

South Bow Corporation
Financial Statements
(audited)

For the period from incorporation on
December 15, 2023 to December 31, 2023



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel 403-691-8000
Fax 403-691-8008
www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of South Bow Corporation

Opinion

We have audited the financial statements of South Bow Corporation ("the Company"), which comprise:

- the balance sheet as of December 31, 2023;
- the statement of income for the period from incorporation on December 15, 2023 to December 31, 2023;
- the statement of changes in equity for the period from incorporation on December 15, 2023 to December 31, 2023; and
- the notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and its results of operations for the period from incorporation on December 15, 2023 to December 31, 2023 in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our auditor's report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
April 10, 2024

Statement of Income

	Period from incorporation on December 15, 2023 to December 31, 2023
Revenues	-
Expenses	-
Income before income taxes	-
Income tax expense	-
Net income	-

The accompanying Notes to the financial statements are an integral part of these statements.

Balance Sheet

December 31, 2023	
Assets	-
Liabilities and Shareholder's Equity	-

The accompanying Notes to the financial statements are an integral part of these statements.

On behalf of the Board:

(signed) "*Richard J. Prior*"
Richard Prior, Director

(signed) "*Jennifer Geggie*"
Jennifer Geggie, Director

Statement of Changes in Equity

year ended December 31	Period from incorporation on December 15, 2023 to December 31, 2023
Retained earnings, beginning of period	-
Retained earnings, end of period	-

The accompanying Notes to the financial statements are an integral part of these statements.

Notes to Financial Statements

1. DESCRIPTION OF SOUTH BOW CORPORATION'S BUSINESS

South Bow Corporation (South Bow or the Company) was incorporated under the Canada Business Corporations Act on December 15, 2023, for the purpose of spinning out TC Energy Corporation's (TC Energy) Liquids Pipelines business, along with certain related assets, into a separate publicly traded company. As a result of the proposed spin-off transaction, the Company will consolidate the financial results of TC Energy's Liquids business at a future date when the Liquids Pipelines business is contributed to the Company. South Bow's registered office is located at 450 – 1 Street SW, Calgary, Alberta, Canada, T2P 5H1. For the period from the date of incorporation to December 31, 2023, South Bow did not conduct any business activities other than those required for its formation and matters contemplated by the Plan of Arrangement.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that South Bow will continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

The financial statements have been authorized for issue by the Board of Directors of TC Energy on April 10, 2024.

On July 27, 2023, TC Energy announced plans to separate into two independent, investment-grade, publicly listed companies through the spinoff of its Liquids Pipelines business (the Transaction). The Transaction is expected to be tax free to TC Energy's Canadian and U.S. shareholders. In addition to TC Energy shareholder and court approvals, the Transaction is subject to receipt of necessary regulatory approvals and satisfaction of other customary closing conditions. TC Energy expects that the Transaction will be completed in the second half of 2024.

Under the proposed Transaction, TC Energy shareholders as of the Distribution Date, as defined in the management information circular dated April 10, 2024, will receive, in exchange for each TC Energy share, one new TC Energy share and 0.2 of a South Bow common share.

2. ACCOUNTING POLICIES

The Company's financial statements have been prepared by management in accordance with U.S. generally accepted accounting principles.

3. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. The Company had no shareholders or shares outstanding as at December 31, 2023. The Company has appointed executive members of TC Energy's Liquids Pipelines business as Officers and Directors of South Bow.