



Management's Discussion and Analysis
For the three and nine month periods ended September 30, 2022

November 9, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis (the “MD&A”) of the condensed interim consolidated financial and operating results of Tidewater Renewables Ltd. (“Tidewater Renewables” or the “Corporation”) is dated November 9, 2022 and should be read in conjunction with Tidewater Renewables’ condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2022 (the “Financial Statements”). The Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), representing generally accepted accounting principles (“GAAP”), and are expressed in Canadian dollars. This MD&A contains non-GAAP measures which are used to measure and analyze financial performance, financial position and cash flow and therefore may not be comparable to similar measures presented by other entities. This MD&A also contains forward-looking statements. Readers are cautioned that the MD&A should be read in conjunction with Tidewater Renewables’ disclosure under “Non-GAAP and Other Financial Measures” and “Forward-Looking Information” included at the end of this MD&A. Unless otherwise indicated, referencing to “\$” or “dollars” are to Canadian dollars.

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

BUSINESS OVERVIEW

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

Tidewater Renewables owns interests in renewables focused assets co-located at certain Tidewater Midstream sites and continues to develop a number of greenfield and brownfield growth projects in Alberta and British Columbia (collectively the “Renewable Assets”). These assets provide an initial platform for the renewable diesel, renewable hydrogen, and renewable natural gas business units. The assets include working interests in certain refinery units at the Prince George Refinery (“PGR”) and a gas storage facility at Tidewater Midstream’s Brazeau River Complex and Fractionation Facility (“BRC”) in Alberta. The Corporation’s growth projects include: (i) the canola co-processing and fluid catalytic cracking (“FCC”) co-processing projects, (ii) the Renewable Diesel & Renewable Hydrogen Complex (“HDRD Complex”), and (iii) several renewable natural gas (“RNG”) digester facilities. Through these projects, Tidewater Renewables will supply low carbon fuels to investment grade offtakers, existing customers, government entities, Indigenous groups and others in the transportation, utilities, refining, marketing, and power industries.

Additional information relating to Tidewater Renewables is available on SEDAR at www.sedar.com and at www.tidewater-renewables.com.

HIGHLIGHTS

- Tidewater Renewables delivered another solid quarter with Adjusted EBITDA⁽¹⁾ of \$16.1 million in the third quarter of 2022. Net cash provided by operating activities totaled \$5.2 million for the third quarter of 2022, with distributable cash flow⁽¹⁾ of \$9.4 million.
- The Corporation's base business continues to exceed previous guidance, with 2022 Adjusted EBITDA⁽¹⁾ now expected to be between \$55 – 65 million. Tidewater Renewables remains confident in its ability to deliver 2023 Run Rate EBITDA⁽¹⁾ of \$140 - 150 million, before any additional value from Clean Fuel Regulation ("CFR") credits. Management estimates that the HDRD Complex has the potential to generate an incremental \$30 million of Run Rate EBITDA⁽¹⁾ from CFR credits, assuming pricing of \$95 -100 per credit.
- The Corporation has made significant progress on its 3,000 bbl/d HDRD Complex, including completion of construction on multiple refinery modules. The HDRD Complex remains on schedule to commission in Q1 2023 with production increasing through Q2 2023.

Consistent with the global economic environment, the Corporation is experiencing capital cost inflationary pressures, as it resolves supply chain disruptions while adhering to the construction timeline. The Corporation expects gross capital costs to be approximately 10% higher than the previously announced \$235 million. The incremental gross capital is expected to be partially offset by the increased value of the British Columbia Low Carbon Fuel Standard ("BC LCFS") credits issued under the Renewable Diesel Project Part 3 Agreement with the Government of British Columbia as compared to budget. Capital costs net of BC LCFS credits are expected to be approximately \$130 - 140 million. The project's economics remain attractive, and payback is expected in less than two years.

- During the third quarter of 2022, the Corporation made significant progress on its RNG business, including the completion of preliminary engineering & design on the announced RNG Facility located in Foothills County near High River, Alberta (the "RNG Facility"). On October 17, 2022, the Corporation announced it had entered into a 20-year RNG offtake agreement with FortisBC Energy Inc. ("FortisBC"), whereby FortisBC expects to purchase up to 100% of the RNG Facility's design capacity. The Corporation has also secured a long-term feedstock supply from the Corporation's strategic partnership with Rimrock Cattle Company Ltd. ("RCC").
- In August 2022, Phase 1 of the FCC co-processing project was successfully commissioned and began refining various renewable feedstocks, including those provided by the Corporation's feedstock collection business, into renewable diesel and renewable gasoline. Full commissioning of the FCC co-processing project is expected in 2023.
- On October 24, 2022, the Corporation announced the closing of a \$150.0 million five-year senior secured second lien credit facility (the "AIMCo Facility") with an affiliate of Alberta Investment Management Corporation ("AIMCo"). The AIMCo Facility initially bears interest of 6.50% but is subject to scheduled escalations in year four and year five as well as inflation-based adjustments. In conjunction with the AIMCo Facility, Tidewater Renewables issued 3.375 million warrants to AIMCo. Each warrant entitles the holder to purchase one common share of Tidewater Renewables at a price of \$14.84, subject to certain adjustments, for a term of five years.

(1) Adjusted EBITDA, distributable cash flow, distributable cash flow per share, Run Rate EBITDA and net debt used throughout this MD&A are non-GAAP financial measures or ratios. See the "Non-GAAP and Other Financial Measures" section of this MD&A for information on each non-GAAP financial measure or ratio.

FINANCIAL HIGHLIGHTS

<i>(in thousands of Canadian dollars except per share information)</i>	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021 ⁽¹⁾
Revenue	\$ 19,697	\$ 6,130	\$ 56,677	\$ 6,130
Net income (loss) attributable to shareholders	\$ (10,067)	\$ 3,418	\$ 11,810	\$ 2,683
Basic and diluted net income (loss) attributable to shareholders per share	\$ (0.29)	\$ 0.21	\$ 0.34	\$ 0.26
Adjusted EBITDA ^(2,3)	\$ 16,084	\$ 5,330	\$ 45,723	\$ 5,330
Net cash provided by (used in) operating activities	\$ 5,161	\$ (1,776)	\$ 38,349	\$ (1,776)
Distributable cash flow ⁽²⁾	\$ 9,437	\$ 3,940	\$ 28,627	\$ 3,940
Distributable cash flow per common share – basic and diluted ⁽²⁾	\$ 0.27	\$ 0.25	\$ 0.82	\$ 0.38
Total common shares outstanding (000s)	34,712	34,635	34,712	34,635
Total assets	\$ 915,211	\$ 709,571	\$ 915,211	\$ 709,571
Net debt ⁽²⁾	\$ 124,311	\$ 33,926	\$ 124,311	\$ 33,926

(1) The comparable period presented is from the date of incorporation, May 11, 2021, to September 30, 2021.

(2) Refer to “Non-GAAP Measures”.

(3) For the three and nine months ended September 30, 2022, Adjusted EBITDA includes \$867 and \$1,509 from its proportionate share of RCC’s Adjusted EBITDA, respectively.

RESULTS OF OPERATIONS

Financial Overview

<i>(in thousands of Canadian dollars except per share information)</i>	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021 ⁽¹⁾
Revenue	\$ 19,697	\$ 6,130	\$ 56,677	\$ 6,130
Operating expenses	\$ 8,142	\$ 1,094	\$ 22,001	\$ 1,094
General and administrative	\$ 1,652	\$ 206	\$ 4,244	\$ 206
Share-based compensation	\$ 1,123	\$ 255	\$ 2,477	\$ 255
Depreciation	\$ 4,878	\$ 2,115	\$ 14,381	\$ 2,115
Finance costs and other	\$ 2,697	\$ 717	\$ 4,881	\$ 717
Realized gain on derivative contracts	\$ 5,314	\$ 500	\$ 13,782	\$ 500
Unrealized gain (loss) on derivative contracts	\$ (22,441)	\$ 2,770	\$ (8,132)	\$ 2,770
Income from equity investments	\$ 1,737	\$ -	\$ 2,111	\$ -
Transaction costs	\$ 260	\$ 271	\$ 660	\$ 1,271
Deferred income tax expense (recovery)	\$ (4,378)	\$ 1,324	\$ 3,984	\$ 1,059
Net income (loss) attributable to shareholders	\$ (10,067)	\$ 3,418	\$ 11,810	\$ 2,683
Basic and diluted net income (loss) attributable to shareholders per share	\$ (0.29)	\$ 0.21	\$ 0.34	\$ 0.26

(1) The comparable period presented is from the date of incorporation, May 11, 2021, to September 30, 2021.

The Corporation was incorporated on May 11, 2021. Between the date of incorporation, through to the closing of its initial public offering on August 18, 2021, Tidewater Renewables did not have any active operations.

Revenue

Revenue increased to \$19.7 million in the third quarter of 2022 compared to \$6.1 million in the third quarter of 2021. The increase is attributable to the shortened comparable period of operations in 2021, higher co-processing throughput and increased renewable feedstock collection & marketing. Revenue for the nine months ended September 30, 2022, was \$56.7 million. The Corporation generates revenue primarily through offtake, fixed rate processing and storage take-or-pay agreements with Tidewater Midstream as the main counterparty. These agreements are designed to recover operating costs and provide a return on capital. Fees are charged per unit sold, processed, or stored and through the recovery of operating costs for the facility.

Operating Expenses

Operating expenses for the third quarter of 2022 were \$8.1 million, compared to \$1.1 million for the third quarter of 2021. The increase is attributable to the shortened period of operations in 2021, increased co-processing throughput, higher flow through operating expenses and increased renewable feedstock collection. For the nine months ended September 30, 2022, operating expenses were \$22.0 million. Operating expenses consist of the weighted average cost of renewable feedstocks, storage and transportation fees, truck and rail costs and various field operating expenses.

General and Administrative

General and administrative (“G&A”) expenses for the third quarter of 2022 were \$1.7 million compared to \$0.2 million for the third quarter of 2021. The increase is the result of a shortened comparable period of operations in 2021 and increased employee costs as the Corporation prepares for the commissioning of its HDRD Complex. G&A expenses for the nine months ended September 30, 2022, were \$4.2 million. G&A expenses consist primarily of salaries and benefits, legal fees, information systems, consultant costs, and audit and tax related fees. The Corporation and Tidewater Midstream entered into a shared services agreement pursuant to which Tidewater Midstream agreed to provide or arrange for the provision of, certain management and administrative services required by the Corporation for an aggregate monthly fee of cost plus 5% and reimbursement of associated out-of-pocket costs and expenses.

Share-Based Compensation

The Corporation incurred share-based compensation expenses of \$1.1 million for the third quarter of 2022, compared to \$0.3 million for the third quarter of 2021. The increase is attributable to issuances of additional share awards. Share-based compensation expenses for the nine months ended September 30, 2022, totaled \$2.5 million. Share-based compensation relates to the amortization of the Corporation’s issuance of Restricted Share Units (“RSUs”), Performance Share Units (“PSUs”), Stock Options (“Options”), and Deferred Share Units (“DSUs”) under its share-based incentive plans. Once vested, each RSU, PSU, Option and DSU entitles the holder thereof to one common share.

Depreciation

Depreciation for the three months ended September 30, 2022, was \$4.9 million compared to \$2.1 million for the three months ended September 30, 2021. The increase is the result of a shortened comparable period of operations in 2021. Depreciation for the nine months ended September 30, 2022, was \$14.4 million. Depreciation relates to the Corporation’s property, plant and equipment, and right-of-use assets. Assets under construction, such as the Corporation’s HDRD Complex, are not depreciated until they commence operations.

Finance Costs and Other

Finance costs and other for the third quarter of 2022 were \$2.7 million compared to \$0.7 million for the third quarter of 2021. The increase is attributable to draws on the Corporation's Senior Credit Facility and unrealized foreign exchange losses on the Corporation's USD denominated railcar lease contracts. Finance costs and other for the nine months ended September 30, 2022, were \$4.9 million.

Finance costs and other includes interest on the Corporation's bank debt as well as other non-cash interest charges. Non-cash interest expenses include unrealized foreign exchange losses, revaluation of capital emission credits and accretion expenses on the Corporation's decommissioning obligations, lease liabilities and financing costs.

Realized and Unrealized Gains or Losses on Derivative Contracts

The Corporation uses financial forward contracts to protect operating income against volatility in commodity prices. For the three and nine months ended September 30, 2022, respectively, the Corporation generated \$5.3 million and \$13.8 million of operating cash flow through realized gains on its derivative contracts. The Corporation also recognized a non-cash unrealized loss of \$22.4 million for the three months ended September 30, 2022, and \$8.1 million for the nine months ended September 30, 2022, when adjusting the remaining contracts to their fair value. The Corporation has entered into forward financial contracts for vegetable oils and refined products to manage the commodity price risk related to its co-processing and renewable diesel operations.

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

Transaction Costs

The Corporation's transaction costs of \$0.7 million for the nine months ended September 30, 2022, are associated with the Corporation's previously announced strategic partnerships. Transaction costs of \$1.3 million for the period from date of incorporation, May 11, 2021, to September 30, 2021, relate to the Corporation's initial public offering.

Deferred Income Tax Expense (Recovery)

For the three months ended September 30, 2022, the Corporation recognized a deferred income tax recovery of \$4.4 million, compared to a deferred tax expense of \$1.3 million for the three months ended September 30, 2021. The recovery is attributable to the net loss before tax for the three months ended September 30, 2022. The deferred income tax expense for the nine months ended September 30, 2022, was \$4.0 million.

Net Income (Loss) Attributable to Shareholders

During the three month period ended September 30, 2022, the Corporation incurred a net loss attributable to shareholders of \$10.1 million, compared to net income attributable to shareholders of \$3.4 million for the same period of 2021. The decrease is primarily the result of an unrealized loss on derivative contracts of \$22.4 million in the third quarter of 2022.

During the nine month period ended September 30, 2022, the Corporation generated net income attributable to shareholders of \$11.8 million, compared to net income attributable to shareholders of \$2.7 million for the same period of 2021. The increase in net income is attributable to the shortened comparable period of operations in 2021, higher realized gains on derivative contracts and strong operating income.

ANNUAL OUTLOOK AND CORPORATE UPDATE

Robust prices for renewable fuels and BC LCFS credits, along with growth in the Corporation's feedstock collection business into the fourth quarter, has increased the 2022 Adjusted EBITDA forecast, which is now expected to be between \$55 – 65 million. Tidewater Renewables remains confident in its ability to deliver 2023 Run Rate EBITDA of \$140 - 150 million, before any additional value from CFR credits. Management estimates that the HDRD Complex has the potential to generate an incremental \$30 million of Run Rate EBITDA from CFR credits, assuming pricing of \$95 -100 per credit.

During the third quarter of 2022, the Corporation made significant progress on its 3,000 bbl/d HDRD Complex, including completion of construction on multiple refinery modules. The HDRD Complex remains on schedule to commission in Q1 2023 with production increasing through Q2 2023. Renewable diesel margins remain favorable, and Tidewater Renewables continues to progress its renewable feedstock strategy to secure low-cost feedstock for its HDRD Complex.

Renewable Fuel Assets

The Corporation's renewable fuel assets are co-located at Tidewater Midstream's Prince George Refinery. Tidewater Renewables' operating assets include canola & FCC co-processing infrastructure and a steam methane reformer, used for hydrogen production, as well as working interests in a unifier reactor, certain utilities, storage tanks, and rail & truck racks. These assets generate revenue through take-or-pay contracts and refined product offtake agreements with Tidewater Midstream. The Corporation is expanding its renewable fuels production at PGR via construction of the 3,000 bbl/d HDRD Complex and Phase 2 of its FCC co-processing project.

The Corporation successfully commissioned Phase 1 of its FCC co-processing project in August 2022. Phase 1 of the FCC co-processing project is capable of approximately 100 bbl/d of throughput. Phase 2 commissioning is expected to be completed in 2023, in conjunction with the PGR turnaround, and will increase throughput capacity to approximately 300 bbl/d. The FCC and canola co-processing projects refine various renewable feedstocks, including those provided by the Corporation's feedstock collection business, into renewable diesel and renewable gasoline. To decrease commodity price exposure and protect the project's cash flows, the Corporation has entered into financial forward contracts for vegetable oils and refined products, as well as forward sales of BC LCFS credits.

The HDRD Complex's pre-treatment facility will allow the renewable fuel assets to utilize a wide variety of feedstocks. This flexibility will reduce the renewable fuel assets' dependency on a specific feedstock and optimize refining costs.

Co-locating the renewable fuel assets at PGR offers significant advantages as the Corporation can leverage existing infrastructure, existing regulatory frameworks and proximity to experienced refinery management. PGR supplies the majority of the underserved regional demand, which is comprised of major local industries such as forestry, mining and oil and gas.

Renewable Natural Gas Assets

The Corporation currently operates a natural gas storage facility near Drayton Valley, Alberta, which is configured to inject, store, cycle and sell natural gas. This facility includes injection/withdrawal wells, a 1,480 horse-power compressor, and approximately 30 kilometers of pipelines.

The Corporation continues to advance its planned construction of the RNG Facility, via a partnership with Rimrock RNG Inc. (“Rimrock” and together the “RNG Partnership”), near High River, Alberta. In October 2022, the RNG Partnership announced it entered into a 20-year offtake with FortisBC, whereby FortisBC expects to purchase up to 100% of the RNG production from the RNG Facility. The RNG Facility is expected to generate up to approximately \$10 million of Run Rate EBITDA (\$5 million net to Tidewater Renewables) when operational in the first half of 2024.

The RNG Partnership is also evaluating multiple RNG projects across North America. Along with future growth opportunities for the RNG Partnership, Tidewater Renewables continues to evaluate a variety of additional standalone RNG projects. Tidewater Renewables and Rimrock continue to see incremental government support for the development of RNG projects in North America. Future RNG projects are expected to be constructed at similar build multiples.

Feedstock Supply and Marketing

To complement its renewable fuel and renewable natural gas assets, Tidewater Renewables is aggressively sourcing various renewable feedstocks for use in its facilities and to market to other counterparties. The Corporation continues to pursue partnership opportunities and long-term arrangements to secure a diversified supply of discounted feedstocks.

In April 2022, the Corporation launched its strategic cattle feedlot partnership, RCC. RCC will contribute feedstock under a long-term supply agreement to fulfill substantially all the feedstock requirements of the RNG Facility. RCC along with the previously completed acquisition of a used cooking oil provider, substantially de-risks and diversifies the Corporation’s feedstock supply requirements.

CAPITAL PROGRAM

Tidewater Renewables’ capital program is focused on the construction and commissioning of the HDRD Complex, the design of the RNG Facility, commissioning of the FCC & canola co-processing projects and the expansion of its feedstock collection business. The incremental Run Rate EBITDA from these assets will launch the next phase of Tidewater Renewables’ growth. Tidewater Renewables continues to see material government interest in supporting various future renewable fuel initiatives.

Renewable Diesel & Renewable Hydrogen Complex (“HDRD Complex”)

Tidewater Renewables expects the HDRD Complex to deliver \$90 - 100 million of Run Rate EBITDA (excluding any additional value from CFR credits) once it is commissioned in the first quarter of 2023. Consistent with the global economic environment, the Corporation is experiencing capital cost inflationary pressures, as it resolves supply chain disruptions while adhering to the construction timeline. The Corporation expects gross capital costs to be approximately 10% higher than the previously announced \$235 million. The incremental gross capital is expected to be partially offset by the increased value of the BC LCFS credits issued under the Renewable Diesel Project Part 3 Agreement with the Government of British Columbia as compared to budget. Capital costs net of BC LCFS credits are expected to be approximately \$130 - 140 million. The project’s economics remain attractive, and payback is expected in less than two years.

The Corporation remains hedged on approximately 50% and 40% of the HDRD Complex’s feedstock volume requirements through 2023 and 2024 respectively, as well as the majority of its co-processing feedstock.

During the third quarter of 2022, the following significant project milestones were achieved:

- completed construction of all eight storage tanks;
- installed all piperack modules;
- completed liner installation for secondary containment;
- finished rail rack foundations and installed rail rack modules;
- installed approximately 80% of the equipment in the renewable hydrogen reformer unit;
- completed the renewable hydrogen purification unit and shipped it to PGR;
- installed utility buildings, including the electrical, instrument air and firewater;
- pulled main power feeds from substation to new electrical buildings; and
- erected the flare stack.

Management has the expectation of achieving the following project milestones within the next three months:

- file milestone submissions for approximately 45,000 BC LCFS credits under its Renewable Diesel Project Part 3 Agreement with the Government of British Columbia;
- receive final long-lead reactors and major equipment;
- complete rail rack extension construction and begin commissioning;
- commission all utilities and electrical systems; and
- commission tie-ins to the existing infrastructure.

RNG Facility

The Corporation continues to advance its planned construction of the RNG Facility, via a partnership with Rimrock. The Corporation has completed preliminary design, is progressing detailed design and has initiated its regulatory process, including public engagement.

The RNG Facility intends to leverage Tidewater Renewables’ natural gas processing and marketing experience with Rimrock’s access to feedstocks. The RNG Facility is expected to have a gross capital cost of approximately \$70 million, before approximately \$5 – 7 million of anticipated government support, of which \$0.5 million has been received.

SUMMARY OF QUARTERLY RESULTS

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

<i>(In thousands of Canadian dollars, except per share information)</i>					
	Q3 2022		Q2 2022		Q1 2022
Revenue	\$	19,697	\$	19,730	\$ 17,250
Net income (loss) attributable to shareholders		(10,067)		4,363	17,514
Net income (loss) per share attributable to shareholders – basic and diluted		(0.29)		0.13	0.50
Adjusted EBITDA ⁽¹⁾	\$	16,084	\$	16,902	\$ 12,737

(1) Refer to "Non-GAAP and Other Financial Measures".

<i>(In thousands of Canadian dollars, except per share information)</i>					
	Q4 2021		Q3 2021		Q2 2021
Revenue	\$	16,925	\$	6,130	\$ -
Net income (loss) attributable to shareholders		80		3,418	(735)
Net income (loss) per share attributable to shareholders – basic and diluted ⁽²⁾		0.00		0.21	-
Adjusted EBITDA ⁽¹⁾	\$	10,635	\$	5,330	\$ -

(1) Refer to "Non-GAAP and Other Financial Measures".

(2) During Q2 2021 only one common share was outstanding which was subsequently redeemed.

During 2022, Tidewater Renewables' results were impacted by the following factors and trends:

- volatility in unrealized gains and losses on derivative contracts as a result of the movement in the commodities hedged by the Corporation;
- increasing prices for refined products and BC LCFS credits; and
- higher finance costs relating to the costs associated with the construction of the HDRD Complex and rising interest rates.

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

- one-time transaction costs relating to the issuance of the Corporation's initial public offering and the acquisition of the Renewable Assets; and
- shorter comparable period due to 44 days of operations in the third quarter and 136 days of operations for the period from date of incorporation, May 11, 2021, to December 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Sources

The Corporation's primary liquidity and capital resource needs are to fund future growth opportunities, future interest payments and working capital. The Corporation had the following contractual obligations as at September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
	Less than one year	Greater than one year	Less than one year	Greater than one year
<i>(in thousands of Canadian dollars)</i>				
Accounts payable and accrued liabilities	\$ 74,818	\$ -	\$ 1,780	\$ -
Derivative contracts	7,848	19,110	-	2,095
Lease liabilities ⁽¹⁾	6,231	18,432	5,699	20,799
Bank debt ⁽²⁾	15,550	110,143	-	60,000
	\$ 104,447	\$ 147,685	\$ 7,479	\$ 82,894

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

(2) Amounts represent undiscounted principal only and exclude accrued interest.

The Corporation has a revolving credit facility (the “Senior Credit Facility”) with a syndicate of banks. Total aggregate availability under the Corporation’s Senior Credit Facility is \$150 million and matures on August 18, 2024. The Senior Credit Facility can be drawn in either Canadian or U.S. funds and bears interest at the agent bank’s prime lending rate or banker’s acceptance rates, plus applicable margins.

On September 22, 2022, the Senior Credit Facility was amended (the “amendment”) to increase certain financial covenants. The amended financial covenants are calculated on a trailing-quarterly basis and include consolidated debt (being, the Senior Credit Facility and the RNG Credit Facility) to adjusted EBITDA of less than or equal to 4.0:1; first lien senior debt (being, the Senior Credit Facility but excluding the RNG Credit Facility) to adjusted EBITDA of less than or equal to 3.0:1; and an adjusted EBITDA to interest coverage ratio greater than or equal to 2.5:1. Upon the closing of the AIMCo Facility, the amendment provided a further increase to the financial covenants, including consolidated debt to adjusted EBITDA of less than or equal to 4.5:1 and first lien senior debt to adjusted EBITDA of less than or equal to 3.5:1.

The calculations for each of these ratios are based on specific definitions in the agreements governing the Senior Credit Facility, are not in accordance with GAAP, and cannot be easily calculated by referring to the Corporation’s financial statements. At September 30, 2022, Tidewater Renewables was in compliance with its financial covenants, reporting consolidated debt to adjusted EBITDA ratio of 2.5:1 (December 31, 2021 – 1.5:1), first lien senior debt to adjusted EBITDA ratio of 2.2:1 (December 31, 2021 – 1.5:1) and adjusted EBITDA to interest coverage ratio of 10.0:1 (December 31, 2021 – 18.8:1).

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

To facilitate the previously announced investment in RCC, the Corporation, through a wholly owned subsidiary, has entered into a separate credit facility with a Canadian bank (the “RNG Credit Facility”). The RNG Credit Facility matures on September 29, 2023 and is secured by a first charge over the Corporation’s equity investment in RCC and its ownership interest in the RNG Partnership, as well as a subordinated charge over the Corporation’s remaining assets.

Total aggregate availability under the RNG Credit Facility is \$26.3 million, of which \$18.8 million was available at September 30, 2022. The RNG Credit Facility can be drawn in Canadian dollars and bears interest at the agent bank’s prime lending rate or Canadian Dollar Offered Rate rates, plus applicable margins. On October 24, 2022, in conjunction with the issuance of the AIMCo Facility, the RNG Credit Facility was repaid and extinguished.

On October 24, 2022, the Corporation announced the closing of a \$150.0 million five-year senior secured second lien credit facility with AIMCo. Upon closing the AIMCo Facility was drawn down by way of a single advance with net proceeds reflecting a 5% original issue discount. The AIMCo Facility initially bears interest of 6.50% per annum and increases by 37.5 basis points in year four and year five and is subject to certain inflation escalators.

Under its Renewable Diesel Project Part 3 Agreement with the Government of British Columbia, the Corporation is awarded BC LCFS credits for achieving certain construction milestones on the HDRD Complex. Management has begun monetizing these credits through various sale agreements with investment grade counterparties. The combination of provincial government support, the proceeds available under the Senior Credit Facility, the proceeds available under the AIMCo Facility, the anticipated cash generated by the business and other financing sources as appropriate, is anticipated to provide the required funding to execute the build of the HDRD Complex.

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

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

Tidewater Renewables' actual expenditures may vary depending on a variety of factors, including the availability of equipment and personnel, unexpected expenses, delays in the receipt of necessary regulatory approvals, permits and licenses, and the success of Tidewater Renewables' business development activities, among other variables. Tidewater Renewables regularly reviews operating and capital forecasts to ensure sufficient liquidity is available to the Corporation.

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

Cash Flow Summary

The following table summarizes the Corporation's sources and uses of funds for the three and nine months ended September 30, 2022 and 2021 from continuing operations:

Cash flows provided by (used in) <i>(in thousands of Canadian dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021 ⁽¹⁾
Operating activities	\$ 5,161	\$ (1,776)	\$ 38,349	\$ (1,776)
Financing activities	\$ 3,289	\$ 189,850	\$ 55,611	\$ 189,850
Investing activities	\$ (17,139)	\$ (180,000)	\$ (93,600)	\$ (180,000)

(1) The comparable period presented are from the date of incorporation, May 11, 2021, to September 30, 2021.

Net Cash Provided by (Used in) Operating Activities

Net cash provided by operating activities was \$5.2 million for the three months ended September 30, 2022, compared to net cash used in operating activities of \$1.8 million for the three and nine months ended September 30, 2021. The increase is attributable to higher operating income in the third quarter of 2022. Net cash provided by operating activities for the nine months ended September 30, 2022, was \$38.3 million. Cash flows from operating activities have been generated through operating income, realized hedge gains and changes in non-cash working capital.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$3.3 million and \$55.6 million for the three and nine months ended September 30, 2022 respectively, compared to net cash provided by financing activities of \$189.9 million for the three and nine months ended September 30, 2021.

The net cash provided by financing activities primarily relates to advances of bank debt of \$7.8 million and \$65.7 million for the three and nine months ended September 30, 2022, respectively, offset by lease and interest payments. The 2021 comparable periods include net proceeds of approximately \$150.0 million from the Corporation's initial public offering.

Net Cash Used in Investing Activities

Net cash used in investing activities for the three and nine months ended September 30, 2022 was \$17.1 million and \$93.6 million, respectively, compared to net cash provided by financing activities of \$180.0 million for the three and nine months ended September 30, 2021. Current year expenditures primarily relate to the ongoing construction of the HDRD Complex. The 2021 expenditures were related to the cash consideration paid to Tidewater Midstream for the initial asset acquisition.

Capital Expenditures

The following table summarizes acquisitions, growth and maintenance capital expenditures for the three and nine months ended September 30, 2022 and 2021:

<i>(in thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2022	2021	2022	2021 ⁽¹⁾
Acquisitions	\$ -	\$ 180,000	\$ -	\$ 180,000
Growth capital ⁽²⁾	55,261	2,917	159,096	2,917
Maintenance capital ⁽²⁾	2,922	457	8,649	457
Total additions to property, plant and equipment as per statement of cash flows	\$ 58,183	\$ 183,374	\$ 167,745	\$ 183,374

(1) The comparable periods presented are from the date of incorporation, May 11, 2021, to September 30, 2021.
(2) See the "Non-GAAP and Other Financial Measures" section of this MD&A.

Growth Capital

Growth capital expenditures for the three and nine months ended September 30, 2022 were \$55.2 million and \$159.1 million, respectively. Tidewater Renewables' 2022 growth capital relates to the construction of the HDRD Complex, commissioning of the FCC & canola co-processing projects, the engineering design of the RNG Facility and the expansion of its renewable feedstock collection business. These expenditures were partially offset by funds received from the sale of BC LCFS credits awarded by the BC Government for achieving milestones under the Renewable Diesel Project Part 3 Agreement.

The HDRD Complex is Tidewater Renewables' largest renewable initiative — a 3,000 bbl/d renewable diesel and renewable hydrogen facility located on-site at the PGR. The HDRD Complex will be a stand-alone renewables complex focused on 100% renewable feedstock and will include a pretreatment facility to provide Tidewater Renewables significant flexibility on running various renewable feedstocks. Upon completion, the HDRD Complex is expected to be one of Canada's first stand-alone renewable diesel facilities and will be Tidewater Renewables' flagship asset.

Maintenance Capital

Tidewater Renewables places a high priority on the maintenance and upgrading of its assets to provide safe operating conditions for its employees and reliable services to its customers. Maintenance capital expenditures for the three and nine months ended September 30, 2022, were \$2.9 million and \$8.6 million, respectively. These maintenance capital expenditures are attributable to the upcoming PGR turnaround program and improvements to the utilities infrastructure, rail rack and tank farm.

CONTRACTUAL LIABILITIES AND COMMITMENTS

At September 30, 2022, the Corporation had commitments related to leased (right-of-use) assets, long-term debt and its purchase of a 50% interest in RCC. Lease liabilities relate to railcars and equipment leases. The Corporation had the following contractual obligations and commitments, including those recognized as leases, as at September 30, 2022:

<i>(in thousands of Canadian dollars)</i>	Within one year	After one year but not greater than five years	Greater than five years	Total
Lease liabilities	\$ 6,231	\$ 18,432	\$ -	\$ 24,663
Bank debt ⁽¹⁾	15,550	110,143	-	125,693
Investment purchase commitment ⁽²⁾	7,500	-	-	7,500
Total	\$ 29,281	\$ 128,575	\$ -	\$ 157,856

(1) The Corporation's Senior Credit Facility is due August 18, 2024 and the RNG Credit Facility is due on September 29, 2023.

(2) The Corporation has agreed to purchase RCC common shares with the final installment due on December 31, 2022.

Off Balance Sheet Arrangements

At September 30, 2022, the Corporation did not have any guarantees or off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Corporation's financial performance or condition, results of operations, liquidity or capital expenditures.

OUTSTANDING EQUITY

At November 9, 2022, Tidewater Renewables had the following number of outstanding common shares, RSUs, DSUs and Options:

<i>(In thousands)</i>	
Common shares	34,712
RSUs	657
DSUs	45
Options	429

TRANSACTIONS WITH RELATED PARTY

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

The transactions with Tidewater Midstream during the three and nine months ended September 30, 2022, are summarized in the following table:

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30, 2022	Nine months ended September 30, 2022
Revenue	\$ 18,856	\$ 53,846
Operating expenses	6,494	18,220
General and administrative	753	1,336
Realized loss (gain) on derivative contracts	44	(7,862)
Unrealized gain on derivative contracts	(1,744)	(21,993)

Balances with Tidewater Midstream included in the statement of financial position as at September 30, 2022 are summarized in the following table:

<i>(in thousands of Canadian dollars)</i>	As at September 30, 2022	
	Accounts receivable	Accounts payable
Tidewater Midstream and Infrastructure Ltd. ⁽¹⁾	\$ 7,456	\$ 35,111
Total	\$ 7,456	\$ 35,111

(1) Accounts payable with Tidewater Midstream primarily relate to flow-through capital expenditures on the HDRD Complex.

For the three and nine months ended September 30, 2022, Tidewater Renewables had no other transactions with related parties, except those pertaining to its contributions to Tidewater Renewables' long-term incentive plans and remuneration of key management personnel in the ordinary course of their employment.

FINANCIAL INSTRUMENTS

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

The majority of Tidewater Renewables' accounts receivable (and cash flow) are due from Tidewater Midstream. Revenue earned from Tidewater Midstream for the three and nine months ended September 30, 2022, were \$18.9 million and \$53.8 million, respectively. The Corporation believes the credit risk associated with Tidewater Midstream is minimal.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Tidewater Renewables provides the opportunity to invest in an energy transition vehicle focused on producing clean, renewable fuels for the North American markets utilizing existing and proven technologies. The Corporation will focus on low carbon fuels to deliver carbon intensity ("CI") reduction alternatives including renewable diesel, renewable hydrogen and renewable natural gas. Tidewater Renewables strives to become one of the largest Canadian renewable fuel producers with ESG being a top priority. Some of the key ESG attributes are highlighted below:

1. Focused on renewable fuels that have significantly reduced CI relative to conventional fossil fuels by more than 80%, and over 100% in some cases where use of organic waste products, which would have otherwise escaped into the environment, instead are captured, processed and converted into energy, thus receiving a credit for having not been released into the environment.
2. Feedstock strategy will focus on inedible and waste-stream oils such as animal fats, used cooking oil, and distillers corn oil as well as wood waste products for its Renewable Natural Gas Anaerobic Digester and Gasifier Projects.

3. Tidewater Renewables has an experienced and diverse Board of Directors, consisting of a majority of independent directors acting in the best interest of Tidewater Renewables, of which 25% are women.
4. Through its Shared Services Agreement with Tidewater Midstream, Tidewater Renewables has the benefit of the experience and knowledge of the Tidewater Midstream team with respect to health and safety practices and human capital management. This includes an ESG Committee that meets on a weekly basis to review ESG priorities and plans.
5. Some communities not connected to the electricity grid may rely on greenhouse gas (GHG) emitting diesel generated electricity. Tidewater Renewables is working with several Indigenous groups across Canada to deliver clean fuels (including renewable diesel) to these communities to reduce their overall impact on the environment and decrease their CI.
6. Focused on socially conscious commerce, community engagement with all local stakeholders and deepening of community relations through various events and corporate sponsorships.

Governmental Regulation

Tidewater Renewables' assets and growth projects are subject to federal, provincial and local regulations and permitting requirements, regarding air quality, solid waste and water quality. Among other things, the environmental regulatory regime provides restrictions and prohibitions on releases or emissions of various substances produced in association with energy industry operations. Tidewater Renewables does not believe that they impact its operations in a manner materially different from other comparable businesses operating in the same jurisdictions.

Environmental regulation affects the operation of facilities and limits the extent to which facility expansion is permitted. In addition, legislation requires that facility sites be abandoned and reclaimed to the satisfaction of provincial authorities and local landowners. A breach of such legislation may result in the imposition of fines, the issuance of clean-up orders or the shutting down of facilities and pipelines. Tidewater Renewables uses engineering consulting firms and internal resources to compile inventories of greenhouse gas emissions and reports these inventories in accordance with regulatory authorities. For further details, please see the Corporation's most recently filed annual information form, an electronic copy of which is available on Tidewater Renewables' SEDAR profile at www.sedar.com.

RISK FACTORS

Tidewater Renewables faces a number of risks in its normal course of business including, but not limited to: (i) risks relating to the Corporation's business, industry and operating environment including financial, legal, regulatory and strategic risks; and (ii) risks relating to the Corporation's relationship with Tidewater Midstream. For a more detailed description of the risk factors associated with the Corporation, refer to the section entitled "Risk Factors" in the Corporation's most recently filed annual information form, an electronic copy of which is available on Tidewater Renewables' SEDAR profile at www.sedar.com. The Corporation's financial risks are discussed in note 18 of the consolidated financial statements for the period from date of incorporation, May 11, 2021, to December 31, 2021. There have been no material changes to the Corporation's critical accounting estimates and judgements during the nine months ended September 30, 2022.

The Corporation's specific focus on the renewable energy sector exposes the Corporation to risks related to the supply and demand of commodities, the cost of capital expenditures, government regulation, world and regional events and economic conditions, and the acceptance of alternative energy sources. The

Corporation continually works to mitigate the impact of risks to its business by identifying all significant risks so that they can be appropriately managed.

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

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

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

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

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

Run Rate EBITDA Outlook

The Run Rate EBITDA outlook contained in this MD&A was prepared using assumptions that reflect management's intended course for the periods covered, based on the judgement of management as to several factors, including, without limitation, estimates of volumes of feedstock and sales for the applicable period.

The Corporation's calculation of Run Rate EBITDA for the Renewable Assets and the HDRD Complex is based on certain assumptions, some of which may not materialize and may differ from the assumptions underlying any forward-looking information relating to capital projects and assets that was prepared for other purposes. Unanticipated events may occur that could have a material adverse effect on the actual results achieved by the Corporation during the periods to which these estimates relate.

There can be no assurance that the assumptions reflected in the Run Rate EBITDA for the Renewable Assets and the HDRD Complex will prove to be accurate. Actual results may vary from the amounts disclosed and those variations may be material.

Presentation of such Run Rate EBITDA excludes certain expense items, such as the impact of non-cash compensation, and such presentation is not intended to be a substitute for historical IFRS measures of operating performance or liquidity. The Run Rate EBITDA outlook for the Renewable Assets and the HDRD Complex is subject to material risks, uncertainties and contingencies. See "*Forward-looking Information*" and "*Non-GAAP and Other Financial Measures*".

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimates that differ materially from current estimates. The Corporation's use of estimates and judgments in preparing the Financial Statements is discussed in note 2 of the consolidated financial statements for the period from date of incorporation, May 11, 2021, to December 31, 2021. There have been no material changes to the Corporation's critical accounting estimates and judgements during the three and nine months ended September 30, 2022.

The Corporation's business, financial condition and results of operations may continue to be affected by the COVID-19 pandemic with respect to the extent and duration of the pandemic including the resurgence of variants. The pandemic has contributed to significant volatility in the financial and commodity markets, disruptions in the global supply chain, inflation and cost pressures. While the Corporation has taken proactive measures to protect its operations, given the ongoing and dynamic nature of the circumstances surrounding COVID-19, the impact of this pandemic on the Corporation's business remains uncertain. These uncertainties increase the complexity of estimates and judgements used to prepare the Financial Statements in areas such as: i) the identification of triggering events for impairment of property, plant and equipment; ii) fair value measurements of derivative contracts; and iii) analysis of external credit losses.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures ("DC&P")

The Corporation's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P"), as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), to provide reasonable assurance that material information relating to the Corporation is made known to them by others, particularly during the period in which the annual filings are being prepared, and information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Corporation's management, including the Chief Executive Officer and Chief Financial Officer, evaluate the effectiveness of the Corporation's DC&P annually. No material changes in the DC&P were identified during the interim period ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Corporation's DC&P.

Internal Controls Over Financial Reporting (“ICFR”)

Tidewater Renewables’ Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting (“ICFR”), as defined by NI 52-109. They have, as at the period ended September 30, 2022, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used by the officers to design the Corporation’s ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations.

The Corporation’s Chief Executive Officer and Chief Financial Officer are required to disclose any change in the ICFR that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation’s ICFR. No material changes in the ICFR were identified during the interim period ended September 30, 2022, that have materially affected, or are reasonably likely to materially affect, the Corporation’s ICFR.

No material weaknesses relating to the design of the ICFR existing at September 30, 2022 were identified. As well, there were no limitations on the scope of the design of DC&P or ICFR.

It should be noted that a control system, including the Corporation’s DC&P and ICFR, no matter how well conceived, can provide only reasonable and not absolute assurance that the objectives of the control system will be met. As a result of inherent limitation in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Corporation have been prevented or detected.

NON-GAAP AND OTHER FINANCIAL MEASURES

Throughout this MD&A and in other materials disclosed by the Corporation, Tidewater Renewables uses a number of financial measures when assessing its results and measuring overall performance. The intent of non-GAAP measures and ratios is to provide additional useful information to investors and analysts. Certain of these financial measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other entities.

As such, these measures should not be considered in isolation or used as a substitute for measures of performance prepared in accordance with GAAP. Except as otherwise indicated, these financial measures will be calculated and disclosed on a consistent basis from period to period. Specific adjusting items may only be relevant in certain periods.

The following are the Corporation’s non-GAAP financial measures, non-GAAP financial ratios, capital management measures and supplementary financial measures.

Non-GAAP Financial Measures

The non-GAAP financial measures used by the Corporation are Adjusted EBITDA, distributable cash flow and Run Rate EBITDA.

Adjusted EBITDA

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

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

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

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021 ⁽¹⁾
Net income (loss)	\$ (10,067)	\$ 3,418	\$ 11,810	\$ 2,683
Deferred income tax expense (recovery)	(4,378)	1,324	3,984	1,059
Depreciation	4,878	2,115	14,381	2,115
Finance costs	2,697	717	4,881	717
Share-based compensation	1,123	255	2,477	255
Unrealized loss (gain) on derivative contracts	22,441	(2,770)	8,132	(2,770)
Transaction costs	260	271	660	1,271
Adjustment to share of profit from equity accounted investments ⁽²⁾	(870)	-	(602)	-
Adjusted EBITDA	\$ 16,084	\$ 5,330	\$ 45,723	\$ 5,330

(1) The comparable period presented is from the date of incorporation, May 11, 2021 to September 30, 2021.

(2) For the three and nine months ended September 30, 2022, Adjusted EBITDA includes \$867 and \$1,509 from its proportionate share of RCC's Adjusted EBITDA, respectively.

Distributable Cash Flow

Distributable cash flow is a non-GAAP measure. Management believes distributable cash flow is a useful metric for investors when assessing the amount of cash flow generated from normal operations. These cash flows are relevant to the Corporation's ability to internally fund growth projects, alter its capital structure, or distribute returns to shareholders.

Distributable cash flow is calculated as net cash provided by operating activities before changes in non-cash working capital plus cash distributions from investments, transaction costs, non-recurring expenses, and after any expenditures that use cash from operations. Changes in non-cash working capital are excluded from the determination of distributable cash flow because they are primarily the result of seasonal fluctuations or other temporary changes and are generally funded with short-term debt or cash flows from operating activities. Deducted from distributable cash flow are maintenance capital expenditures, including turnarounds, as they are ongoing recurring expenditures which are funded from operating cash flows. Transaction costs are added back as they vary significantly quarter to quarter based on the Corporation's acquisition and disposition activity. It also excludes non-recurring transactions that do not reflect Tidewater Renewables' ongoing operations.

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

<i>(in thousands of Canadian dollars)</i>	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021 ⁽¹⁾
Net cash provided by operating activities	\$ 5,161	\$ (1,776)	\$ 38,349	\$ (1,776)
Add (deduct):				
Changes in non-cash working capital	9,588	6,835	4,824	5,835
Transaction costs	260	271	660	1,271
Interest and financing charges	(1,161)	(221)	(2,163)	(221)
Payment of lease liabilities	(1,489)	(712)	(4,394)	(712)
Maintenance capital	(2,922)	(457)	(8,649)	(457)
Distributable cash flow	\$ 9,437	\$ 3,940	\$ 28,627	\$ 3,940

(1) The comparable period presented is from the date of incorporation, May 11, 2021, to September 30, 2021.

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

Run Rate EBITDA

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

Run Rate EBITDA guidance related to the HDRD Complex contains various assumptions including a renewable refinery margin of \$90/bbl. The renewable refinery margin is derived from vegetable oil strip pricing for the Corporation's feedstocks, which are 50% and 40% hedged through 2023 and 2024, respectively, current diesel strip pricing and average BC LCFS credits sale prices over the past 12-months. The renewable refinery margin currently excludes any incremental value from CFR credits.

Run Rate EBITDA guidance related to CFR credits, which is excluded from other guidance, assumes that CFR credits can be sold at an average price of \$95 - 100/credit, based on the Corporation's previously announced forward sales.

Run Rate EBITDA guidance related to the RNG Facility contains various assumptions related to throughput, sales prices, feedstock pricing and operating expenses. Throughput and operating expense assumptions are derived from the facility design. Sales and feedstock pricing is derived from existing and prospective agreements.

Non-GAAP Financial Ratios

The Corporation uses the following non-GAAP financial ratios to present aspects of its financial performance or financial position, including distributable cash flow per common share.

Distributable cash flow per common share

Distributable cash flow per common share is calculated as distributable cash flow over the weighted average number of common shares outstanding for the three and nine months ended September 30, 2022.

Distributable cash flow is a non-GAAP financial measure. Management believes that distributable cash flow per common share provides investors an indicator of funds generated from the business that could be allocated to each shareholder's equity position.

<i>(in thousands of Canadian dollars except per share information)</i>	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021 ⁽¹⁾
Distributable cash flow	\$ 9,437	\$ 3,940	\$ 28,627	\$ 3,940
Distributable cash flow per share— basic and diluted	\$ 0.27	\$ 0.25	\$ 0.82	\$ 0.38

(1) The comparable period presented is from the date of incorporation, May 11, 2021, to September 30, 2021.

Capital Management Measures

The Corporation has its own methods for managing capital and liquidity as further described in “*Liquidity, and Capital Resources*” section of this MD&A and within note 17 of the consolidated financial statements for the period from date of incorporation, May 11, 2021, to December 31, 2021.

Net Debt

Net debt is used by the Corporation to monitor its capital structure and financing requirements. It is also used as a measure of the Corporation’s overall financial strength. Net debt is defined as bank debt, less cash.

Net debt excludes working capital, lease liabilities and derivative contracts as the Corporation monitors its capital structure based on net debt to Adjusted EBITDA, consistent with its credit facility covenants as described in “*Liquidity and Capital Resources*”.

The following table reconciles net debt:

<i>(in thousands of Canadian dollars)</i>	September 30, 2022
Senior Credit Facility	\$ 110,143
RNG Credit Facility	15,550
Cash	(1,382)
Net debt	\$ 124,311

Supplementary Financial Measures

Growth Capital

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

Maintenance Capital

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

FORWARD-LOOKING INFORMATION

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

In particular, this MD&A contains forward-looking statements pertaining to, but not limited to, the following: the expected financial performance of the Corporation’s capital projects and assets, including the Renewable Assets; the expectation that the Corporation will be able to grow its revenue, actively maintain and manage its capital projects and assets, including the Renewable Assets, and achieve growth by selectively pursuing strategic business development opportunities; estimates of, and guidance with respect to forecasted, Adjusted EBITDA and Run Rate EBITDA; the Corporation’s business plans and strategies, including the underlying existing assets and capital projects, and the success and timing of the projects and related milestones and capital costs; the Corporation’s operational and financial performance, including expectations regarding generating revenue, revenues and operating expenses; the ability to leverage existing infrastructure and engineering expertise of Tidewater Midstream regarding development of the Corporation’s projects and product offerings; the ability of the Corporation to progress its feedstock strategy; the future price and volatility of commodities; the future pricing of BC LCFS credits and CFR credits issued pursuant to the CFR; expectations around the Corporation’s receipt of BC LCFS credits and CFR credits; anticipated revenue from future sales of BC LCFS credits and CFR credits; and the availability, future price and volatility of feedstocks and other inputs.

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

Tidewater Renewables' ability to execute on its business plan; the timely receipt of all third party, governmental and regulatory approvals and consents sought by the Corporation, including with respect to the Corporation's approval related to the RNG Facility and other projects and applications; general economic and industry trends, including the duration and effect of the COVID-19 pandemic; operating assumptions relating to the Corporation's projects; expectations around level of output from the Corporation's projects, including assumptions relating to feedstock supply levels; timing and cost of completion of the HDRD Complex, including that the project will remain on budget and on schedule; the ownership and operation of Tidewater Renewables' business; regulatory risks, including changes or delay to the BC LCFS credits or CFR credits; the expansion of production of renewable fuels by competitors; the future pricing of BC LCFS credits and CFR credits; future commodity and renewable energy prices; sustained or growing demand for renewable fuels; ability for the Corporation to successfully turn a wide variety of renewable feedstocks into low carbon fuels; changes in the credit-worthiness of counterparties; the Corporation's future debt levels and its ability to repay its debt when due; the Corporation's ability to continue to satisfy the terms and conditions of its credit facilities; the continued availability of the Corporation's credit facilities; the Corporation's ability to obtain additional debt and/or equity financing on satisfactory terms; foreign currency, exchange, inflation and interest rate risks; and the other assumptions set forth in the Corporation's most recent annual information form available under the Corporation's profile on SEDAR at www.sedar.com.

The foregoing lists are not exhaustive. Additional information on these and other factors which could affect the Corporation's operations or financial results are set forth in the Corporation's most recent annual information form and in other documents on file with the Canadian Securities regulatory authorities available under the Corporation's profile on SEDAR at www.sedar.com.

The Corporation's actual results could differ materially from those anticipated in the forward-looking statements, as a result of numerous known and unknown risks and uncertainties and other factors including, but not limited to: changes in supply and demand for low carbon products; general economic, political, market and business conditions, including fluctuations in interest rates, foreign exchange rates, supply chain pressures, inflation, stock market volatility and supply/demand trends; risks of health epidemics, pandemics and similar outbreaks, including COVID-19, which may have sustained material adverse effects on the Corporation's business, financial position, results of operations and/or cash flows; risks and liabilities inherent in the operations related to renewable energy production and storage infrastructure assets, including the lack of operating history and risks associated with forecasting future performance; competition for, among other things, third-party capital, acquisition opportunities, requests for proposals, materials, equipment, labour, and skilled personnel; risks related to the environment and changing environmental laws in relation to the operations conducted with the Renewable Assets and the Corporation's other capital projects; risks related to and the other risks set forth in the Corporation's most recent annual information form available under the Corporation's profile on SEDAR at www.sedar.com.

The foregoing lists are not exhaustive. Additional information on these and other factors which could affect the Corporation's operations or financial results are included in the Corporation's most recent Annual Information Form and in other documents on file with the Canadian Securities regulatory authorities at www.sedar.com.

Management of the Corporation has included the above summary of assumptions and risks related to forward-looking statements provided in this MD&A in order to provide holders of common shares in the capital of the Corporation with a more complete perspective on the Corporation's current and future operations and such information may not be appropriate for other purposes. The Corporation's actual results' performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do occur, what benefits the Corporation will derive from them. Readers are therefore cautioned that the foregoing list of important factors is not exhaustive, and they should not unduly rely on the forward-looking statements included in this MD&A. Tidewater Renewables does not undertake any obligation to update publicly or to revise any

of the included forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable securities law. All forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Further information about factors affecting forward-looking statements and management's assumptions and analysis thereof is available in the Corporation's most recent annual information form and other filings made by the Corporation with Canadian provincial securities commissions available under the Corporation's profile on SEDAR at www.sedar.com.

Financial Outlook

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about expectations regarding financial results for 2022 and 2023, including Adjusted EBITDA and annual Run Rate EBITDA, which are subject to the same assumptions, risk factors, limitations and qualifications as set out under the heading "Forward-Looking Information". The actual financial results of the Corporation may vary from the amounts set out herein and such variation may be material. The Corporation and its management believe that the financial outlook has been prepared on a reasonable basis, reflecting management's best estimates and judgments and the FOFI contained in this MD&A was approved by management as of the date hereof. However, because this information is subjective and subject to numerous risks, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, the Corporation undertakes no obligation to update such FOFI. FOFI contained in this MD&A was made as of the date hereof and was provided for the purpose of providing further information about the Corporation's anticipated future business operations on an annual basis. Readers are cautioned that the FOFI contained in this MD&A should not be used for purposes other than for which it is disclosed herein.