



TIDEWATER
Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2021

Tidewater Midstream and Infrastructure Ltd.
Condensed Interim Consolidated Statement of Financial Position (unaudited)
(all tabular amounts expressed in thousands of Canadian dollars)

As at	Notes	September 30, 2021	December 31, 2020
Assets			
Current			
Cash		\$ 25,776	\$ 9,931
Accounts receivable		277,058	169,960
Derivative contracts		10,648	350
Inventory	3	45,018	38,546
Prepaid expenses and other		34,737	25,363
Assets held for sale	5	-	101,656
		393,237	345,806
Derivative contracts		15,983	409
Prepaid expenses and other		10,078	14,189
Investments	4	58,658	55,022
Right-of-use assets	6	75,999	101,436
Inventory	3	34,294	37,117
Property, plant and equipment	7	1,336,952	1,309,676
Total assets		\$ 1,925,201	\$ 1,863,655
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 333,074	\$ 269,072
Derivative contracts		18,171	13,549
Dividend payable	13(c)	3,403	3,391
Interest payable	9,10	2,404	1,339
Lease liabilities and other	12	33,990	49,595
Liabilities associated with assets held for sale	5	-	68
		391,042	337,014
Bank debt	8	466,403	664,587
Notes payable	9	124,055	123,501
Convertible debentures	10	68,751	67,430
Derivative contracts		9,134	32,291
Deferred tax liabilities		44,567	27,279
Decommissioning obligation	11	46,170	45,026
Lease liabilities and other	12	126,728	137,798
Total liabilities		1,276,850	1,434,926
Equity			
Non-controlling interest	14	24,700	1,986
Shareholders' equity			
Share capital	13	443,563	442,124
Employee share reserve		16,889	17,333
Convertible debentures (equity component)	10	4,911	4,911
Retained earnings (accumulated deficit)		158,288	(37,625)
Total shareholders' equity		623,651	426,743
Total shareholders' equity and non-controlling interest		648,351	428,729
Total liabilities and equity		\$ 1,925,201	\$ 1,863,655

Commitments (note 20)

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss) (unaudited)
(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2021	2020	2021	2020
		(Restated - Note 2 (b))		(Restated - Note 2 (b))	
Revenue	15	\$ 433,961	\$ 273,461	\$ 1,163,781	\$ 704,493
Expenses					
Operating expenses	15	392,380	234,401	1,040,483	591,206
General and administrative		5,922	5,177	18,356	12,768
Share-based compensation	17	1,584	1,711	4,640	5,522
Depreciation	6,7	19,975	21,472	61,213	63,498
Total expenses		419,861	262,761	1,124,692	672,994
Operating income		14,100	10,700	39,089	31,499
Other expenses (income)					
Finance costs and other	16	16,644	16,042	56,998	53,904
Realized loss (gain) on derivative contracts		(13,468)	(9,571)	(44,201)	(24,274)
Unrealized loss (gain) on derivative contracts		9,392	441	(44,407)	47,488
Realized loss (gain) on sale of assets		(1,548)	13,848	(26,258)	10,808
Loss (income) from equity investments	4	(2,406)	(2,446)	(1,694)	(280)
Transaction costs		908	954	2,528	1,218
Total other expenses (income) before tax		9,522	19,268	(57,034)	88,864
Earnings (loss) before income tax		4,578	(8,568)	96,123	(57,365)
Deferred income tax expense (recovery)		1,138	(4,297)	20,215	(15,455)
Net income (loss) and comprehensive income (loss)		\$ 3,440	\$ (4,271)	\$ 75,908	\$ (41,910)
Net income (loss) and comprehensive income (loss) attributable to:					
Shareholders of the Corporation		1,797	(3,820)	74,473	(40,846)
Non-controlling interest	14	1,643	(451)	1,435	(1,064)
		\$ 3,440	\$ (4,271)	\$ 75,908	\$ (41,910)
Net income (loss) per share attributable to common shareholders – basic	18	\$ 0.01	\$ (0.01)	\$ 0.22	\$ (0.12)
Net income (loss) per share attributable to common shareholders – diluted	18	\$ 0.01	\$ (0.01)	\$ 0.19	\$ (0.12)

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)
(all tabular amounts expressed in thousands of Canadian dollars)

		September 30, 2021	September 30, 2020
	Notes		(Restated - Note 2 (b))
Non-controlling interest			
Balance, beginning of period		\$ 1,986	\$ 3,393
Sale of Tidewater Renewables common shares	14	21,279	-
Net income (loss)	14	1,435	(1,064)
Balance, end of period		\$ 24,700	\$ 2,329
Share capital			
Balance, beginning of period		\$ 442,124	\$ 440,995
Issue of common shares	13(b)	1,459	760
Share issue costs (net of tax)	13(b)	(20)	(11)
Balance, end of period		\$ 443,563	\$ 441,744
Employee share reserve			
Balance, beginning of period		\$ 17,333	\$ 14,465
Issue of common shares		(1,459)	(760)
Share-based compensation		1,015	3,310
Balance, end of period		\$ 16,889	\$ 17,015
Convertible debentures (equity component)			
Balance, beginning of period		\$ 4,911	\$ 4,911
Balance, end of period		\$ 4,911	\$ 4,911
Retained earnings (accumulated deficit)			
Balance, beginning of period		\$ (37,625)	\$ 9,684
Sale of Tidewater Renewables common shares	1	131,628	-
Net income (loss)		74,473	(40,846)
Dividends declared	13(c)	(10,188)	(10,147)
Balance, end of period		\$ 158,288	\$ (41,309)
Total shareholders' equity and non-controlling interest		\$ 648,351	\$ 424,690

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.
Condensed Interim Consolidated Statements of Cash Flows (unaudited)
(all tabular amounts expressed in thousands of Canadian dollars)

	Notes	Three months ended		Nine months ended	
		2021	2020	2021	2020
			(Restated - Note 2 (b))		(Restated - Note 2 (b))
Cash provided by (used in):					
Operating activities					
Net income (loss) for the period		\$ 3,440	\$ (4,271)	\$ 75,908	\$ (41,910)
Adjustments:					
Share-based compensation		(823)	853	1,015	3,310
Depreciation	6,7	19,975	21,472	61,213	63,498
Interest and financing charges	16	11,310	11,937	41,293	35,480
Accretion	16	5,428	5,518	16,016	16,985
Unrealized loss (gain) on derivative contract		9,392	441	(44,407)	47,488
Unrealized (gain) loss on foreign exchange	16	1,243	(1,393)	(134)	1,681
Income from equity investment	4	(2,406)	(2,446)	(1,694)	(280)
Deferred income tax expense (recovery)		1,138	(4,297)	20,215	(15,455)
Loss (gain) on asset disposal		(1,548)	13,848	(26,258)	10,808
Decommissioning costs incurred	11	(623)	(104)	(1,321)	(3,045)
Changes in non-cash working capital	19(a)	(50,353)	22,432	(47,816)	32,405
<i>Net cash provided by (used in) operating activities</i>		(3,827)	63,990	94,030	150,965
Financing activities					
Advances (repayments) of bank debt		(101,595)	(9,590)	(195,042)	17,453
Net proceeds on sale of Tidewater					
Renewables common shares		149,980	-	149,980	-
Payment of lease liabilities and other	12	(12,679)	(14,701)	(39,155)	(40,479)
Interest and financing charges paid		(13,834)	(10,844)	(43,850)	(35,283)
Common share issuance costs	13(b)	(6)	-	(20)	(11)
Payment of dividends		(3,393)	(3,384)	(10,176)	(10,135)
<i>Net cash provided by (used in) financing activities</i>		18,473	(38,519)	(138,263)	(68,455)
Investing activities					
Additions to property, plant and equipment	7	(34,699)	(24,799)	(72,315)	(50,532)
Proceeds from asset disposal		3,805	6,457	139,340	20,127
Contribution to investments		(637)	-	(1,942)	-
Changes in non-cash working capital	19(b)	14,740	(8,944)	(5,005)	(46,961)
<i>Net cash provided by (used in) investing activities</i>		(16,791)	(27,286)	60,078	(77,366)
Increase (decrease) in cash		(2,145)	(1,815)	15,845	5,144
Cash at beginning of period		27,921	12,744	9,931	5,785
Cash at end of period		\$ 25,776	\$ 10,929	\$ 25,776	\$ 10,929

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

1. REPORTING ENTITY

Tidewater Midstream and Infrastructure Ltd.'s ("Tidewater Midstream" or the "Corporation") business objective is to build a diversified energy infrastructure company in the North American natural gas, natural gas liquids ("NGL") and crude oil value chain. Its strategy is to profitably grow and create shareholder value through the acquisition and development of oil and gas infrastructure. To achieve its business objective, Tidewater Midstream is focused on providing customers with a full service, vertically integrated value chain through the acquisition and development of oil and gas infrastructure, including gas plants, pipelines, railcars, export terminals, storage, downstream facilities and various renewable initiatives. To complement its asset base, the Corporation also markets crude, refined product, natural gas and NGL products and services to customers across North America. The Corporation's common shares trade on the Toronto Stock Exchange under the symbol "TWM".

The Corporation's principal place of business is Suite 900, 222 – 3rd Ave SW, Calgary, Alberta, Canada, T2P 0B4.

The Corporation has joint venture interests in Tidewater Brazeau Gas Storage LP ("Brazeau Partnership") and Tidewater Pipestone Infrastructure LP ("Pipestone Partnership"), and a joint operation in Pioneer Pipeline LP (notes 4 and 5). The assets of the Pioneer Pipeline LP were divested on June 30, 2021.

Tidewater Renewables Ltd.

On July 21, 2021, the Corporation announced the formal creation of Tidewater Renewables Ltd. ("Tidewater Renewables") as a wholly owned subsidiary of the Corporation. Tidewater Renewables was formed to become a multi-faceted, energy transition company focusing on the production of low carbon fuels.

On August 18, 2021, Tidewater Renewables closed its initial public offering of 10 million common shares at a price of \$15.00 per common share for gross proceeds of \$150 million (the "Offering"). On September 15, 2021, the underwriters partially exercised their over-allotment option to purchase an additional 735,000 common shares at the Offering price of \$15.00 per common share for additional gross proceeds of approximately \$11 million. The partial exercise of the over-allotment option increased the total gross proceeds of the Offering to approximately \$161 million. In total, Tidewater Renewables received approximately \$150 million in cash consideration net of underwriter commissions and legal expenses.

In connection with the Offering, Tidewater Renewables acquired certain pre-existing operating assets as well as a number of growth projects from Tidewater Midstream that provided an initial platform for its renewable diesel, renewable hydrogen, and renewable natural gas business (the "Acquired Assets"). As consideration for the Acquired Assets, Tidewater Midstream received 23.9 million common shares of Tidewater Renewables valued at \$15.00 per common share for total share consideration of \$358.5 million and cash of \$180 million.

After completion of the transaction, the Corporation owns 23.9 million common shares of Tidewater Renewables, representing approximately 69% of Tidewater Renewables' issued and outstanding common shares. The Corporation retains control over Tidewater Renewables, and therefore consolidates the subsidiary. The excess of consideration received over the net book value of Tidewater Midstream's divested interest was \$131.6 million and was recorded in retained earnings (deficit). Any transactions between Tidewater Midstream and Tidewater Renewables are eliminated on consolidation in the Corporation's financial statements. Effective August 18, 2021, the net income (loss) and comprehensive income (loss) attributable to the 31% divested interest are reflected in the consolidated statement of net income (loss) and comprehensive (loss) as net income (loss) and comprehensive income (loss) attributable to non-controlling interests. As at September 30, 2021, the net assets attributable to the 31% divested interest are reflected in equity attributable to non-controlling interests in the Consolidated Statement of Financial Position.

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

2. BASIS OF PRESENTATION

a) Statement of compliance

These condensed interim consolidated 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 Corporation’s consolidated financial statements as at and for the year ended December 31, 2020. These condensed interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2021 do not include all disclosures required for the preparation of annual consolidated financial statements and should be read in conjunction with the Corporation’s consolidated financial statements as at and for the year ended December 31, 2020.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 3, 2021.

b) Voluntary change in accounting policy

As detailed in note 2(d) of the Corporation’s most recent annual consolidated financial statements, effective December 31, 2020, the Corporation voluntarily changed its accounting policy for decommissioning liabilities to utilize a pre-tax credit adjusted risk-free interest rate instead of a risk-free interest rate to determine the present value of the liability at each statement of financial position date. This change in accounting policy was applied retrospectively, and the effect of this is described below. Comparative amounts in these condensed interim consolidated financial statements have been restated.

Reconciliation of the Condensed Interim Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss):

For the three months ended September 30, 2020

	Previous policy	Adjustments	Restated
Depreciation	22,683	(1,211)	21,472
Finance costs and other	16,533	(491)	16,042
Realized loss on sale of assets	10,726	3,122	13,848
Income from equity investments	(2,439)	(7)	(2,446)
Deferred income tax expense (recovery)	(4,722)	425	(4,297)
Net income (loss) and comprehensive income (loss)	(2,433)	(1,838)	(4,271)
Net income (loss) and comprehensive income (loss) attributable to shareholders of the Corporation	(1,982)	(1,838)	(3,820)
Net income (loss) per share attributable to common shareholders – basic and diluted	(0.00)	(0.01)	(0.01)

For the nine months ended September 30, 2020

	Previous policy	Adjustments	Restated
Depreciation	67,355	(3,857)	63,498
Finance costs and other	55,459	(1,555)	53,904
Realized loss on sale of assets	7,686	3,122	10,808
Loss from equity investments	(260)	(20)	(280)
Deferred income tax recovery	(16,687)	1,232	(15,455)
Net loss and comprehensive loss	(42,988)	1,078	(41,910)
Net loss and comprehensive loss attributable to shareholders of the Corporation	(41,924)	1,078	(40,846)
Net loss per share attributable to common shareholders – basic and diluted	(0.12)	0.00	(0.12)

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

Reconciliation of the Condensed Interim Consolidated Statements of Cash Flow:

For the three months ended September 30, 2020

	Previous policy	Adjustments	Restated
Net income (loss)	(2,433)	(1,838)	(4,271)
Adjustments to non-cash operating activities	66,423	1,838	68,261

For the nine months ended September 30, 2020

	Previous policy	Adjustments	Restated
Net income (loss)	(42,988)	1,078	(41,910)
Adjustments to non-cash operating activities	344,918	(1,078)	343,840

3. INVENTORY

The following table summarizes the Corporation's inventory:

	September 30, 2021		December 31, 2020	
Crude and refined petroleum products	\$	34,478	\$	27,397
Materials and supplies		5,619		5,299
Marketing inventory		4,921		5,850
Total current inventory		45,018		38,546
Long-term inventory		34,294		37,117
Total inventory	\$	79,312	\$	75,663

At September 30, 2021 and December 31, 2020 all inventory was carried at cost and \$NIL was carried at net realizable value. The Corporation did not recognize any write-down of inventory during the three and nine months ended September 30, 2021 and 2020. The cost of inventory expensed for the three and nine months ended September 30, 2021 was \$364.4 million (September 30, 2020 - \$209.4 million) and \$951.8 million (September 30, 2020 - \$ 507.4 million), respectively.

4. INVESTMENTS

The following table summarizes the Corporation's investments:

	September 30, 2021		December 31, 2020	
Investment in Tidewater Brazeau Gas Storage LP ⁽¹⁾	\$	248	\$	578
Investment in Tidewater Pipestone Infrastructure LP ⁽¹⁾		58,042		54,176
Other ⁽¹⁾		57		268
Investments at fair value		311		-
	\$	58,658	\$	55,022

(1) Accounted for by the equity method.

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

Summarized financial information of the Tidewater Brazeau Gas Storage LP and Tidewater Pipestone Infrastructure LP is as follows (presented at 100 percent):

Net Income (Loss) and Comprehensive Income (Loss)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	(Restated - Note 2 (b))		(Restated - Note 2 (b))	
Revenue	\$ 7,196	\$ 5,904	\$ 15,396	\$ 12,338
Operating expenses	(3,041)	(2,264)	(9,468)	(7,485)
Depreciation	(681)	(544)	(2,017)	(1,628)
Finance costs and other	(1,249)	(582)	(3,716)	(4,167)
Net income (loss) and comprehensive income (loss)	\$ 2,225	\$ 2,514	\$ 195	\$ (942)
Net income and comprehensive income attributable to Tidewater Midstream	2,406	2,446	1,694	280

Statement of Financial Position

	September 30, 2021	December 31, 2020
Current assets	\$ 5,763	\$ 6,046
Non-current assets	135,158	132,057
Current liabilities	25,763	13,780
Non-current liabilities	64,316	73,891

During the three and nine months ended September 30, 2021, the Corporation earned \$0.8 million (three months ended September 30, 2020 – \$0.9 million) and \$3.0 million (nine months ended September 30, 2020 – \$2.6 million) of revenue from its equity accounted investments, respectively. During the three and nine months ended September 30, 2021, the Corporation incurred operating expenses of \$0.8 million (three months ended September 30, 2020 – \$0.6 million) and \$2.8 million (nine months ended September 30, 2020 – \$1.9 million) from its equity accounted investments, respectively.

The Corporation contract operates, on a cost recovery basis, the gas storage assets in its equity accounted investments. Costs related to contract operating are incurred in the normal course of business and are not accounted for as revenue or expenses in the Corporation's financial statements, but rather flow-through cost recoveries recorded in accounts receivable. Given the seasonality of gas storage revenues, the cost recovery balances will fluctuate through the summer and winter storage seasons. As at September 30, 2021, the Corporation holds \$18.9 million (December 31, 2020 - \$9.0 million) of accounts receivable from its equity accounted investments.

5. ASSETS HELD FOR SALE

On June 30, 2021 the Corporation, together with its partner TransAlta Corporation ("TransAlta"), successfully closed the sale of the Pioneer Pipeline (the "Pioneer Transaction") to ATCO Gas and Pipelines Ltd. ("ATCO") for gross proceeds of \$255 million. Tidewater Midstream received net cash proceeds of approximately \$135 million which included the sale of certain ancillary assets to TransAlta that closed concurrently with the Pioneer Transaction. The Corporation recognized a gain on sale of \$30.2 million related to this disposition.

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

6. RIGHT-OF-USE ASSETS

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

	Rail cars	Office leases	Field equipment and surface leases	Downstream leases	Total
COST					
Balance, December 31, 2019	\$ 51,536	\$ 3,014	\$ 9,734	\$ 39,271	\$ 103,555
Additions	27,185	676	601	25,343	53,805
Lease terminations	-	(106)	(2,666)	-	(2,772)
Balance, December 31, 2020	\$ 78,721	\$ 3,584	\$ 7,669	\$ 64,614	\$ 154,588
Additions	76	131	2,332	747	3,286
Lease terminations	-	-	(1,275)	-	(1,275)
Balance, September 30, 2021	\$ 78,797	\$ 3,715	\$ 8,726	\$ 65,361	\$ 156,599

ACCUMULATED DEPRECIATION

Balance, December 31, 2019	\$ 8,469	\$ 911	\$ 3,229	\$ 3,025	\$ 15,634
Depreciation	17,306	923	2,153	19,207	39,589
Lease terminations	-	(106)	(1,965)	-	(2,071)
Balance, December 31, 2020	\$ 25,775	\$ 1,728	\$ 3,417	\$ 22,232	\$ 53,152
Depreciation	10,191	731	1,348	15,555	27,825
Lease terminations	-	-	(377)	-	(377)
Balance, September 30, 2021	\$ 35,966	\$ 2,459	\$ 4,388	\$ 37,786	\$ 80,600

NET BOOK VALUE	Rail cars	Office leases	Field equipment and surface leases	Downstream leases	Total
December 31, 2020	\$ 52,946	\$ 1,856	\$ 4,252	\$ 42,382	\$ 101,436
September 30, 2021	\$ 42,831	\$ 1,256	\$ 4,338	\$ 27,574	\$ 75,999

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following:

	Plant and infrastructure	Assets under construction	Other	Total
COST				
Balance, December 31, 2019 (Restated - Note 2 (b))	\$ 1,404,712	\$ 58,037	\$ 49,699	\$ 1,512,448
Additions	27,006	41,346	2,614	70,966
Completed projects	49,609	(49,609)	-	-
Disposition of subsidiaries	-	-	(14,167)	(14,167)
Disposals	(30,068)	-	(360)	(30,428)
Decommissioning asset	12,879	-	-	12,879
Transferred to assets held for sale (note 5)	(103,791)	-	-	(103,791)
Balance, December 31, 2020	\$ 1,360,347	\$ 49,774	\$ 37,786	\$ 1,447,907
Additions	29,920	41,627	768	72,315
Completed projects	60,549	(60,549)	-	-
Disposals	(10,468)	-	-	(10,468)
Decommissioning asset	(99)	-	-	(99)
Transferred to assets held for sale (note 5)	(1,105)	-	-	(1,105)
Balance, September 30, 2021	\$ 1,439,144	\$ 30,852	\$ 38,554	\$ 1,508,550
ACCUMULATED DEPRECIATION				
Balance, December 31, 2019 (Restated - Note 2 (b))	\$ 90,948	\$ -	\$ 15,904	\$ 106,852
Depreciation	37,479	-	8,573	46,052
Disposition of subsidiaries	-	-	(4,433)	(4,433)
Disposals	(8,032)	-	(73)	(8,105)
Transferred to assets held for sale (note 5)	(2,135)	-	-	(2,135)
Balance, December 31, 2020	\$ 118,260	\$ -	\$ 19,971	\$ 138,231
Depreciation	30,318	-	3,070	33,388
Disposals	(21)	-	-	(21)
Balance, September 30, 2021	\$ 148,557	\$ -	\$ 23,041	\$ 171,598
NET BOOK VALUE				
December 31, 2020	\$ 1,242,087	\$ 49,774	\$ 17,815	\$ 1,309,676
September 30, 2021	\$ 1,290,587	\$ 30,852	\$ 15,513	\$ 1,336,952

On September 2, 2020, the Corporation disposed of certain non-core assets. The Corporation recognized a loss of \$16.8 million on these dispositions.

On August 17, 2020, the Corporation disposed of its common shares of Tidewater Logistics Ltd. for proceeds of approximately \$6.5 million. After adjustments for net working capital and deferred income tax liabilities a gain of \$2.9 million was recorded on the sale. The net book value of property, plant and equipment disposed was \$3.9 million.

On March 25, 2020, the Corporation disposed of its common shares of Tidewater Propane Inc. for proceeds of approximately \$8.4 million. After adjustments for net working capital and deferred income tax liabilities, a gain of \$3.0 million was recorded on the sale. The net book value of property, plant and equipment disposed was \$5.8 million.

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

8. BANK DEBT

The following table summarizes the Corporation's bank debt:

	September 30, 2021	December 31, 2020
Tidewater Midstream Senior Credit Facility	\$ 408,084	\$ 565,446
Tidewater Renewables Senior Credit Facility	42,000	-
Second Lien Term Loan	20,000	100,000
Financing costs	(3,681)	(859)
Total bank debt	\$ 466,403	\$ 664,587

Tidewater Midstream and Tidewater Renewables each have a revolving credit facility (each "Senior Credit Facility" and together, the "Senior Credit Facilities") with a syndicate of banks. Although the Senior Credit Facilities are not cross-collateralized, the agreements governing the Senior Credit Facilities provide that each lender's proportionate commitment shall be the same under both facilities, until the first unanimous extension.

Tidewater Midstream Senior Credit Facility and Second Lien Term Loan

Total capacity under Tidewater Midstream's Senior Credit Facility as at September 30, 2021 is \$420 million and is reduced by \$10 million per quarter commencing December 31, 2021 until March 31, 2023 and \$15 million on June 30, 2023. Tidewater Midstream's Senior Credit Facility matures on August 18, 2024; provided that if the Corporation's notes payable and second lien term loan are not extended or refinanced prior to June 30, 2022, the maturity shall be August 23, 2022. Tidewater Midstream's 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 and stamping fees.

Tidewater Midstream is required to maintain certain deconsolidated financial covenants on a trailing-quarterly basis including consolidated debt (being, Tidewater Midstream's senior debt, second lien debt and notes payable) to adjusted EBITDA ratio of less than or equal to 4.5:1; consolidated first lien senior debt (being Tidewater Midstream's senior debt) to adjusted EBITDA ratio of less than or equal to 3.5:1; and adjusted EBITDA to interest coverage ratio greater than or equal to 2.5:1. The calculations for each of these ratios are based on specific definitions in the agreements governing the Senior Credit Facility, are not in accordance with GAAP, and cannot be easily calculated by referring to the Corporation's consolidated financial statements. At September 30, 2021, the Corporation was in compliance with its financial covenants, reporting consolidated debt to adjusted EBITDA ratio of 3.6:1 (December 31, 2020 – 4.2), consolidated first lien senior debt to adjusted EBITDA ratio of 2.7:1 (December 31, 2020 – 3.0:1) and adjusted EBITDA to interest coverage ratio of 3.2:1 (December 31, 2020 – 3.5:1).

Tidewater Midstream also has a second lien term loan with a \$20 million capacity, subordinated to the Tidewater Midstream Senior Credit Facility, of which \$20 million is outstanding as at September 30, 2021. The second lien term loan matures on October 31, 2022 and can be repaid prior to maturity with net proceeds from an issuance of equity or equity-like securities or high yield instruments. The amount borrowed under this facility bears interest at a bankers' acceptance rate + 750 bps stamping fee. The second lien term loan is subject to the same financial covenants as Tidewater Midstream's Senior Credit Facility.

At September 30, 2021, Tidewater Midstream had \$45.2 million (December 31, 2020 - \$45.0 million) of letters of credit outstanding, which operate under a separate facility.

Tidewater Renewables' Senior Credit Facility

Total capacity under Tidewater Renewables' Senior Credit Facility is \$150 million and it matures on August 18, 2024. Tidewater Renewables' Senior Credit Facility can be drawn in either Canadian or U.S. funds and bears interest at the agent bank's prime lending rate or banker's acceptance rates, plus applicable margins.

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

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

9. NOTES PAYABLE

The following table summarizes the Corporation's notes payable:

	September 30, 2021		December 31, 2020	
Notes payable	\$	125,000	\$	125,000
Financing costs		(945)		(1,499)
Total notes payable	\$	124,055	\$	123,501

On December 19, 2017, the Corporation closed a private placement of five-year unsecured senior notes with a face value of \$125 million for total consideration of \$124.3 million. The notes bear interest at 6.75% and are due on December 19, 2022. The notes are recognized at amortized cost and interest is paid semi-annually. Accrued interest payable at September 30, 2021 was \$2.4 million (December 31, 2020 - \$0.3 million). The Corporation incurred financing costs of \$2.6 million, which are amortized using the effective interest rate method over the remaining term of the debt.

The Corporation, at its option, may redeem up 100% of the original principal amount of the unsecured senior notes at a redemption price of 101.688% of the principal amount plus any accrued and unpaid interest to the applicable redemption date.

The notes payable are subject to various covenants limiting the Corporation's ability to, among other things, incur indebtedness, sell substantially all of its assets or enter into a merger.

10. CONVERTIBLE DEBENTURES

The following table summarizes the Corporation's convertible debentures:

	Number of convertible debentures (000s)		Liability component		Equity component	
Balance, December 31, 2019	750	\$	65,789	\$	4,911	
Unwinding of discount	-		1,641		-	
Balance, December 31, 2020	750	\$	67,430	\$	4,911	
Unwinding of discount	-		1,321		-	
Balance, September 30, 2021	750	\$	68,751	\$	4,911	

On August 8, 2019, the Corporation issued convertible subordinated unsecured debentures (the "Debentures") for a principal amount of \$75.0 million at a price of \$100 per Debenture with all board lot trades being made in multiples of \$1,000. The Debentures mature on September 30, 2024 and accrue interest at the rate of 5.5% per annum payable semi-annually commencing on March 31, 2020. Accrued interest payable at September 30, 2021 was \$NIL (December 31, 2020 - \$1.0 million).

At the holder's option, the Debentures will be convertible into Common Shares at any time prior to the close of business on the earlier of the business day immediately preceding (i) the Maturity Date, or (ii) if called for redemption, the date fixed for redemption by the Corporation, at a conversion price of \$1.86 per Common Share, subject to adjustments in certain events. The Debentures may be redeemed by the Corporation after September 30, 2022, subject to certain adjustments and conditions. The Debentures will be subordinated to any senior indebtedness of the Corporation.

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

The liability component of the Debentures was initially recognized at the fair value of a similar liability which does not contain an equity conversion option, based on an estimated market interest rate of 7.5%. The difference between the \$75 million principal amount of the Debentures and the fair value of the liability component was recognized in shareholders' equity, net of deferred income taxes. Total transaction costs directly attributable to the offering of \$3.2 million were allocated proportionately to the liability and equity components of the Debentures. Accretion of the liability component and accrued interest payable on the Debentures are included as financing costs.

11. DECOMMISSIONING OBLIGATION

The decommissioning obligation reflects the discounted cash flows expected to be incurred to decommission the Corporation's pipeline systems, gas processing and fractionation plants, storage facilities, refinery and upstream production. The estimated economic lives of assets covered by the decommissioning provision range up to 150 years. The obligation was inflated using a rate of 1.75% (December 31, 2020 – 1.75%) and discounted using a credit-adjusted risk-free rate of 7.50% (December 31, 2020 – 7.50%).

The following table summarizes changes in the decommissioning obligations:

	September 30, 2021	December 31, 2020
Balance, beginning of year	\$ 45,026	\$ 32,841
Disposals	-	(479)
Decommissioning costs incurred	(1,321)	(3,435)
Change in discount rate and estimates	(99)	12,879
Unwinding of discount included in finance costs	2,569	3,288
Transferred to liabilities associated with assets held for sale (note 5)	(5)	(68)
Balance, end of period	\$ 46,170	\$ 45,026

12. LEASE LIABILITIES

The Corporation's lease liabilities and other primarily relate to office leases, rail cars, vehicles, pipelines, storage tanks, field equipment and surface leases for the Corporation's facilities and energy service arrangements.

	September 30, 2021	December 31, 2020
Balance, beginning of year	\$ 187,393	\$ 174,543
Additions	3,286	53,805
Accretion	10,426	15,727
Lease payments	(39,302)	(55,051)
Lease terminations	(951)	(678)
Foreign exchange re-measurement	(134)	(953)
Total lease liability and other	\$ 160,718	\$ 187,393
Current portion of lease liability and other	33,990	49,595
Long term lease liability and other	126,728	137,798

Included in lease liability and other at September 30, 2021 is \$86.3 million (December 31, 2020 - \$85.8 million) related to energy service fees related to the cogeneration unit at the Pipestone gas plant. Undiscounted payments associated with lease liabilities and other as at September 30, 2021 are summarized below:

	Within one year	After one year but not more than five years	More than five years	Total
Undiscounted lease payments	\$ 40,820	\$ 103,586	\$ 84,264	\$ 228,670

The total amount of undiscounted future cash flows associated with leases not included in leases liabilities and other, to which the Corporation is committed but have not yet commenced as at September 30, 2021 was \$NIL (December 31, 2020 - \$NIL). As at September 30, 2021, the incremental borrowing rate used to measure lease liabilities was 6.5% (December 31, 2020 – 6.5%).

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

13. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding common shares

	September 30, 2021		December 31, 2020	
	Number of Shares (000s)	Amount	Number of Shares (000s)	Amount
Balance, beginning of period	339,098	\$ 442,124	337,376	\$ 440,995
Issue of common shares – long term incentive plan	1,216	1,459	1,722	1,144
Share issuance costs (net of tax)	-	(20)	-	(15)
Balance, end of period	340,314	\$ 443,563	339,098	\$ 442,124

c) Dividends to shareholders

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Dividends declared on common shares	\$ 3,403	\$ 3,386	\$ 10,188	\$ 10,147
Dividends declared per share	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.03

As at September 30, 2021, dividends of \$3.4 million were payable on 340.3 million outstanding common shares at \$0.01 per share (December 31, 2020 - \$3.4 million payable on 339.1 million outstanding common shares at \$0.01 per share). The dividends were paid on October 29, 2021.

14. NON-CONTROLLING INTEREST

A reconciliation of the non-controlling interest as at September 30, 2021 is provided below:

	Tidewater Renewables		Other	Total
Balance, beginning of year	\$ -	\$ 1,986	\$	\$ 1,986
Sale of Tidewater Renewables common shares	21,279	-		21,279
Net income attributable to non-controlling interest	1,417	18		1,435
	\$ 22,696	\$ 2,004	\$	\$ 24,700

15. REVENUE AND OPERATING EXPENSES

For the three and nine months ended September 30, 2021 and 2020 the Corporation had one vertically integrated operating segment: midstream and infrastructure, as the chief operating decision maker reviews operating results at this level to assess financial performance and make resource allocation decisions. The midstream and infrastructure operating segment includes the following revenue categories: midstream; marketing and extraction; downstream; and other. Amounts disclosed below do not include realized or unrealized gains and losses on derivative contracts resulting from the Corporation's commodity price risk management initiatives.

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

Three months ended September 30, 2021	Midstream	Downstream	Marketing & extraction	Other	Total
Revenue (before intercompany eliminations)	\$ 54,897	\$ 192,209	\$ 225,005	\$ 10,079	\$ 482,190
Intercompany eliminations	(9,123)	(31,621)	-	(7,485)	(48,229)
Revenue from external customers	\$ 45,774	\$ 160,588	\$ 225,005	\$ 2,594	\$ 433,961
Operating expenses (before intercompany eliminations)	\$ 26,963	164,173	244,742	4,731	\$ 440,609
Intercompany eliminations	(1,690)	(20,263)	(24,203)	(2,073)	(48,229)
Operating expenses from external vendors	\$ 25,273	\$ 143,910	\$ 220,539	\$ 2,658	\$ 392,380
Three months ended September 30, 2020	Midstream	Downstream	Marketing & extraction	Other	Total
Revenue (before intercompany eliminations)	\$ 53,836	\$ 117,569	\$ 117,786	\$ 7,275	\$ 296,466
Intercompany eliminations	(7,318)	(9,462)	167	(6,392)	(23,005)
Revenue from external customers	\$ 46,518	\$ 108,107	\$ 117,953	\$ 883	\$ 273,461
Operating expenses (before intercompany eliminations)	\$ 20,403	97,619	131,331	8,053	\$ 257,406
Intercompany eliminations	(484)	(8,600)	(10,946)	(2,975)	(23,005)
Operating expenses from external vendors	\$ 19,919	\$ 89,019	\$ 120,385	\$ 5,078	\$ 234,401
Nine months ended September 30, 2021	Midstream	Downstream	Marketing & extraction	Other	Total
Revenue (before intercompany eliminations)	\$ 172,429	\$ 508,519	\$ 582,347	\$ 28,179	\$ 1,291,474
Intercompany eliminations	(25,278)	(79,415)	-	(23,000)	(127,693)
Revenue from external customers	\$ 147,151	\$ 429,104	\$ 582,347	\$ 5,179	\$ 1,163,781
Operating expenses (before intercompany eliminations)	\$ 83,363	419,936	649,230	15,647	1,168,176
Intercompany eliminations	(3,371)	(48,465)	(68,882)	(6,975)	(127,693)
Operating expenses from external vendors	\$ 79,992	\$ 371,471	\$ 580,348	\$ 8,672	\$ 1,040,483
Nine months ended September 30, 2020	Midstream	Downstream	Marketing & extraction	Other	Total
Revenue (before intercompany eliminations)	\$ 164,127	\$ 278,302	\$ 286,071	\$ 30,681	\$ 759,181
Intercompany eliminations	(20,722)	(10,828)	(494)	(22,644)	(54,688)
Revenue from external customers	\$ 143,405	\$ 267,474	\$ 285,577	\$ 8,037	\$ 704,493
Operating expenses (before intercompany eliminations)	\$ 65,102	\$ 231,871	\$ 319,125	\$ 29,796	\$ 645,894
Intercompany eliminations	(1,571)	(8,982)	(34,542)	(9,593)	(54,688)
Operating expenses from external vendors	\$ 63,531	\$ 222,889	\$ 284,583	\$ 20,203	\$ 591,206

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

16. FINANCE COSTS AND OTHER

Finance costs and other is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Interest on bank debt and notes payable	\$ 11,810	\$ 12,687	\$ 42,793	\$ 38,230
Interest capitalized ⁽¹⁾	(500)	(750)	(1,500)	(2,750)
Total interest expense	11,310	11,937	41,293	35,480
Realized foreign exchange gain	(1,337)	(20)	(177)	(242)
Unrealized foreign exchange (gain) loss ⁽²⁾	1,243	(1,393)	(134)	1,681
Total finance costs and other before accretion	\$ 11,216	\$ 10,524	\$ 40,982	\$ 36,919
Unwinding of discount on decommissioning obligation	879	812	2,569	2,418
Unwinding of discount on long-term debt	1,332	1,005	3,822	3,037
Unwinding of discount on lease liabilities and receivable	3,432	3,862	10,415	11,944
Other	(215)	(161)	(790)	(414)
Accretion	5,428	5,518	16,016	16,985
Total finance costs and other	\$ 16,644	\$ 16,042	\$ 56,998	\$ 53,904

⁽¹⁾ For the three months and nine months ended September 30, 2021, interest was capitalized at a weighted average annualized capitalization rate of approximately 6.75% respectively on funds borrowed (three and nine months ended September 30, 2020 – 6.75% annualized).

⁽²⁾ Relates to translation of USD denominated lease liabilities.

17. SHARE-BASED COMPENSATION

a) Share Awards

A summary of the stock options, restricted share units and deferred share units granted, issued and outstanding is as follows:

September 30, 2021	Stock Options	RSUs	DSUs	Total
Outstanding, January 1, 2021	15,326	11,509	383	27,218
Granted	1,964	2,915	131	5,010
Exercised	(28)	(2,200)	-	(2,228)
Forfeited	(1,147)	(302)	-	(1,449)
Expired	(2,273)	(21)	-	(2,294)
Outstanding, September 30, 2021	13,842	11,901	514	26,257
Exercisable, September 30, 2021	7,875	3,453	120	11,448

September 30, 2020	Stock Options	RSUs	DSUs	Total
Outstanding, January 1, 2020	15,681	9,086	212	24,979
Granted	1,905	5,683	72	7,660
Exercised	-	(1,666)	-	(1,666)
Forfeited	(1,591)	(195)	-	(1,786)
Outstanding, September 30, 2020	15,995	12,908	284	29,187
Exercisable, September 30, 2020	7,818	2,463	-	10,281

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

b) PSU Plan

The following table summarizes the performance share units outstanding:

	2021		2020	
Balance, beginning of period	\$	943	\$	1,193
Granted		675		546
Exercised		(343)		(482)
Forfeited		(29)		(106)
Balance, end of period	\$	1,246	\$	1,151

The PSUs issued to participants are held by the plan trustee and have been recorded as an employee share reserve.

c) Employee Stock Purchase Plan

Tidewater Midstream maintains an employee stock purchase plan whereby eligible employees can purchase common shares of the Corporation. Tidewater Midstream will match 50% to 100% of the employee's contribution, depending on years of service, up to a maximum of 5% of the employee's base salary. The shares are acquired on the Toronto Stock Exchange consistent with the timing of the employee's remuneration. The cost of the shares purchased to match the employee's contribution is expensed as incurred.

d) Share-Based Compensation Expense

Share-based compensation comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Stock options	\$ 184	\$ 317	\$ 579	\$ 1,189
RSUs	395	781	1,795	2,368
DSUs	394	-	394	34
PSUs	74	113	267	436
Employee stock purchase plan	507	476	1,469	1,391
Plan costs and other	30	24	136	104
Share-based compensation expense	\$ 1,584	\$ 1,711	\$ 4,640	\$ 5,522

18. NET INCOME (LOSS) PER SHARE

	Three months ended September 30, 2021			Three months ended September 30, 2020		
	Net income	Common shares (000s)	Net income per share	Net loss	Common shares (000s)	Net loss per share
Net income attributable to shareholders - basic	\$ 1,797	339,788	\$ 0.01	\$ (3,820)	338,533	\$ (0.01)
Dilutive effect of share awards	-	11,356	-	-	13,410	-
Dilutive effect of convertible debentures	790	57,626	-	-	-	-
Net income (loss) attributable to shareholders - diluted	\$ 2,587	408,770	\$ 0.01	\$ (3,820)	351,943	\$ (0.01)

For the three months ended September 30, 2021, 4.7 million share awards (three months ended September 30, 2020 – 14.2 million) and NIL shares relating to convertible debentures (three months ended September 30, 2020 – 94.9 million) were anti-dilutive.

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

	Nine months ended September 30, 2021			Nine months ended September 30, 2020		
	Net income	Common shares (000s)	Net income per share	Net loss	Common shares (000s)	Net loss per share
Net income (loss) attributable to shareholders - basic	\$ 74,473	339,388	\$ 0.22	\$ (40,846)	331,664	\$ (0.12)
Dilutive effect of share awards	-	13,234	-	-	11,330	-
Dilutive effect of convertible debentures	2,345	57,626	-	-	-	-
Net income (loss) attributable to shareholders - diluted	\$ 76,818	410,248	\$ 0.19	\$ (40,846)	342,994	\$ (0.12)

For the nine months ended September 30, 2021, 9.1 million share awards (nine months ended September 30, 2020 – 15.5 million) and NIL shares relating to convertible debentures (six months ended September 30, 2020 – 94.9 million) were anti-dilutive.

19. SUPPLEMENTAL CASH FLOWS INFORMATION

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Accounts receivable	\$ 22,180	\$ (12,595)	\$ (103,354)	\$ (20,450)
Prepaid expenses and other	(1,401)	(5,287)	(9,992)	(7,373)
Inventory	15,591	524	(3,649)	16,754
Accounts payable and accrued liabilities	(86,723)	39,790	69,179	43,474
Change in non-cash working capital from operating activities	\$ (50,353)	\$ 22,432	\$ (47,816)	\$ 32,405

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Accounts receivable	\$ 409	\$ (4)	\$ 145	\$ (602)
Prepaid expenses and other	31	42	27	42
Accounts payable and accrued liabilities	14,300	(8,982)	(5,177)	(46,401)
Change in non-cash working capital from investing activities	\$ 14,740	\$ (8,944)	\$ (5,005)	\$ (46,961)

c) Interest paid

During the three and nine months ended September 30, 2021, total interest and financing charges paid, prior to capitalization, was \$14.3 million (three months ended September 30, 2020 - \$12.7 million) and \$45.4 million (nine months ended September 30, 2020 - \$38.2 million), respectively.

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

20. COMMITMENTS

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

	Within one year	After one year but not more than five years	More than five years	Total
Firm transportation contracts	\$ 38,886	\$ 166,055	\$ 231,056	\$ 435,997

21. FINANCIAL RISK MANAGEMENT

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

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

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

a) Fair value determination

A number of the Corporation's 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 Corporation classifies fair value of financial instruments according to the following hierarchies based on the amount of observable inputs used to value the instruments:

- Level 1 – values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value of any marketable securities has been derived with reference to the quoted closing bid prices of the underlying securities.
- Level 2 – values based on inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. Such inputs can be corroborated with other observable inputs for substantially the complete term of the contract. The Corporation has used Level 2 to determine the fair value of its investments and commodity contracts. The fair value is derived with reference to quoted prices in inactive markets, 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.

The Corporation has used Level 2 to determine the fair value of its investments and derivative contracts. The fair value is derived with reference to commodity and currency price curves. The Corporation's derivative contracts include exchange-cleared commodity derivatives and over-the-counter commodity, interest rate and foreign currency derivatives that are traded in observable markets.

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

At September 30, 2021, the fair value of cash, accounts receivable, accounts payable and accrued liabilities, interest payable and dividends payable approximated their carrying value due to their short-term maturity. The carrying value of the outstanding bank debt approximated its fair value due to the use of floating interest rates.

At September 30, 2021, the fair value of the Corporation's notes payable was approximately \$125.0 million and is based on third party estimates for similar issues or current rates offered to Tidewater Midstream for debt of the same maturity under Level 2 of the fair value hierarchy.

At September 30, 2021, the fair value of the Corporation's Debentures was approximately \$78.6 million using quoted market prices on the TSX (Level 1 fair value).

b) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's accounts receivable from customers and joint interest partners. The maximum exposure to credit risk at September 30, 2021 and December 31, 2020 is as follows:

	September 30, 2021	December 31, 2020
Cash	\$ 25,776	\$ 9,931
Accounts receivable and other long term receivables	280,845	177,142
Derivative contracts – current	10,648	350
Derivative contracts – long term	15,983	409
	\$ 333,252	\$ 187,832

Cash consists of amounts on deposit with Canadian chartered banks. The Corporation manages credit exposure of cash by selecting financial institutions with high credit ratings.

The Corporation's accounts receivable balances are primarily from purchasers of refined product, natural gas processing fees charged to producers, and purchasers of crude oil, natural gas and NGLs. These purchasers include fuel retailers, producers, marketing and trading companies and financial institutions. The Corporation performs creditworthiness assessment on counterparties including financial status and external credit ratings. Depending on the outcome of each assessment, letters of credit, prepayments, or some other form of credit enhancement may be requested as security. Due to COVID-19, the Corporation has increased its scrutiny to its credit monitoring procedures.

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

The Corporation assesses lifetime expected credit losses for accounts receivable using historical default rates, aged accounts receivable analysis, and forward-looking information to determine the appropriate expected credit losses. At September 30, 2021, lifetime expected credit losses for accounts receivable outstanding were \$2.2 million (December 31, 2020 - \$1.3 million).

Total revenue attributable to Cenovus for the three and nine months ended September 30, 2021 from all revenue streams accounted for approximately 39% and 35% of the Corporation's revenue, respectively. Revenue earned from Cenovus for the three and nine months ended September 30, 2021 was \$167.6 million (September 30, 2020 - \$109.1 million) and \$404.2 million (September 30, 2020 - \$289.4 million), respectively. The revenue predominantly occurs at the Prince George Refinery and Pipestone Gas Plant through long-term contracts. The Corporation believes the financial risk associated with this customer is minimal. The credit risk associated with the remainder of accounts receivable is minimized due to the diversity of its customers.

The Corporation enters into derivative contracts to manage commodity price risk, which may be subject to credit risk associated with counterparties with which it contracts. Credit risk is mitigated by entering into contracts with only stable, investment grade counterparties or financial institutions.

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

c) Liquidity risk

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

The Corporation anticipates that working capital, cash flow from operating activities, and other sources of financing will be sufficient to meet its obligations and financial commitments and will provide sufficient funding for anticipated capital expenditures.

The following details the contractual maturities of the Corporation's financial liabilities as at September 30, 2021 and December 31, 2020:

	September 30, 2021		December 31, 2020	
	Less than one year	Greater than one year	Less than one year	Greater than one year
Accounts payable and accrued liabilities	\$ 333,074	\$ -	\$ 269,072	\$ -
Derivative contracts	18,171	9,134	13,549	32,291
Dividend payable	3,403	-	3,391	-
Interest payable	2,404	-	1,339	-
Lease liabilities and other	33,990	126,728	49,595	137,798
Bank debt	-	466,403	-	664,587
Notes payable	-	124,055	-	123,501
Convertible debentures	-	68,751	-	67,430
	\$ 391,042	\$ 795,071	\$ 336,946	\$ 1,025,607

d) Market risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates, will affect the Corporation's cash flow, income or the value of its financial instruments. The objective of the Corporation's market risk management program is to manage and control market risk exposures within acceptable parameters, while maximizing the Corporation's return. The Corporation's financial derivatives are governed through ISDA master agreements and clearing brokerage agreements. The Corporation records all open derivatives on the statement of financial position as either assets or liabilities measured at fair value. Changes in the fair value of derivatives are recognized in earnings.

a. Interest rate risk

Interest rate risk refers to the risk that the value of the financial instrument or cash flows associated with the financial instrument will fluctuate due to changes in market interest rates. The Corporation continuously monitors interest rates and economic conditions. The Corporation may use forward interest rate swaps to hedge the interest rate associated with interest payments occurring as a result of its bank debt. At September 30, 2021, the Corporation had variable rate bank debt (note 8) totalling \$466.4 million (September 30, 2020 - \$666.5 million), and therefore a 1% change in the interest rate on bank debt would have had an after-tax impact of \$2.7 million on net income (loss) for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - \$3.8 million).

b. Foreign currency exchange rate risk

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Corporation's foreign currency risk arises from certain working capital balances denominated in United States Dollars (USD). The Corporation continuously monitors exchange rate trends and economic conditions. At September 30, 2021, working capital balances denominated in USD were \$23.8 million (September 30, 2020 - \$29.3 million). A 5% change in foreign exchange rates between the USD and the Canadian Dollar would have an after-tax impact on net income (loss) of \$1.1 million for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - \$1.5 million).

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited)

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

c. Commodity price risk

Commodity price risk is the risk that the fair value of a commodity derivative will fluctuate because of changes in market prices. In the normal course of operations, the Corporation purchases and sells various commodities and uses derivatives to protect its revenue and operating costs from price fluctuations. The Corporation's commodity price risk management policies are designed to help ensure that its hedging activities address its risks by monitoring its derivative positions, as well as physical volumes, grades, locations, and storage capacity. These include crude oil feedstock, refined product sales, natural gas purchases and related sales, NGL purchases for fractionation and related sales of the resulting products (including ethane, propane, butane and condensate) and power to hedge a portion of the Corporation's power supply requirements at its facilities. The Corporation is subject to price risk through these derivative contract assets and liabilities. A 10% change in commodity prices, related to the Corporation's derivative contracts liability, would have an after-tax impact on net income (loss) of \$45.1 million for the nine months ended September 30, 2021 (nine months ended September 30, 2020 - \$14.2 million).