



TIDEWATER

Renewables Ltd.

Management's Discussion and Analysis
For the period from date of incorporation,
May 11, 2021, to September 30, 2021

November 3, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the interim financial and operating results of Tidewater Renewables Ltd. ("Tidewater Renewables" or the "Corporation") is dated November 3, 2021 and should be read in conjunction with Tidewater Renewables' condensed interim unaudited financial statements as at September 30, 2021 and for the period from date of incorporation, May 11, 2021, to September 30, 2021 (the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), representing generally accepted accounting principles ("GAAP"), and are expressed in Canadian dollars. This MD&A contains non-GAAP measures and forward-looking statements and readers are cautioned that the MD&A should be read in conjunction with Tidewater Renewables' disclosure under "Non-GAAP Measures" and "Forward-Looking Information" included at the end of this MD&A.

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

BUSINESS OVERVIEW

Tidewater Renewables is a multi-faceted, energy transition company. The Corporation is focused on the production of low carbon fuels, including renewable diesel, renewable hydrogen and renewable natural gas, as well as carbon capture through future initiatives. The Corporation was created in response to the growing demand for renewable fuels in North America and to capitalize on its potential to efficiently turn a wide variety of renewable feedstocks (such as tallow, used cooking oil, distillers corn oil, soybean oil, canola oil and other biomasses) into low carbon fuels. Tidewater Renewables' objective is to become one of the leading Canadian renewable fuel producers. The Corporation is pursuing this objective through the ownership, development, and operation of clean fuels projects and related infrastructure, utilizing existing proven technologies. Organically, Tidewater Renewables will seek to leverage the existing infrastructure and engineering expertise of Tidewater Midstream and Infrastructure Ltd. ("Tidewater Midstream"), its majority shareholder, regarding the development of the Corporation's portfolio of greenfield and brownfield capital projects as well as the expansion of the Corporation's product offerings. Tidewater Renewables' common shares are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "LCFS".

Concurrent with closing of its initial public offering, Tidewater Renewables acquired certain pre-existing operating assets as well as a number of growth projects from Tidewater Midstream. These assets provide an initial platform for the renewable diesel, renewable hydrogen, and renewable natural gas business units. The operating assets include working interests in certain refinery units at the Prince George Refinery ("PGR") and a gas storage facility at Tidewater Midstream's Brazeau River Complex and Fractionation Facility ("BRC") in Alberta. The initial growth projects are for the production of renewable diesel at PGR: (i) the Canola Co-Processing project and the fluid catalytic cracking ("FCC") Co-Processing project, and (ii) the Renewable Diesel & Renewable Hydrogen Complex. Through these initial projects, Tidewater Renewables will supply low carbon fuels to investment grade offtakers, existing customers, government entities, First Nations groups and others in the transportation, utilities, refining, marketing, and power and industries.

Additional information relating to Tidewater Renewables is available on SEDAR at www.sedar.com and at www.tidewater-renewables.com. The Corporation filed a supplemented PREP prospectus dated August 12, 2021 (the "Prospectus"), an electronic copy of which is available on Tidewater Renewables SEDAR profile at www.sedar.com.

HIGHLIGHTS

- On August 18, 2021, Tidewater Renewables completed its initial public offering (the “Offering”) of 10 million common shares at a price of \$15.00 per common share (the “Offering Price”), for total gross proceeds of \$150 million. On September 15, 2021, the underwriters partially exercised the over-allotment option and issued an additional 735,000 common shares at the Offering Price for additional gross proceeds of \$11 million. The partial exercise of the over-allotment option increased the total gross proceeds of the Offering to \$161 million. Underwriter commissions were 6% of the total gross proceeds raised from the Offering. Following the closing of the over-allotment option there were 34,635,000 Common Shares outstanding, of which Tidewater Midstream held approximately 69%. In total, Tidewater Renewables received approximately \$150 million in cash consideration net of underwriter commissions and legal expenses.
- Tidewater Renewables generated \$5.3 million of Adjusted EBITDA in its first 44 days of operations. Net income was \$3.4 million for the third quarter of 2021. Net cash used in operating activities totaled \$1.8 million for the third quarter of 2021, with distributable cash flow of \$3.9 million.
- With the closing of the Offering, Tidewater Renewables announced a positive final investment decision on the Corporation’s 3,000 bbl/d Renewable Diesel and Renewable Hydrogen Complex (as defined and described in the Prospectus), which is expected to enter into service in the first quarter of 2023. Subsequent to September 30, 2021, the Corporation received its first milestone and plans to submit its second milestone in November 2021, under the executed Renewable Diesel Project Part 3 Agreement, as described in the Prospectus. Management anticipates the Renewable Diesel & Renewable Hydrogen Complex will generate approximately \$90 - \$95 million of Adjusted EBITDA in 2023 on a full year run-rate basis based on certain operating assumptions that are fully described in the Prospectus.
- The Canola Co-Processing project achieved successful commissioning and start-up, slightly ahead of its planned schedule, and production of renewable diesel has commenced.

FINANCIAL HIGHLIGHTS

<i>(in thousands of Canadian dollars except per share information)</i>	Three months ended September 30,		For the period from date of incorporation, May 11, 2021 to September 30,	
		2021		2021
Revenue	\$	6,130	\$	6,130
Net income	\$	3,418	\$	2,683
Net income per share – basic and diluted	\$	0.21	\$	0.26
Adjusted EBITDA ⁽¹⁾	\$	5,330	\$	5,330
Net cash used in operating activities	\$	(1,776)	\$	(1,776)
Distributable cash flow ⁽¹⁾	\$	3,940	\$	3,940
Distributable cash flow per common share – basic and diluted ⁽¹⁾	\$	0.25	\$	0.38
Total common shares outstanding (000s)		34,635		34,635
Total assets	\$	709,571	\$	709,571
Net debt ⁽¹⁾	\$	33,926	\$	33,926

(1) Refer to “Non-GAAP Measures”.

RESULTS OF OPERATIONS

Financial overview

<i>(in thousands of Canadian dollars except per share information)</i>	Three months ended September 30,		For the period from date of incorporation, May 11, 2021, to September 30,	
		2021		2021
Revenue	\$	6,130	\$	6,130
Operating expenses	\$	1,094	\$	1,094
General and administrative	\$	206	\$	206
Share-based compensation	\$	255	\$	255
Depreciation	\$	2,115	\$	2,115
Finance costs and other	\$	717	\$	717
Realized gain on derivative contracts	\$	(500)	\$	(500)
Unrealized gain on derivative contracts	\$	(2,770)	\$	(2,770)
Transaction costs	\$	271	\$	1,271
Deferred income tax expense	\$	1,324	\$	1,059
Net income	\$	3,418	\$	2,683
Basic and diluted net income per share	\$	0.21	\$	0.26

The Corporation was incorporated on May 11, 2021 and issued one Common Share to Tidewater Midstream for a subscription price of \$1.00. As such, it has not completed its first fiscal year and had limited activity until the closing of the Offering. Between the date of its formation on May 11, 2021, through to closing of the Offering on August 18, 2021 and acquisition of the Acquired Assets (as defined below), the Corporation did not have any active operations.

Acquired Assets

In connection with the Offering, Tidewater Renewables acquired certain pre-existing operating assets as well as a number of growth projects from Tidewater Midstream that provided an initial platform for its renewable diesel, renewable hydrogen, and renewable natural gas business (the “Acquired Assets”). As consideration for the Acquired Assets, Tidewater Renewables issued 23.9 million common shares valued at the Offering Price for total share consideration of \$358.5 million and cash of \$180 million for aggregate consideration of \$538.5 million. Tidewater Renewables expects the Acquired Assets to generate operating cash flows primarily from take-or-pay contracts with Tidewater Midstream, as the primary counterparty, and from other non-take-or-pay activities. This provides Tidewater Renewables with stable, long-term, contracted cash flows.

The renewable diesel and renewable hydrogen assets include a steam methane reformer, unifier reactor, canola co-processing unit, certain utilities, storage tanks, and rail and truck racks, which are located at PGR.

The renewable natural gas asset is located at the BRC and is currently configured to inject, store, cycle and sell natural gas. The renewable natural gas assets currently include injection/withdrawal wells, a 1,480 horse-power compressor, and approximately 30 kilometers of pipelines. The gas storage facility generates revenue through fees to gas storage customers for injecting and withdrawing natural gas in the storage pool and charging an extraction fee for natural gas liquids. The difference between natural gas prices in the summer months versus the winter months, i.e. seasonal spreads, is one of the main drivers of fees that Tidewater Renewables can charge for its storage services.

Revenue

The Corporation generates revenue primarily through fixed rate processing and storage take-or-pay agreements with Tidewater Midstream as the counterparty. These agreements are designed to recover operating costs and provide a return on capital. Fees are charged per unit processed or stored and through the recovery of operating costs for the facility.

During the third quarter of 2021, operationally the deliverability at BRC gas storage pool matched expectations. During the third quarter, Tidewater Renewables recognized approximately \$1.0 million from extraction and transportation fee income received from Tidewater Midstream under the take-or-pay agreement and from other third parties for injecting and withdrawing natural gas in the storage pool.

During the third quarter, Tidewater Renewables recognized approximately \$5.1 million from income received from Tidewater Midstream under the take-or-pay agreement related to the renewable diesel and renewable hydrogen assets.

Operating expenses

Operating expenses consist of the weighted average cost of renewable feedstocks, storage and transportation fees, truck and rail and various field operating expenses.

General and administrative

General and administrative expenses consist primarily of salaries and benefits, legal fees, information systems, consultant costs, and audit and tax related fees. The Corporation and Tidewater Midstream entered into a shared services agreement pursuant to which Tidewater Midstream agreed to provide, or arrange for the provision of, certain management and administrative services required by the Corporation for an aggregate monthly fee initially set at cost plus 5%, and reimbursement of associated out-of-pocket costs and expenses.

Share-based compensation

During the three months ended September 30, 2021 the Corporation issued Restricted Share Units ("RSUs") and Deferred Share Units ("DSUs") under its share-based incentive plan. Once vested, each RSU and DSU entitles the holder thereof to one common share. Once vested, each RSU and DSU entitles the holder thereof to one common share.

Depreciation

Depreciation for the three months ended September 30, 2021 relates to the Corporation's property, plant and equipment, and right-of-use assets.

Finance costs and other

Finance costs and other includes interest on the Corporation's bank debt as well as other non-cash interest charges. Non-cash interest expenses include unrealized foreign exchange losses on the Corporation's USD denominated railcar leases, as well as accretion expenses on the Corporation's decommissioning obligations, lease liabilities and financing costs.

Realized and unrealized gain on derivative contracts

The Corporation uses financial forward contracts to protect operating income against volatility in commodity prices. During the quarter the Corporation entered into forward financial contracts for vegetable oils to manage the commodity price risk related to its canola co-processing operations.

The fair value of the net derivative contract asset or liability is the estimated value to settle the outstanding contracts at a point in time. Accordingly, the unrealized gains or losses on these financial instruments are recorded directly to the statement of net income and can fluctuate materially quarter-over-quarter with price volatility. Unrealized gains and losses on derivative contracts do not impact net cash provided by operating activities or distributable cash flow. Actual gains or losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices as compared to the valuation assumptions.

Transaction costs

The Corporation's transaction costs of approximately \$1.3 million are associated with the Offering.

Deferred income tax expense

For the three months ended September 30, 2021 and for the period from date of incorporation, May 11, 2021, to September 30, 2021, the Corporation recognized a deferred income tax expense of \$1.3 million and \$1.1 million, respectively.

Net income

For the three months ended September 30, 2021 and for the period from date of incorporation, May 11, 2021, to September 30, 2021, the Corporation generated net income of \$3.4 million and \$2.7 million respectively.

Net income per share

For the three months ended September 30, 2021 and for the period from date of incorporation, May 11, 2021, to September 30, 2021, the Corporation generated basic and diluted net income per share of \$0.21 and \$0.26, respectively. The difference between the periods primarily relates to the weighted average number of shares outstanding used in the calculation.

OUTLOOK AND CAPITAL PROGRAM

During the third quarter of 2021, Tidewater Renewables achieved several milestones including the closing of the Offering on August 18, 2021, reaching a positive final investment decision of the 3,000 bbl/d Renewable Diesel and Renewable Hydrogen Complex, and successfully commissioning the Canola Co-Processing Project. Tidewater Renewables continues to execute successfully on its strategy by expanding its integrated network of assets with disciplined capital allocation.

Canola Co-processing Project

During the third quarter of 2021, the Canola Co-Processing project achieved successful commissioning and start-up, slightly ahead of its planned schedule and first production of renewable diesel was monetized. Canola co-processing achieved an average and maximum rate of 200 and 250 bbl/d, respectively, during the third quarter while commissioning was ongoing.

Renewable Diesel and Renewable Hydrogen Complex

The Renewable Diesel & Hydrogen Complex project remains on time and on budget. The 3,000 bbl/d facility is expected to enter service in Q1 2023.

During the third quarter following significant project milestones were achieved:

- submitted and received the first milestone (14,276 BC LCFS credits) under the executed Renewable Diesel Project Part 3 Agreement with the Government of British Columbia;
- received rezoning covenant sign off by the City of Prince George and submitted it to land titles;
- ordered long-lead equipment such as reactors, stripping towers, storage tanks, pressure swing adsorption unit, boiler equipment, electrical buildings, and pre-treatment equipment;
- completed surface preparation including tree clearing and removal;
- completed geotechnical study, rough grade, access road and approximately 50% of site gravelling;
- underground fire water lines and oily water drains installation; and
- submitted Ministry of Environment & Climate Change Strategy application.

Management expects to achieve the following construction project milestones within the next three to six months:

- complete underground line installation;
- start brownfield pipe rack construction to connect existing refinery utilities, tanks and loading infrastructure to HDRD construction site;
- finish tank concrete foundations and begin erecting storage tanks;
- award medium lead items including compressors, pumps, heat exchangers and flare system; and
- start piping and instrumentation design and issue related construction packages.

SUMMARY OF QUARTERLY RESULTS

The following table presents a summary of Tidewater Renewables' quarterly results since inception:

<i>(In thousands of Canadian dollars, except per share information)</i>			
	Q3 2021		Q2 2021
Revenue	\$	6,130	\$ -
Net income (loss)		3,418	(735)
Net income (loss) per share – basic and diluted ⁽¹⁾		0.21	-
Adjusted EBITDA ⁽²⁾	\$	5,330	\$ -

(1) During Q2 2021 only one common share was outstanding.

(2) Refer to "Non-GAAP Measures".

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

- significant one-time transaction costs relating to the issuance of the Corporation's Offering; and
- shorter comparable period due to 44 days of operations in the third quarter.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Sources

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

The Corporation had the following contractual obligations as at September 30, 2021:

	September 30, 2021	
	Less than one year	Greater than one year
<i>(in thousands of Canadian dollars)</i>		
Accounts payable and accrued liabilities	\$ 3,193	\$ -
Derivative contracts	426	302
Lease liabilities	5,444	16,471
Bank debt	-	42,000
	\$ 9,063	\$ 58,773

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. Although the Senior Credit Facilities are not cross-collateralized, the agreements governing the Senior Credit Facilities provide that each lender's commitment thereunder will be equivalent to its proportionate commitment under both facilities, until the first unanimous extension. The Corporation’s Senior Credit Facility is used to provide financing for working capital, to fund capital expenditures and acquisitions and for other general corporate purposes.

Total availability under Tidewater Renewables’ Senior Credit Facility is \$150 million and it matures on August 18, 2024, with a one year renewal option at the request of the Corporation, subject to Lender approval. Advances may be made by way of direct advances, bankers’ acceptances, or standby letters of credit/guarantees.

Tidewater Renewables is required to maintain certain financial covenants on a trailing-quarterly (annualized) basis including consolidated debt (being, Tidewater Renewables’ senior debt) to adjusted EBITDA of less than or equal to 3.5:1; first lien senior debt (being, Tidewater Renewables’ senior debt) to adjusted EBITDA of less than or equal to 2.5:1; and an adjusted EBITDA to interest coverage ratio greater than or equal to 2.5:1. The calculations for each of these ratios are based on specific definitions in the agreements governing the Senior Credit Facility, are not in accordance with GAAP, and cannot be easily calculated by referring to the Corporation’s financial statements. At September 30, 2021, Tidewater Renewables was in compliance with its financial covenants, reporting consolidated debt to adjusted EBITDA ratio of 0.9:1, consolidated, first lien senior debt to adjusted EBITDA ratio of 0.9:1 and adjusted EBITDA to interest coverage ratio of 21.5:1.

The Corporation must also maintain contracts with investment grade entities representing no less than 80% of EBITDA having a term of no less than three years, provided that for purposes of this covenant, Tidewater Midstream shall be deemed to be investment grade.

The existing Acquired Assets operate mainly under long-term take-or-pay contracts primarily with Tidewater Midstream. Management expects the Acquired Assets to generate approximately \$40 million of Run Rate EBITDA in total with a majority from take-or-pay contracts and from select other non-take-or-pay activities. These earnings will be used for general corporate purposes including financing ongoing working capital requirements.

The Government of BC is providing 275,750 BC LCFS credits to partially fund construction of the Renewable Diesel & Renewable Hydrogen Complex, which Management expects will cover approximately 45% of the anticipated costs of construction. The combination of provincial government support, the proceeds available under the Senior Credit Facility, the anticipated cash generated by the business, and other financing sources as appropriate is anticipated to provide the required funding to execute the build of the Renewable Diesel and Renewable Hydrogen Complex.

Since the Corporation derives a majority of its revenues from Tidewater Midstream, it is economically dependent on Tidewater Midstream. Through the take-or-pay agreements, the Corporation provides a significant amount of throughput capacity to Tidewater Midstream.

The most significant exposure faced by the renewable's energy business is related to a lack of operating history. Many of the technologies, processes and companies engaged in renewable energy production, transportation and marketing are new to the business and industry. With renewable energy being an emerging industry there is risk associated with forecasting the Corporation's future performance. To mitigate this risk, Tidewater Renewables has:

- engaged Tidewater Midstream to operate the Acquired Assets. Tidewater Midstream has extensive experience operating the Acquired Assets;
- signed long-term take-or-pay contracts for the Acquired Assets; and
- selected the Acquired Assets for their optionality to produce or store both conventional and renewable fuels.

Based on the above factors, net cash provided by operating activities is anticipated to remain stable and be sufficient to support operations and fund sustaining capital expenditures. The financial performance of Tidewater Renewables' refining operations will be impacted by refined product prices, BC LCFS and carbon credits, and the prices of renewable feedstock. Refining margins are subject to seasonal factors as production changes to match seasonal demand.

Due to the nature of the renewable energy industry, budgets are regularly reviewed with respect to the success of the expenditures and other opportunities that become available to the Corporation. Tidewater Renewables' actual expenditures may vary depending on a variety of factors, including the availability of equipment and personnel, unexpected expenses, delays in the receipt of necessary regulatory approvals, permits and licenses, and the success of Tidewater Renewables' business development activities, among other variables.

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

Cash Flow Summary

The following table summarizes the Corporation's sources and uses of funds for the three months ended September 30, 2021 and for the period from date of incorporation, May 11, 2021, to September 30, 2021 from continuing operations:

Cash flows provided by (used in) <i>(in thousands of Canadian dollars)</i>	Three months ended September 30,		For the period from date of incorporation, May 11, 2021, to September 30	
	2021		2021	
Operating activities	\$	(1,776)	\$	(1,776)
Financing activities	\$	189,850	\$	189,850
Investing activities	\$	(180,000)	\$	(180,000)

Net Cash Provided by Operating Activities

Net cash used in operating activities was \$1.8 million for the three months ended September 30, 2021 and for the period from date of incorporation, May 11, 2021, to September 30, 2021. This was the result of changes in non-cash working capital offset by net income in the periods.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$189.9 million for the three months ended September 30, 2021 and for the period from date of incorporation, May 11, 2021, to September 30, 2021. The net cash provided by financing activities relates to net proceeds raised from the Offering of \$150 million and advances of bank debt of \$42 million that were used to fund the acquisition of the Acquired Assets.

Net Cash Used in Investing Activities

Net cash used in investing activities was \$180.0 million for the three months ended September 30, 2021 and for the period from date of incorporation, May 11, 2021, to September 30, 2021. This relates to the cash consideration paid to Tidewater Midstream for the Acquired Assets.

Capital Expenditures

The following table summarizes acquisitions, growth and maintenance capital expenditures for the three months ended September 30, 2021 and for the period from date of incorporation, May 11, 2021, to September 30, 2021:

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30, 2021	For the period from date of incorporation, May 11, 2021 to September 30 2021
Acquisitions	\$ 180,000	\$ 180,000
Growth capital	2,917	2,917
Maintenance capital	457	457
Total additions to property, plant and equipment as per statement of cash flows	\$ 183,374	\$ 183,374

Growth Capital

Growth capital expenditures for the three months ended September 30, 2021 was \$2.9 million. Tidewater Renewables 2021 growth capital has been focused on engineering and construction on its Renewable Diesel and Renewable Hydrogen Complex. Upon completion, the Renewable Diesel & Renewable Hydrogen Complex is expected to be Canada's first stand-alone renewable diesel project and will be Tidewater Renewables' flagship asset.

The renewable diesel & renewable hydrogen complex is Tidewater Renewables' largest renewable initiative — a 3,000 bbl/d renewable diesel & renewable hydrogen facility located on-site at the PGR. The renewable diesel and renewable hydrogen complex will be a stand-alone renewables complex focused on 100% renewable feedstock and will include a pretreatment facility to provide Tidewater Renewables significant flexibility on running various renewable feedstocks.

The estimated total cost for the Renewable Diesel & Renewable Hydrogen Complex is \$215–235 million, which Tidewater Renewables expects to fund using a combination of BC LCFS credits, the Senior Credit Facility, and other sources as appropriate.

Pursuant to the Renewable Diesel Project Part 3 Agreement, an aggregate of 275,750 BC LCFS credits will be granted upon satisfaction of the following project milestones. Subsequent to September 30, 2021, the Corporation has received the BC LCFS credits corresponding to its first milestone and plans to apply for its second milestone in November 2021. Tidewater Midstream incurred approximately \$25 million of costs related to the Renewable Diesel & Renewable Hydrogen Complex. Tidewater Renewables will reimburse such costs to Tidewater Midstream in the form of BC LCFS credits (at the prevailing market price).

The following table shows the BC LCFS credits that the Corporation anticipates receiving as set out in the Renewable Diesel Project Part 3 Agreement.

Designated Action	Approximate Date for Completion	Credits Anticipated
Final Investment Decision	2021	14,276
Early Works Construction and Long Lead Equipment	2021	31,418
Detailed Engineering	2022	35,802
Major Equipment and Materials	2022	53,328
Completion of Construction	2022	46,565
Commercial Start-up	2023	59,279
One Year of Operations	2023	35,082
		275,750

Maintenance Capital

Tidewater Renewables places a high priority on the maintenance and upgrading of its assets in order to provide safe and reliable services to its customers. Maintenance capital expenditures for the three months ended September 30, 2021 were approximately \$0.5 million. These maintenance capital expenditures are attributable to improvements to the utilities infrastructure and tank farm.

CONTRACTUAL LIABILITIES AND COMMITMENTS

At September 30, 2021, the Corporation had commitments related to leased (right-of-use) assets, and long-term debt. Lease liabilities relate to rail tank cars and equipment leases. The Corporation had the following contractual obligations and commitments, including those recognized as leases, as at September 30, 2021:

<i>(in thousands of Canadian dollars)</i>	Within one year	After one year but not more than five years	More than five years	Total
Lease liabilities	\$ 5,466	\$ 18,220	\$ 1,770	\$ 25,456
Bank debt ⁽¹⁾	-	42,000	-	42,000
Total	\$ 5,466	\$ 60,220	\$ 1,770	\$ 67,456

⁽¹⁾ The Corporation's Senior Credit Facility is due August 18, 2024.

Off Balance Sheet Arrangements

At September 30, 2021, the Corporation does not have any guarantees or off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Corporation's financial performance or condition, results of operations, liquidity or capital expenditures.

OUTSTANDING EQUITY

At November 3, 2021, Tidewater Renewables had the following number of outstanding common shares, RSUs, DSUs and options:

<i>(In thousands)</i>	
Common shares	34,635
RSUs	41
DSUs	15
Options	-

TRANSACTIONS WITH RELATED PARTY

On August 18, 2021, the Corporation acquired the Acquired Assets that provided an initial platform for its renewable diesel, renewable hydrogen, and renewable natural gas business. As consideration for the Acquired Assets, the Corporation issued 23.9 million common shares valued at \$15.00 per common share for total share consideration of \$358.5 million and cash of \$180 million.

In connection with the acquisition of the Acquired Assets, the Corporation entered into take-or-pay agreements for a portion of the Acquired Assets capacity, providing processing capacity, services, and renewable products. As majority of the Corporation's revenue is earned by providing services to Tidewater Midstream under the take-or-pay agreements it is economically dependent on Tidewater Midstream.

The transactions with Tidewater Midstream during the three months ended September 30, 2021, and for the period from date of incorporation, May 11, 2021 to September 30, 2021, are summarized in the following table:

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30, 2021		For the period from date of incorporation, May 11, 2021, to September 30, 2021	
Revenue	\$	6,057	\$	6,057
Operating expenses	\$	1,094	\$	1,094
General and administrative	\$	206	\$	206
Realized gain on derivative contracts	\$	(500)	\$	(500)
Unrealized gain on derivative contracts	\$	(2,770)	\$	(2,770)

Balances with Tidewater Midstream included in the statement of financial position as at September 30, 2021 are summarized in the following table:

<i>(in thousands of Canadian dollars)</i>	As at September 30, 2021	
	Accounts receivable	Accounts payable
Tidewater Midstream and Infrastructure Ltd.	5,282	1,325
Total	\$ 5,282	\$ 1,325

For the three months ended September 30, 2021 and for the period from date of incorporation, May 11, 2021, to September 30, 2021, Tidewater Renewables has no other transactions with related parties. Transactions with related parties are in the normal course of business and are recorded at market rates.

FINANCIAL INSTRUMENTS

Tidewater Renewables' financial instruments consist of cash, derivative contracts, accounts payable and accrued liabilities and bank debt. Tidewater Renewables employs risk management strategies and policies to ensure that any exposures to market risks are in compliance with the Corporation's business objectives and risk tolerance levels.

The majority of Tidewater Renewables' accounts receivable (and cash flow) are due from Tidewater Midstream. With respect to counterparties for financial instruments used for hedging purposes, the Corporation limits its credit risk through dealing with recognized futures exchanges or investment-grade financial institutions and by maintaining credit policies that minimize overall counterparty credit risk. Total revenue attributable to Tidewater Midstream for the three months ended September 30, 2021 and for the period from date of incorporation, May 11, 2021 to September 30, 2021 accounted for approximately 99% of the Corporation's revenue. Revenue earned from Tidewater Midstream for the three months ended September 30, 2021, and for the period from date of incorporation, May 11, 2021 to September 30, 2021, was \$6.1 million. The Corporation believes the credit risk associated with Tidewater Midstream is minimal.

The Corporation enters into certain financial derivative contracts to manage commodity price risk and these instruments are not used for speculative purposes. The Corporation has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all commodity contracts to be effective economic hedges. Such financial derivative contracts are recorded on the statement of financial position at fair value, with changes in the fair value being recognized as an unrealized loss (gain) on the consolidated statement of net income and comprehensive income.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Tidewater Renewables provides the opportunity to invest in an energy transition vehicle focused on providing strong environmental, social and governance ("ESG") attributes through the production of renewable fuels. Renewable products will help deliver carbon intensity ("CI") reduction alternatives to a growing demand base across North America. Tidewater Renewables aims to become one of the largest Canadian renewable fuel producer with ESG being a top priority. Some of the key ESG attributes are highlighted below:

1. Focused on renewable fuels that have significantly reduced CI relative to conventional fossil fuels by more than 80%, and over 100% in some cases where use of organic waste products can result in a negative CI.
2. Feedstock strategy will focus on inedible and waste-stream oils such as animal fats, used cooking oil, and distiller corn oil as well as wood waste products for its Renewable Natural Gas ("RNG") Anaerobic Digestor and Gasifier Projects.
3. Focused on socially conscious commerce, community engagement with all local stakeholders and deepening of community relations through various events and corporate sponsorship. Under the shared services agreement with Tidewater Midstream, Tidewater Renewables will leverage Tidewater Midstream's increasing employee diversity, low employee turnover, and solid health and safety track of record of providing a safe and secure place of employment.

4. Indigenous communities not connected to the electricity grid rely on greenhouse gas (“GHG”) emitting diesel generated electricity. Tidewater Renewables is working with certain First Nations groups across Canada, with whom it has established working relationships, to supply clean fuels (including renewable diesel). This is expected to reduce the CI and environmental impact of fuels consumed in these communities.
5. Tidewater Renewables has an experienced and diverse board of directors, consisting of a majority of independent directors acting in the best interest of Tidewater Renewables, of which 25% are women.

Governmental Regulation

Tidewater Renewables’ assets and growth project are subject to federal, provincial and local air quality, solid waste, and water quality regulations and permitting requirements. Specific permits the Corporation must, in the normal course of business, obtain when developing its projects include: construction permits, operating permits, air permits, zoning permits, non-hazardous waste management permits, pollutant discharge elimination permits, and beneficial use permits. The Corporation’s assets and projects must also maintain compliance with relevant federal, provincial, and local environmental, health and safety requirements. Regulatory and legislative factors also influence the price of renewable diesel, renewable hydrogen and RNG and depend on the jurisdiction where the end product is sold. For greater clarity, Tidewater Renewables’ assets and projects are in Canada (except for, potentially, its rail cars from time to time) and therefore subject to the Canadian regulatory and Clean Energy Regulatory Incentives. At certain times in the future, the Corporation may sell some of its end products in the United States, at which time U.S. Clean Energy Regulatory Incentives will be applicable. For further details, please see the supplemented PREP prospectus dated August 12, 2021, an electronic copy of which is available on Tidewater Renewables’ SEDAR profile at www.sedar.com.

Canadian Clean Fuels Standard (“CFS”)

The CFS is an important part of Canada’s approach to growing a cleaner and more competitive economy and one of the main regulations providing potential future incentives for the Corporation’s business. The CFS is a proposed regulation, to be established under the *Canadian Environmental Protection Act, 1999*. The CFS will require fossil fuel suppliers to make the fuels that they supply cleaner and less polluting overall. In so doing, they will contribute to the reduction of GHG emissions, mostly from the transportation sector which accounted for 25% of Canada’s total GHG emissions in 2018. The CFS is expected to build on current federal and provincial renewable fuel regulations by expanding its mandate to focus on emissions throughout the lifecycle of fuels. The Government of Canada is following similar regulatory approaches that already exist in British Columbia, California, Oregon, Washington, and other jurisdictions.

The CFS will mandate liquid fuel distributors to lower the carbon emission intensity of their products, with the aim of significantly reducing pollution and GHG emissions. In addition, the CFS will continue to have credit creation opportunities for low carbon gaseous fuels like hydrogen and renewable natural gas. To drive the production and consumption of clean fuels, the CFS intends to accelerate investment and growth in clean fuel projects through the use of incentives for the development and adoption of clean fuels and clean fuel technologies and processes.

On December 18, 2020, Environment and Climate Change Canada issued the CFS, which is expected to come in effect on January 1, 2023, with certain renewable projects being able to accrue credits prior to the effective date. The proposed CFS intends to cut the rate of GHG emissions by reducing the lifecycle CI of liquid and gaseous fossil fuels used in Canada. Specifically, the CFS is anticipated to target a CI reduction of liquid fossil fuels by 12 grams of CO₂e per megajoule (gCO₂e/MJ) by 2030, which represents a decrease of approximately 13% in CI below 2016 levels. To achieve this, the CFS is expected to incentivize actions taken in three main compliance categories:

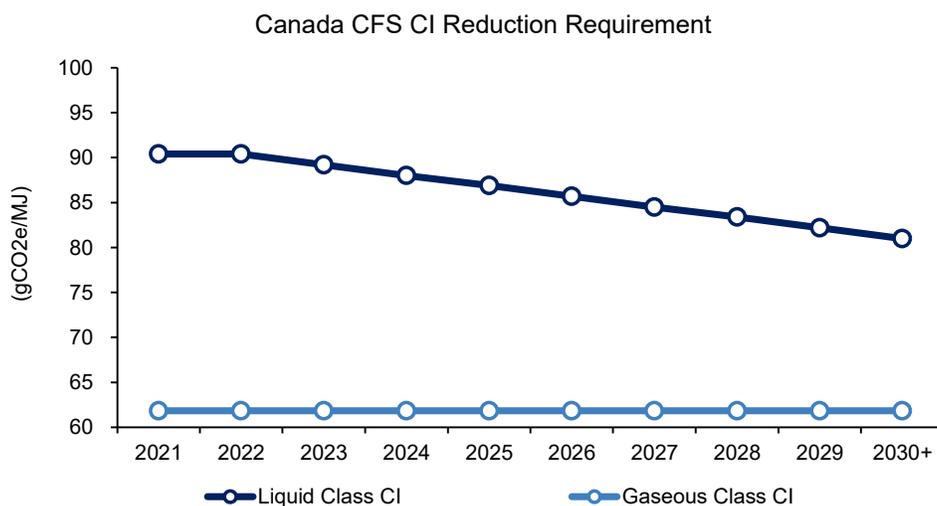
1. GHG reductions along the lifecycle of fossil fuels to reduce CI;
2. supplying low carbon fuels; and
3. end-use fuel switching in transportation.

The CFS, as proposed, would establish a CFS credit market, where each credit would represent a lifecycle emission reduction of one tonne of CO₂e. For each compliance period, a primary supplier would demonstrate compliance with their reduction requirement by creating credits or acquiring credits from other creators, and then using the required number of credits for compliance. CFS Credits are expected to be created by various low carbon fuel types, including but not limited to renewable diesel, renewable natural gas and renewable hydrogen.

Renewable diesel will generate CFS credits under the proposed CFS framework as a low carbon liquid fuel. RNG and renewable hydrogen will generate CFS credits under the proposed CFS framework as a low carbon fuel. Low CI fuels are fuels, other than the fossil fuels subject to the CI reduction requirements, that have a CI equal to or less than 90% of the credit reference CI value for the fuel. CFS Credit quantification methodology for low carbon liquid fuels increasingly awards credits for further reductions to the CI (gCO₂e) of fuels, beyond the 90% reduction benchmark criteria.

Tidewater Renewables can choose to capture the value of the CFS credits by selling the forecasted renewable diesel production, forecasted renewable natural gas production and forecasted renewable hydrogen production to a consumer with the CFS credits embedded in the purchase price or through monetizing the credits separately in the open market.

CFS CI Compliance Standards for Liquid Class



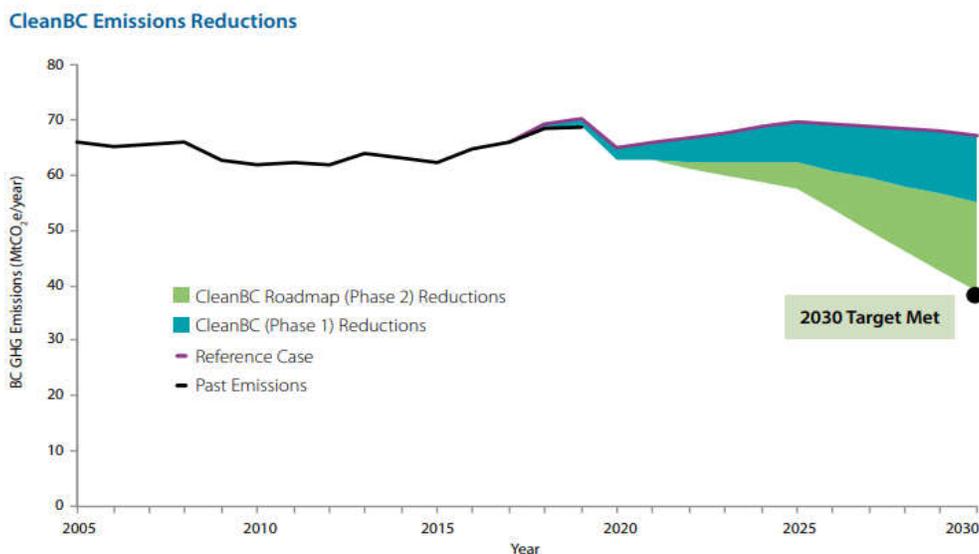
Source: Canada Gazette, Part I, Volume 154, Number 51: Clean Fuel Regulations (December 19, 2020).

British Columbia Low Carbon Fuel Standard (“BC LCFS”)

In January 2010, the provincial government instituted the BC LCFS program. The BC LCFS requires reductions in the lifecycle CI of transportation fuels supplied in British Columbia, outlining that 5% of gasoline and 4% of diesel volumes must contain renewable fuel and annual BC LCFS compliance standard are met. Initially, fuel suppliers were required to progressively decrease the average CI of their fuels to achieve a 9% reduction in 2020 from a 2010 CI baseline. In December 2018, British Columbia’s Ministry of Energy, Mines and Petroleum Resources released their CleanBC Plan, announcing an increase of the CI target to 20% by 2030 relative to 2010 CI levels. In July 2020, these amendments to the BC LCFS came into effect. To date, British Columbia is the only province with a low carbon fuel standard in Canada.

On October 25, 2021, the Government of British Columbia released its CleanBC Roadmap to 2030, which is part of British Columbia's plan to help it achieve its legislated targets for reducing its greenhouse gas emissions, including a targeted 40% reduction below 2007 levels by 2030.

The Roadmap to 2030 includes several initiatives that relate to renewable fuels and the province's Low Carbon Fuel Standard program, including:



1. An increase in the carbon intensity reduction targets for gasoline and diesel to 30% by 2030 (up from 20% by 2030 at present);
2. An increase in the provincial renewable fuels production target to 1.3 billion litres per year (equivalent to approximately 22,400 b/d) by 2030 (double the current target of 650 million litres per year by 2030).
3. An increase in the financial penalty for those failing to comply with regulations; and
4. A contemplated expansion of BC LCFS to include marine and aviation fuels beginning in 2023 (currently, these fuels are excluded from the program).

The CleanBC Roadmap to 2030 also highlights other initiatives that could affect fuels use in the province, including:

1. An accelerated zero-emission vehicle ("ZEV") law (26% of new light-duty vehicles by 2026, 90% by 2030, 100% by 2035);
2. An initiative to reduce travel in light-duty vehicles by 25% by 2030 (relative to 2020);
3. New ZEV targets for medium- and heavy-duty vehicles aligned with California targets; and
4. Complete B.C.'s Electric Highway by 2024 and setting a target of the province having 10,000 public EV charging stations by 2030.

While the Corporation awaits more details on the proposed implementation of items in the CleanBC Roadmap to 2030, the Corporation sees the broader messaging and specific initiatives highlighted as part of the Roadmap as being supportive for the role of renewable fuels, BC LCFS credit demand and pricing (although the Corporation would expect the number of credits generated by the Corporation's facilities under the program to decrease, all else equal), and overall sentiment for Tidewater Renewables.

Fuel suppliers can comply with the BC LCFS by reducing the overall CI of the fuels they supply, blending renewable fuels into their existing fuel stream, acquiring credits from other fuel suppliers, or by entering into an agreement with the province that provides Part 3 credits for the construction of clean fuels projects.

The number of BC LCFS credits received for the use of a certain pathway is calculated by taking the difference between the pathway's CI score and BC annual CI compliance standard/benchmark for gasoline or diesel (depending on the end use of the fuel). Revenue from the BC LCFS program is based on the number of credits received for the use of a certain pathway as a low-carbon transportation fuel and the then-current BC LCFS trading price.

BC LCFS Credit Price History

BC LCFS Credit Price History¹			
Year	Minimum²	Average²	Maximum
2016	\$100.00	\$170.93	\$190.00
2017	\$60.00	\$164.30	\$185.00
2018	\$55.00	\$164.30	\$210.50
2019	\$32.93	\$269.33	\$324.08
2020	\$32.50	\$250.44	\$385.20
2021 YTD	\$85.00	\$434.25	\$495.00
Sep-21	\$469.50	\$474.03	\$485.00

1. Source: BC Ministry of Energy, Mines and Low Carbon Innovation, *Renewable and Low Carbon Fuel Requirements Regulation, Monthly Credit Market Report – September 2021 (Issued October 5, 2021)*.
2. Some of the minimum BC LCFS Credit Prices are not indicative of current market value as they represent credits sold under legacy agreements, where the credits were pre-sold at a fixed price but were only recorded in the period when earned and transferred (which may also artificially lower the average metrics).

The Corporation believes that the recent increases in BC LCFS credits prices is attributable to, at least in part, to the supply and demand dynamics for renewable diesel, demand for BC LCFS credits and the prices of Environmental Attributes and renewable diesel in competing LCFS markets (Oregon and California).

Monetization of BC LCFS Credits

Tidewater Renewables can choose to capture the value of the BC LCFS credits by selling the forecasted renewable diesel production to a fuel producer with the BC LCFS credits embedded in the purchase price or through monetizing the credits separately in the open market.

RISK FACTORS

Tidewater Renewables faces a number of risks in its normal course of business which can be categorized into three principal categories: (i) risks relating to the Corporation's business, industry and operating environment including financial, legal, regulatory and strategic risks; and (ii) risks relating to the Corporation's relationship with Tidewater Midstream. For a more detailed description of the risk factors associated with the Corporation, refer to the section entitled "Risk Factors" in the Prospectus. The Corporation's financial risks are discussed in note 18 of the Interim Financial Statements for the three months ended September 30, 2021 and for the period from date of incorporation, May 11, 2021, to September 30, 2021.

The Corporation's specific focus on the renewable energy sector exposes the Corporation to risks related to the supply and demand of commodities, the cost of capital expenditures, government regulation, world and regional events and economic conditions, and the acceptance of alternative energy sources. The Corporation continually works to mitigate the impact of risks to its business by identifying all significant risks so that they can be appropriately managed.

The profitability of the Corporation's operations will be affected by changes in prices of BC LCFS Credits. The price of BC LCFS Credits may be subject to volatility or, while unexpected, may decrease. BC LCFS Credits market prices are determined primarily by the supply and demand of BC LCFS Credits as well as any future expectations thereof. Such prices are affected by numerous factors beyond the Corporation's control, including number of pathways that can generate BC LCFS Credits, supply of renewable products entering British Columbia, number of competing projects currently operational or planned to enter service that will supply the BC LCFS market with renewable products, the demand for BC LCFS Credits by other Part 3 Fuel Suppliers and the supply of BC LCFS Credits by other Part 3 Fuel Suppliers. If BC LCFS Credit prices should decline and remain at low market levels for a sustained period, the Corporation could determine that it is not economically feasible to continue activities. Volatility or decrease in price may have a significant and negative impact on the value of the Corporation's assets, its financial condition and its ability to execute on its capital projects.

In addition, a number of other factors related to the development and operation of individual renewable energy projects could adversely affect the Corporation's business, including:

- substantial construction risks, including the risk of cost overruns and delays, including those that may arise as a result of material pricing, inflation, supply chain, inclement weather, labor disruptions and/or extenuating events;
- changes in energy demand and commodity prices, including renewable diesel, which could have a significant effect on the Corporation's revenues; and
- a decrease in the feedstock availability, an increase in feedstock pricing, and/or timeliness of delivery of feedstocks and components, necessary for the projects to function.

Risks relating Specifically to the Corporation's Relationship with Tidewater Midstream

As the majority of the Corporation's revenue is earned through providing processing and storage services to Tidewater Midstream under take-or-pay agreements (refer to *Transactions with Related Party* section), it is economically dependent on Tidewater Midstream. The payments to the Corporation are dependent on the financial strength of Tidewater Midstream. If Tidewater Midstream is not able to make the full payment of amounts owing, this could have a material adverse effect to the Corporation's business.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimates that differ materially from current estimates. The Corporation's use of estimates and judgments in preparing the interim financial statements is discussed in note 2 of the interim financial statements as at September 30, 2021.

The full extent of the COVID-19 pandemic to the global economy remains unknown at this time and to date has resulted in extreme volatility in global financial markets. As a result, there is significant uncertainty as to the extent and duration of the global economic slowdown. The Corporation applied judgment and will continue to assess the situation in determining the impact of the significant uncertainties created by these events and conditions on the carrying amounts of its assets and liabilities.

CONTROL ENVIRONMENT

The Corporation is required to comply with National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"). In accordance with Item 5.3 of NI 52-109, the Corporation has filed an interim certificate in Form 52-109F2 - IPO/RTO relating to its interim financial statements and the accompanying notes and the MD&A for the period ended September 30, 2021 because it is the financial period that has ended after the Corporation became a reporting issuer by filing a prospectus.

In particular, the certifying officers filing the certificates in the Form 52-109F2 – IPO/RTO required under NI 52-109 are not making any representations relating to the establishment and maintenance of: (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Corporation's GAAP.

The Corporation will begin making the required representations, including the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") in connection with the Corporation's audited financial statements for the year ended December 31, 2021.

NON-GAAP MEASURES

Throughout this MD&A, Tidewater Renewables has used the following terms that are not defined by GAAP but are used by management to evaluate the performance of the Corporation. Since non-GAAP measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies, securities regulations require that non-GAAP measures are clearly defined, qualified and reconciled to their nearest GAAP measure. Except as otherwise indicated, these non-GAAP measures will be calculated and disclosed on a consistent basis from period to period. Specific adjusting items may only be relevant in certain periods.

The intent of non-GAAP measures is to provide additional useful information to investors and analysts, though the measures do not have any standardized meaning under IFRS. The measures should not, therefore, be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate these non-GAAP measures differently.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure. Adjusted EBITDA is calculated as income (or loss) before finance costs, taxes, depreciation, share-based compensation, unrealized gains/losses on derivative contracts, non-cash items, transaction costs, lease payments under IFRS 16 *Leases* and other items considered non-recurring in nature.

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

The following table reconciles net income, the nearest GAAP measure, to Adjusted EBITDA:

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30,		For the period from date of incorporation, May 11, 2021, to September 30,	
	2021		2021	
Net income	\$	3,418	\$	2,683
Deferred income tax expense		1,324		1,059
Depreciation		2,115		2,115
Finance costs		717		717
Share-based compensation		255		255
Unrealized gain on derivative contracts		(2,770)		(2,770)
Transaction costs		271		1,271
Adjusted EBITDA	\$	5,330	\$	5,330

Distributable cash flow and distributable cash flow per common share

Distributable cash flow and distributable cash flow per common share are non-GAAP measures. Management believes distributable cash flow is a useful metric for investors when assessing the amount of cash flow generated from normal operations and to evaluate the adequacy of internally generated cash flow to fund dividends (however the Corporation currently does not pay a dividend). Distributable cash flow is calculated as net cash provided by operating activities before changes in non-cash working capital plus cash distributions from investments, transaction costs, non-recurring expenses, and after any expenditures that use cash from operations. Changes in non-cash working capital are excluded from the determination of distributable cash flow because they are primarily the result of seasonal fluctuations or other temporary changes and are generally funded with short term debt or cash flows from operating activities. Deducted from distributable cash flow are maintenance capital expenditures, including turnarounds, as they are ongoing recurring expenditures which are funded from operating cash flows. Transaction costs are added back as they vary significantly quarter to quarter based on the Corporation's acquisition and disposition activity. It also excludes non-recurring transactions that do not reflect Tidewater Renewables' ongoing operations.

Distributable cash flow per common share is calculated as distributable cash flow over the weighted average number of common shares outstanding for the period, from date of incorporation, May 11, 2021, to September 30, 2021. To calculate the dilutive effect of share awards, the weighted average dilutive shares, as calculated in the net income attributable to shareholders - diluted, are added to the weighted average common shares outstanding and used as the denominator. Investors should be cautioned that distributable cash flow and distributable cash flow per common share should not be construed as alternatives to earnings or other measures of financial results determined in accordance with GAAP as an indicator of the Corporation's performance and may not be comparable to companies with similar calculations.

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

<i>(in thousands of Canadian dollars except per share information)</i>	Three months ended September 30,		For the period from date of incorporation, May 11, 2021, to September 30,	
	2021		2021	
Net cash used in operating activities	\$	(1,776)	\$	(1,776)
Add (deduct):				
Changes in non-cash working capital		6,835		5,835
Transaction costs		271		1,271
Interest and financing charges		(221)		(221)
Payment of lease liabilities		(712)		(712)
Maintenance capital		(457)		(457)
Distributable cash flow	\$	3,940	\$	3,940
Distributable cash flow per common share – basic and diluted	\$	0.25	\$	0.38

Growth capital expenditures will be funded from operating cash flow, along with proceeds from additional debt or equity, as required.

Net Debt

<i>(in thousands of Canadian dollars)</i>	September 30, 2021	
Senior Credit Facility	\$	42,000
Cash		(8,074)
Net debt	\$	33,926

Net debt is used by the Corporation to monitor its capital structure and financing requirements. It is also used as a measure of the Corporation's overall financial strength. Net debt is defined as bank debt less cash. Net debt excludes working capital, lease liabilities and derivative contracts as the Corporation monitors its capital structure based on net debt to Adjusted EBITDA, consistent with its credit facility covenants as described in Liquidity and Capital Resources.

Growth Capital

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

Maintenance Capital

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

Run Rate EBITDA

Run rate EBITDA is defined as the expected EBITDA related to Tidewater Renewables to be generated by a specific Acquired Asset or specific growth project corresponding to a full year of operations at full capacity. Run rate EBITDA excludes non-cash items including depreciation and share-based compensation. The calculation of run rate EBITDA is based on certain estimates and assumptions and should not be regarded as a representation by the Corporation or any other person that Tidewater Renewables will achieve such operating results. Prospective investors should not place undue reliance on the run rate EBITDA and should make their own independent assessment of the Corporation's and Tidewater Renewable's future results or operations, cash flows and financial condition.

FORWARD-LOOKING INFORMATION

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

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

- the expected financial performance of the Corporation's proposed capital projects and assets following the commencement of operations, including underlying assumptions;
- estimates of EBITDA and Run Rate EBITDA;
- the Corporation's business plans and strategies, including the underlying existing assets and capital projects, the success and timing of the projects;
- the Corporation's operational and financial performance, including expectations regarding generating revenue, revenues and operating expenses;
- the Corporation's objective to become the one of the leading Canadian renewable fuel producers;
- ability of proven technologies to be applied to generate clean fuels;
- ability to leverage existing infrastructure and engineering expertise of Tidewater Midstream regarding development of the Corporation's projects and product offerings;

- ability to supply low carbon fuels to investment grade offtakers, existing customers, government entities, First Nations groups and others;
- changes in governmental programs, policymaking and requirements or encouraged use of biofuels, including renewable fuel policies in Canada and the United States and Europe, and government level programs, such as BC LCFS and Canada's CFS;
- the future pricing of BC LCFS Credits and CFS Credits;
- expectations around the Corporation's receipt of BC LCFS Credits and CFS Credits;
- the availability, future price and volatility of feedstocks and other inputs;
- the future price and volatility of commodities;
- the Acquired Assets ability to generate operating cash flows;
- the expectation that the Corporation will be able to grow its revenue, actively maintain and manage its Acquired Assets and achieve external growth by selectively pursuing strategic business development opportunities;
- the amount and timing of anticipated payments of revenue to be received from Tidewater Midstream and other counterparties, and that revenues from the Acquired Assets will provide a significant portion of the Corporation's revenue;
- the performance and creditworthiness of the Corporation's counterparties;
- the anticipated operating costs, capital costs, environmental liabilities and reclamation obligations associated with owning and operating renewable energy production and infrastructure assets to be incurred by the Corporation;
- utilization rates and throughputs of the Acquired Assets;
- operational matters, including potential hazards inherent in the Corporation's operations and the effectiveness of third-party health, safety, environmental and integrity programs;
- decommissioning, abandonment and reclamation costs;
- the Corporation's ability to grow through capital projects;
- the long-term impact of COVID-19 on the Corporation's business, financial position, results of operations and/or cash flows;
- supply and demand for commodities and services;
- budgets, including future capital, operating or other expenditures and projected costs;
- the Corporation's continuing evaluation of opportunities to develop future low-carbon fuel and renewable energy projects and expansion and optimization opportunities at the PGR;
- timing, impact and capital requirements of the projects at PGR;
- the Corporation's focus on generating cash flow;
- the Corporation's ESG strategy, including the ability of renewable products to deliver CI reduction alternatives; and
- expectations that net cash provided by operating activities, cash flow generated from growth projects and cash available from Tidewater Renewables' Senior Credit Facility and other sources of financing will be sufficient to meet its obligations and financial commitments and will provide sufficient funding for anticipated capital expenditures.

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

- Tidewater Renewables' ability to execute on its business plan;
- the timely receipt of all third party, governmental and regulatory approvals and consents sought by the Corporation including with respect to the Corporation's projects and applications;
- general economic and industry trends, including the duration and effect of the COVID-19 pandemic;
- operating assumptions relating to the Corporation's projects;

- the Corporation's projects may not generate expected levels of output, including those resulting from a reduced feedstock supply;
- the ownership and operation of Tidewater Renewables' business;
- regulatory risks, including changes or delay to the BC LCFS Credits or CFS Credits;
- the expansion of production of renewable fuels by competitors;
- the future pricing of BC LCFS Credits and CFS Credits;
- future commodity prices;
- sustained or growing demand for renewable fuels;
- ability for the Corporation to successfully turn a wide variety of renewable feedstocks into low carbon fuels;
- continuing government support for existing policy initiatives;
- processing and marketing margins;
- future capital expenditures to be made by the Corporation;
- foreign currency, exchange and interest rates;
- that there are no unforeseen events preventing the performance of contracts;
- that formal agreements with counterparties will be honored;
- the Corporation's ability to obtain and retain qualified staff and equipment in a timely and cost-effective manner;
- assumptions regarding amount of operating costs for the Corporation's projects;
- that there are no unforeseen material costs relating to the projects which are not recoverable;
- distributable cash flow and net cash provided by operating activities are consistent with expectations;
- the ability to obtain additional financing on satisfactory terms;
- the ability of Tidewater Renewables to successfully market its products;
- timely receipt of equipment and goods ordered by the Corporation to conduct its operations;
- impact of planned annual maintenance on the Corporation's facilities;
- forecasts with respect to future environmental and climate change compliance obligation costs, and success of same;
- satisfaction of covenants under the Corporation's Senior Credit Facility; and
- the Corporation's future debt levels and the ability of the Corporation to repay its debt when due.

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

- changes in supply and demand for low carbon products;
- risks of health epidemics, pandemics and similar outbreaks, including COVID-19, which may have sustained material adverse effects on the Corporation's business, financial position, results of operations and/or cash flows;
- risks and liabilities inherent in the operations related to renewable energy production and storage infrastructure assets, including the lack of operating history and risks associated with forecasting future performance;
- competition for, among other things, third-party capital and acquisitions of additional assets;
- risks related to the environment and changing environmental laws in relation to the operations conducted with the Acquired Assets;
- geological, technical, drilling, processing and handling issues associated with renewable energy production and storage development activities by third parties;
- risks arising from co-ownership of facilities including reliance on third-party operators;
- changes in the performance or creditworthiness of counterparties;
- risks and liabilities associated with the processing and handling of dangerous goods;

- risks relating to supply chain disruptions;
- inadvertent non-compliance with applicable regulations;
- climate change risks, including the effects of unusual weather and natural catastrophes, costs associated with regulatory and market compliance, and potential changes in climate change initiatives and policies or increased environmental regulation;
- reputational risks;
- technology and security risks, including cybersecurity;
- First Nations and landowner consultation requirements;
- disruptions in production, including work stoppages or other labour difficulties, or disruptions in the transportation network on which the Corporation is reliant;
- technical and processing problems, including the availability of equipment and access to properties;
- claims made or legal actions brought or realized against the Corporation or its properties or assets;
- a failure by the Corporation to hire or retain key personnel, and reliance on key personnel;
- changes in tax or environmental laws or credit or incentive programs relating to the renewable oil and natural gas industry;
- general economic, political, market and business conditions, including fluctuations in interest rates, inflationary pressure, foreign exchange rates stock market volatility and supply/demand trends;
- activities of producers and customers and overall industry activity levels;
- failure to negotiate and conclude any required commercial agreements;
- non-performance of agreements in accordance with their terms;
- failure to execute formal agreements with counterparties in circumstances where letters of intent or similar agreements have been executed and announced by Tidewater Renewables;
- that the resolution of any particular legal proceedings could have an adverse effect on the Corporation's operating results or financial performance;
- competition for, among other things, business capital, acquisition opportunities, requests for proposals, materials, equipment, labour, and skilled personnel;
- the ability to secure land and water, including obtaining and maintaining land access rights;
- the ability to secure long term supply of feedstock and the variability of feedstock pricing;
- the sale value of diesel;
- operational matters, including potential hazards inherent in the Corporation's operations and the effectiveness of health, safety, environmental and integrity programs;
- actions by governmental authorities, including changes in government regulation, tariffs and taxation;
- changes in operating and capital costs, including fluctuations in input costs;
- legal, transportation and environmental risks and hazards, which may create liabilities to the Corporation in excess of the Corporation's insurance coverage, if any;
- actions by joint venture partners or other partners which hold interests in certain of the Corporation's assets;
- reliance on key relationships and agreements, including with Tidewater Midstream;
- construction and engineering variables associated with capital projects, including the availability of services, accuracy of estimates and schedules, and the performance of contractors;
- the availability of capital on acceptable terms;
- risks and liabilities resulting from derailments;
- changes in gas composition; and
- failure to realize the anticipated benefits of recently completed acquisitions.

The foregoing lists are not exhaustive. Additional information on these and other factors which could affect the Corporation's operations or financial results are included in the Corporation's supplemented

PREP prospectus dated August 12, 2021, an electronic copy of which is available on Tidewater Renewables' SEDAR profile at www.sedar.com.

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