15. LEASE LIABILITIES AND OTHER

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

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

		2023		2022
Balance, beginning of period	\$	180.6	\$	204.9
Additions		6.8		10.2
Accretion		13.5		15.2
Lease payments		(49.2)		(48.4)
Lease terminations		(7.8)		(3.7)
Sale of Pipestone assets (note 5)		(89.8)		-
Foreign exchange re-measurement		(0.7)		2.4
Balance, end of period	\$	53.4	\$	180.6
Current portion of lease liability and other		36.5		47.0
Long-term portion of lease liability and other		16.9		133.6

Undiscounted payments associated with lease liabilities and other as at December 31, 2023, are summarized below:

		Within one year	After one year but not more than five years ⁽¹⁾	More than five years	Total
Undiscounted lease payments	\$	37.5	\$ 20.1	\$ 0.3	\$ 57.9

(1) \$10.0 million to be paid in 2025, \$6.4 million in 2026, \$2.3 million in 2027, and \$1.4 million in 2028.

As at December 31, 2023, the incremental borrowing rate used to measure lease liabilities was 6.5% (December 31, 2022 - 6.5%). In 2023, variable lease expenses of \$39.0 million (2022 - \$20.3 million) were incurred. The variable lease payments primarily relate to variable usage charges on pipelines and rail cars.

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16. INCOME TAXES

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

	2023	2022
(Loss) income before income tax	\$ (450.2)	\$ 26.5
Combined federal and provincial tax rates	24.0%	24.0%
Expected tax (recovery) expense	(108.0)	6.4
Differences from:		
Unrecognized deferred tax assets	58.8	-
Non-taxable portion of capital gains	(3.2)	-
Share-based compensation	1.5	1.0
Other	(0.1)	0.2
Deferred income tax (recovery) expense	\$ (51.0)	\$ 7.6

The following tables summarize the movement of deferred taxes:

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

Asset (Liability)	Recognized in:			
	December 31, 2021	Net income	Equity	December 31, 2022
Investments	\$ (10.4)	\$ 3.5	\$ -	\$ (6.9)
Property, plant and equipment and leases	(171.1)	(6.6)	-	(177.7)
Decommissioning obligation	11.0	(0.3)	-	10.7
Derivative contracts	4.8	(8.4)	-	(3.6)
Convertible debentures	(1.1)	0.3	-	(0.8)
Non-capital losses	121.3	4.3	-	125.6
Unamortized share issuance costs and finance costs	2.5	-	2.2	4.7
Unrecognized deferred tax asset	(2.6)	(0.4)	-	(3.0)
Total	\$ (45.6)	\$ (7.6)	\$ 2.2	\$ (51.0)

As at December 31, 2023, the Corporation had estimated tax pools of \$260.1 million (December 31, 2022 - \$899.8 million) available for deduction against future taxable income. In addition, the Corporation has \$792.4 million (December 31, 2022 - \$521.6 million) of unused tax losses expiring between 2035 and 2043. The Corporation has temporary differences associated with its investment in Tidewater Renewables. A deferred tax asset or liability has not been recorded for these temporary differences as the Corporation controls the timing of the reversal and it is not probable that the temporary differences will reverse in the foreseeable future.

17. EQUITY ATTRIBUTABLE TO SHAREHOLDERS

a) Authorized

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

b) Issued and outstanding common shares

	2023		2022	
	Number of Shares (millions)	Amount	Number of Shares (millions)	Amount
Balance, beginning of year	424.5	\$ 537.6	341.6	\$ 445.5
Issue of common shares – public offering	-	-	48.4	58.1
Issue of common shares – private placement	-	-	31.8	38.1
Issue of common shares – long-term incentive plan	3.3	3.3	2.7	3.0
Share issuance costs (net of tax)	-	(0.1)	-	(7.1)
Balance, end of year	427.8	\$ 540.8	424.5	\$ 537.6

In December 2023, Tidewater’s Board of Directors authorized an application to the TSX to institute a normal course issuer bid (“NCIB”) which will establish the ability to repurchase, for cancellation, up to 10% of the public float of the common shares of Tidewater. The NCIB was approved by the TSX on March 7, 2024, commenced on March 11, 2024, and will end on March 10, 2025, or such earlier date as the Corporation may determine.

During the third quarter of 2022, the Corporation closed a public distribution of 48.4 million units (“Units”) and a private placement of 31.8 million Units, at a price of \$1.20 per Unit, for gross proceeds of \$96.2 million. Each Unit consisted of one common share of the Corporation (a “Unit Share”) and one-half of one common share purchase warrant (each whole warrant, an “Equity Warrant”). Each Equity Warrant entitles the holder thereof to acquire one common share in the capital of the Corporation at a price of \$1.44 per share.

c) Issued and outstanding equity warrants

	2023		2022	
	Number of Equity Warrants (millions)	Amount	Number of Equity Warrants (millions)	Amount
Balance, beginning of year	40.1	\$ -	-	\$ -
Issue of warrants – public offering	-	-	24.2	-
Issue of warrants – private placement	-	-	15.9	-
Balance, end of year	40.1	\$ -	40.1	\$ -

The Equity Warrants described in note 17(b) are carried at \$nil value as the common share price on the date of issuance was approximate to or in excess of the issuance price of the Unit Shares.

As at December 31, 2023, all Equity Warrants are exercisable, with 38.6 million Equity Warrants expiring on August 16, 2024, and 1.5 million Equity Warrants expiring on September 16, 2024.

d) Dividends to shareholders

	Year ended December 31			
	2023		2022	
Dividends declared on common shares	\$	12.8	\$	15.3
Dividends declared per share	\$	0.03	\$	0.04

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

e) Net (loss) income per share

	Year ended December 31, 2023			Year ended December 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	\$ (385.9)	425.4	\$ (0.91)	\$ 8.5	372.1	\$ 0.02
Dilutive effect of share awards	-	-	-	-	8.3	-
Net (loss) income attributable to shareholders - diluted	\$ (385.9)	425.4	\$ (0.91)	\$ 8.5	380.4	\$ 0.02

For the year ended December 31, 2023, 11.6 million share awards (December 31, 2022 - 8.3 million), 40.1 million shares relating to Equity Warrants (December 31, 2022 - 14.9 million), and 74.5 million shares related to convertible debentures (December 31, 2022 - 78.2) were anti-dilutive.

18. NON-CONTROLLING INTEREST

A reconciliation of the NCI as at December 31, 2023 and 2022, is provided below:

	Tidewater Renewables	Other	Total NCI
Balance, January 1, 2022	\$ 23.7	\$ 2.4	\$ 26.1
Contributions from non-controlling interest	6.5	-	6.5
Net income (loss) attributable to non-controlling interest	11.3	(0.9)	10.4
Balance, December 31, 2022	41.5	1.5	43.0
Net loss attributable to non-controlling interest	(10.6)	(2.7)	(13.3)
Balance, December 31, 2023	\$ 30.9	\$ (1.2)	\$ 29.7

Tidewater Midstream and Infrastructure Ltd.

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19. REVENUE AND OPERATING EXPENSES

For the years ended December 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.

Year ended December 31, 2023	Midstream	Downstream	Marketing and other	Total
Revenue (before intercompany eliminations)	\$ 258.4	\$ 921.9	\$ 1,281.0	\$ 2,461.3
Intercompany eliminations	(31.5)	(138.8)	(82.7)	(253.0)
Revenue from external customers	\$ 226.9	\$ 783.1	\$ 1,198.3	\$ 2,208.3
Operating expenses (before intercompany eliminations)	\$ 129.8	\$ 829.0	\$ 1,346.1	\$ 2,304.9
Intercompany eliminations	(9.8)	(126.5)	(116.7)	(253.0)
Operating expenses from external vendors	\$ 120.0	\$ 702.5	\$ 1,229.4	\$ 2,051.9
Gross Margin	\$ 106.9	\$ 80.6	\$ (31.1)	\$ 156.4

Year ended December 31, 2022	Midstream	Downstream	Marketing and other	Total
Revenue (before intercompany eliminations)	\$ 272.4	\$ 1,210.1	\$ 1,706.4	\$ 3,188.9
Intercompany eliminations	(34.1)	(208.3)	(71.3)	(313.7)
Revenue from external customers	\$ 238.3	\$ 1,001.8	\$ 1,635.1	\$ 2,875.2
Operating expenses (before intercompany eliminations)	\$ 149.7	\$ 1,034.8	\$ 1,773.0	\$ 2,957.5
Intercompany eliminations	(10.8)	(182.6)	(120.3)	(313.7)
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

20. FINANCE COSTS AND OTHER

Finance costs and other are comprised of the following:

	2023	2022
Interest on bank debt, term debt and convertible debentures	\$ 87.4	\$ 48.9
Interest capitalized ⁽¹⁾	(16.5)	(5.9)
Total interest expense	70.9	43.0
Foreign exchange loss	1.2	0.6
Revaluation of capital emission credits	-	(0.8)
Total finance costs and other before accretion	\$ 72.1	\$ 42.8
Unwinding of discount on decommissioning obligations	3.7	3.4
Unwinding of discount on long term debt	10.8	7.5
Unwinding of discount on lease liabilities	13.5	15.2
Other	(0.2)	1.0
Total accretion	27.8	27.1
Total finance costs and other	\$ 99.9	\$ 69.9

(1) For the year ended December 31, 2023, interest was capitalized at a weighted average annualized capitalization rate of approximately 9.90% on funds borrowed (December 31, 2022 - 6.50%).

21. SHARE-BASED COMPENSATION

a) Share Awards

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

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

(thousands of options and units)	Stock Options	RSUs	DSUs	Total
Outstanding, January 1, 2022	15,165	12,282	514	27,961
Granted	3,270	4,977	229	8,476
Exercised	(102)	(2,616)	-	(2,718)
Forfeited	(1,653)	(3,422)	-	(5,075)
Expired	(2,060)	(22)	-	(2,082)
Outstanding, December 31, 2022	14,620	11,199	743	26,562
Exercisable, December 31, 2022	9,294	2,371	-	11,665

The range of exercise prices and weighted average remaining contractual lives of Tidewater Midstream's outstanding and exercisable stock options as at December 31, 2023 is summarized below:

Range of Exercise Prices (\$ per option)	Stock Options Outstanding			Stock Options Exercisable	
	Number of Stock Options Outstanding (000s)	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$ per option)	Number of Stock Options Exercisable (000s)	Weighted Average Exercise Price (\$ per option)
0.46 - 0.75	159	1.4	0.50	159	0.50
0.76 - 1.00	1,468	1.4	0.92	1,359	0.92
1.01 - 1.25	4,013	4.3	1.09	693	1.14
1.26 - 1.51	2,520	1.8	1.40	2,121	1.40
Total	8,160	2.9	1.15	4,332	1.17

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

	2023	2022
Volatility factor of expected market price	50%	50%
Annual risk-free interest rate	4.54%	3.45%
Expected life (years)	3.00	3.00
Expected annual dividend per share	3.79%	3.62%
Forfeiture rate	9.81%	7.39%
Fair value per option	\$ 0.32	\$ 0.34

b) PSU Plan

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

		2023		2022
Balance, beginning of year	\$	3.4	\$	1.7
Granted		2.1		3.2
Exercised		(1.8)		(0.8)
Forfeited		(1.1)		(0.7)
Balance, end of year	\$	2.6	\$	3.4

c) Share-Based Compensation Expense

		2023		2022
Stock options	\$	0.7	\$	1.0
RSUs		3.7		5.6
DSUs		0.5		0.2
PSUs		1.6		1.1
Employee stock purchase plan		2.3		2.1
Plan costs and other		0.3		0.3
Total Tidewater Midstream share-based compensation expense		9.1		10.3
Tidewater Renewables share-based compensation expense ⁽¹⁾		4.8		3.2
Total share-based compensation expense	\$	13.9	\$	13.5

(1) At December 31, 2023, Tidewater Renewables had 588 thousand stock options, 1.0 million RSUs, 80 thousand DSUs and \$1.1 million PSUs outstanding (December 31, 2022 - 755 thousand stock options, 810 thousand RSUs, 45 thousand DSUs and \$0.9 million PSUs outstanding).

22. SUPPLEMENTAL CASH FLOWS INFORMATION

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

		2023		2022
Accounts receivable	\$	73.6	\$	(28.2)
Prepaid expenses and other		2.0		(15.8)
Inventory		(37.3)		(7.7)
Accounts payable, accrued liabilities and provisions		(1.0)		71.5
Change in non-cash working capital from operating activities	\$	37.3	\$	19.8

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

		2023		2022
Accounts receivable	\$	0.5	\$	-
Accounts payable, accrued liabilities and provisions		(87.4)		87.4
Change in non-cash working capital from investing activities	\$	(86.9)	\$	87.4

23. COMMITMENTS

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

	Within one year	After one year but not more than five years ⁽¹⁾	More than five years	Total
Purchase obligations	\$ 10.8	\$ -	\$ -	\$ 10.8
Firm transportation contracts	\$ 23.7	\$ 94.9	\$ 32.9	\$ 151.5

(1) \$23.5 million to be paid in 2025, \$27.6 million in 2026, \$23.0 million in 2027, and \$20.8 million in 2028.

24. CAPITAL MANAGEMENT

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

The Corporation considers its capital employed to be bank debt, 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 interest to fund capital requirements. To maintain or modify its capital structure, the Corporation may issue new common or preferred shares, issue new subordinated debt, renegotiate existing debt terms, or repay existing debt. The Corporation is not currently subject to any externally imposed capital requirements, other than covenants (note 11) on its bank debt and term debt.

The Corporation also monitors its capital structure based on consolidated net debt to adjusted EBITDA. This metric measures the Corporation's financial leverage. Consolidated net debt is defined as bank debt, 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 Fourth ARCA (note 11).

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

a) Fair value of financial instruments

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

At December 31, 2023, the fair value of the Corporation's Debentures was \$74.1 million using quoted market prices on the TSX.

b) Credit risk

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

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

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

The Corporation assesses lifetime expected credit losses for accounts receivable using historical default rates, aged accounts receivable analysis, and forward-looking information to determine the appropriate expected credit losses. At December 31, 2023, lifetime expected credit losses for accounts receivable outstanding were \$1.9 million (December 31, 2022 - \$2.1 million).

Total revenue attributable to Cenovus Energy Inc. ("Cenovus") from all revenue streams accounted for approximately 29% of the Corporation's revenue (December 31, 2022 - 32%). The revenue is predominantly generated at the Prince George Refinery through long-term contracts and is settled on a weekly basis. The Corporation believes the financial risk associated with this customer is minimal. The credit risk associated with the remainder of accounts receivable is minimized due to the diversity of its customers.

c) Liquidity risk

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

Tidewater Midstream

Tidewater Midstream's ability to obtain additional financing, or refinance existing obligations, will depend on the Corporation's operating performance, the condition of the capital markets, and short and long-term debt ratings assigned by independent rating agencies. Additionally, circumstances related to rising interest rates, inflation, and other factors can cause disruption in the capital markets, which could make financing or refinancing more difficult and/or expensive, and we may not be able to obtain such financing or refinancing.

At December 31, 2023, Tidewater Midstream had \$300.0 million of current debt, gross of financing costs and discounts. Of this balance, \$225.0 million drawn under the Fourth ARCA term facility was repaid on January 10, 2024. The remaining current debt balance of \$75.0 million is Tidewater Midstream's Debentures which mature on September 30, 2024. Any refinancing of the Debentures may be at higher interest rates, less favourable terms, require compliance with more onerous covenants, or result in dilution of shareholders.

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Tidewater Renewables

The Tidewater Renewables' Senior Credit Facility (note 11) and the Additional Debt Capacity under the Term Debt Facility (note 12) have a maturity date of August 18, 2024. The Additional Debt Capacity will be extended to a maximum of August 18, 2025, in the event of an extension of the Tidewater Renewables Senior Credit Facility. In the event that the Senior Credit Facility is not extended, alternative sources of funding will be necessary. There can be no assurances that Tidewater Renewables' Senior Credit Facility will be extended beyond the August 18, 2024, maturity date.

Uncertainties due to economic factors, or unanticipated operational issues with the HDRD Complex may cause liquidity risk for Tidewater Renewables. Management of Tidewater Renewables believes that it has access to sufficient capital through its working capital, contracted take-or-pay cash flows, and external sources such as bank credit markets and equity financing, if required, to meet its obligations and financial commitments as they come due. Any equity financing may result in dilution to Tidewater Midstream's 69% ownership interest in Tidewater Renewables.

Contractual maturities

The following table details the contractual maturities of the Corporation's financial liabilities as at December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
	Less than one year	Greater than one year	Less than one year	Greater than one year
Accounts payable, accrued liabilities and provisions ⁽¹⁾	\$ 342.2	\$ -	\$ 475.5	\$ -
Dividend payable	-	-	4.2	-
Derivative contracts	31.0	21.3	13.0	13.8
Warrant liability	3.2	-	12.4	-
Lease liabilities and other ⁽²⁾	37.5	20.4	48.1	166.4
Bank debt ⁽³⁾	396.8	97.3	-	542.8
Term debt ⁽³⁾	25.0	150.0	-	150.0
Convertible debentures ⁽³⁾	75.0	-	-	75.0
Total financial liabilities	\$ 910.7	\$ 289.0	\$ 553.2	\$ 948.0

(1) Amount excludes provisions of \$18.5 million (December 31, 2022 - \$NIL) to be settled in the first quarter of 2024.

(2) Amounts represent the expected undiscounted cash payments related to leases.

(3) Amounts represent undiscounted principal only and exclude accrued interest and transaction costs.

d) Market risk

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

Interest rate risk

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

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At December 31, 2023, the Corporation had variable rate bank debt (note 11) totalling \$494.1 million (December 31, 2022 - \$542.8 million). A 1% change in the interest rates on bank debt would have an after-tax impact on net (loss) income of \$3.8 million for the year ended December 31, 2023 (December 31, 2022 - \$4.1 million).

Foreign currency exchange rate risk

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Corporation's foreign currency risk arises from certain working capital balances denominated in United States Dollars (USD). The Corporation continuously monitors exchange rate trends and economic conditions. As at December 31, 2023, net working capital and derivative contract balances denominated in USD were \$61.8 million (December 31, 2022 - \$3.4 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 \$3.1 million for the year ended December 31, 2023 (December 31, 2022 - \$0.2 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 \$8.8 million for the year ended December 31, 2023 (December 31, 2022 - \$27.3 million).

26. KEY MANAGEMENT COMPENSATION

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

		2023		2022
Salaries and other short-term benefits	\$	5.7	\$	6.7
Share based compensation		7.7		6.1
Termination benefits		5.0		0.7
Total key management personnel compensation	\$	18.4	\$	13.5