

**FORM 51-102F4**  
**BUSINESS ACQUISITION REPORT**

**ITEM 1 — IDENTITY OF COMPANY**

**1.1 Name and Address of Company**

Tidewater Renewables Ltd. ("**Tidewater**")  
Suite 900, 222 3<sup>rd</sup> Avenue SW  
Calgary, AB T2P 0B4

**1.2 Executive Officer**

The name and business telephone number of the executive officer of Tidewater who is knowledgeable about the significant acquisition and this Business Acquisition Report is:

Joel MacLeod, Chairman and CEO  
Telephone: 587-475-0210

**ITEM 2 — DETAILS OF ACQUISITION**

**2.1 Nature of Business Acquired**

On August 18, 2021, Tidewater completed its initial public offering (the "**IPO**") of 10,000,000 common shares ("**Common Shares**") at a price of C\$15.00 per Common Share (the "**IPO Price**"), for total gross proceeds of C\$150,000,000. The Common Shares trade on the Toronto Stock Exchange under the symbol "LCFS".

Concurrent with closing the IPO, Tidewater acquired certain pre-existing operating assets as well as a number of growth projects (the "**Acquired Assets**") from Tidewater Midstream and Infrastructure Ltd. ("**Tidewater Midstream**") that will provide an initial platform for Tidewater's proposed renewable diesel, renewable hydrogen, and renewable natural gas operating business units (the "**Acquisition**").

Tidewater acquired the Acquired Assets from Tidewater Midstream for aggregate consideration of \$538,500,000 (including \$180 million in cash and the balance in Common Shares).

The Acquired Assets include existing logistics (loading, unloading and rail assets for feedstock coming in and renewable fuels going out at Prince George Refinery ("**PGR**")), processing activities (existing processing capacity and hydrogen production required for the co-processing projects at PGR), storage (tankage for storage and blending for renewable diesel at PGR and storage reservoirs for renewable natural gas located at the Brazeau River Complex), and utilities that will facilitate the operation of the renewable fuels growth projects as they come on line.

Concurrent with closing of the IPO and the Acquisition, Tidewater entered into a covenant-based, secured, credit facility in the amount of up to \$150 million (the "**Credit Facility**").

Further information regarding the IPO, Acquisition and Credit Facility can be found in the press release of Tidewater dated August 18, 2021 and Tidewater's supplemented PREP prospectus dated August 12, 2021 (the "**Prospectus**"), each of which is available on SEDAR.

**2.2 Acquisition Date**

August 18, 2021.

### 2.3 Consideration

The aggregate Acquisition purchase price paid by Tidewater to Tidewater Midstream was \$538,500,000, being comprised of (i) \$138 million in cash from the proceeds of the IPO, (ii) \$42 million in cash from a drawdown on the Credit Facility, and (iii) \$358,500,000 in Common Shares issued to Tidewater Midstream at the IPO Price.

### 2.4 Effect on Financial Position

The effect of the Acquisition on Tidewater's financial performance and financial position is outlined in the financial statements (including the pro forma financial statements) included as Schedules hereto and form part of this Business Acquisition Report.

### 2.5 Prior Valuations

To the knowledge of Tidewater, there has been no valuation opinion obtained within the last 12 months by Tidewater or Husky required by securities legislation or a Canadian exchange or market to support the consideration paid by Tidewater in connection with the Acquisition.

### 2.6 Parties to Transaction

Tidewater was initially created as — and prior to closing of the IPO, Acquisition and Credit Facility was — a wholly-owned subsidiary of Tidewater Midstream.

Immediately following closing of the IPO, Acquisition and Credit Facility, Tidewater Midstream was Tidewater's majority shareholder, having acquired direct ownership of 23,900,000 Common Shares (representing approximately 70.50% of the Common Shares) at such closing.

### 2.7 Date of Report

October 29, 2021

## ITEM 3 — FINANCIAL STATEMENTS AND OTHER INFORMATION

Pursuant to Part 8 of National Instrument 51-102 — *Continuous Disclosure Obligations*, the following financial statements are attached as schedules to this Business Acquisition Report and form part of this Business Acquisition Report:

Schedule A – *Audited  
Financial Statements of the  
Acquired Assets*

The audited carve-out financial statements of the Renewable Diesel Assets and Renewable Hydrogen Assets (each as defined in the Prospectus and defined for the purposes of such financial statements as the "**Renewable Diesel & Hydrogen Assets**") and the RNG Assets (as defined in the Prospectus and defined for the purposes of such financial statements as the "**RNG Business**") of Tidewater Midstream for the years ended December 31, 2020, 2019 and 2018, and the notes thereto, together with the independent auditor's report thereon.

Schedule B – *Interim  
Financial Statements of the  
Acquired Assets*

The unaudited condensed interim carve-out financial statements of the Renewable Diesel Assets, Renewable Hydrogen Assets and the RNG Assets of Tidewater Midstream for the three and six months ended June 30, 2021 and 2020.

*Schedule C – Unaudited  
Pro Forma Financial  
Statements of Tidewater*

The unaudited pro forma financial statements of Tidewater that give effect to the acquisition of the Renewable Diesel & Hydrogen Assets and the RNG Business as at June 30, 2021, for the six months ended June 30, 2021, and for the year ended December 31, 2020, comprised of the following:

- (i) pro forma interim statement of financial position as at June 30, 2021;
- (ii) pro forma interim statement of income (loss) and comprehensive income (loss) for the six months ended June 30, 2021;
- (iii) pro forma interim statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2021; and
- (iv) notes to the pro forma financial statements.

**Caution Regarding Unaudited Pro Forma Financial Statements**

This Business Acquisition Report contains the unaudited pro forma consolidated financial statements of Tidewater comprised of the pro forma statement of financial position as at June 30, 2021 and the pro forma interim consolidated statement of income (loss) and comprehensive income (loss) for the three months ended June 30, 2021 and the year ended December 31, 2021.

Such unaudited pro forma consolidated financial statements have been prepared using certain of Tidewater's historical consolidated financial statements as more particularly described in the notes to such unaudited pro forma consolidated financial statements. In preparing such unaudited pro forma consolidated financial statements, Tidewater has not independently verified the financial statements of the Renewable Diesel & Hydrogen Assets and the RNG Business that were used to prepare the unaudited pro forma consolidated financial statements. The historical audited consolidated financial information has been adjusted in the unaudited pro forma consolidated financial statements to give effect to events that are: (i) directly attributable to the pro forma events, for which there are firm commitments and for which the complete financial effects are objectively determinable; and (ii) with respect to the unaudited pro forma consolidated statement of income (loss) and comprehensive income (loss), expected to have a continuing impact on the combined company's results. As such, the impact from merger-related expenses is not included in the unaudited pro forma consolidated financial statement of comprehensive loss. The unaudited pro forma consolidated financial statements do not reflect any cost savings from operational efficiencies or synergies that could result from the Acquisition or for liabilities that may result from integration planning. The unaudited pro forma consolidated financial statements are presented for illustrative purposes only and do not necessarily reflect what the combined company's financial condition and results of operations would have been had the Acquisition occurred on the dates indicated.

The unaudited pro forma consolidated financial statements also may not be useful in predicting the future financial condition and results of the operations of the combined company. The actual financial position and results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors. The pro forma adjustments are based on preliminary estimates of the fair value of the consideration paid and the fair value of the assets acquired and liabilities assumed, currently available information and certain assumptions that Tidewater believes are reasonable in the circumstances, as described in the notes to the unaudited pro forma consolidated financial statements.

As a result of these factors, the actual adjustments will differ from the pro forma adjustments, and the differences may be material.

## **Note Regarding Forward Looking Statements**

This Business Acquisition Report may contain certain "forward-looking statements" or "forward-looking information" under applicable securities laws. Forward-looking terms such as "may," "will," "could," "should," "would," "plan," "potential," "intend," "anticipate," "project," "target," "believe," "estimate" or "expect" and other words, terms and phrases of similar nature are often intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and represent management's best judgment based on facts and assumptions that management considers reasonable.

Any such forward-looking statements are subject to a number of risks and uncertainties that could cause actual results and expectations to differ materially from the anticipated results or expectations expressed in this Business Acquisition Report. Tidewater cautions readers that should certain risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary significantly from those expected. You are referred to the risk factors described in the Prospectus and other documents on file with the Canadian securities regulatory authorities, which are available online under Tidewater's SEDAR profile at [www.sedar.com](http://www.sedar.com). The forward-looking statements and information contained in this Business Acquisition Report represent Tidewater's views only as of today's date. Tidewater disclaims any intention or obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise, other than as required by law, rule or regulation. You should not place undue reliance on forward-looking statements.

**Carve-out Financial Statements of the Renewable Diesel & Renewable  
Hydrogen Assets and RNG Business of Tidewater Midstream and  
Infrastructure Ltd.**

**Years ended December 31, 2020, 2019 and 2018**

## Independent Auditor's Report

To the Shareholders and the Board of Directors of Tidewater Midstream and Infrastructure Ltd.

### Opinion

We have audited the carve-out financial statements of Renewable Diesel & Hydrogen Assets and RNG Business of Tidewater Midstream and Infrastructure Ltd. (the "Acquired Assets"), which comprise the carve-out statements of financial position as at December 31, 2020 and 2019, and the carve-out statements of net income (loss) and comprehensive income (loss), changes in parent's net investment and cash flows for the years ended December 31, 2020, 2019 and 2018 and notes to the carve-out financial statements, including a summary of significant accounting policies (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 Acquired Assets as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years ended December 31, 2020, 2019 and 2018 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 Acquired Assets 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.

### Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Management and Discussion 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 the Management and Discussion 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 Acquired Assets' 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 Acquired Assets or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Acquired Assets' 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 Acquired Assets' 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 Acquired Assets' 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 Acquired Assets 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.

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.

/s/ Deloitte LLP

Chartered Professional Accountants

Calgary, Alberta

August 11, 2021

## Renewable Diesel & Hydrogen Assets and RNG Business

### Carve-out Statements of Financial Position

(all tabular amounts expressed in thousands of Canadian dollars)

<b>As at</b>	Notes	<b>December 31, 2020</b>	December 31, 2019
<b>Assets</b>			
Current			
Accounts receivable		\$ 374	\$ 324
		374	324
Right-of-use assets	4	25,110	29,385
Property, plant and equipment	5	47,814	45,283
<b>Total assets</b>		<b>\$ 73,298</b>	<b>\$ 74,992</b>
<b>Liabilities</b>			
Current			
Accounts payable and accrued liabilities		\$ 1,148	\$ 585
Lease liabilities	6	5,626	5,469
		6,774	6,054
Lease liabilities	6	19,726	23,880
Decommissioning obligations	7	1,082	1,007
Deferred tax liabilities	8	5,799	4,980
<b>Total liabilities</b>		<b>33,381</b>	<b>35,921</b>
<b>Parent's net investment</b>		<b>39,917</b>	<b>39,071</b>
<b>Total liabilities and parent's net investment</b>		<b>\$ 73,298</b>	<b>\$ 74,992</b>

*See the accompanying notes to the carve-out financial statements*

Approved by the Board:

"Signed" Joel MacLeod, Director

"Signed" Doug Fraser, Director

**Renewable Diesel & Hydrogen Assets and RNG Business**  
**Carve-out Statements of Net Income (Loss) and Comprehensive Income (Loss)**  
(all tabular amounts expressed in thousands of Canadian dollars)

	Notes	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
<b>Revenue</b>	9	\$ 4,165	\$ 4,457	\$ 5,897
<b>Expenses</b>				
Operating expenses	9	8,207	4,109	2,584
General and administrative		341	122	76
Depreciation	4,5	5,949	3,507	633
<b>Total expenses</b>		<b>14,497</b>	<b>7,738</b>	<b>3,293</b>
Operating income (loss)		<b>(10,332)</b>	<b>(3,281)</b>	<b>2,604</b>
Other expenses				
Finance costs	10	1,545	417	34
<b>Total other expenses</b>		<b>1,545</b>	<b>417</b>	<b>34</b>
Earnings (loss) before income tax		<b>(11,877)</b>	<b>(3,698)</b>	<b>2,570</b>
Deferred income tax	8	819	3,679	491
Net income (loss) and comprehensive income (loss)		<b>\$ (12,696)</b>	<b>\$ (7,377)</b>	<b>\$ 2,079</b>

*See the accompanying notes to the carve-out financial statements*

**Renewable Diesel & Hydrogen Assets and RNG Business**  
**Carve-out Statements of Changes in Parent's Net Investment**  
(all tabular amounts expressed in thousands of Canadian dollars)

	Notes	<b>Total Parent's Net Investment</b>
Balance, as at January 1, 2018		\$ 8,221
Net income (loss) and comprehensive income (loss)		2,079
Net transfers from parent		3,114
Balance, as at December 31, 2018		13,414
Net income (loss) and comprehensive income (loss)		(7,377)
Net transfers from parent		33,034
Balance, as at December 31, 2019		39,071
Net income (loss) and comprehensive income (loss)		(12,696)
Net transfers from parent		13,542
Balance, as at December 31, 2020		<b>\$ 39,917</b>

*See the accompanying notes to the carve-out financial statements*

## Renewable Diesel & Hydrogen Assets and RNG Business

### Carve-out Statements of Cash Flows

(all tabular amounts expressed in thousands of Canadian dollars)

	Notes	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2018
<b>Cash provided by (used in):</b>				
<b>Operating activities</b>				
Net income (loss)		\$ (12,696)	\$ (7,377)	2,079
Adjustments:				
Depreciation	4,5	5,949	3,507	633
Finance costs	10	1,545	417	34
Deferred income tax expense	8	819	3,679	491
Changes in non-cash working capital	11	(47)	333	(143)
<i>Net cash provided by (used in) operating activities</i>		<b>(4,430)</b>	559	3,094
<b>Financing activities</b>				
Payment of lease liabilities	6	(6,093)	(3,448)	(316)
Receipt of parent's net investment		13,542	33,034	3,114
<i>Net cash provided by financing activities</i>		<b>7,449</b>	29,586	2,798
<b>Investing activities</b>				
Additions to property, plant and equipment	5	(3,579)	(29,970)	(3,721)
Changes in non-cash working capital	11	560	(175)	(2,171)
<i>Net cash used in investing activities</i>		<b>(3,019)</b>	(30,145)	(5,892)
<b>Change in cash</b>		-	-	-
Cash at beginning of period		-	-	-
<b>Cash at end of period</b>		\$ -	\$ -	-

See the accompanying notes to the carve-out financial statements

# Renewable Diesel & Hydrogen Assets and RNG Business

## Notes to the Carve-out Financial Statements

As at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018

All tabular amounts expressed in thousands of Canadian dollars

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### 1. REPORTING ENTITY

The Brazeau River Nisku F Pool (the “RNG Business”) is located approximately 150 km southwest of Edmonton, Alberta, Canada at Tidewater Midstream and Infrastructure Ltd.’s (“Tidewater Midstream” or “the Parent”) Brazeau River Complex (“BRC”). The RNG Business’ assets are currently configured to inject, store, cycle and sell natural gas. The RNG Business generates value through the flexibility arising from purchasing, storing, and selling natural gas in a seasonally cyclical market and extracting incidental in-situ hydrocarbons. The RNG Business’ assets currently include two permitted gas storage caverns, three injection & withdrawal wells, a 1,480 horse-power compressor and approximately 30 kilometers of pipelines.

The Renewable Diesel and Renewable Hydrogen Assets (“Renewable Diesel & Hydrogen Assets”) includes steam methane reformer, unfiner reactor, canola co-processing unit, certain utilities, storage tanks and rail and truck rack, which are located at Tidewater Midstream’s Prince George refinery (“PGR”) in Prince George, British Columbia. Tidewater Midstream purchased the PGR on November 1, 2019, therefore these carve-out financial statements only include the assets acquired and operating/general administrative expenses related to these assets from November 1, 2019 onwards.

These carve-out financial statements have been prepared for the purpose of a proposed transaction which will transfer the Renewable Diesel & Hydrogen Assets and RNG Business (collectively the “Acquired Assets”) to a new entity, Tidewater Renewables Ltd. (“Tidewater Renewables”), via an intermediate transaction with Tidewater Acquisition Inc., a wholly owned subsidiary of Tidewater Midstream. Tidewater Renewables intends to issue common shares in an initial public offering, transferring a partial economic interest in Tidewater Renewables to third party investors. Tidewater Renewables’ initial assets will be the Acquired Assets, which will create the initial business of the entity.

### 2. BASIS OF PRESENTATION

Historically, the Acquired Assets have not prepared financial statements for the stand-alone operations nor were the Acquired Assets presented in a separate legal entity. These carve-out financial statements present the Statement of Financial Position, Statements of Net Income (Loss) and Comprehensive Income (Loss), Statements of Cash Flows and Statement of Changes in Parent’s Net Investment in a manner consistent with how Tidewater Midstream managed the Acquired Assets as though they had been a separate entity for all periods presented. The ongoing operations of the Acquired Assets are dependent on the continued net investment from Tidewater Midstream to fund its operations and ability to carry out its operating activities.

Due to the inherent limitations of carving out the assets, liabilities, operations and cash flows of the Acquired Assets, these carve-out financial statements are not necessarily indicative of the results that would have been attained by the Acquired Assets had it been operated as a separate legal entity during the periods presented and therefore, are not necessarily indicative of future operating results. Actual amounts that may have been incurred if the Acquired Assets had been a stand-alone entity for the periods presented would depend on a number of factors including the chosen organizational structure and what functions were outsourced or performed by the Acquired Assets’ employees.

#### a) Statement of compliance

These carve-out financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All assets, liabilities, revenues and expenses directly attributable to the Acquired Assets are presented in the carve-out statements of financial position and carve-out statements of net income (loss) and comprehensive income (loss). For certain assets, liabilities and expenses that are not directly attributable to the Acquired Assets allocations have been utilized to prepare the statements of financial position and statements of net income (loss) and comprehensive income (loss). The basis for these allocations were determined on a consistent and reasonable basis and are outlined below in greater detail.

These financial statements were approved and authorized for issuance by Tidewater Midstream’s Board of Directors on August 11, 2021.

## Renewable Diesel & Hydrogen Assets and RNG Business

### Notes to the Carve-out Financial Statements

As at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018

All tabular amounts expressed in thousands of Canadian dollars

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#### b) Functional and presentation currency

These financial statements are presented in Canadian dollars which is also the Acquired Assets' functional currency. 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 exchange rates prevailing at the time of the transaction. Foreign currency differences arising on translation or from the settlement of foreign currency transactions are recognized in profit or loss.

#### c) Basis of measurement

The carve-out financial statements have been prepared on a historical cost basis for all years presented, except as otherwise allowed for in accordance with IFRS. Certain expenses presented in the carve-out statements of net income (loss) and comprehensive income (loss) represent allocations and estimates of the cost of services incurred by the Acquired Assets. These allocations, which are discussed below, have been based on methodologies that Tidewater Midstream's management team believes to be reasonable.

##### i) General and administrative

Management has allocated fees for certain corporate functions indirectly related to the Acquired Assets including executive oversight, engineering, accounting, legal and other administrative functions. General and administrative expenses related to the Acquired Assets were allocated based on a relative percentage of Tidewater's headcount. The expenses allocated are not necessarily indicative of the expenses that would have been incurred if the Acquired Assets had performed the functions as a stand-alone entity, nor are they indicative of expenses that will be incurred in the future.

##### ii) Operating expenses

Operating expenses include both costs directly attributable to the Acquired Assets and indirect costs allocated on a systemic basis. Indirect costs have been allocated based on management's best estimate of how the Acquired Assets utilized Tidewater Midstream's resources.

Indirect labour, indirect expenses, asset integrity costs, regulatory costs and safety costs that could not be directly attributed to an asset were allocated based on the size, complexity, and estimated value of the asset they relate to.

Natural gas, power, utilities and carbon taxes that could not be directly attributed to an asset were allocated on the basis of estimated consumption. Consumption estimates incorporate information from engineering studies, regulatory compliance submissions and installed electric motor capacity.

Property tax and insurance was allocated on the basis of estimated replacement values. These estimates incorporate information from the Tidewater Midstream's insurance policy and property tax assessments.

##### iii) Income tax

As the Acquired Assets are not a taxable entity, corporate income tax balances such as non-capital losses, capital losses and finance costs have been excluded from the calculation of its income tax liability. The income tax liability therefore represents the difference in the taxable and accounting basis of right-of-use assets, property, plant and equipment, decommissioning liabilities and lease liabilities.

##### iv) Cash and financing

Tidewater Midstream uses a centralized approach for cash management and financing of its operations. Accordingly, cash held by Tidewater Midstream was not allocated to the Acquired Assets for any of the years presented. The Acquired Assets reflect transfers of cash to and from Tidewater Midstream's cash management system as a component of "Parent's Net Investment" on the carve-out statements of financial position, and these net transfers of cash are reflected as a financing activity in the carve-out statement of cash flows.

## Renewable Diesel & Hydrogen Assets and RNG Business

### Notes to the Carve-out Financial Statements

As at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018

All tabular amounts expressed in thousands of Canadian dollars

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v) *Accounts receivable, accounts payable and accrued liabilities*

Accounts receivable are amounts due from customers from the rendering of services or sale of goods in the ordinary course of business. These were determined based on unsettled receivables and contractual payment terms for the RNG Business' customers. Accounts payable and accrued liabilities for the Acquired Assets were determined based on the contractual payment terms of unsettled trade payables and accrued payables as at year end.

vi) *Property, plant and equipment, right of use asset, lease liability and decommissioning liabilities*

Property, plant and equipment assets relating to the RNG Business are comprised of a gas gathering system, equipment and storage, injection & withdrawal facilities. Property, plant and equipment assets relating to the Renewable Diesel & Hydrogen Assets consist of working interests in existing infrastructure including, the unifier reactor unit, the steam methane reformer unit, tankage, railcar and truck loading rack, co-processing equipment, a water treatment facility and electrical and utility infrastructure.

A description of the assets contemplated under the transaction can be found in note 1. Items included in property, plant and equipment includes the original purchase price allocation at the time the assets were acquired, along with any subsequent additions to the Acquired Assets at historical cost, less accumulated depreciation. Related decommissioning liabilities and right of use assets along with associated lease liabilities have been allocated based on a similar methodology.

vii) *Earnings per share*

The Acquired Assets are not a separate legal entity with common shares outstanding. Therefore, historical earnings per share have not been presented in the carve-out financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to the period presented in these financial statements.

#### a) Use of estimates and judgments

The timely preparation of the 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.

The ongoing COVID-19 global pandemic and related measures intended to limit the pandemic contributed to significant volatility in financial markets, including commodity prices, currency exchange rates and a decline in long-term interest rates has increased the business uncertainties faced by the Acquired Assets. These uncertainties increase the complexity of estimates and judgments used to prepare the carve-out financial statements in areas such as the identification of triggering events for the impairment of property, plant and equipment.

Changes to these assumptions could result in a material adjustment to the carrying amount of the assets and liabilities within the next financial year. The Acquired Assets did not have any indicators for impairment on its right of use assets or property, plant and equipment during the years ended December 31, 2020, 2019 and 2018.

*Key sources of judgement and estimation uncertainty:*

The following are the key judgement and estimation uncertainties that management believes have a significant risk of causing adjustments to the carrying amounts of assets and liabilities:

## Renewable Diesel & Hydrogen Assets and RNG Business

### Notes to the Carve-out Financial Statements

As at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018

All tabular amounts expressed in thousands of Canadian dollars

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#### *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 judgement 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 infrastructures 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) Leases*

The determination of whether a contract is, or contains, a lease from both a lessee and lessor perspective requires management to assess whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Key judgments include whether a contract identifies an asset (or portion of an asset), whether the lessee obtains substantially all the economic benefits of the asset over the contract term and whether the lessee has the right to direct the asset's use. Judgment is also applied in determining the rate used to discount the lease payments.

#### *Estimates*

##### *i) Depreciation*

Storage 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) 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.

## Renewable Diesel & Hydrogen Assets and RNG Business

### Notes to the Carve-out Financial Statements

As at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018

All tabular amounts expressed in thousands of Canadian dollars

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iv) *Impairment of financial assets*

The measurement of financial assets carried at amortized cost includes management's estimates regarding the expected credit losses that will be realized on these financial assets.

**b) Financial instruments**

Financial assets must be classified and measured on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets must be classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured based on two categories: amortized cost and FVTPL. Initially, all financial assets and financial liabilities are recorded on the balance sheets at fair value. After initial recognition, the effective interest related to financial assets and liabilities measured at amortized cost and the gain or loss arising from the change in the fair value of financial assets or liabilities classified as FVTPL are included in net loss for the period in which they arise. 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 Acquired Assets' 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.

Impairment is measured as the difference between the asset's carrying value and its fair value. Impairment is included in net loss.

If 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 Acquired Assets' accounts receivables and accounts payable, and accrued liabilities are measured at amortized cost.

**c) Property, plant and equipment**

i) *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 to the location and condition necessary for it to be capable of operating in the manner intended by management. 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 Acquired Assets and the costs can be measured reliably.

ii) *Depreciation*

Depreciation commences when property, plant and equipment are considered available for use. Depreciation is recognized in profit or loss 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.

## Renewable Diesel & Hydrogen Assets and RNG Business

### Notes to the Carve-out Financial Statements

As at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018

All tabular amounts expressed in thousands of Canadian dollars

The depreciation method and estimated useful life of the majority of the Acquired Assets' property, plant and equipment are as follows:

Asset	Depreciation Method	Estimated Useful Life
Storage, injection & withdrawal facilities	Straight-line	50 years
Gathering systems	Straight-line	50 years
Refinery units	Straight-line	20 - 50 years
Equipment	Straight-line	20 years

Depreciation method and useful lives of the assets are reviewed annually and adjusted if appropriate.

#### iii) *Impairment*

The carrying values of the 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, economic performance of the assets, 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 Acquired Assets estimate 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 profit or loss. 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 profit or loss.

#### d) **Provisions and contingent liabilities**

Provisions are recognized when there is a legal or constructive obligation as a result of past events, 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. The obligation is not recorded and is disclosed as a contingent liability if 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.

#### e) **Decommissioning obligations**

Decommissioning obligations are recognized for decommissioning and restoration obligations associated with the Acquired Assets' property, plant and equipment. The best estimate of the expenditure required to settle the present obligation at the statement of financial position date is recorded on a discounted basis using the pre-tax credit-adjusted risk-free interest rate at each reporting date. 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 is depreciated in accordance with the depreciation policy. The obligation is accreted over time through charges to finance costs. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows or 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.

## Renewable Diesel & Hydrogen Assets and RNG Business

### Notes to the Carve-out Financial Statements

As at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018

All tabular amounts expressed in thousands of Canadian dollars

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#### f) Parent's net investment

Tidewater Midstream's investment in the carve-out activities is presented as parent's net investment on the carve-out statement of financial position. Parent's net investment is comprised of accumulated earnings of the operations and the accumulated net distribution to the Acquired Assets (including any intercompany balances). Net changes are presented on the carve-out statements of cash flows as net change in parent's net investment.

#### g) Revenue

Revenue is measured at the fair value of the consideration received or receivable. 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. There is no revenue associated with the Renewable Diesel & Hydrogen Assets.

In addition to the above general principal, the RNG Business also applies the following specific revenue recognition policies:

##### i) *Gas storage revenue*

The RNG Business' assets store natural gas for a broad range of 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 RNG Business does not take title to the customer's gas, the RNG Business' gas storage inventory transactions are not recorded on the statement of financial position.

##### ii) *Fractionation and extraction revenue*

Fractionation and extraction revenues are a by-product of natural gas storage activities and relates to the recovery of in situ crude oil, natural gas and natural gas liquids. Revenue from the sale of goods is recognized when the performance obligation is satisfied through the transfer of goods or services to a customer at the amounts the RNG Business is entitled to receive based on goods and services provided.

#### h) 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.

## Renewable Diesel & Hydrogen Assets and RNG Business

### Notes to the Carve-out Financial Statements

As at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018

All tabular amounts expressed in thousands of Canadian dollars

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#### i) Leases

##### *Lease identification and initial measurement*

The Acquired Assets 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 Acquired Assets allocate contract consideration to the lease and non-lease components on the basis of their relative stand-alone prices.

Key judgments include whether a contract identifies an asset (or a portion of an asset), whether the lessee obtains substantially all of the economic benefits of the asset over the contract term, whether the lessee has the right to direct the asset's use, which components are fixed or variable in nature and the discount rate. Tidewater Midstream applied its incremental borrowing rate for leases where the implicit rate cannot be readily determined.

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 Tidewater Midstream 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 Acquired Assets' 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 Acquired Assets 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 statement of net income (loss) for the amount that the right-of-use asset's carrying amount exceeds its recoverable amount.

#### j) Finance costs

Finance costs include non-cash accretion expense related to decommissioning liabilities and lease liabilities and are recognized in the statements of net income (loss) and comprehensive income (loss) in the period in which they are incurred.

## Renewable Diesel & Hydrogen Assets and RNG Business

### Notes to the Carve-out Financial Statements

As at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018

All tabular amounts expressed in thousands of Canadian dollars

#### 4. RIGHT-OF-USE ASSETS

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

	Railcars	Equipment	Total
<b>COST</b>			
Balance, December 31, 2018	\$ -	\$ 703	\$ 703
Additions	31,976	-	31,976
Balance, December 31, 2019	\$ 31,976	\$ 703	\$ 32,679
Additions	-	626	626
Terminations	-	(703)	(703)
Balance, December 31, 2020	\$ 31,976	\$ 626	\$ 32,602
<b>ACCUMULATED DEPRECIATION</b>			
Balance, December 31, 2018	\$ -	\$ 296	\$ 296
Depreciation	2,647	351	2,998
Balance, December 31, 2019	\$ 2,647	\$ 647	\$ 3,294
Depreciation	4,585	316	4,901
Terminations	-	(703)	(703)
Balance, December 31, 2020	\$ 7,232	\$ 260	\$ 7,492
<b>NET BOOK VALUE</b>			
December 31, 2019	\$ 29,329	\$ 56	\$ 29,385
<b>December 31, 2020</b>	\$ <b>24,744</b>	\$ <b>366</b>	\$ <b>25,110</b>

#### 5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following:

	RNG Business	Renewable Diesel & Hydrogen Assets	Assets under construction	Total
<b>COST</b>				
Balance, December 31, 2018	\$ 15,434	\$ -	\$ -	\$ 15,434
Renewable diesel & hydrogen asset acquisition	-	30,544	-	30,544
Additions	376	-	-	376
Balance, December 31, 2019	15,810	30,544	-	46,354
Additions	76	906	2,597	3,579
Balance, December 31, 2020	\$ 15,886	\$ 31,450	\$ 2,597	\$ 49,933
<b>ACCUMULATED DEPRECIATION</b>				
Balance, December 31, 2018	\$ 562	\$ -	\$ -	\$ 562
Depreciation	407	102	-	509
Balance, December 31, 2019	969	102	-	1,071
Depreciation	415	633	-	1,048
Balance, December 31, 2020	\$ 1,384	\$ 735	\$ -	\$ 2,119
<b>NET BOOK VALUE</b>				
December 31, 2019	\$ 14,841	\$ 30,442	\$ -	\$ 45,283
<b>December 31, 2020</b>	\$ <b>14,502</b>	\$ <b>30,715</b>	\$ <b>2,597</b>	\$ <b>47,814</b>

## Renewable Diesel & Hydrogen Assets and RNG Business

### Notes to the Carve-out Financial Statements

As at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018

All tabular amounts expressed in thousands of Canadian dollars

## 6. LEASE LIABILITIES

The Acquired Assets' lease liabilities are the following:

	December 31, 2020	December 31, 2019
Balance, beginning of year	\$ 29,349	\$ 418
Additions	626	31,976
Accretion	1,847	1,068
Foreign exchange remeasurement	(377)	(665)
Lease payments	(6,093)	(3,448)
<b>Total lease liability</b>	<b>\$ 25,352</b>	<b>\$ 29,349</b>
Current portion of lease liability	5,626	5,469
Long term lease liability	19,726	23,880

Undiscounted payments associated with lease liabilities at December 31, 2020 are as follows:

	One year	Two – five years	Over five years	Total
Undiscounted lease repayments	\$ 5,797	\$ 21,904	\$ 2,224	\$ 29,925

## 7. DECOMMISSIONING OBLIGATIONS

The decommissioning obligation reflects the discounted cash flows expected to be incurred to decommission the Acquired Assets. The estimated economic lives of assets covered by the decommissioning provision ranging from 10 – 100 years. The obligation was inflated using a discount rate of 1.75% (2019 – 1.75%) and discounted using a credit-adjusted risk-free rate of 7.5% (2019 – 7.5%).

The following table summarizes changes in the decommissioning obligations:

	December 31, 2020	December 31, 2019
Balance, beginning of year	\$ 1,007	\$ 43
Renewable diesel & hydrogen assets acquisition	-	950
Unwinding of discount included in finance costs	75	14
<b>Balance, end of year</b>	<b>\$ 1,082</b>	<b>\$ 1,007</b>

## 8. INCOME TAXES

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

	December 31, 2020	December 31, 2019	December 31, 2018
Income (loss) before taxes	\$ (11,877)	\$ (3,698)	\$ 2,570
Combined federal and provincial tax rates	26.5%	26.5%	27%
Expected tax expense (recovery)	(3,147)	(980)	694
Differences from:			
Change in rate and other	3,966	4,659	(203)
<b>Deferred income tax expense</b>	<b>\$ 819</b>	<b>\$ 3,679</b>	<b>\$ 491</b>

## Renewable Diesel & Hydrogen Assets and RNG Business

### Notes to the Carve-out Financial Statements

As at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018

All tabular amounts expressed in thousands of Canadian dollars

The following table summarizes the movement of deferred taxes:

Asset (Liability)	December 31, 2019	Recognized in profit or loss	December 31, 2020
Property, plant and equipment	\$ (5,257)	\$ (765)	\$ (6,022)
Decommissioning obligations	267	20	287
Right-of-use assets and leases	10	(74)	(64)
<b>Total</b>	<b>\$ (4,980)</b>	<b>\$ (819)</b>	<b>\$ (5,799)</b>

Asset (Liability)	December 31, 2018	Recognized in profit or loss	December 31, 2019
Property, plant and equipment	\$ (1,315)	\$ (3,942)	\$ (5,257)
Decommissioning obligations	11	256	267
Right-of-use assets and leases	3	7	10
<b>Total</b>	<b>\$ (1,301)</b>	<b>\$ (3,679)</b>	<b>\$ (4,980)</b>

## 9. REVENUE AND OPERATING EXPENSES

For the years ended December 31, 2020, 2019 and 2018, the Acquired Assets had one 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 segments includes the following revenue and expense categories: RNG Business and Renewable Diesel & Hydrogen Assets.

<b>Year ended December 31, 2020</b>	RNG Business	Renewable Diesel & Hydrogen Assets	Total
Gas storage revenue	\$ 2,363	\$ -	\$ 2,363
Fractionation and extraction revenue	1,802	-	1,802
Total revenue	4,165	-	4,165
Operating expenses	(3,763)	(4,444)	(8,207)
	\$ 402	\$ (4,444)	\$ (4,042)

<b>Year ended December 31, 2019</b>	RNG Business	Renewable Diesel & Hydrogen Assets	Total
Gas storage revenue	\$ 1,894	\$ -	\$ 1,894
Fractionation and extraction revenue	2,563	-	2,563
Total revenue	4,457	-	4,457
Operating expenses	(3,419)	(690)	(4,109)
	\$ 1,038	\$ (690)	\$ 348

<b>Year ended December 31, 2018</b>	RNG Business	Renewable Diesel & Hydrogen Assets	Total
Gas storage revenue	\$ 2,492	\$ -	\$ 2,492
Fractionation and extraction revenue	3,405	-	3,405
Total revenue	5,897	-	5,897
Operating expenses	(2,584)	-	(2,584)
	\$ 3,313	\$ -	\$ 3,313

## Renewable Diesel & Hydrogen Assets and RNG Business

### Notes to the Carve-out Financial Statements

As at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018

All tabular amounts expressed in thousands of Canadian dollars

#### 10. FINANCE COSTS

Finance costs are comprised of the following:

	Year ended December 31,		
	2020	2019	2018
Unwinding of discount on decommissioning obligation	\$ 75	\$ 14	\$ 2
Unrealized foreign exchange gains <sup>(1)</sup>	(377)	(665)	-
Unwinding of discount on lease liabilities	1,847	1,068	32
<b>Total finance costs</b>	<b>\$ 1,545</b>	<b>\$ 417</b>	<b>\$ 34</b>

(1) Relates to translation of USD denominated lease liabilities.

#### 11. SUPPLEMENTAL CASH FLOWS INFORMATION

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

	December 31,		
	2020	2019	2018
Accounts receivable	\$ (50)	\$ 52	\$ (376)
Accounts payable and accrued liabilities	3	281	233
<b>Change in non-cash working capital from operating activities</b>	<b>\$ (47)</b>	<b>\$ 333</b>	<b>\$ (143)</b>

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

	December 31,		
	2020	2019	2018
Accounts payable and accrued liabilities	\$ 560	\$ (175)	\$ (2,171)
<b>Change in non-cash working capital from investing activities</b>	<b>\$ 560</b>	<b>\$ (175)</b>	<b>\$ (2,171)</b>

#### 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Tidewater Midstream's Board of Directors has the overall responsibility for the establishment and oversight of the Acquired Assets' risk management framework. Tidewater Midstream's risk management policies are established to identify and analyze the risks faced by the Acquired Assets, to set appropriate risk limits and controls and to monitor risks and adherence to market conditions. Tidewater Midstream employs risk management strategies and policies to ensure that any exposure to risks are in compliance with the business objectives and risk tolerance levels.

The Acquired Assets' activities expose it to a variety of financial risks that arise as a result of its operating and financing activities such as credit risk and liquidity risk.

This note presents information about the Acquired Assets' exposure to each of the above risks and the Tidewater Midstream's objectives, policies and processes for measuring and managing these risks.

##### a) Fair value determination

A number of the Acquired Assets' accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining the fair values is disclosed in the notes specific to that asset or liability.

The Acquired Assets classify fair value of financial instruments according to the following hierarchies based on the amount of observable inputs used to value the instruments:

## Renewable Diesel & Hydrogen Assets and RNG Business

### Notes to the Carve-out Financial Statements

As at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018

All tabular amounts expressed in thousands of Canadian dollars

- 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.
- 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 fair value is derived with reference to commodity price curves, currency curves and credit spreads.
- Level 3 – values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

At December 31, 2020, the fair value of accounts receivable and accounts payable and accrued liabilities approximated their carrying value due to their short-term maturity.

#### b) Credit risk

Credit risk is the risk of financial loss to the Acquired Assets if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Acquired Asset's accounts receivable from customers. The maximum exposure to credit risk at December 31, 2020 and December 31, 2019 is as follows:

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 374	\$ 324

The Acquired Assets' accounts receivable balances are primarily from purchasers of natural gas, natural gas liquids, and storage customers. These purchasers include marketing and trading companies and financial institutions. The Acquired Assets' perform 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. Due to COVID-19, Tidewater Midstream has increased its scrutiny to its credit monitoring procedures.

Accounts receivable 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 RNG Business has one investment grade customer that accounts for approximately 42% of revenue. Revenue earned from this customer for the year ended December 31, 2020 was \$1,749 (2019 – \$1,938, 2018 – \$2,034). Tidewater Midstream believes the financial risk associated with this customer is minimal. Tidewater Midstream 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 for the Acquired Assets. At December 31, 2020 lifetime expected credit losses for accounts receivable outstanding were \$NIL (December 31, 2019 - \$NIL).

#### c) Liquidity risk

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

The following details the contractual maturities of the Acquired Assets' financial liabilities as at December 31, 2020 and December 31, 2019:

	December 31, 2020		December 31, 2019	
	Less than one year	Greater than one year	Less than one year	Greater than one year
Accounts payable and accrued liabilities	\$ 1,148	\$ -	\$ 585	\$ -
Lease liabilities and other	5,626	19,726	5,469	23,880
	\$ 6,774	\$ 19,726	\$ 6,054	\$ 23,880

## **Renewable Diesel & Hydrogen Assets and RNG Business**

Notes to the Carve-out Financial Statements

As at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018

All tabular amounts expressed in thousands of Canadian dollars

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### **13. RELATED PARTY TRANSACTIONS**

The RNG Business' gas, liquids and other emulsions are processed at Tidewater Midstream's BRC. During the year ended December 31, 2020 the RNG Business' incurred \$1.5 million (2019 - \$1.4 million, 2018 - \$1.1 million) of operating expenses related to this processing.

**Condensed Interim Carve-out Financial Statements of the Renewable  
Diesel & Hydrogen Assets and RNG Business of Tidewater Midstream and  
Infrastructure Ltd.**

**For the three and six months ended June 30, 2021 and 2020**

**Renewable Diesel & Hydrogen Assets and RNG Business**  
**Condensed Interim Carve-out Statements of Financial Position (unaudited)**  
(all tabular amounts expressed in thousands of Canadian dollars)

As at	Notes	June 30, 2021		December 31, 2020
<b>Assets</b>				
Current				
Accounts receivable		\$ 264	\$	374
		264		374
Right-of-use assets	3	22,699		25,110
Property, plant and equipment	4	55,913		47,814
<b>Total assets</b>		<b>\$ 78,876</b>	<b>\$</b>	<b>73,298</b>
<b>Liabilities</b>				
Current				
Accounts payable		\$ 1,586	\$	1,148
Lease liabilities	5	5,379		5,626
		6,965		6,774
Lease liabilities	5	17,244		19,726
Decommissioning obligations	6	1,118		1,082
Deferred tax liabilities		6,790		5,799
<b>Total liabilities</b>		<b>32,117</b>		<b>33,381</b>
<b>Parent's net investment</b>		<b>46,759</b>		<b>39,917</b>
<b>Total liabilities and parent's net investment</b>		<b>\$ 78,876</b>	<b>\$</b>	<b>73,298</b>

*See the accompanying notes to the condensed interim carve-out financial statements*

## Renewable Diesel & Hydrogen Assets and RNG Business

Condensed Interim Carve-out Statements of Net Income (Loss) and Comprehensive Income (Loss) (unaudited)  
(all tabular amounts expressed in thousands of Canadian dollars)

	Notes	Three months ended		Six months ended	
		June 30, 2021	2020	June 30, 2021	2020
<b>Revenue</b>	7	\$ 807	\$ 1,027	\$ 2,193	\$ 2,085
<b>Expenses</b>					
Operating expenses	7	2,527	2,015	5,048	4,005
General and administrative		106	67	212	135
Depreciation	3,4	1,484	1,481	2,961	2,965
Total expenses		4,117	3,563	8,221	7,105
Operating income (loss)		(3,310)	(2,536)	(6,028)	(5,020)
Other expenses (income)					
Finance costs (income)	8	40	(698)	150	2,455
Total other expenses (income)		40	(698)	150	2,455
Earnings (loss) before income tax		(3,350)	(1,838)	(6,178)	(7,475)
Deferred income tax expense (recovery)		694	169	991	(259)
Net income (loss) and comprehensive income (loss)		\$ (4,044)	\$ (2,007)	\$ (7,169)	\$ (7,216)

See the accompanying notes to the condensed interim carve-out financial statements

**Renewable Diesel & Hydrogen Assets and RNG Business**  
**Condensed Interim Carve-out Statements of Changes in Parent's Net Investment (unaudited)**  
(all tabular amounts expressed in thousands of Canadian dollars)

	Notes	June 30, 2021	June 30, 2020
Balance, beginning of period		39,917	39,071
Net income (loss) and comprehensive income (loss)		(7,169)	(7,216)
Net transfers from parent		14,011	6,213
Balance, end of period	\$	46,759	\$ 38,068

*See the accompanying notes to the condensed interim carve-out financial statements*

**Renewable Diesel & Hydrogen Assets and RNG Business**  
**Condensed Interim Carve-out Statements of Cash Flows (unaudited)**  
(all tabular amounts expressed in thousands of Canadian dollars)

		Three months ended June 30,		Six months ended June 30,	
	Notes	2021	2020	2021	2020
<b>Cash provided by (used in):</b>					
<b>Operating activities</b>					
Net income (loss) for the period		\$ (4,044)	\$ (2,007)	\$ (7,169)	\$ (7,216)
Adjustments:					
Depreciation	3, 4	1,484	1,481	2,961	2,965
Finance costs (income)	8	40	(698)	150	2,455
Deferred income tax expense (recovery)		694	169	991	(259)
Changes in non-cash working capital	9	257	177	207	174
<i>Net cash used in operating activities</i>		<b>(1,569)</b>	(878)	<b>(2,860)</b>	(1,881)
<b>Financing activities</b>					
Payment of lease liabilities	5	(1,401)	(1,571)	(2,843)	(3,100)
Receipt of parent's net investment		7,689	3,588	14,011	6,213
<i>Net cash provided by financing activities</i>		<b>6,288</b>	2,017	<b>11,168</b>	3,113
<b>Investing activities</b>					
Additions to property, plant and equipment		(4,943)	(1,168)	(8,649)	(1,197)
Changes in non-cash working capital	9	224	29	341	(35)
<i>Net cash used in investing activities</i>		<b>(4,719)</b>	(1,139)	<b>(8,308)</b>	(1,232)
<b>Change in cash</b>		-	-	-	-
Cash at beginning of period		-	-	-	-
<b>Cash at end of period</b>		\$ -	\$ -	\$ -	\$ -

*See the accompanying notes to the condensed interim carve-out financial statements*

# Renewable Diesel & Hydrogen Assets and RNG Business

## Notes to the Condensed Interim Carve-out Financial Statements

For the three and six months ended June 30, 2021 and 2020 (unaudited)

All tabular amounts expressed in thousands of Canadian dollars

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### 1. REPORTING ENTITY

The Brazeau River Nisku F Pool (the “RNG Business”) is located approximately 150 km southwest of Edmonton, Alberta, Canada at Tidewater Midstream and Infrastructure Ltd.’s (“Tidewater Midstream” or “the Parent”) Brazeau River Complex (“BRC”). The RNG Business’ assets are currently configured to inject, store, cycle and sell natural gas. The RNG Business generates value through the flexibility arising from purchasing, storing, and selling natural gas in a seasonally cyclical market and extracting incidental in-situ hydrocarbons. The RNG Business’ assets currently include two permitted gas storage caverns, three injection & withdrawal wells, a 1,480 horse-power compressor and approximately 30 kilometers of pipelines.

The Renewable Diesel and Renewable Hydrogen Assets (“Renewable Diesel & Hydrogen Assets”) includes steam methane reformer, unifier reactor, canola co-processing unit, certain utilities, storage tanks and rail & truck rack, which are located at Tidewater Midstream’s Prince George refinery (“PGR”) in Prince George, British Columbia.

These carve out financial statements have been prepared for the purposes of a business acquisition report to be filed by Tidewater Renewables Ltd. (“Tidewater Renewables”). Tidewater Renewables, via an intermediate transaction with Tidewater Acquisition Inc., a wholly owned subsidiary of Tidewater Midstream acquired the RNG Business and the Renewable Diesel & Hydrogen Assets (“Acquired Assets”) on August 18, 2021. Tidewater Renewables’ initial assets are the Acquired Assets, which created the initial business of the entity.

### 2. BASIS OF PRESENTATION

#### a) Statement of compliance

These condensed interim carve-out financial statements are in compliance with IAS 34, “Interim Financial Reporting”, as issued by the International Accounting Standards Board. The accounting policies applied are in accordance with International Financial Reporting Standards (“IFRS”) and are consistent with the Acquired Assets’ financial statements for the year ended December 31, 2020. These condensed interim carve-out financial statements as at and for the three and six month periods ended June 30, 2021 do not include all disclosures required for the preparation of annual financial statements and should be read in conjunction with the Acquired Assets’ carve-out financial statements as at and for the year ended December 31, 2020.

These financial statements were approved and authorized for issuance by Tidewater Midstream’s Board of Directors on October 29, 2021.

## Renewable Diesel & Hydrogen Assets and RNG Business

Notes to the Condensed Interim Carve-out Financial Statements

For the three and six months ended June 30, 2021 and 2020 (unaudited)

All tabular amounts expressed in thousands of Canadian dollars

### 3. RIGHT-OF-USE ASSETS

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

	Railcars		Equipment		Total
<b>COST</b>					
Balance, December 31, 2019	\$	31,976	\$	703	\$ 32,679
Additions		-		626	626
Terminations		-		(703)	(703)
Balance, December 31, 2020	\$	31,976	\$	626	\$ 32,602
Additions		-		-	-
Balance, June 30, 2021	\$	31,976	\$	626	\$ 32,602
<b>ACCUMULATED DEPRECIATION</b>					
Balance, December 31, 2019	\$	2,647	\$	647	\$ 3,294
Depreciation		4,585		316	4,901
Terminations		-		(703)	(703)
Balance, December 31, 2020	\$	7,232	\$	260	\$ 7,492
Depreciation		2,254		157	2,411
Balance, June 30, 2021	\$	9,486	\$	417	\$ 9,903
<b>NET BOOK VALUE</b>					
December 31, 2020	\$	24,744	\$	366	\$ 25,110
<b>June 30, 2021</b>	\$	<b>22,490</b>	\$	<b>209</b>	\$ <b>22,699</b>

### 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following:

	RNG Business		Renewable Diesel & Hydrogen Assets		Assets under construction		Total
<b>COST</b>							
Balance, December 31, 2019	\$	15,810	\$	30,544	\$	-	\$ 46,354
Additions		76		906		2,597	3,579
Balance, December 31, 2020		15,886		31,450		2,597	49,933
Additions		-		2,991		5,658	8,649
Balance, June 30, 2021	\$	15,886	\$	34,441	\$	8,255	\$ 58,582
<b>ACCUMULATED DEPRECIATION</b>							
Balance, December 31, 2019	\$	969	\$	102	\$	-	\$ 1,071
Depreciation		415		633		-	1,048
Balance, December 31, 2020		1,384		735		-	2,119
Depreciation		208		342		-	550
Balance, June 30, 2021	\$	1,592	\$	1,077	\$	-	\$ 2,669
<b>NET BOOK VALUE</b>							
December 31, 2020	\$	14,502	\$	30,715	\$	2,597	\$ 47,814
<b>June 30, 2021</b>	\$	<b>14,294</b>	\$	<b>33,364</b>	\$	<b>8,255</b>	\$ <b>55,913</b>

## Renewable Diesel & Hydrogen Assets and RNG Business

Notes to the Condensed Interim Carve-out Financial Statements

For the three and six months ended June 30, 2021 and 2020 (unaudited)

All tabular amounts expressed in thousands of Canadian dollars

### 5. LEASE LIABILITIES

The Acquired Assets lease liabilities are the following:

	June 30, 2021	December 31, 2020
Balance, beginning of period	\$ 25,352	\$ 29,349
Additions	-	626
Accretion	765	1,847
Foreign exchange remeasurement	(651)	(377)
Lease payments	(2,843)	(6,093)
<b>Total lease liability</b>	<b>\$ 22,623</b>	<b>\$ 25,352</b>
Current portion of lease liability	5,379	5,626
Long term lease liability	17,244	19,726

Undiscounted payments associated with lease liabilities at June 30, 2021 are as follows:

	One year	Two – five years	Over five years	Total
Undiscounted lease repayments	\$ 5,652	\$ 20,855	\$ 142	\$ 26,649

### 6. DECOMMISSIONING OBLIGATIONS

The decommissioning obligation reflects the discounted cash flows expected to be incurred to decommission the Acquired Assets. The estimated economic lives of assets covered by the decommissioning provision ranging from 10 – 100 years. The obligation was inflated using a discount rate of 1.75% (December 31, 2020 – 1.75%) and discounted using a credit-adjusted risk-free rate of 7.5% (December 31, 2020 – 7.5%).

The following table summarizes changes in the decommissioning obligations:

	June 30, 2021	December 31, 2020
Balance, beginning of period	\$ 1,082	\$ 1,007
Unwinding of discount included in finance costs	36	75
<b>Balance, end of period</b>	<b>\$ 1,118</b>	<b>\$ 1,082</b>

### 7. REVENUE AND OPERATING EXPENSES

For the three and six months ended June 30, 2021 and 2020, the Acquired Assets had one 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 segments includes the following revenue and expense categories: RNG Business and Renewable Diesel & Hydrogen Assets.

Three months ended June 30, 2021	RNG Business	Renewable Diesel & Hydrogen Assets	Total
Gas storage revenue	\$ -	\$ -	-
Fractionation and extraction revenue	807	-	807
Total revenue	807	-	807
Operating expenses	(1,133)	(1,394)	(2,527)
	\$ (326)	\$ (1,394)	\$ (1,720)

## Renewable Diesel & Hydrogen Assets and RNG Business

Notes to the Condensed Interim Carve-out Financial Statements

For the three and six months ended June 30, 2021 and 2020 (unaudited)

All tabular amounts expressed in thousands of Canadian dollars

<b>Three months ended June 30, 2020</b>	RNG Business	Renewable Diesel & Hydrogen Assets	Total
Gas storage revenue	\$ 683	\$ -	\$ 683
Fractionation and extraction revenue	344	-	344
Total revenue	1,027	-	1,027
Operating expenses	(923)	(1,092)	(2,015)
	\$ 104	\$ (1,092)	\$ (988)

<b>Six months ended June 30, 2021</b>	RNG Business	Renewable Diesel & Hydrogen Assets	Total
Gas storage revenue	\$ 437	\$ -	\$ 437
Fractionation and extraction revenue	1,756	-	1,756
Total revenue	2,193	-	2,193
Operating expenses	(2,363)	(2,685)	(5,048)
	\$ (170)	\$ (2,685)	\$ (2,855)

<b>Six months ended June 30, 2020</b>	RNG Business	Renewable Diesel & Hydrogen Assets	Total
Gas storage revenue	\$ 1,074	\$ -	\$ 1,074
Fractionation and extraction revenue	1,011	-	1,011
Total revenue	2,085	-	2,085
Operating expenses	(1,826)	(2,179)	(4,005)
	\$ 259	\$ (2,179)	\$ (1,920)

### 8. FINANCE COSTS

Finance costs are comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Unwinding of discount on decommissioning obligation	\$ 21	\$ 19	\$ 36	\$ 37
Unrealized foreign exchange loss (gains) <sup>(1)</sup>	(350)	(1,173)	(651)	1,447
Unwinding of discount on lease liabilities	369	486	765	971
<b>Total finance costs</b>	<b>\$ 40</b>	<b>\$ (668)</b>	<b>\$ 150</b>	<b>\$ 2,455</b>

<sup>(1)</sup> Relates to translation of USD denominated lease liabilities.

### 9. SUPPLEMENTAL CASH FLOWS INFORMATION

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Accounts receivable	\$ 161	\$ 143	\$ 110	\$ 114
Accounts payable and accrued liabilities	96	34	97	60
<b>Change in non-cash working capital from operating activities</b>	<b>\$ 257</b>	<b>\$ 177</b>	<b>\$ 207</b>	<b>\$ 174</b>

## Renewable Diesel & Hydrogen Assets and RNG Business

Notes to the Condensed Interim Carve-out Financial Statements

For the three and six months ended June 30, 2021 and 2020 (unaudited)

All tabular amounts expressed in thousands of Canadian dollars

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Accounts payable and accrued liabilities	\$ 224	\$ 29	\$ 341	\$ (35)
<b>Change in non-cash working capital from investing activities</b>	<b>\$ 224</b>	<b>\$ 29</b>	<b>\$ 341</b>	<b>\$ (35)</b>

### 10. RELATED PARTY TRANSACTIONS

The RNG Business' gas, liquids and other emulsions are processed at Tidewater Midstream's BRC. During the three and six months ended June 30, 2021 the RNG Business incurred \$0.4 million (three months ended June 30, 2020 \$0.3 million) and \$0.8 million (six months ended June 30, 2020 \$0.7 million) of operating expenses related to this processing, respectively.

Schedule C – Unaudited Pro Forma Financial Statements of Tidewater

Tidewater Renewables Ltd.  
Pro Forma Financial Statements

As at June 30, 2021, for the six months ended June 30, 2021  
and for the year ended December 31, 2020  
(unaudited)

**Tidewater Renewables Ltd.**  
**Pro Forma Statement of Financial Position**  
**As at June 30, 2021 (unaudited)**

*(all tabular amounts expressed in thousands of Canadian dollars)*

	Tidewater Renewables	Renewable Diesel & Hydrogen Assets and RNG Business	Note 3	Pro Forma Adjustments	Pro Forma
<b>Assets</b>					
Current					
Cash	\$ -	\$ -	(a)	\$ -	\$ -
Accounts receivable	-	264	(b)	(264)	-
	-	264		(264)	-
Right-of-use assets	-	22,699	(d)	(76)	<b>22,623</b>
Property, plant and equipment	-	55,913	(c)	612,960	<b>668,873</b>
Deferred income tax asset	265	-		(265)	-
<b>Total assets</b>	<b>\$ 265</b>	<b>\$ 78,876</b>		<b>\$ 612,355</b>	<b>\$ 691,496</b>
<b>Liabilities</b>					
Current					
Accounts payable and accrued liabilities	\$ 1,000	\$ 1,586	(b)	\$ (2,586)	\$ -
Lease liabilities	-	5,379	(d)	-	<b>5,379</b>
	1,000	6,965		(2,586)	<b>5,379</b>
Bank debt	-	-	(e)	42,000	<b>42,000</b>
Lease liabilities	-	17,244	(d)	-	<b>17,244</b>
Decommissioning obligations	-	1,118		-	<b>1,118</b>
Deferred tax liabilities	-	6,790	(f)	119,285	<b>126,075</b>
Total liabilities	1,000	32,117		158,699	<b>191,816</b>
<b>Equity</b>					
Share capital	-	-	(g)	501,150	<b>501,150</b>
Retained earnings	(735)	-	(h)	(735)	<b>(1,470)</b>
Parent's net investment	-	46,759	(h)	(46,759)	-
Total equity	(735)	46,759		453,656	<b>499,680</b>
<b>Total liabilities and equity</b>	<b>\$ 265</b>	<b>\$ 78,876</b>		<b>\$ 612,355</b>	<b>\$ 691,496</b>

**Tidewater Renewables Ltd.****Pro Forma Statement of Net Income (Loss) and Comprehensive Income (Loss)****For the six months ended June 30, 2021***(all tabular amounts expressed in thousands of Canadian dollars, except per share information)*

	Tidewater Renewables	Renewable Diesel & Hydrogen Assets and RNG Business	Note 4	Pro Forma Adjustments	Pro Forma
<b>Revenue</b>	\$ -	\$ 2,193	(a)	\$ -	\$ 2,193
<b>Expenses</b>					
Operating expenses	-	5,048		-	5,048
General and administrative	-	212		-	212
Depreciation	-	2,961	(b)	5,421	8,382
<b>Total expenses</b>	-	8,221		5,421	13,642
Operating income (loss)	-	(6,028)		(5,421)	(11,449)
Other expenses					
Finance costs	-	150	(c)	1,050	1,200
Transaction costs	1,000	-	(d)	(1,000)	-
<b>Total other expenses</b>	1,000	150		50	1,200
Earnings (loss) before income tax	(1,000)	(6,178)		(5,471)	(12,649)
Deferred income tax expense (recovery)	(265)	991	(e)	(4,078)	(3,352)
<b>Net income (loss) and comprehensive income (loss)</b>	\$ (735)	\$ (7,169)		\$ (1,393)	\$ (9,297)
Earnings per share – basic and diluted			(f)	\$	(0.27)

**Tidewater Renewables Ltd.****Pro Forma Statement of Net Income (Loss) and Comprehensive Income (Loss)****For the year ended December 31, 2020**

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

	Tidewater Renewables	Renewable Diesel & Hydrogen Assets and RNG Business	Note 4	Pro Forma Adjustments	Pro Forma
<b>Revenue</b>	\$ -	\$ 4,165	(a)	\$ -	\$ 4,165
<b>Expenses</b>					
Operating expenses	-	8,207		-	8,207
General and administrative	-	341		-	341
Depreciation	-	5,949	(b)	11,207	17,156
Total expenses	-	14,497		11,207	25,704
Operating income (loss)	-	(10,332)		(11,207)	(21,539)
Other expenses					
Finance costs	-	1,545	(c)	2,100	3,645
Transaction costs	-	-	(d)	2,000	2,000
Total other expenses	-	1,545		4,100	5,645
Earnings (loss) before income tax	-	(11,877)		(15,307)	(27,184)
Deferred income tax expense (recovery)	-	819	(e)	(8,023)	(7,204)
Net income (loss) and comprehensive income (loss)	\$ -	\$ (12,696)		\$ (7,284)	\$ (19,980)
Earnings per share – basic and diluted			(f)	\$	(0.59)

# Tidewater Renewables Ltd.

## Notes to the Pro Forma Financial Statements

*(All tabular amounts expressed in thousands of Canadian dollars, except per share information)*

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### 1. DESCRIPTION OF THE BUSINESS AND TRANSACTION

Tidewater Renewables Ltd. (“Tidewater Renewables” or the “Company”) has been formed to become a multi-faceted, energy transition company. The Company intends to focus on the production of low carbon fuels, including renewable diesel, renewable hydrogen, renewable natural gas, as well as carbon capture.

On August 18, 2021, Tidewater Renewables (the “Company”) closed its Initial Public Offering (the “Offering”) and its acquisition of certain assets from Tidewater Midstream and Infrastructure Ltd. (the “Acquired Assets”) for aggregate consideration of \$538.5 million (including \$180.0 million in cash and the balance in common shares).

The net proceeds of the Offering was approximately \$138.0 million (excluding any proceeds from the closing of the Over-Allotment Option and was not included in purchase price adjustment), after deducting the underwriters’ commission of \$9.0 million, other share issue costs of \$1.0 million and the Company’s expenses related to the Offering estimated to be \$2.0 million. As at June 30, 2021 the Company had incurred \$1.0 million of these transaction costs.

Upon closing of the Offering the Company entered into a secured credit facility in the amount of up to \$150.0 million (the “Credit Facility”).

Tidewater Renewables’ initial assets are the existing Acquired Assets, which will create the initial business of the entity. The Acquired Assets include various working interests in the following: steam methane reformer, unfiner reactor, canola co-processing unit, certain utilities, storage tanks and rail & truck rack, which are located at the Prince George refinery in Prince George, British Columbia and 100% working interest in a renewable storage reservoir and related infrastructure assets, which are located in central Alberta.

### 2. BASIS OF PRESENTATION

The following unaudited pro forma financial statements (“Pro Forma Financial Statements”) were prepared to reflect the Offering, the increase to the Credit Facility and the acquisition of the Acquired as described in Note 1 (the “Transactions”). The Pro Forma Financial Statements are prepared for information purposes only.

The Pro Forma Financial Statements include pro forma assumptions and adjustments that give effect to the Transactions as if they occurred on June 30, 2021 for the purpose of the unaudited pro forma statement of financial position as at June 30, 2021; and on January 1, 2020 for the purposes of the unaudited pro forma statements of income (loss) and comprehensive income (loss) for the six months ended June 30, 2021 and for the year ended December 31, 2020.

The Pro Forma Financial Statements have been prepared from information derived from, and should be read in conjunction with, the following:

- Renewable Diesel & Renewable Hydrogen Assets and RNG Business audited carve-out financial statements for the year ended December 31, 2020; and
- Renewable Diesel & Renewable Hydrogen Assets and RNG Business unaudited carve-out condensed interim financial statements for the three and six months ended June 30, 2021.

In the opinion of the Company’s management, the accounting policies used in the Pro Forma Financial Statements include all adjustments necessary for the fair presentation of the described transactions in accordance with the significant accounting policies used to prepare the Company’s financial statements and carve out financial statements of the Acquired Assets. Any new significant accounting policies have been described below. The Pro Forma Financial Statements do not reflect any retrofitting of the assets, related revenue enhancements or cost savings that may be achieved, or costs to develop Acquired Assets. Further, adjustments have not been made to reflect any administrative efficiencies or costs associated with utilizing any management, administrative and operational services agreements.

The Pro Forma Financial Statements are based on currently available financial information and certain estimates and assumptions. These Pro Forma Financial Statements may not necessarily be indicative of the financial results or operations that would have occurred if the events reflected herein had occurred on the assumed dates or the results of operations in future periods. Furthermore, actual amounts recorded upon the finalization of the Transactions may differ from the amounts reflected in the Pro Forma Financial Statements.

# Tidewater Renewables Ltd.

## Notes to the Pro Forma Financial Statements

(All tabular amounts expressed in thousands of Canadian dollars, except per share information)

In conjunction with the purchase of the Acquired Assets, the Company and Tidewater Midstream entered into various take-or-pay agreements (subject to closing of the Offering) whereby Tidewater Midstream pays the Company various fees for prescribed capacity and/or services in connection with the Acquired Assets. The take-or-pay volume commitments shall include annual and monthly capacity commitments, in exchange for a fee paid by Tidewater Midstream. No adjustments have been made to the Pro Forma Financial Statements to reflect these take-or-pay contracts. The Company and Tidewater Midstream also entered into operating and management services agreements with respect to the Acquired Assets. No adjustments have been made to the Pro Forma Financial Statements for any changes to historical costs of operating these assets that may result from executing these agreements.

### 3. PRO FORMA STATEMENT OF FINANCIAL POSITION ASSUMPTIONS AND ADJUSTMENTS

The following pro forma adjustments have been made to the unaudited Pro Forma Statement of Financial Position assuming the Transactions occurred on June 30, 2021:

a) *Cash*

Cash has been adjusted to reflect the issuance of 10.0 million common shares of the Company at a price of \$15.00 per common share pursuant to the Offering. Share issuance costs of \$10.0 million and transaction costs of \$2.0 million have been netted against the proceeds received. The net proceeds received from the Offering of \$138.0 million was used to purchase the Acquired Assets along with amounts drawn under the credit facility of approximately \$42.0 million. The net cash received from the Offering was used to purchase the Acquired Assets and therefore the ending cash balance was \$nil.

b) *Accounts receivable, accounts payable and accrued liabilities*

Accounts receivable and accounts payable have been adjusted to remove the Renewable Diesel & Hydrogen Assets and RNG Business' accounts receivable and accrued liabilities as at June 30, 2021 as they were not acquired by the Company. The remaining accounts payable and accrued liabilities relate to transaction costs incurred prior to closing and were considered paid through the actual amounts drawn on the credit facility.

c) *Property, plant and equipment*

The Pro Forma Financial Statements reflect the purchase of the Acquired Assets, as described in Note 1, for total consideration of \$538.5 million. The acquisition has been accounted for as a business combination using the acquisition method where the acquired assets and liabilities assumed are recorded at their estimated fair values, with the exception of right-of-use assets and leases liabilities, which are measured in accordance with the Company's accounting policies. The fair value of property, plant and equipment was determined using discounted cash flows based on projected cash flows from the Acquired Assets and expected Renewable Diesel and Renewable Hydrogen projects. The purchase price allocation is preliminary and is subject to change.

The following summarizes the purchase price allocation:

<b>Consideration for the acquisition:</b>		
Cash	\$	180,000
Common shares		358,500
Total consideration	\$	538,500

  

<b>Allocation of the purchase price:</b>		
Right-of-use asset	\$	22,623
Property, plant, and equipment		668,873
Lease liability - current		(5,379)
Lease liability - long term		(17,244)
Decommissioning obligations		(1,118)
Deferred tax liabilities		(129,255)
Total net assets acquired	\$	538,500

## Tidewater Renewables Ltd.

### Notes to the Pro Forma Financial Statements

(All tabular amounts expressed in thousands of Canadian dollars, except per share information)

d) *Right-of-use assets and lease liabilities*

Right-of-use assets and associated lease liabilities have been adjusted to reflect the assumption of approximately 300 rail tank cars and equipment lease agreements associated with the Acquired Assets. The lease liability is measured at the present value of the remaining lease payments discounted using the Company's expected incremental borrowing rate. Right-of-use assets are measured at an amount equal to the lease liability.

e) *Bank debt*

Upon closing of the Offering the Company entered into a secured Credit Facility in the amount of up to \$150.0 million. Incremental borrowing under the Credit Facility consists of \$42.0 million associated with the purchase of the Acquired Assets. The Credit Facility is a term of three years with a one year renewal option at the request of the Company, subject to Lender approval. Advances may be made by way of direct advances, bankers' acceptances, or standby letters of credit/guarantees. The Credit Facility bears interest at the Bank's prime rate on bankers' acceptance discount rates plus an applicable margin of 150 bps to 300 bps on prime rate loans, 250 bps to 400 bps on stamping fees related to bankers' acceptances, and 62.5 bps to 100 bps for standby fees as determined by reference to the Company's consolidated debt to EBITDA ratio (as defined in the Credit Facility).

f) *Deferred income tax asset and liability*

The acquisition of the Acquired Assets occurred on a tax deferred basis under section 85(1) of the *Income Tax Act* (Canada) with a combined deemed cost base of \$180.0 million. The deferred income tax liability adjustment was determined by applying the statutory tax rate to temporary differences between the tax and accounting balances. The effective tax rate for the Company is 26.5%.

The following summarizes the deferred income tax liability as at June 30, 2021:

			<b>June 30, 2021</b>
Acquisition	Note 3(c)	\$	(129,255)
Tax effect of share issuance costs	Note 3(g)		2,650
Tax effect of transaction costs	Note 3(h)		530
Deferred income tax liability		\$	(126,075)

g) *Share capital*

Share capital has been adjusted to reflect the issuance of 10.0 million common shares of the Company at a price of \$15.00 per common share. Share issuance costs of \$10.0 million, net of tax of \$2.6 million have been netted against the proceeds received.

After the purchase of the Acquired Assets, there is expected to 33.9 million common shares as follows:

	Number (000s)		Amount
Common shares issued pursuant to the Offering	10,000	\$	150,000
Common shares issued for the Acquired Assets	23,900		358,500
Share issuance costs, net of tax	-		(7,350)
Pro forma share capital	33,900	\$	501,150

h) *Retained earnings and Parent's net investment*

Retained earnings has been adjusted for transaction costs of \$0.7 million net of tax. The net parent investment has been eliminated in the purchase price allocation.

# Tidewater Renewables Ltd.

## Notes to the Pro Forma Financial Statements

(All tabular amounts expressed in thousands of Canadian dollars, except per share information)

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### 4. PRO FORMA STATEMENT OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) ASSUMPTIONS AND ADJUSTMENTS

The following pro forma adjustments have been made to the unaudited pro forma statement of income (loss) and comprehensive income (loss) for the six months ended June 30, 2021 and for the year ended December 31, 2020, assuming the described transactions occurred on January 1, 2020:

a) *Revenue*

Pursuant to various take-or-pay agreements, and as further described within the prospectus, Tidewater Midstream will pay the Company various fees for prescribed capacity and/or services in connection with the Acquired Assets. The take-or-pay volume commitments shall include annual and monthly capacity commitments, in exchange for a fee paid by Tidewater Midstream. No adjustments have been made to the Pro Forma Financial Statements to reflect these take-or-pay contracts.

b) *Depreciation*

Depreciation was calculated on a straight-line basis using the preliminary fair value estimates of property, plant and equipment and right-of-use assets. The preliminary useful lives used to depreciate property, plant and equipment are between 20 and 50 years. Right-of-use assets are depreciated over the term of the underlying lease.

c) *Finance costs*

Finance costs have been adjusted to reflect additional interest expense relating to incremental borrowings under the Credit Facility to finance a portion of the Acquired Assets, bearing interest at an average interest rate of 5% per annum.

d) *Transaction costs*

Transaction costs of \$2.0 million are expensed on the Pro Forma Statement of Income (Loss) for the year ended December 31, 2020. Transaction costs incurred during the six months ended June 30, 2021 have been removed.

e) *Deferred income tax*

Tax effect on the pro forma adjustments and earnings before tax was recorded using an estimated effective tax rate of 26.5% for the six months ended June 30, 2021 and for the year ended December 31, 2020.

f) *Earnings per share*

Earnings per share has been reflected to adjust for the completion of the Offering and the purchase of the Acquired Assets.