



**TIDEWATER**  
Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2022

**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, 2022	December 31, 2021
<b>Assets</b>			
Current			
Cash		\$ 12,641	\$ 15,814
Accounts receivable		251,779	242,909
Derivative contracts		13,906	5,945
Inventory	3	71,966	59,379
Prepaid expenses and other		46,232	38,370
		<b>396,524</b>	<b>362,417</b>
Derivative contracts		16,030	6,476
Prepaid expenses and other		4,964	8,706
Investments	4	87,088	61,211
Right-of-use assets	5	101,536	121,253
Inventory	3	36,789	34,294
Property, plant and equipment	6	1,533,006	1,376,276
<b>Total assets</b>		<b>\$ 2,175,937</b>	<b>\$ 1,970,633</b>
<b>Liabilities</b>			
Current			
Trade payables and other	20	\$ 411,457	\$ 309,649
Dividends payable	12(d)	4,228	3,416
Interest payable	8,9	-	1,352
Derivative contracts		13,284	19,532
Bank debt	7	15,222	19,369
Notes payable	8	-	124,223
Lease liabilities	11	41,048	46,531
		<b>485,239</b>	<b>524,072</b>
Bank debt	7	562,986	472,018
Convertible debentures	9	70,655	69,215
Derivative contracts		26,548	12,991
Decommissioning obligation	10	46,595	45,640
Deferred tax liabilities		59,908	45,591
Lease liabilities and other	11	146,953	158,356
<b>Total liabilities</b>		<b>1,398,884</b>	<b>1,327,883</b>
<b>Equity</b>			
Non-controlling interest	13	37,886	26,086
Shareholders' equity			
Share capital	12	535,823	445,565
Employee share reserve		18,494	13,624
Convertible debentures (equity component)	9	4,911	4,911
Retained earnings		179,939	152,564
<b>Total shareholders' equity</b>		<b>739,167</b>	<b>616,664</b>
<b>Total shareholders' equity and non-controlling interest</b>		<b>777,053</b>	<b>642,750</b>
<b>Total liabilities and equity</b>		<b>\$ 2,175,937</b>	<b>\$ 1,970,633</b>

Commitments (note 19)

Subsequent event (note 21)

*See the accompanying notes to the condensed interim consolidated financial statements*

## Tidewater Midstream and Infrastructure Ltd.

### Condensed Interim Consolidated Statements of Net Income and Comprehensive Income (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,	
		2022	2021	2022	2021
<b>Revenue</b>	14	\$ 712,127	\$ 433,961	\$ 2,164,116	\$ 1,163,781
<b>Expenses</b>					
Operating expenses	14	658,704	392,380	1,990,188	1,040,483
General and administrative		9,147	5,922	27,820	18,356
Share-based compensation	16(d)	3,411	1,584	10,710	4,640
Depreciation	5,6	20,793	19,975	60,809	61,213
Total expenses		692,055	419,861	2,089,527	1,124,692
Operating income		20,072	14,100	74,589	39,089
Other expenses (income)					
Finance costs and other	15	17,345	16,644	51,321	56,998
Realized gain on derivative contracts		(13,019)	(13,468)	(37,505)	(44,201)
Unrealized loss (gain) on derivative contracts		38,677	9,392	(10,206)	(44,407)
Loss (gain) on sale of assets		7,149	(1,548)	9,399	(26,258)
Income from equity investment	4	(3,918)	(2,406)	(2,355)	(1,694)
Transaction costs		2,878	908	3,687	2,528
Total other expenses (income) before tax		49,112	9,522	14,341	(57,034)
(Loss) earnings before income tax		(29,040)	4,578	60,248	96,123
Deferred income tax (recovery) expense		(7,005)	1,138	16,508	20,215
Net (loss) income and comprehensive (loss) income		\$ (22,035)	\$ 3,440	\$ 43,740	\$ 75,908
Net (loss) income and comprehensive (loss) income attributable to:					
Shareholders of the Corporation		(18,847)	1,797	38,440	74,473
Non-controlling interest	13	(3,188)	1,643	5,300	1,435
		\$ (22,035)	\$ 3,440	\$ 43,740	\$ 75,908
<b>Net (loss) income per share attributable to common shareholders – basic</b>	17	\$ (0.05)	\$ 0.01	\$ 0.11	\$ 0.22
<b>Net (loss) income per share attributable to common shareholders – diluted</b>	17	\$ (0.05)	\$ 0.01	\$ 0.09	\$ 0.19

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)

	Notes	September 30, 2022	September 30, 2021
<b>Non-controlling interest</b>			
Balance, beginning of period		\$ 26,086	\$ 1,986
Sale of Tidewater Renewables common shares		-	21,279
Contributions from non-controlling interest	6, 13	6,500	-
Net income	13	5,300	1,435
Balance, end of period		\$ 37,886	\$ 24,700
<b>Share capital</b>			
Balance, beginning of period		\$ 445,565	\$ 442,124
Issue of common shares	12(b)	97,203	1,459
Share issue costs (net of tax)	12(b)	(6,945)	(20)
Balance, end of period		\$ 535,823	\$ 443,563
<b>Employee share reserve</b>			
Balance, beginning of period		\$ 13,624	\$ 17,333
Issue of common shares		(1,008)	(1,459)
Share-based compensation		5,878	1,015
Balance, end of period		\$ 18,494	\$ 16,889
<b>Convertible debentures (equity component)</b>			
Balance, beginning of period		\$ 4,911	\$ 4,911
Balance, end of period		\$ 4,911	\$ 4,911
<b>Retained earnings (accumulated deficit)</b>			
Balance, beginning of period		\$ 152,564	\$ (37,625)
Sale of Tidewater Renewables common shares		-	131,628
Net income		38,440	74,473
Dividends declared	12(d)	(11,065)	(10,188)
Balance, end of period		\$ 179,939	\$ 158,288
<b>Total shareholders' equity and non-controlling interest</b>		<b>\$ 777,053</b>	<b>\$ 648,351</b>

*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 September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
<b>Cash provided by (used in):</b>					
<b>Operating activities</b>					
Net (loss) income for the period		\$ (22,035)	\$ 3,440	\$ 43,740	\$ 75,908
Adjustments:					
Share-based compensation		1,275	(823)	5,878	1,015
Depreciation	5,6	20,793	19,975	60,809	61,213
Interest and financing costs	15	10,564	11,310	31,322	41,293
Accretion and other	15	6,643	5,428	20,216	16,016
Unrealized loss (gain) on foreign exchange	15	2,323	1,243	2,958	(134)
Unrealized loss (gain) on derivative contracts		38,677	9,392	(10,206)	(44,407)
Loss (gain) on sale of assets		7,149	(1,548)	9,399	(26,258)
Income from equity investment	4	(3,918)	(2,406)	(2,355)	(1,694)
Deferred income tax (recovery) expense		(7,005)	1,138	16,508	20,215
Decommissioning costs incurred	10	(1,223)	(623)	(2,537)	(1,321)
Changes in non-cash working capital	18(a)	13,792	(50,353)	530	(47,816)
<i>Net cash provided by (used in) operating activities</i>		<b>67,035</b>	<b>(3,827)</b>	<b>176,262</b>	<b>94,030</b>
<b>Financing activities</b>					
Advances (repayments) of bank debt		50,721	(101,595)	90,045	(195,042)
Repayment of notes payable		(125,000)	-	(125,000)	-
Net proceeds on sale of Tidewater Renewables common shares		-	149,980	-	149,980
Payment of lease liabilities and other		(11,679)	(12,679)	(36,072)	(39,155)
Interest and financing charges paid		(16,191)	(13,834)	(38,659)	(43,850)
Net proceeds from common share issuance	12(b)	87,074	(6)	87,059	(20)
Payment of dividends		(3,419)	(3,393)	(10,253)	(10,176)
<i>Net cash (used in) provided by financing activities</i>		<b>(18,494)</b>	<b>18,473</b>	<b>(32,880)</b>	<b>(138,263)</b>
<b>Investing activities</b>					
Additions to property, plant and equipment	6	(89,401)	(34,699)	(238,801)	(72,315)
Proceeds from capital emissions credits	3	11,500	-	22,730	-
Contribution to investments		(7,688)	(637)	(23,522)	(1,942)
Proceeds from sale of assets	6	3,984	3,805	9,532	139,340
Changes in non-cash working capital	18(b)	26,180	14,740	83,506	(5,005)
<i>Net cash (used in) provided by investing activities</i>		<b>(55,425)</b>	<b>(16,791)</b>	<b>(146,555)</b>	<b>60,078</b>
<b>(Decrease) increase in cash</b>		<b>(6,884)</b>	<b>(2,145)</b>	<b>(3,173)</b>	<b>15,845</b>
Cash at beginning of period		19,525	27,921	15,814	9,931
<b>Cash at end of period</b>		<b>\$ 12,641</b>	<b>\$ 25,776</b>	<b>\$ 12,641</b>	<b>\$ 25,776</b>

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, 2022 and 2021 (unaudited)

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

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### 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 crude oil, natural gas, natural gas liquids ("NGL"), and renewable energy value chain. Its strategy is to profitably grow and create shareholder value through the acquisition and development of conventional and renewable energy 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 energy infrastructure, including downstream facilities, natural gas processing facilities, natural gas liquids infrastructure, pipelines, railcars, export terminals, storage, and various renewable initiatives. To complement its infrastructure asset base, the Corporation also markets crude, refined product, natural gas, NGLs and renewable products and services to customers across North America. The Corporation's common shares are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "TWM".

The Corporation's principal place of business is Suite 900, 222 – 3<sup>rd</sup> 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 6). The assets of the Pioneer Pipeline LP were divested on June 30, 2021.

#### *Tidewater Renewables Ltd.*

In 2021, the Corporation formed Tidewater Renewables Ltd. ("Tidewater Renewables") to become a multi-faceted, energy transition company focusing on the production of low carbon fuels. As at September 30, 2022, Tidewater Midstream controls 23.9 million Tidewater Renewables common shares, representing approximately 68.85% of the issued and outstanding common shares. Tidewater Renewables' common shares are publicly traded on the TSX under the symbol "LCFS".

Tidewater Renewables operates its business through a number of subsidiaries including a wholly owned feedstock supplier, and the controlled Rimrock Renewables Limited Partnership ("RNG LP"). The Corporation also has a joint venture interest in Rimrock Cattle Company Ltd. ("RCC").

### 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, 2021. These condensed interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2022 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, 2021.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 9, 2022.

#### b) Emission credits and allowances

Emission credits and allowances purchased, or internally generated for use by the Corporation are recorded at cost. Emission liabilities are recorded in the period in which the emissions occur using the best estimate of the amount required to settle its obligation based on the carrying amount of credits held on hand and the expected market price of the additional credits required to cover the shortfall in meeting the obligation. Offsetting of the emission credits against the respective liabilities occurs at the end of the compliance period when the credits and allowances are used to settle the liabilities.

**Tidewater Midstream and Infrastructure Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021 (unaudited)**  
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Emission credits granted to the Corporation under the British Columbia low carbon fuel standard for achieving certain capital project investment milestones are valued at fair value less costs to sell. The cost to sell is usually nominal. Fair value is determined based on market prices or forward contracted prices. When earned, the emission credits are recognized in inventory as held for sale. Subsequent to initial recognition, any changes to fair value less cost to sell are recorded in the Consolidated Statement of Net Income and Comprehensive Income. Proceeds on sale are recorded within investing activities in the Consolidated Statements of Cash Flows.

**c) Accounting policy for equity units**

The Corporation applies the residual value method with respect to the measurement of Units (see note 12(b)). The residual value method first allocates value to the more easily measurable component based on fair value, and then the residual value, if any, is allocated to the less easily measurable component. The fair value of the Unit Shares issued as part of the Units is determined by the closing market price of the common shares on the measurement date. The residual value, if any, is allocated to the attached Warrant.

**3. INVENTORY**

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

	<b>September 30, 2022</b>	December 31, 2021
Crude and refined petroleum products	\$ 37,318	\$ 39,686
Materials and supplies	5,430	5,493
Marketing inventory	16,753	14,200
Capital emissions credits	12,465	-
Total current inventory	71,966	59,379
Long term inventory	36,789	34,294
<b>Total inventory</b>	<b>\$ 108,755</b>	<b>\$ 93,673</b>

Emission credits held for trading are carried at fair value less cost to sell as estimated by market prices. At September 30, 2022 and December 31, 2021 the remaining 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, 2022 and 2021. The cost of inventory expensed for the three and nine months ended September 30, 2022 was \$557.4 million (three months ended September 30, 2021 - \$364.4 million) and \$1,709.2 million (nine months ended September 30, 2021 - \$951.8 million) respectively.

During the three and nine months ended September 30, 2022, Tidewater Renewables generated \$NIL and \$34.3 million of British Columbia Low Carbon Fuel Standard ("BC LCFS") credits, respectively, for achieving construction milestones on its Renewable Diesel and Renewable Hydrogen Complex. During the three and nine months ended September 30, 2022, Tidewater Renewables sold BC LCFS credits to third parties for proceeds of \$11.5 million and \$22.7 million respectively.

**4. INVESTMENTS**

The following table summarizes the Corporation's investments:

	<b>September 30, 2022</b>	December 31, 2021
Investment in Tidewater Brazeau Gas Storage LP <sup>(1)</sup>	\$ 10	\$ 339
Investment in Tidewater Pipestone Infrastructure LP <sup>(1)</sup>	59,500	58,094
Investment in Rimrock Cattle Company <sup>(1)</sup>	24,611	-
Investments at fair value	2,967	2,778
	<b>\$ 87,088</b>	<b>\$ 61,211</b>

(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, 2022 and 2021 (unaudited)**  
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Summarized financial information of the Brazeau Partnership, Pipestone Partnership and RCC is as follows (presented at 100 percent):

**Net Income and Comprehensive Income**

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenue	\$ 35,237	\$ 7,196	\$ 75,638	\$ 15,396
Operating expenses	(30,863)	(3,041)	(70,580)	(9,468)
Depreciation	(1,563)	(681)	(3,824)	(2,017)
Finance costs and other	1,296	(1,249)	(1,001)	(3,716)
Net income and comprehensive income	\$ 4,107	\$ 2,225	\$ 233	\$ 195
Net income and comprehensive income attributable to Tidewater Midstream	3,918	2,406	2,355	1,694

**Statement of Financial Position**

	September 30, 2022	December 31, 2021
Current assets	\$ 15,244	\$ 3,667
Non-current assets	209,758	137,194
Current liabilities	42,666	41,710
Non-current liabilities	78,277	45,469

On April 4, 2022, Tidewater Renewables announced its strategic partnership with RCC, an Alberta based cattle feeding operation. Under the terms of its investment agreement, the Corporation will invest \$30 million, in four equal installments, in exchange for 50% ownership of RCC. At September 30, 2022 Tidewater Renewables has made \$22.5 million of the required installment payments, and holds 43% of the outstanding RCC common shares. The final installment is due on December 31, 2022.

On July 4, 2022, the Corporation entered into an agreement to acquire the remaining 50% partnership interest in the Brazeau Partnership, for a purchase price of \$10.5 million if the transaction closes prior to December 31, 2022. The Corporation has until January 31, 2024 to close the transaction, subject to a purchase price escalation clause of 15% per annum commencing January 1, 2023. The Corporation has paid \$6.0 million towards the acquisition at September 30, 2022.

On July 4, 2022, the Pipestone Partnership limited partnership agreement was amended to revise the Corporation's call option rights.

During the three and nine months ended September 30, 2022, the Corporation earned \$0.4 million (three months ended September 30, 2021 – \$0.8 million) and \$0.7 million (nine months ended September 30, 2021 – \$3.0 million) of revenue from its equity accounted investments, respectively. During the three and nine months ended September 30, 2022, the Corporation incurred operating expenses of \$2.1 million (three months ended September 30, 2021 – \$0.8 million) and \$4.8 million (nine months ended September 30, 2021 – \$2.8 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, 2022, the Corporation held \$30.6 million (December 31, 2021 - \$19.5 million) of accounts receivable from its equity accounted investments.

**Tidewater Midstream and Infrastructure Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021 (unaudited)**  
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**5. 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
<b>Cost</b>					
Balance, December 31, 2020	\$ 78,721	\$ 3,584	\$ 7,669	\$ 64,614	\$ 154,588
Acquisitions	-	-	22	-	22
Additions	2,045	131	3,067	53,286	58,529
Lease terminations	-	-	(1,149)	(1,282)	(2,431)
Balance, December 31, 2021	\$ 80,766	\$ 3,715	\$ 9,609	\$ 116,618	\$ 210,708
Additions	1,131	3,446	1,627	-	6,204
Lease terminations	-	(2,465)	(90)	(1,296)	(3,851)
Balance, September 30, 2022	\$ 81,897	\$ 4,696	\$ 11,146	\$ 115,322	\$ 213,061
<b>Accumulated Depreciation</b>					
Balance, December 31, 2020	\$ 25,775	\$ 1,728	\$ 3,417	\$ 22,232	\$ 53,152
Depreciation	13,290	977	1,855	20,608	36,730
Lease terminations	-	-	(427)	-	(427)
Balance, December 31, 2021	\$ 39,065	\$ 2,705	\$ 4,845	\$ 42,840	\$ 89,455
Depreciation	9,026	659	1,402	13,448	24,535
Lease terminations	-	(2,465)	-	-	(2,465)
Balance, September 30, 2022	\$ 48,091	\$ 899	\$ 6,247	\$ 56,288	\$ 111,525
<b>Net book value</b>					
December 31, 2021	\$ 41,701	\$ 1,010	\$ 4,764	\$ 73,778	\$ 121,253
September 30, 2022	\$ 33,806	\$ 3,797	\$ 4,899	\$ 59,034	\$ 101,536

**Tidewater Midstream and Infrastructure Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021 (unaudited)**  
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**6. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment is comprised of the following:

	Plant and infrastructure	Assets under construction	Other	Total
<b>Cost</b>				
Balance, December 31, 2020	\$ 1,360,347	\$ 49,774	\$ 37,786	\$ 1,447,907
Additions	47,359	68,589	903	116,851
Acquisitions	-	-	4,370	4,370
Completed projects	41,219	(41,219)	-	-
Disposals	(10,449)	-	-	(10,449)
Decommissioning asset	1,974	-	-	1,974
Transferred to assets held for sale	(1,105)	-	-	(1,105)
Balance, December 31, 2021	\$ 1,439,345	\$ 77,144	\$ 43,059	\$ 1,559,548
Non-controlling interest contributions (note 13)	-	6,500	-	6,500
Additions	27,674	208,979	2,148	238,801
Capital emission credits awarded (note 3)	-	(34,320)	-	(34,320)
Completed projects	13,955	(13,955)	-	-
Dispositions	(29,924)	-	-	(29,924)
Decommissioning asset	1,522	-	-	1,522
Balance, September 30, 2022	\$ 1,452,572	\$ 244,348	\$ 45,207	\$ 1,742,127
<b>Accumulated Depreciation</b>				
Balance, December 31, 2020	\$ 118,260	\$ -	\$ 19,971	\$ 138,231
Depreciation	41,238	-	3,825	45,063
Disposals	(22)	-	-	(22)
Balance, December 31, 2021	\$ 159,476	\$ -	\$ 23,796	\$ 183,272
Depreciation	33,634	-	2,640	36,274
Disposals	(10,425)	-	-	(10,425)
Balance, September 30, 2022	\$ 182,685	\$ -	\$ 26,436	\$ 209,121
<b>Net book value</b>				
December 31, 2021	\$ 1,279,869	\$ 77,144	\$ 19,263	\$ 1,376,276
<b>September 30, 2022</b>	<b>\$ 1,269,887</b>	<b>\$ 244,348</b>	<b>\$ 18,771</b>	<b>\$ 1,533,006</b>

On June 30, 2021, the Corporation, together with its partner TransAlta Corporation (“TransAlta”), successfully closed the sale of the Pioneer Pipeline to ATCO Gas and Pipelines Ltd. 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 sale of the Pioneer Pipeline. The Corporation recognized a gain on sale of \$30.2 million related to this disposition.

During the nine months ended September 30, 2022, the Corporation disposed of certain non-core assets. The Corporation recognized a loss of \$9.4 million on these dispositions.

**Tidewater Midstream and Infrastructure Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021 (unaudited)**  
All tabular amounts expressed in thousands of Canadian dollars, except per share information

**7. BANK DEBT**

The following table summarizes the Corporation's bank debt:

	September 30, 2022	December 31, 2021
Tidewater Midstream Senior Credit Facility	\$ 458,986	\$ 414,640
Tidewater Renewables Senior Credit Facility	110,143	60,000
Second Lien Term Loan	-	20,000
RNG Credit Facility	15,550	-
Financing costs	(6,471)	(3,253)
<b>Total bank debt</b>	<b>\$ 578,208</b>	<b>\$ 491,387</b>
<b>Current portion of bank debt, net of financing costs</b>	<b>15,222</b>	<b>19,369</b>
<b>Long term portion of bank debt, net of financing costs</b>	<b>562,986</b>	<b>472,018</b>

Tidewater Midstream and Tidewater Renewables each have a revolving credit facility (each a "Senior Credit Facility" and together, the "Senior Credit Facilities") with a syndicate of banks. The Senior Credit Facilities are not cross-collateralized, are not subject to cross defaults nor will Tidewater Midstream and Tidewater Renewables be consolidated for the purposes of covenant testing or availability.

*Tidewater Midstream Senior Credit Facility and Second Lien Term Loan*

On August 16, 2022, Tidewater Midstream amended its Senior Credit Facility to increase its size to \$550 million, through an expanded syndicate of lenders. The 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. The Corporation is required to maintain availability under the amended Senior Credit Facility of not less than \$50 million and the facility matures on August 18, 2024.

Tidewater Midstream is required to maintain certain deconsolidated financial covenants on a trailing-quarterly basis including a consolidated debt to adjusted EBITDA ratio of less than or equal to 4.5:1; consolidated first lien 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. For purposes of the covenant calculation, Tidewater Midstream's convertible debentures are excluded from the calculations. At September 30, 2022, the Corporation was in compliance with its financial covenants, reporting a consolidated debt to adjusted EBITDA ratio of 2.9:1 (December 31, 2021 – 3.5:1), a consolidated first lien senior debt to adjusted EBITDA ratio of 2.9:1 (December 31, 2021 – 2.6:1) and an adjusted EBITDA to interest coverage ratio of 4.7:1 (December 31, 2021 – 3.8:1).

Tidewater Midstream had a second lien term loan of \$20 million, subordinated to Tidewater Midstream's Senior Credit Facility. The second lien term loan had a maturity of October 31, 2022 and could be repaid prior to maturity with net proceeds from a similar instrument or through an issuance of equity or equity-like securities. The amount borrowed under this facility bore interest at a bankers' acceptance rate +750 bps stamping fee. The second lien term loan was repaid and cancelled on August 16, 2022.

At September 30, 2022, Tidewater Midstream had \$43.9 million (December 31, 2021 - \$51.5 million) of letters of credit outstanding, which operate under a separate facility.

*Tidewater Renewables' Senior Credit Facility and RNG Credit Facility*

Total aggregate availability under Tidewater Renewables' Senior Credit Facility is \$150 million and 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, 2022 and 2021 (unaudited)**  
All tabular amounts expressed in thousands of Canadian dollars, except per share information

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On September 22, 2022, Tidewater Renewables' Senior Credit Facility was amended (the "Amendment") to increase certain financial covenants. The amended financial covenants are calculated on a trailing-quarterly (annualized) basis and include consolidated debt (being, Tidewater Renewables' 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, Tidewater Renewables' 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. The Amendment provides 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, upon the closing of the financing transaction disclosed in note 21.

The calculations for each of these ratios are based on specific definitions in the agreements governing Tidewater Renewables' 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).

Tidewater Renewables, 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 Tidewater Renewables' equity investment in RCC and its ownership interest in RNG LP, as well as a subordinated charge over Tidewater Renewables' remaining assets.

Total aggregate availability under the RNG Credit Facility was \$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, the RNG Credit Facility was repaid and extinguished (see note 21).

**8. NOTES PAYABLE**

The following table summarizes the Corporation's notes payable:

	September 30, 2022	December 31, 2021
Notes payable	\$ -	\$ 125,000
Financing costs	-	(777)
<b>Total notes payable</b>	<b>\$ -</b>	<b>\$ 124,223</b>

On December 19, 2017, the Corporation closed a private placement of five-year unsecured senior notes with a face value of \$125.0 million for total consideration of \$124.3 million. The notes bore interest at 6.75% and were due on December 19, 2022. The notes were recognized at amortized cost and interest was paid semi-annually. Accrued interest payable at September 30, 2022 was \$NIL (December 31, 2021 - \$0.3 million).

The Corporation had the option to redeem up to 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. On August 16, 2022, the Corporation issued a redemption notice and fully funded the repayment of the unsecured senior notes and all unpaid interest.

**Tidewater Midstream and Infrastructure Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021 (unaudited)**  
All tabular amounts expressed in thousands of Canadian dollars, except per share information

**9. CONVERTIBLE DEBENTURES**

The following table summarizes the Corporation's convertible debentures:

	Number of convertible debentures (000s)		Liability component		Equity component
Balance, December 31, 2020	750	\$	67,430	\$	4,911
Unwinding of discount	-		1,785		-
Balance, December 31, 2021	750	\$	69,215	\$	4,911
Unwinding of discount	-		1,440		-
<b>Balance, September 30, 2022</b>	<b>750</b>	<b>\$</b>	<b>70,655</b>	<b>\$</b>	<b>4,911</b>

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, 2022 was \$NIL (December 31, 2021 - \$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.

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.

**10. 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, 2021 - 1.75%) and discounted using a credit-adjusted risk-free rate of 7.50% (December 31, 2021 - 7.50%).

The following table summarizes changes in the decommissioning obligations:

	September 30, 2022	December 31, 2021
Balance, beginning of period	\$ 45,640	\$ 45,026
Decommissioning costs incurred	(2,537)	(4,782)
Change in discount rate and estimates	1,522	1,974
Dispositions	(590)	-
Unwinding of discount included in finance costs	2,560	3,422
<b>Balance, end of period</b>	<b>\$ 46,595</b>	<b>\$ 45,640</b>

**Tidewater Midstream and Infrastructure Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021 (unaudited)**  
All tabular amounts expressed in thousands of Canadian dollars, except per share information

**11. 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, 2022	December 31, 2021
Balance, beginning of period	\$ 204,887	\$ 187,393
Additions	6,204	58,529
Acquisitions	-	22
Accretion	11,503	13,143
Lease payments	(36,187)	(51,887)
Lease terminations	(1,364)	(1,945)
Foreign exchange re-measurement	2,958	(368)
<b>Total lease liability and other</b>	<b>\$ 188,001</b>	<b>\$ 204,887</b>
<b>Current portion of lease liability and other</b>	<b>41,048</b>	<b>46,531</b>
<b>Long term portion of lease liability and other</b>	<b>146,953</b>	<b>158,356</b>

Included in lease liability and other at September 30, 2022 is \$87.1 million (December 31, 2021 - \$86.5 million) related to energy service fees in connection with the cogeneration unit at the Pipestone gas plant. Undiscounted payments associated with lease liabilities and other as at September 30, 2022 are summarized below:

	Within one year	After one year but not more than five years	More than five years	Total
Undiscounted lease payments	\$ 49,167	\$ 102,202	\$ 76,141	\$ 227,510

As at September 30, 2022, the incremental borrowing rate used to measure lease liabilities was 6.5% (December 31, 2021 - 6.5%).

**12. 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, 2022		December 31, 2021	
	Number of Shares (000s)	Amount	Number of Shares (000s)	Amount
Balance, beginning of period	341,635	\$ 445,565	339,098	\$ 442,124
Issue of common shares – public offering	48,392	58,070	-	-
Issue of common shares – private placement	31,771	38,125	-	-
Issue of common shares – long term incentive plan	976	1,008	2,537	3,845
Share issuance costs (net of tax)	-	(6,945)	-	(404)
<b>Balance, end of period</b>	<b>422,774</b>	<b>\$ 535,823</b>	<b>341,635</b>	<b>\$ 445,565</b>

On August 16, 2022, the Corporation closed a distribution of 48.4 million units ("Units") at a price of \$1.20 per Unit (the "Offering"), for gross proceeds of \$58.1 million. Each Unit consists of one common share of the Corporation (a "Unit Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one common share in the capital of the Corporation (a "Warrant Share") at a price of \$1.44 per Warrant Share until August 16, 2024 (see note 12(c)). Underwriter commissions of \$2.9 million were 5% of the total gross proceeds raised from the Offering.

**Tidewater Midstream and Infrastructure Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021 (unaudited)**  
All tabular amounts expressed in thousands of Canadian dollars, except per share information

Concurrently with the Offering and under the same terms as the Offering, Birch Hill Private Equity Partners Fund V, and certain affiliated entities controlled by Birch Hill, (collectively, "Birch Hill"), Kicking Horse Capital Inc., as manager of KHC SVP I LP, or entities controlled by it (collectively, "Kicking Horse") and certain members of management purchased \$34.5 million Units of the Corporation at a price of \$1.20 per unit, comprised of one Unit Share and one-half of one Warrant on a private placement basis (the "Concurrent Private Placement"). In addition, each subscriber was granted an over-allotment option, which was partially exercised on September 16, 2022 and increased total gross proceeds of the Concurrent Private Placement to \$38.1 million. Total fees paid to Birch Hill and Kicking Horse under the terms of the Concurrent Private Placement were \$3.6 million.

The Concurrent Private Placement and related fees paid to Birch Hill are considered related party transactions and are under the same terms of the offered Units to the public.

**c) Issued and outstanding warrants**

	September 30, 2022		December 31, 2021	
	Number of Warrants (000s)	Amount	Number of Warrants (000s)	Amount
Balance, beginning of period	-	\$ -	-	\$ -
Issue of warrants – public offering	24,196	-	-	-
Issue of warrants – private placement	15,885	-	-	-
Share issuance costs (net of tax)	-	-	-	-
<b>Balance, end of period</b>	<b>40,081</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>

As at September 30, 2022, all Warrants described in note 12(b) are exercisable, with 38.6 million Warrants expiring on August 16, 2024 and 1.5 million Warrants expiring on September 16, 2024. The Corporation valued the components of the Units, being the Unit Shares and the Warrants, using the residual value method. As the closing common share price was approximate to or in excess of the issuance price of the Unit Shares, no value was allocated to the attached Warrants.

**d) Dividends to shareholders**

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Dividends declared on common shares	\$ 4,228	\$ 3,403	\$ 11,065	\$ 10,188
Dividends declared per share	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.03

As at September 30, 2022, dividends of \$4.2 million were payable on 422.8 million outstanding common shares at \$0.01 per share (December 31, 2021 - \$3.4 million payable on 341.6 million outstanding common shares at \$0.01 per share). The dividends were paid on October 31, 2022.

**13. NON-CONTROLLING INTEREST**

A reconciliation of the non-controlling interest ("NCI") as at September 30, 2022 is provided below:

	Tidewater Renewables		Other		Total
Balance, December 31, 2020	\$	-	\$	1,986	\$ 1,986
Carrying amount of equity interest sold to NCI		21,726		-	21,726
Net income attributable to non-controlling interest		2,025		349	2,374
Balance, December 31, 2021	\$	23,751	\$	2,335	\$ 26,086
Assets contributed by NCI		6,500		-	6,500
Net income (loss) attributable to non-controlling interest		5,997		(697)	5,300
<b>Balance, end of period</b>	<b>\$</b>	<b>36,248</b>	<b>\$</b>	<b>1,638</b>	<b>\$ 37,886</b>

## Tidewater Midstream and Infrastructure Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021 (unaudited)

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

On April 4, 2022, Tidewater Renewables entered into a limited partnership agreement (the “RNG LP”), with Rimrock RNG Inc. (“Rimrock”), and Rimrock Renewables Ltd. to build and evaluate renewable natural gas (“RNG”) facilities across North America. Upon execution of the limited partnership agreement, Rimrock contributed \$6.5 million of fixed assets for 50% of the limited partnership units of RNG LP. Rimrock Renewables Ltd., a company with nominal assets and no operations, is the general partner and whose common shares are owned 51% and 49% by Tidewater Renewables and Rimrock, respectively. As the general partner, Rimrock Renewables Ltd. has the power and authority over the RNG Facilities Partnership’s relevant operating activities.

#### 14. REVENUE AND OPERATING EXPENSES

For the three and nine months ended September 30, 2022 and 2021, the Corporation had one vertically integrated operating segment: midstream and infrastructure, as the chief operating decision maker reviews operating results at this level to assess financial performance and make resource allocation decisions. The midstream and infrastructure operating segment includes the following revenue categories: midstream; downstream; marketing and extraction; 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.

<b>Three months ended September 30, 2022</b>	Midstream	Downstream	Marketing & extraction	Other	Total
Revenue (before intercompany eliminations)	\$ 70,081	\$ 330,350	\$ 390,443	\$ 10,544	\$ 801,418
Intercompany eliminations	(7,816)	(49,584)	(22,821)	(9,070)	(89,291)
Revenue from external customers	\$ 62,265	\$ 280,766	\$ 367,622	\$ 1,474	\$ 712,127
Operating expenses (before intercompany eliminations)	\$ 41,188	\$ 285,188	\$ 416,602	\$ 5,017	\$ 747,995
Intercompany eliminations	(2,034)	(42,908)	(42,805)	(1,544)	(89,291)
Operating expenses from external vendors	\$ 39,154	\$ 242,280	\$ 373,797	\$ 3,473	\$ 658,704
<b>Three months ended September 30, 2021</b>	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
<b>Nine months ended September 30, 2022</b>	Midstream	Downstream	Marketing & extraction	Other	Total
Revenue (before intercompany eliminations)	\$ 202,100	\$ 910,423	\$ 1,259,284	\$ 31,729	\$ 2,403,536
Intercompany eliminations	(24,988)	(157,536)	(29,270)	(27,626)	(239,420)
Revenue from external customers	\$ 177,112	\$ 752,887	\$ 1,230,014	\$ 4,103	\$ 2,164,116
Operating expenses (before intercompany eliminations)	\$ 108,622	\$ 780,425	\$ 1,324,256	\$ 16,305	\$ 2,229,608
Intercompany eliminations	(8,342)	(139,739)	(86,452)	(4,887)	(239,420)
Operating expenses from external vendors	\$ 100,280	\$ 640,686	\$ 1,237,804	\$ 11,418	\$ 1,990,188

## Tidewater Midstream and Infrastructure Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021 (unaudited)

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

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

## 15. FINANCE COSTS AND OTHER

Finance costs and other is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Interest on bank debt, notes payable and convertible debentures	\$ 12,064	\$ 11,810	\$ 34,922	\$ 42,793
Interest capitalized <sup>(1)</sup>	(1,500)	(500)	(3,600)	(1,500)
Total interest expense	10,564	11,310	31,322	41,293
Realized foreign exchange gain	(1,310)	(1,337)	(2,300)	(177)
Unrealized foreign exchange (gain) loss <sup>(2)</sup>	2,323	1,243	2,958	(134)
Revaluation of capital emission credits	(875)	-	(875)	-
Total finance costs and other before accretion	\$ 10,702	\$ 11,216	\$ 31,105	\$ 40,982
Unwinding of discount on decommissioning obligation	861	879	2,560	2,569
Unwinding of discount on long-term debt	2,174	1,332	5,171	3,822
Unwinding of discount on lease liabilities and receivable	3,696	3,432	11,503	10,415
Other	(88)	(215)	982	(790)
Accretion	6,643	5,428	20,216	16,016
<b>Total finance costs and other</b>	<b>\$ 17,345</b>	<b>\$ 16,644</b>	<b>\$ 51,321</b>	<b>\$ 56,998</b>

(1) For the three and nine months ended September 30, 2022, interest was capitalized at a weighted average annualized capitalization rate of approximately 6.5% on funds borrowed (three and nine months ended September 30, 2021 – 6.75% annualized).

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

## 16. SHARE-BASED COMPENSATION

### a) Share Awards

A summary of the stock options, restricted share units (“RSUs”) and deferred share units (“DSUs”) granted, issued and outstanding is as follows:

	Stock Options	RSUs	DSUs	Total
Outstanding, January 1, 2022	15,165	12,282	514	27,961
Granted	3,214	4,524	222	7,960
Exercised	(39)	(937)	-	(976)
Forfeited	(432)	(1,232)	-	(1,664)
Expired	(2,020)	(1)	-	(2,021)
<b>Outstanding, September 30, 2022</b>	<b>15,888</b>	<b>14,636</b>	<b>736</b>	<b>31,260</b>
<b>Exercisable, September 30, 2022</b>	<b>8,514</b>	<b>3,879</b>	<b>-</b>	<b>12,393</b>

## Tidewater Midstream and Infrastructure Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2022 and 2021 (unaudited)

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

	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)
<b>Outstanding, September 30, 2021</b>	<b>13,842</b>	<b>11,901</b>	<b>514</b>	<b>26,257</b>
<b>Exercisable, September 30, 2021</b>	<b>7,875</b>	<b>3,453</b>	<b>120</b>	<b>11,448</b>

#### b) Performance Share Unit Plan

The following table summarizes the performance share units (“PSUs”) outstanding, based on the historical fair value at the grant date:

	Nine months ended September 30,	
	2022	2021
Balance, beginning of period	\$ 1,681	\$ 943
Granted	1,253	675
Exercised	(494)	(343)
Forfeited	(41)	(29)
<b>Balance, end of period</b>	<b>\$ 2,399</b>	<b>\$ 1,246</b>

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,	
	2022	2021	2022	2021
Stock options	\$ 460	\$ 184	\$ 1,278	\$ 579
RSUs	1,660	395	5,975	1,795
DSUs	413	394	591	394
PSUs	281	74	1,070	267
Employee stock purchase plan	537	507	1,600	1,469
Plan costs and other	60	30	196	136
<b>Share-based compensation expense</b>	<b>\$ 3,411</b>	<b>\$ 1,584</b>	<b>\$ 10,710</b>	<b>\$ 4,640</b>

**Tidewater Midstream and Infrastructure Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021 (unaudited)**  
All tabular amounts expressed in thousands of Canadian dollars, except per share information

**17. NET INCOME (LOSS) PER SHARE**

	<b>Three months ended September 30, 2022</b>			Three months ended September 30, 2021		
	Net income (loss)	Common shares (000s)	Net Income (loss) per share	Net income	Common shares (000s)	Net income per share
Net income (loss) attributable to shareholders - basic	\$ (18,847)	380,525	\$ (0.05)	\$ 1,797	339,788	\$ 0.01
Dilutive effect of share awards	-	-	-	-	11,356	-
Dilutive effect of convertible debentures	-	-	-	790	57,626	-
Net income (loss) attributable to shareholders - diluted	\$ (18,847)	380,525	\$ (0.05)	\$ 2,587	408,770	\$ 0.01

For the three months ended September 30, 2022, 3.4 million share awards (three months ended September 30, 2021 – 4.7 million), 19.1 million shares relating to Warrants (three months ended September 30, 2021 – NIL), and 79.7 million shares relating to convertible debentures (three months ended September 30, 2021 – NIL) were anti-dilutive.

	<b>Nine months ended September 30, 2022</b>			Nine months ended September 30, 2021		
	Net income	Common shares (000s)	Net income per share	Net income	Common shares (000s)	Net income per share
Net income attributable to shareholders - basic	\$ 38,440	354,840	\$ 0.11	\$ 74,473	339,388	\$ 0.22
Dilutive effect of share awards	-	11,043	-	-	13,234	-
Dilutive effect of convertible debentures	2,345	79,745	(0.02)	2,345	57,626	(0.03)
Net income attributable to shareholders - diluted	\$ 40,785	445,628	\$ 0.09	\$ 76,818	410,248	\$ 0.19

For the nine months ended September 30, 2022, 6.8 million share awards (nine months ended September 30, 2021 – 9.1 million), 6.4 million shares relating to Warrants (nine months ended September 30, 2021 – NIL), and NIL shares relating to convertible debentures (nine months ended September 30, 2021 – NIL) were anti-dilutive.

**18. SUPPLEMENTAL CASH FLOWS INFORMATION**

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

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Accounts receivable	\$ 94,644	\$ 22,180	\$ (7,283)	\$ (103,354)
Prepaid expenses and other	1,120	(1,401)	(8,048)	(9,992)
Inventory	18,463	15,591	(2,617)	(3,649)
Trade payables and other	(100,435)	(86,723)	18,478	69,179
<b>Change in non-cash working capital from operating activities</b>	<b>\$ 13,792</b>	<b>\$ (50,353)</b>	<b>\$ 530</b>	<b>\$ (47,816)</b>

**Tidewater Midstream and Infrastructure Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021 (unaudited)**  
All tabular amounts expressed in thousands of Canadian dollars, except per share information

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Accounts receivable	\$ (18)	\$ 409	\$ 183	\$ 145
Prepaid expenses and other	-	31	(7)	27
Trade payables and other	26,198	14,300	83,330	(5,177)
<b>Change in non-cash working capital from investing activities</b>	<b>\$ 26,180</b>	<b>\$ 14,740</b>	<b>\$ 83,506</b>	<b>\$ (5,005)</b>

**c) Interest paid**

During the three and nine months ended September 30, 2022, total interest and financing charges paid, prior to capitalization, was \$17.7 million (three months ended September 30, 2021 - \$14.3 million) and \$42.3 million (nine months ended September 30, 2021 - \$45.4 million), respectively.

**19. 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.

	Within one year	After one year but not more than five years	More than five years	Total
Firm transportation contracts <sup>(1)</sup>	\$ 46,417	\$ 191,407	\$ 261,795	\$ 499,619
Investment purchase commitment <sup>(2)</sup>	\$ 7,500	\$ -	\$ -	\$ 7,500
<b>Total</b>	<b>\$ 53,917</b>	<b>\$ 191,407</b>	<b>\$ 261,795</b>	<b>\$ 507,119</b>

(1) Fixed transportation contracts are presented gross of flow-through operating cost recoveries from customers.

(2) Tidewater Renewables has committed to purchase additional common shares in its joint arrangement, RCC (note 4).

**20. 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.

**Tidewater Midstream and Infrastructure Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021 (unaudited)**  
All tabular amounts expressed in thousands of Canadian dollars, except per share information

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**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, derivative contracts and capital emissions credits held for trading. The fair value is determined based on market prices or forward contracted prices. 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.

At September 30, 2022, the fair value of cash, accounts receivable, accounts payable, accrued liabilities and other, 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, 2022, the fair value of the Corporation's debentures was approximately \$74.2 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, 2022 and December 31, 2021 is as follows:

	September 30, 2022	December 31, 2021
Cash	\$ 12,641	\$ 15,814
Accounts receivable and other long term receivables	251,779	245,663
Derivative contracts – current	13,906	5,945
Derivative contracts – long term	16,030	6,476
	<b>\$ 294,356</b>	<b>\$ 273,898</b>

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.

## **Tidewater Midstream and Infrastructure Ltd.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**For the three and nine months ended September 30, 2022 and 2021 (unaudited)**

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

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

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

The Corporation assesses lifetime expected credit losses for accounts receivable using historical default rates, aged accounts receivable analysis, and forward-looking information to determine the appropriate expected credit losses. At September 30, 2022, lifetime expected credit losses for accounts receivable outstanding were \$2.0 million (December 31, 2021 - \$2.2 million).

The Corporation has one significant counterparty through an offtake agreement at the Prince George Refinery. Revenue attributable to Cenovus Energy for the three and nine months ended September 30, 2022 accounted for approximately 36% and 33% of the Corporation's total revenue, respectively. Revenue earned from Cenovus Energy, for the three and nine months ended September 30, 2022 was \$259.7 million (September 30, 2021 - \$167.6 million) and \$712.8 million (September 30, 2021 - \$404.2 million), respectively. The revenue predominantly occurs at the Prince George Refinery 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.

#### **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.

**Tidewater Midstream and Infrastructure Ltd.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2022 and 2021 (unaudited)**  
All tabular amounts expressed in thousands of Canadian dollars, except per share information

The following details the contractual maturities of the Corporation's financial liabilities 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
Trade payables and other <sup>(1)</sup>	\$ 411,457	\$ -	\$ 309,649	\$ -
Derivative contracts	13,284	26,548	19,532	12,991
Dividend payable	4,228	-	3,416	-
Interest payable	-	-	1,352	-
Lease liabilities and other <sup>(2)</sup>	49,167	178,343	48,352	205,181
Bank debt <sup>(3)</sup>	15,550	569,129	20,000	474,640
Notes payable <sup>(3)</sup>	-	-	125,000	-
Convertible debentures <sup>(3)</sup>	-	75,000	-	75,000
	<b>\$ 493,686</b>	<b>\$ 849,020</b>	<b>\$ 527,301</b>	<b>\$ 767,812</b>

(1) Included in trade payables and other is an amount of \$24.8 million (December 31, 2021 - \$24.8 million) secured by its crude oil and refined product inventory. The Corporation, at its option, may renew the arrangement every four months at a rate of 8% per annum, or settle the obligation for \$24.8 million. The next renewal period is from January 2023 to May 2023.

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

(3) Amounts represent undiscounted principle only and exclude accrued interest.

**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, 2022, the Corporation had variable rate bank debt (see note 7) totaling \$578.2 million (September 30, 2021 - \$466.4 million), and therefore a 1% change in the interest rate on bank debt would have had an after-tax impact of \$3.3 million on net income for the nine months ended September 30, 2022 (nine months ended September 30, 2021 - \$2.7 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, 2022, working capital balances denominated in USD were \$3.6 million (September 30, 2021 - \$23.8 million). A 5% change in foreign exchange rates between the USD and the Canadian Dollar would have an after-tax impact on net income of \$0.1 million for the nine months ended September 30, 2022 (nine months ended September 30, 2021 - \$1.1 million).

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 of \$27.4 million for the nine months ended September 30, 2022 (nine months ended September 30, 2021 - \$45.1 million).

## 21. SUBSEQUENT EVENT

On October 24, 2022, Tidewater Renewables announced the closing of a \$150.0 million five-year senior secured second lien credit facility (the "AIMCo Facility") through an affiliate of Alberta Investment Management Corporation ("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 five and is subject to certain inflation escalators.

In conjunction with the AIMCo Facility issuance, Tidewater Renewables issued 3.375 million warrants to AIMCo (the "AIMCo Warrants"). Each AIMCo Warrant entitles the holder to purchase one common share of Tidewater Renewables ("TWR Common Share") at a price per share of \$14.84, for a term of five years. The AIMCo Warrants also contain certain features which will reduce the exercise price of the warrants if the consumer price index is greater than 4% per annum.

AIMCo has the option to redeem AIMCo Warrants for cash (as opposed to common shares) in connection with a cashless exercise. If Tidewater Renewables is unable or not permitted to make some or all of such cash payment, then Tidewater Renewables will assist AIMCo in the sale of the TWR Common Shares issued and will be obligated to pay certain market slippage costs of up to 15% plus broker fees and related costs in respect of the TWR Common Shares sold.

Tidewater Renewables used a portion of the proceeds from the AIMCo Facility to repay and extinguish its RNG Credit Facility.