Management’s Discussion and Analysis
For the year ended December 31, 2022

March 8, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (the "MD&A") of the audited annual consolidated financial and operating results of Tidewater Renewables Ltd. ("Tidewater Renewables" or the "Corporation") is dated March 8, 2023 and should be read in conjunction with Tidewater Renewables' annual audited consolidated financial statements as at and for the year ended December 31, 2022, and 2021 (the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which represent generally accepted accounting principles ("GAAP"). This MD&A contains non-GAAP measures which are used to measure and analyze financial performance, financial position and cash flow and therefore may not be comparable to similar measures presented by other entities. This MD&A also contains forward-looking statements. Readers are cautioned that the MD&A should be read in conjunction with Tidewater Renewables' disclosure under "Non-GAAP and Other Financial Measures" and "Forward-Looking Information" included at the end of this MD&A. Unless otherwise indicated, referencing to "$" or "dollars" are to Canadian dollars.

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

BUSINESS OVERVIEW

Tidewater Renewables is a multi-faceted, energy transition company. The Corporation is focused on the production of low carbon fuels, including renewable diesel, renewable hydrogen and renewable natural gas, as well as carbon capture through future initiatives. The Corporation was created in response to the growing demand for renewable fuels in North America and to capitalize on its potential to efficiently turn a wide variety of renewable feedstocks (such as tallow, used cooking oil, distillers corn oil, soybean oil, canola oil and other biomasses) into low carbon fuels. Tidewater Renewables' objective is to become one of the leading Canadian renewable fuel producers. The Corporation is pursuing this objective through the ownership, development, and operation of clean fuels projects and related infrastructure, that utilize existing proven technologies. Tidewater Renewables' common shares are publicly traded on the Toronto Stock Exchange under the symbol "LCFS".

Tidewater Renewables' operating assets and growth projects are located in Alberta and British Columbia (collectively the "Renewable Assets"). Operating assets located at the Prince George Refinery ("PGR") include the canola co-processing infrastructure, the fluid catalytic cracking ("FCC") co-processing infrastructure and working interests in certain refinery units. Other operating assets include a gas storage facility located at Tidewater Midstream's Brazeau River Complex ("BRC") and a renewable feedstock collection business. The Corporation's growth projects include the Renewable Diesel & Renewable Hydrogen Complex ("HDRD Complex") and renewable natural gas ("RNG") digestor facilities. Through these projects, Tidewater Renewables will supply low carbon fuels to investment grade offtakers, existing customers, government entities, Indigenous groups and others in the transportation, utilities, refining, marketing, and power industries.

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

HIGHLIGHTS

- Tidewater Renewables completed its first full year of operations with net income attributable to shareholders of $25.9 million, Adjusted EBITDA(1) of $62.4 million and distributable cash flow(1) of $38.1 million. The Corporation exited 2022 with strong fourth quarter results, including net income attributable to shareholders of $14.1 million, compared to $0.1 million in the fourth quarter of 2021. Adjusted EBITDA(1) also increased to $16.7 million in the fourth quarter of 2022, compared to $10.6 million in the fourth quarter of 2021, representing a 57% increase. Net cash provided by operating activities was $29.1 million for the fourth quarter of 2022, with distributable cash flow(1) of $9.4 million.
- On December 16, 2022, the Corporation executed a renewable diesel offtake agreement with an investment grade partner to sell approximately 50% of the HDRD Complex's production through to the end of 2024.
- Tidewater Renewables has safely completed an active year of construction on its HDRD Complex. Completion is expected by mid-April 2023, with commissioning beginning at the end of the first quarter and commencement of operations in the second quarter of 2023.

  The HDRD Complex has endured material cost pressures, including a challenging labour market, supply chain issues, specialty metal shortages, select contractor underperformance and general cost inflation. The current estimated gross project cost, including commissioning, is approximately $342 million (vs. the previous estimate of $260 million). Gross project costs are expected to be offset by an estimated $125 million of BC LCFS credits issued by the Government of British Columbia, under a Part 3 agreement, for achieving certain construction milestones.

  Tidewater Renewables expects to fund the remaining project costs through the sale of BC LCFS credits and with the support of its current capital providers, among other sources. During the first half of 2023, the Corporation expects to receive proceeds of approximately $53 million from the sale of BC LCFS credits, under executed agreements. Despite the cost pressures, the project's economics remain attractive, and payback is expected in less than three years of operations.
- The Corporation anticipates that the HDRD Complex will scale up production gradually in the second half of 2023, with an average utilization rate between 75 – 80% of its design capacity. Based on this utilization, second-half 2023 corporate Adjusted EBITDA(1) is expected to range between $50 – 60 million, inclusive of $35 – 45 million of Adjusted EBITDA(1) from the HDRD Complex. When the HDRD Complex is operating at its design capacity, annualized corporate run rate EBITDA(1) is expected to range between $130 – 155 million.
- On October 17, 2022, the Corporation announced that it entered a 20-year RNG offtake agreement with FortisBC Energy Inc. ("FortisBC"), whereby FortisBC expects to purchase up to 100% of the Corporation's production from its announced RNG Facility in Foothills County, Alberta (the "RNG Facility"). Tidewater Renewables continues to advance the facility's engineering design and regulatory applications.
- On October 24, 2022, the Corporation announced the closing of a $150 million five-year senior secured second lien credit facility (the "AIMCo Facility") with an affiliate of Alberta Investment Management Corporation ("AIMCo"). The AIMCo Facility initially bears interest of 6.50% per annum, increases by 37.5 basis points in year four & year five and is subject to certain inflation escalators. In conjunction with the AIMCo Facility, Tidewater Renewables issued 3.375 million warrants to AIMCo. Each warrant entitles the holder to purchase one common share of Tidewater Renewables at a price of $14.84, subject to certain adjustments, for a term of five years.

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

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars except per share information)	**Three months ended December 31, 2022**	Three months ended December 31, 2021	**Year ended December 31, 2022**	Year ended December 31, 2021[1]
Revenue	**$ 19,422**	$ 16,925	**$ 76,099**	$ 23,055
Net income attributable to shareholders	**$ 14,132**	$ 80	**$ 25,942**	$ 2,763
Basic net income attributable to shareholders per share	**$ 0.41**	$ 0.00	**$ 0.75**	$ 0.14
Diluted net income attributable to shareholders per share	**$ 0.40**	$ 0.00	**$ 0.74**	$ 0.14
Adjusted EBITDA [2,3]	**$ 16,717**	$ 10,635	**$ 62,440**	$ 15,965
Net cash provided by operating activities	**$ 29,095**	$ 9,963	**$ 67,444**	$ 8,187
Distributable cash flow [2]	**$ 9,433**	$ 7,880	**$ 38,060**	$ 11,820
Distributable cash flow per common share – basic [2]	**$ 0.27**	$ 0.23	**$ 1.10**	$ 0.59
Distributable cash flow per common share – diluted [2]	**$ 0.27**	$ 0.23	**$ 1.09**	$ 0.59
Total common shares outstanding (000s)	**34,719**	34,712	**34,719**	34,712
Total assets	**$ 993,321**	$ 730,992	**$ 993,321**	$ 730,992
Net debt [2]	**$ 211,232**	$ 58,978	**$ 211,232**	$ 58,978

(1) The comparable period presented is from the date of incorporation, May 11, 2021, to December 31, 2021.
(2) Refer to "Non-GAAP and Other Financial Measures".
(3) For the three months and year ended December 31, 2022, Adjusted EBITDA includes $1,149 and $2,658 from its proportionate share of RCC's Adjusted EBITDA, respectively.

RENEWABLE DIESEL & RENEWABLE HYDROGEN COMPLEX ("HDRD Complex")

The HDRD Complex will be Canada's first standalone renewable diesel facility. It is designed to produce 3,000 bbl/d of renewable diesel and to utilize renewable hydrogen to reduce its carbon intensity ("CI"). The HDRD Complex includes a pretreatment facility to provide Tidewater Renewables with feedstock flexibility and to optimize input costs.

The HDRD Complex's renewable diesel is expected to have a CI low enough to generate environmental credits in various jurisdictions. These environmental credits may be sold "attached" to the diesel or separated from the fuel and sold independently. The Corporation remains hedged on approximately 50% and 40% of the HDRD Complex's feedstock volume requirements through 2023 and 2024, respectively.

Construction on the HDRD Complex is expected to be completed in April 2023, with commissioning wrapping up in May 2023. As the HDRD Complex ramps-up in the second half of 2023, it is expected to operate at between 75 – 80% of its design capacity and contribute approximately $35 – 45 million of Adjusted EBITDA ($70 – 90 million annualized) in the second half of 2023. When the HDRD Complex is operating at its design capacity, it is expected to generate annualized run rate EBITDA of between $90 – 115 million.

Tidewater Renewables has safely completed an active year of construction on its HDRD Complex. Consistent with the global economic environment, the Corporation has experienced capital cost inflationary pressures as it managed supply chain issues, a challenging labour market, specialty metal shortages and select contractor underperformance within its sub-two-year schedule. Despite these challenges, the project's economics remain attractive, and payback is expected in less than three years of operations.

The current project cost estimate is disclosed below:

(in thousands of Canadian dollars)		
Project costs incurred (as at December 31, 2022)[1]	$	244,863
Remaining spending anticipated		97,137
Gross estimated project costs [2]		342,000
BC LCFS Credits (issued to Tidewater Midstream for costs incurred prior to August 18, 2021) [1]		(25,249)
BC LCFS Credits (proceeds received by Tidewater Renewables)		(33,280)
BC LCFS Credits (recorded as inventory as at December 31, 2022)		(23,485)
BC LCFS Credits (expected to be received)		(42,986)
Net estimated project costs [2]	$	217,000

(1) Includes costs incurred by Tidewater Midstream of $25.2 million which were offset through the issuance of BC LCFS credits.
(2) Estimated costs and completion times for the HDRD Complex that are discussed above assume that construction & commissioning continues as planned and that actual costs are in line with estimates. Costs described include start up catalysts, critical spares and commissioning cost but excludes certain carrying charges and supporting refinery infrastructure assets. The section of the MD&A titled "Forward-Looking Information", provides more information on factors that could affect the development of this project.

RESULTS OF OPERATIONS

Financial Overview

(in thousands of Canadian dollars except per share information)	**Three months ended December 31,**				**Year ended December 31,**			
		2022		2021		**2022**		2021[1]
Revenue	**$**	**19,422**	$	16,925	**$**	**76,099**	$	23,055
Operating expenses	**$**	**7,970**	$	6,280	**$**	**29,971**	$	7,374
General and administrative	**$**	**1,590**	$	647	**$**	**5,834**	$	853
Share-based compensation	**$**	**740**	$	425	**$**	**3,217**	$	680
Depreciation	**$**	**5,062**	$	4,592	**$**	**19,443**	$	6,707
Finance costs and other	**$**	**2,666**	$	759	**$**	**7,547**	$	1,476
Realized gain on derivative contracts	**$**	**(5,706)**	$	(637)	**$**	**(19,488)**	$	(1,137)
Unrealized loss (gain) on derivative contracts	**$**	**(13,213)**	$	4,322	**$**	**(9,071)**	$	1,552
Loss on warrant liability revaluation	**$**	**1,995**	$	-	**$**	**1,995**	$	-
Income (loss) from equity investments	**$**	**(1,890)**	$	-	**$**	**221**	$	-
Transaction costs	**$**	**304**	$	282	**$**	**964**	$	1,553
Deferred income tax expense	**$**	**5,982**	$	175	**$**	**9,966**	$	1,234
Net income attributable to shareholders	**$**	**14,132**	$	80	**$**	**25,942**	$	2,763
Basic net income attributable to shareholders per share	**$**	**0.41**	$	0.00	**$**	**0.75**	$	0.14
Diluted net income attributable to shareholders per share	**$**	**0.40**	$	0.00	**$**	**0.74**	$	0.14

(1) The comparable period presented is from the date of incorporation, May 11, 2021, to December 31, 2021.

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

Revenue

Revenue increased to $19.4 million in the fourth quarter of 2022 compared to $16.9 million in the fourth quarter of 2021. The increase is attributable to higher renewable diesel pricing and additional renewable feedstock marketing. Revenue for the year ended December 31, 2022, was $76.1 million compared to $23.1 million for the period from date of incorporation May 11, 2021, to December 31, 2021. The increase is primarily attributable to the shorter comparable period, commodity pricing and higher co-processing throughput.

The Corporation generates revenue primarily through offtake, fixed rate processing and storage take-or-pay agreements with Tidewater Midstream as the main counterparty. These agreements are designed to recover operating costs and provide a return on capital. Fees are charged per unit sold, processed, or stored and through the recovery of operating costs for the facility.

Operating Expenses

Operating expenses for the fourth quarter of 2022 were $8.0 million, compared to $6.3 million for the fourth quarter of 2021. The increase is the result of higher commodity pricing for renewable feedstocks and additional renewable feedstock marketing.

Operating expenses for the year ended December 31, 2022, were $30.0 million compared to $7.4 million for the period from the date of incorporation May 11, 2021, to December 31, 2021. The increase is attributable to the shortened period of operations in 2021, increased co-processing throughput, higher flow-through operating expenses and additional renewable feedstock marketing.

General and Administrative

General and administrative (“G&A”) expenses for the fourth quarter of 2022 were $1.6 million compared to $0.6 million for the fourth quarter of 2021. The increase is primarily due to higher employee costs as the Corporation prepares to operate the HDRD Complex. G&A expenses for the year ended December 31, 2022, were $5.8 million compared to $0.9 million for the period from the date of incorporation May 11, 2021, to December 31, 2021. The increase is attributable to the shortened period of operations in 2021 and increased employee costs as the Corporation prepares to operate the HDRD Complex.

Share-Based Compensation

The Corporation incurred share-based compensation expenses of $0.7 million for the fourth quarter of 2022, compared to $0.4 million for the fourth quarter of 2021. Share-based compensation expenses for the year ended December 31, 2022, were $3.2 million compared to $0.7 million for the period from date of incorporation May 11, 2021, to December 31, 2021. The increase is attributable to issuances of additional share awards in 2022.

Depreciation

Depreciation for the three months ended December 31, 2022, was $5.1 million compared to $4.6 million for the three months ended December 31, 2021. The increase is attributable to an increase in the Corporation’s right-of-use assets and property, plant and equipment in the year. Depreciation for the year ended December 31, 2022 was $19.4 million compared to $6.7 million for the period from date of incorporation May 11, 2021 to December 31, 2021. The increase is the result of a shortened comparable period of operations in 2021.

Depreciation relates to the Corporation’s property, plant and equipment, and right-of-use assets. Assets under construction, such as the Corporation’s HDRD Complex, are not depreciated until they commence operations.

Finance Costs and Other

Finance costs and other for the fourth quarter of 2022 were $2.7 million compared to $0.8 million for the fourth quarter of 2021. The increase is attributable to draws on the Corporation's Senior Credit and AIMCo Facilities. Finance costs and other for the year ended December 31, 2022, were $7.5 million compared to $1.5 million for the period from date of incorporation May 11, 2021, to December 31, 2021. The increase is attributable to a shortened comparable period of operations in 2021 and additional draws on the Corporation's debt facilities as construction if the HDRD Complex progresses.

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

Realized Gains or Losses on Derivative Contracts

The Corporation uses financial forward contracts to protect operating income against volatility in commodity prices. For the three months ended December 31, 2022 and December 31, 2021, the Corporation generated $5.7 million and $0.6 million in realized gains on its derivative contracts, respectively. The increases in realized gains on derivative contracts relate to higher average commodity prices for vegetable oils in 2022. Realized gains on its derivative contracts for the year ended December 31, 2022, were $19.5 million compared to $1.1 million for the period from date of incorporation May 11, 2021 to December 31, 2021. The increases in realized gains on derivative contracts relate to higher average commodity prices for vegetable oils in 2022 and the shortened comparable period in 2021.

Unrealized Gains or Losses on Derivative Contracts

The Corporation recognized a non-cash unrealized gain of $13.2 million for the three months ended December 31, 2022, compared to an unrealized loss of $4.3 million for the three months ended December 31, 2021, when adjusting the commodity contracts to their fair value. Unrealized gains on derivative contracts for the year ended December 31, 2022, were $9.1 million compared to an unrealized loss of $1.6 million for the period from date of incorporation May 11, 2021, to December 31, 2021. The increased gain in 2022 is due to higher closing prices for the hedged commodities.

The Corporation has entered into forward financial contracts for vegetable oils and refined products to manage the commodity price risk related to its co-processing and renewable diesel operations. The fair value of the net derivative contract asset or liability is the estimated value to settle the outstanding contracts at a point in time. Accordingly, the unrealized gains or losses on these financial instruments are recorded directly to the statement of net income and comprehensive income and can fluctuate materially quarter-over-quarter with price volatility. Unrealized gains and losses on derivative contracts do not impact net cash provided by operating activities or distributable cash flow. Actual gains or losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices as compared to the valuation assumptions.

Loss on Warrant Liability Revaluation

On October 24, 2022, in conjunction with the issuance of the AIMCo Facility, the Corporation issued 3.4 million warrants. Each warrant entitles the holder to purchase one common share for a term of five years. Due to their exercise features the warrants are measured at fair value at each reporting period.

When adjusting the warrants to their fair value on December 31, 2022, the Corporation recognized a non-cash revaluation loss of $2.0 million. The loss is primarily due to the increase in the Corporation's closing share price.

Income from Equity Investments

The Corporation's strategic investment in Rimrock Cattle Company Ltd. ("RCC") contributed a loss of $1.9 million and income of $0.2 million for the three months and year ended December 31, 2022, respectively. The Corporation has entered into a feedstock supply agreement with RCC that is expected to provide a significant source of feedstock to the Corporation's RNG Facility once operational.

Transaction Costs

The Corporation's transaction costs of $1.0 million for the year ended December 31, 2022, are primarily associated with the Corporation's strategic partnerships. Transaction costs of $1.6 million for the period from the date of incorporation, May 11, 2021, to December 31, 2021, relate to the Corporation's initial public offering.

Deferred Income Tax Expense

For the three months ended December 31, 2022, the Corporation recognized a deferred income tax expense of $6.0 million, compared to a deferred tax expense of $0.2 million for the three months ended December 31, 2021. The higher expense is attributable to the increased net income before tax for the three months ended December 31, 2022, compared to 2021. During the year ended December 31, 2022 the deferred income tax expense was $10.0 million, compared to $1.2 million for the period from date of incorporation, May 11, 2021, to December 31, 2021. The higher expense is attributable to the increased net income before tax for the year ended December 31, 2022, compared to 2021.

Net Income Attributable to Shareholders

During the three month period ended December 31, 2022, the Corporation produced net income attributable to shareholders of $14.1 million, compared to net income attributable to shareholders of $0.1 million for the same period of 2021. The increase is primarily the result of higher realized and unrealized gains on derivative contracts offset by a higher deferred income tax expense during the three month period ended December 31, 2022, compared to 2021.

During the year ended December 31, 2022, the Corporation generated net income attributable to shareholders of $25.9 million, compared to net income attributable to shareholders of $2.8 million for the period from date of incorporation, May 11, 2021, to December 31, 2021. The increase is due to higher realized and unrealized gains on derivative contracts offset by a higher deferred income tax expense during the year ended December 31, 2022, compared to the period from date of incorporation May 11, 2021, to December 31, 2021.

2023 OUTLOOK AND CORPORATE UPDATE

Tidewater Renewables is pleased to deliver a strong year of Adjusted EBITDA generation while managing the construction of the HDRD Complex through a challenging supply chain environment. Tidewater Renewables continues to work with various counterparties to achieve their environmental commitments and meet their energy requirements.

For 2023, Tidewater Renewables continues to observe strong industry fundamentals including robust prices for renewable fuels, strong demand for environmental credits, durable government support and expanding environmental commitments & targets. The Corporation’s focus remains on safely and successfully commissioning Canada’s first renewable diesel facility. The incremental Adjusted EBITDA from the HDRD Complex is expected to launch the next phase of Tidewater Renewables’ growth.

Renewable Fuel Assets

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

Phase 1 of the FCC co-processing project was successfully commissioned in August 2022, with a throughput capacity of approximately 100 bbl/d. The Corporation expects Phase 2 commissioning to be completed in Q3 2023, which will increase throughput capacity to approximately 300 bbl/d. The FCC and canola co-processing projects refine various renewable feedstocks, including those provided by the Corporation’s feedstock collection business, into renewable diesel and renewable gasoline. To minimize commodity price exposure and protect the project’s cash flows, the Corporation has entered into financial forward contracts for vegetable oils and refined products, as well as forward sales of BC LCFS credits.

The HDRD Complex’s pre-treatment facility enhances the renewable fuel assets’ flexibility in utilizing a wide variety of feedstocks. This flexibility reduces the renewable fuel assets’ dependency on specific feedstocks and optimize refining costs.

Co-locating the renewable fuel assets at PGR provides significant advantages to the Corporation, including the ability to leverage existing infrastructure, regulatory frameworks and the expertise of refinery management. PGR serves the majority of the underserved regional demand, which includes major local industries such as forestry, mining and oil and gas.

Renewable Natural Gas Assets

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

The Corporation is partnering with Rimrock RNG Inc. to construct the RNG Facility in Foothills County, Alberta. The facility will utilize Tidewater Renewables' natural gas processing and marketing experience along with Rimrock's access to feedstocks. The RNG Partnership has a 20-year offtake agreement with FortisBC to purchase up to 100% of the RNG production from the facility. Tidewater Renewables is advancing the facility's engineering design and regulatory applications and expects to begin construction once all significant regulatory approvals are obtained. Tidewater Renewables and Rimrock continue to see incremental government support for the development of RNG projects in North America.

Feedstock Supply and Marketing

To complement its renewable fuel and renewable natural gas assets, Tidewater Renewables is aggressively sourcing various renewable feedstocks for use in its facilities and to market to other counterparties.

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

CAPITAL PROGRAM

Tidewater Renewables' 2022 capital program included the construction of the HDRD Complex, the engineering design of the RNG Facility, the construction of the Phase 1 of the FCC co-processing project and the expansion of the Corporation's feedstock collection business.

During the first half of 2023 the Corporation plans to concentrate its efforts on the construction and commissioning of the HDRD Complex and supporting the planned turnaround at PGR in the second quarter of 2023. Tidewater Renewables expects 2023 maintenance capital to range between $14 - 16 million, with the majority related to the planned turnaround of its renewable fuel assets at PGR. During the second half of 2023 the Corporation expects to complete Phase 2 of its FCC co-processing project and, subject to regulatory approvals, commence construction of the RNG Facility. Tidewater Renewables continues to see material government interest in supporting various future renewable fuel & renewable gas initiatives.

Renewable Diesel & Renewable Hydrogen Complex ("HDRD Complex")

Tidewater Renewables has safely completed an active year of construction on Canada's first renewable diesel facility. The Corporation expects to complete construction on the HDRD Complex in April 2023 and wrap-up the commissioning process in May 2023.

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

- Installed approximately 90% of the renewable hydrogen reformer unit's equipment and installed the renewable hydrogen purification unit;
- Erected structural steel towers for all reactors;
- Energized the electrical utility buildings;
- Finished installing compressor utility buildings; and
- Tank farm and buffer tank area construction complete and commissioning commenced.

Management expects to complete the remaining project milestones in the timeline[1] below:

HDRD Complex Unit	Estimated Construction Completion	Estimated Commissioning Completion
Utilities	Mid-March 2023	Mid-April 2023
Pre-treatment Unit	Early April 2023	Early May 2023
Renewable Hydrogen Unit	Early April 2023	Early May 2023
Renewable Diesel Unit	Mid-April 2023	Mid-May 2023

(1) Estimated completion times for the projects currently under construction that are discussed above assume that construction continues as planned and materials are received as scheduled. The section of the MD&A titled "Forward-Looking Information", provides more information on factors that could affect the development of these projects.

As of March 8, 2023, all significant equipment packages and modules have been received by the Corporation in Prince George, except for one heater scheduled to arrive in mid-March 2023.

SELECTED ANNUAL INFORMATION

The following table presents selected annual financial information for Tidewater Renewables:

(In thousands of Canadian dollars, except per share information)	Year ended December 31, 2022	2021[1]
Revenue	**$ 76,099**	$ 23,055
Net income attributable to shareholders	**25,942**	2,763
Net income per share attributable to shareholders – basic	**0.75**	0.14
Net income per share attributable to shareholders – diluted	**0.74**	0.14
Weighted average common shares outstanding - basic	**34,712**	19,901
Weighted average common shares outstanding - diluted	**34,888**	19,901
Total assets	**993,321**	730,992
Total non-current liabilities	**361,585**	208,081

(1) The comparable period presented is from the date of incorporation, May 11, 2021, to December 31, 2021.

SUMMARY OF QUARTERLY RESULTS

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

(In thousands of Canadian dollars, except per share information)	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Revenue	**$ 19,422**	$ 19,697	$ 19,730	$ 17,250
Net income (loss) attributable to shareholders	**14,132**	(10,067)	4,363	17,514
Net income (loss) per share attributable to shareholders – basic	**0.41**	(0.29)	0.13	0.50
Net income (loss) per share attributable to shareholders – diluted	**0.40**	(0.29)	0.13	0.50
Adjusted EBITDA [1]	**$ 16,717**	$ 16,084	$ 16,902	$ 12,737

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

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

(1) Refer to "Non-GAAP and Other Financial Measures".
(2) During Q2 2021 only one common share was outstanding which was subsequently redeemed.

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

The Corporation's primary liquidity and capital resource needs are to fund future growth opportunities, future interest payments and working capital.

Tidewater Renewables anticipates that its net cash from operating activities, cash flow from growth projects, funds from its Senior Credit Facility and AIMCo Facility, proceeds from the sale of BC LCFS Credits received under Part 3 Agreements with the government of British Columbia, and other financing sources (including equity financing if necessary) will be enough to fulfill its financial commitments, obligations, and anticipated capital expenditures. Tidewater Renewables is currently working with its financial providers to ensure the Corporation has the financial flexibility to complete its 2023 capital program and commission the HDRD Complex. However, economic uncertainties, further cost increases, or unexpected delays with the HDRD Complex could pose liquidity and financial obligation risks to the Corporation.

The Corporation's actual expenditures may vary depending on a variety of factors, including the availability of equipment and personnel, unexpected expenses, delays in the receipt of necessary regulatory approvals, permits and licenses, and the success of the Corporation's business development activities, among other variables.

Contractual Obligations

The Corporation had the following contractual obligations as at December 31, 2022 and 2021:

	December 31, 2022		December 31, 2021	
(in thousands of Canadian dollars)	**Less than one year**	**Greater than one year**	Less than one year	Greater than one year
Trade payables	**$ 55,299**	**$ -**	$ 1,780	$ -
Warrant liability	**12,445**	**-**	-	-
Derivative contracts	**7,739**	**8,733**	-	2,095
Lease liabilities [1]	**6,312**	**17,457**	5,699	20,799
Bank debt [2]	**-**	**72,611**	-	60,000
Term debt [2]	**-**	**150,000**	-	-
	$ 81,795	**$ 248,801**	$ 7,479	$ 82,894

(1) Amounts represent the expected undiscounted cash payments related to leases.
(2) Amounts represent undiscounted principal only and exclude accrued interest.

Debt Borrowings

The following table summarizes Tidewater Renewables' credit facility and term debt outstanding as at December 31, 2022:

(in thousands of Canadian dollars)	Maturity Date	Rate	Facility Amount	Amount Drawn
Senior Credit Facility	August 18, 2024	variable	$ 150,000	$ 72,611
AIMCo Facility	October 24, 2027	variable	150,000	150,000
Total			**$ 300,000**	**$ 222,611**

The Corporation has a revolving credit facility (the "Senior Credit Facility") with a syndicate of banks. The Senior Credit Facility can be drawn in either Canadian or U.S. funds and bears interest at the agent bank's prime lending rate or banker's acceptance rates, plus applicable margins. The Corporation also has a $150 million five-year senior secured second lien credit facility with AIMCo (the "AIMCo Facility"). The AIMCo Facility was drawn down by way of a single advance on October 24, 2022, and initially bears interest of 6.50% per annum, increases by 37.5 basis points in year four and year five and is subject to certain inflation escalators.

The Senior Credit Facility and the AIMCo Facility require Tidewater Renewables to maintain certain financial covenants on a trailing-quarterly basis. These financial covenants are based on financial ratios including consolidated debt (being the Senior Credit Facility and the AIMCo Facility) to adjusted EBITDA, first lien senior debt (being the Senior Credit Facility but excluding the AIMCo Facility) to adjusted EBITDA, and an adjusted EBITDA to interest coverage ratio. The calculations for each of these ratios are based on specific definitions in the agreements governing the Senior Credit Facility and AIMCo Facility, are not in accordance with GAAP, and cannot be easily calculated by referring to the Corporation's financial statements.

At December 31, 2022 the Senior Credit Facility's and the AIMCo Facility's financial covenants are identical. At December 31, 2022, Tidewater Renewables was in compliance with its financial covenants. The following table is a list of Tidewater Renewables financial covenants as at December 31, 2022 and 2021:

	Covenant as at December 31, 2022	**December 31, 2022**	December 31, 2021
Consolidated debt to adjusted EBITDA	Maximum 4.5:1.0	3.93	1.54
Consolidated first lien senior debt to adjusted EBITDA	Maximum 3.5:1.0	1.34	1.54
Adjusted EBITDA to interest coverage	Minimum 2.5:1.0	7.05	18.83

Other Capital Resources

Under its Part 3 Agreements with the Government of British Columbia the Corporation is awarded BC LCFS Credits for achieving construction milestones on its HDRD Complex and the FCC co-processing project. The Corporation expects 284,884 BC LCFS Credits to be issued under these agreements. The table below summarizes the Part 3 agreement credits earned as at December 31, 2022:

	# of BC LCFS Credits	Weighted average value / credit	Total value (in 000's)
BC LCFS credits received by Tidewater Midstream for costs incurred prior to August 18, 2021	56,104	$ N/A	$ -
BC LCFS credits sold to third parties	75,000	443.73	33,280
BC LCFS credits recorded in inventory[1]	53,437	439.49	23,485
BC LCFS credits recognized at December 31, 2022	184,541	N/A	$ 56,765

(1) The Corporation has received 4,329 of these BC LCFS credits with the remainder being accrued based on milestone submissions.

As at March 8, 2023 the Corporation has executed agreements to sell 143,000 BC LCFS credits for aggregate proceeds of $63.7 million[1], with a portion of these sales extending into January 2024. These sales are expected to be made from a combination of the 53,437 BC LCFS credits the Corporation has recognized as inventory, the 100,343 BC LCFS Credits yet to be earned under the Part 3 Agreements and BC LCFS credits generated through the production of renewable diesel.

(1) The expected BC LCFS Credit sales proceeds include $4.6 million from Tidewater Midstream, the Corporation's controlling shareholder.

Cash Flow Summary

The following table summarizes the Corporation's sources and uses of funds for the three months and years ended December 31, 2022, and 2021 from continuing operations:

Cash flows provided by (used in) *(in thousands of Canadian dollars)*	Three months ended December 31,		Year ended December 31,	
	2022	2021	**2022**	2021[1]
Operating activities	**$ 29,095**	$ 9,963	**$ 67,444**	$ 8,187
Financing activities	**$ 81,797**	$ 16,131	**$ 137,408**	$ 205,981
Investing activities	**$ (100,895)**	$ (33,146)	**$ (194,495)**	$ (213,146)

(1) The comparable period presented is from the date of incorporation, May 11, 2021, to December 31, 2021.

Net Cash Provided by Operating Activities

Net cash provided by operating activities was $29.1 million for the three months ended December 31, 2022, compared to $10.0 million for the three months ended December 31, 2021. The increase is attributable to higher net income in the fourth quarter of 2022, compared to the fourth quarter of 2021.

Net cash provided by operating activities for the year ended December 31, 2022, was $67.4 million, compared to $8.2 million for the period from date of incorporation May 11, 2021, to December 31, 2021. The increase is primarily attributable to higher net income during the year ended December 31, 2022, compared to the period from date of incorporation May 11, 2021, to December 31, 2021.

Cash provided by operating activities will fluctuate quarter over quarter because of inventory for the HDRD Complex, the commodity prices at which inventory is bought and sold, and seasonal demand. Commodity prices and the HDRD Complex's inventory is expected to fluctuate period over period, and accordingly, working capital requirements also fluctuate with changes in commodity prices and demand.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $81.8 million for the three months ended December 31, 2022, compared to $16.1 million for the three months ended December 31, 2021. The increase relates to draws on the Corporation's debt facilities to finance the construction of the HDRD Complex.

Net cash provided by financing activities for the year ended December 31, 2022, was $137.4 million compared to $206.0 million for the period from date of incorporation May 11, 2021, to December 31, 2021. The 2021 financing activities include proceeds received from the Initial Public Offering and draws of bank debt that were used to fund the initial acquisition of assets from Tidewater Midstream.

Net Cash Used in Investing Activities

Net cash used in investing activities was $100.9 million for the three months ended December 31, 2022, compared to $33.1 million for the three months ended December 31, 2021. The increase is related to the construction of the HDRD Complex and changes in non-cash working capital.

Net cash used in investing activities for the year ended December 31, 2022, was $194.5 million, compared to $213.1 million for the period from date of incorporation May 11, 2021, to December 31, 2021. Expenditures in 2022 primarily related to the ongoing construction of the HDRD Complex. The 2021 expenditures were related to the cash consideration paid to Tidewater Midstream for the initial asset acquisition.

Capital Expenditures

The following table summarizes acquisitions, growth and maintenance capital expenditures for the three months and years ended December 31, 2022 and 2021:

(in thousands of Canadian dollars)	Three months ended December 31, 2022	2021	Year ended December 31, 2022	2021[1]
Acquisitions	**$ -**	$ 2,172	**$ -**	$ 182,172
Growth capital [2]	**73,477**	27,179	**232,573**	30,096
Maintenance capital [2]	**3,354**	421	**12,003**	878
Total additions to property, plant and equipment as per statement of cash flows	**$ 76,831**	$ 29,772	**$ 244,576**	$ 213,146

(1) The comparable periods presented are from the date of incorporation, May 11, 2021, to December 31, 2021.
(2) See the "Non-GAAP and Other Financial Measures" section of this MD&A.

Growth Capital

Growth capital expenditures for the three months ended December 31, 2022, were $73.5 million compared to $27.2 million for the fourth quarter of 2021. During the year ended December 31, 2022, growth capital expenditures were $232.6 million compared to $30.1 million for the period from date of incorporation May 11, 2021, to December 31, 2021. Tidewater Renewables' 2022 growth capital relates to the construction of the HDRD Complex, commissioning of the FCC (Phase 1) & canola co-processing projects, the engineering design of the RNG Facility and the expansion of its renewable feedstock collection business. These expenditures were partially offset by funds received from the sale of BC LCFS credits awarded by the BC Government for achieving milestones under the Renewable Diesel Project Part 3 Agreement.

Maintenance Capital

Tidewater Renewables places a high priority on the maintenance and upgrading of its assets to provide safe operating conditions for its employees and reliable services to its customers. Maintenance capital expenditures for the three months and year ended December 31, 2022, were $3.4 million and $12.0 million, respectively. These maintenance capital expenditures are attributable to the upcoming PGR turnaround program and improvements to the utilities infrastructure, rail rack and tank farm.

CONTRACTUAL LIABILITIES AND COMMITMENTS

At December 31, 2022, the Corporation had commitments related to leased (right-of-use) assets and long-term debt. Lease liabilities relate to railcars and equipment leases. The Corporation had the following contractual obligations and commitments, including those recognized as leases, as at December 31, 2022:

(in thousands of Canadian dollars)	Within one year	After one year but not greater than five years	Greater than five years	Total
Lease liabilities	$ 6,312	$ 17,457	$ -	$ 23,769
Bank debt [1]	-	72,611	-	72,611
Term debt [1]	-	150,000	-	150,000
Total	**$ 6,312**	**$ 240,068**	**$ -**	**$ 246,380**

(1) The Corporation's Senior Credit Facility is due August 18, 2024 and the AIMCo Facility is due on October 24, 2027.

Off Balance Sheet Arrangements

At December 31, 2022, the Corporation did not have any guarantees or off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Corporation's financial performance or condition, results of operations, liquidity or capital expenditures.

OUTSTANDING EQUITY

At March 8, 2023, Tidewater Renewables had the following number of outstanding common shares, RSUs, DSUs and Options:

(In thousands)	
Common shares	34,721
RSUs	804
DSUs	45
Options	741
Warrants	3,375

TRANSACTIONS WITH RELATED PARTY

The Corporation has entered into various take-or-pay, shared service agreements and flow-through commodity hedging agreements with its controlling shareholder Tidewater Midstream. As the majority of the Corporation's revenue is earned by providing services to Tidewater Midstream under the take-or-pay agreements, it is economically dependent on Tidewater Midstream.

The transactions with Tidewater Midstream during the three months and year ended December 31, 2022, are summarized in the following table:

	Three months ended December 31,		**Year ended December 31,**	
(in thousands of Canadian dollars)	**2022**	2021	**2022**	2021[1]
Revenue	**$ 18,153**	$ 16,662	**$ 71,999**	$ 22,719
Operating expenses	**5,305**	6,274	**23,525**	7,368
General and administrative	**680**	320	**2,016**	526
Realized loss (gain) on derivative contracts	**(896)**	(637)	**(8,758)**	(1,137)
Unrealized gain on derivative contracts	**(6,221)**	4,322	**(28,214)**	1,552

(1) The comparable periods presented are from the date of incorporation, May 11, 2021, to December 31, 2021.

Balances with Tidewater Midstream included in the statement of financial position as at December 31, 2022 are summarized in the following table:

	As at December 31, 2022	
(in thousands of Canadian dollars)	Accounts receivable	Accounts payable
Tidewater Midstream[1]	$ 1,795	$ 10,094
Total	**$ 1,795**	**$ 10,094**

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

For the three months and year ended December 31, 2022, Tidewater Renewables had no other transactions with related parties, except those pertaining to its contributions to Tidewater Renewables' long-term incentive plans and remuneration of key management personnel in the ordinary course of their employment.

FINANCIAL INSTRUMENTS

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

The majority of Tidewater Renewables' accounts receivable (and cash flow) are due from Tidewater Midstream. Revenue earned from Tidewater Midstream for the three months and year ended December 31, 2022, were $18.2 million and $72.0 million, respectively. The Corporation believes the credit risk associated with Tidewater Midstream is minimal.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Tidewater Renewables provides the opportunity to invest in an energy transformation vehicle focused on producing clean, renewable fuels for the North American markets utilizing existing and proven technologies. The Corporation focuses on low carbon fuels to deliver carbon intensity (CI) reduction alternatives, including renewable diesel, RNG, and renewable hydrogen. Tidewater Renewables' objective is to become one of the leading Canadian renewable fuel producers, with ESG being a top priority. As part of its commitment to ESG and transparency, the Corporation will be publishing its inaugural Sustainability Report in 2023. This will highlight Tidewater Renwables' key ESG attributes including:

1. Producing renewable fuels that have significantly reduced CI relative to conventional fossil fuels by more than 80%, and over 100% in the case of some organic waste products (which would have otherwise escaped into the environment, are instead captured, processed and converted into energy, thus receiving a credit for having not been released into the environment);
2. Building a feedstock strategy focused on inedible and waste-stream oils such as animal fats, used cooking oil (the Feedstock Acquisition), and distillers corn oil;
3. Having an experienced and diverse Board of Directors, consisting of a majority of independent directors acting in the best interest of Tidewater Renewables, of which 25% are women;
4. Sharing resources and expenses through the Shared Services Agreement with Tidewater Midstream that provides Tidewater Renewables with experience and knowledge regarding health and safety practices and human capital management — which includes an ESG committee that meets on a weekly basis to review ESG priorities and plans;
5. Working with several rural communities not connected to the electricity grid to deliver clean fuels (including renewable diesel) to reduce their overall impact on the environment. These include Indigenous communities that may rely on greenhouse gas (GHG) emitting diesel generated electricity and other high CI fuels;
6. Focusing on socially conscious commerce, community engagement with all local stakeholders and deepening of community relations through various events and corporate sponsorships; and
7. Focusing on targeted donations and volunteering aimed at organizations that are aligned with the Corporation's values of supporting mental health, children, and youth, and first- and second-generation immigrants.

Governmental Regulation

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

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

RISK FACTORS

The Corporation continually works to mitigate the impact of risks to its business by identifying all significant risks so that they can be appropriately managed. The risks that may affect the business and operations of Tidewater Renewables are described within the Corporation's Annual Information Form ("AIF"), an electronic copy of which is available on Tidewater Renewable's SEDAR profile at www.sedar.com. The Corporation's financial risks are discussed in note 22 of the Financial Statements.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimates that differ materially from current estimates. The Corporation's use of estimates and judgments in preparing the Financial Statements is discussed in note 2 of the consolidated financial statements for the year ended December 31, 2022.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures ("DC&P")

The Corporation's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P"), as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), to provide reasonable assurance that material information relating to the Corporation is made known to them by others, particularly during the period in which the annual filings are being prepared, and information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Corporation's management, including the Chief Executive Officer and Chief Financial Officer, evaluate the effectiveness of the Corporation's DC&P annually.

Management of the Corporation, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the DC&P as at December 31, 2022. Based on that evaluation, the Chief Executive Officer has concluded that the Corporation's DC&P are effective as of the end of the year, in all material respects.

Internal Controls Over Financial Reporting ("ICFR")

Tidewater Renewables' Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting ("ICFR"), as defined by NI 52-109. They have, as at the year ended December 31, 2022, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used by the officers to design the Corporation's ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations.

Management of the Corporation, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the ICFR as at December 31, 2022. Based on that evaluation, the Chief Executive Officer has concluded that the Corporation's ICFR are effective as of the end of the year, in all material respects.

The Corporation's Chief Executive Officer and Chief Financial Officer are required to disclose any change in the ICFR that occurred during the most recent period that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR. No material changes in the ICFR were identified during the period ended December 31, 2022, that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR. It should be noted that a control system, including the Corporation's DC&P and ICFR, no matter how well conceived, can provide only reasonable and not absolute assurance that the objectives of the control system will be met. As a result of inherent limitation in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Corporation have been prevented or detected. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Corporation's policies and procedures.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

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

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

Non-GAAP Financial Measures

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

Adjusted EBITDA

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

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

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

	Three months ended December 31,		Year ended December 31,	
(in thousands of Canadian dollars)	**2022**	2021	**2022**	2021[1]
Net income	**$ 14,132**	$ 80	**$ 25,942**	$ 2,763
Deferred income tax expense	**5,982**	175	**9,966**	1,234
Depreciation	**5,062**	4,592	**19,443**	6,707
Finance costs	**2,666**	759	**7,547**	1,476
Share-based compensation	**740**	425	**3,217**	680
Unrealized loss (gain) on derivative contracts	**(15,208)**	4,322	**(7,076)**	1,552
Transaction costs	**304**	282	**964**	1,553
Adjustment to share of profit from equity accounted investments [2]	**3,039**	-	**2,437**	-
Adjusted EBITDA	**$ 16,717**	$ 10,635	**$ 62,440**	$ 15,965

(1) The comparable period presented is from the date of incorporation, May 11, 2021 to December 31, 2021.
(2) For the three months and year ended December 31, 2022, Adjusted EBITDA includes $1,149 and $2,658 from its proportionate share of RCC's Adjusted EBITDA, respectively.

Distributable Cash Flow

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

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

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

	Three months ended December 31,		Year ended December 31,	
(in thousands of Canadian dollars)	**2022**	2021	**2022**	2021[1]
Net cash provided by operating activities	**$ 29,095**	$ 9,963	**$ 67,444**	$ 8,187
Add (deduct):				
Changes in non-cash working capital	**(13,537)**	60	**(8,713)**	5,895
Transaction costs	**304**	282	**964**	1,553
Interest and financing charges	**(1,487)**	(569)	**(3,650)**	(790)
Payment of lease liabilities	**(1,588)**	(1,435)	**(5,982)**	(2,147)
Maintenance capital	**(3,354)**	(421)	**(12,003)**	(878)
Distributable cash flow	**$ 9,433**	$ 7,880	**$ 38,060**	$ 11,820

(1) The comparable period presented is from the date of incorporation, May 11, 2021, to December 31, 2021.

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

Run Rate EBITDA

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

Run rate EBITDA guidance related to the HDRD Complex contains various assumptions including a renewable refinery margin of $90/bbl. The renewable refinery margin is derived from vegetable oil strip pricing for the Corporation's feedstocks, which are 50% and 40% hedged through 2023 and 2024, respectively, current diesel strip pricing, the Corporation's previously announced Canadian Clean Fuel Regulation credit sales and average BC LCFS credits sale prices over the past 12-months.

Non-GAAP Financial Ratios

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

Distributable cash flow per common share

Distributable cash flow per common share is calculated as distributable cash flow over the weighted average number of common shares outstanding for the three months and year ended December 31, 2022.

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

(in thousands of Canadian dollars except per share information)	Three months ended December 31,				Year ended December 31,			
		2022		2021		**2022**		2021(1)
Distributable cash flow	**$**	**9,433**	$	7,880	**$**	**38,060**	$	11,820
Distributable cash flow per share– basic	**$**	**0.27**	$	0.23	**$**	**1.10**	$	0.59
Distributable cash flow per share– diluted	**$**	**0.27**	$	0.23	**$**	**1.09**	$	0.59

(1) The comparable period presented is from the date of incorporation, May 11, 2021, to December 31, 2021.

Capital Management Measures

The Corporation has its own methods for managing capital and liquidity as further described in "*Liquidity, and Capital Resources*" section of this MD&A and within note 21 of the Financial Statements.

Net Debt

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

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

The following table reconciles net debt:

(in thousands of Canadian dollars)		**December 31, 2022**		**December 31, 2021**
Senior Credit Facility	**$**	**72,611**	$	60,000
Term Debt		**150,000**		-
Cash		**(11,379)**		(1,022)
Net debt	**$**	**211,232**	$	58,978

Supplementary Financial Measures

Growth Capital

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

Maintenance Capital

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

OPERATIONAL DEFINITIONS

"bbl/d" means barrels per day; "MMcf/d" means million cubic feet per day.

"Refining margin" or "Crack spread" refers to the general price differential between a feedstock and the fuel products refined from it.

"Throughput" means with respect to a refinery units, inlet volumes processed (including any off-load or reprocessed volumes); and with respect to a RNG facilities, inlet volumes processed (including any off-load or reprocessed volumes).

FORWARD-LOOKING INFORMATION

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

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

Although the forward-looking statements contained in this MD&A are based upon assumptions which management of the Corporation believes to be reasonable, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this MD&A, the Corporation has made assumptions regarding, but not limited to: Tidewater Renewables' ability to execute on its business plan; the timely receipt of all third party, governmental and regulatory approvals and consents sought by the Corporation, including with respect to the Corporation's approval related to the RNG Facility and other projects and applications; general economic and industry trends, including the duration and effect of the COVID-19 pandemic; operating assumptions relating to the Corporation's projects; expectations around level of output from the Corporation's projects, including assumptions relating to feedstock supply levels; timing and cost of completion of the HDRD Complex, including that the project will remain on budget and on schedule; the ownership and operation of Tidewater Renewables' business; regulatory risks, including changes or delay to the BC LCFS credits or CFR credits; the expansion of production of renewable fuels by competitors; the future pricing of BC LCFS credits and CFR credits; future commodity and renewable energy prices; sustained or growing demand for renewable fuels; the ability for the Corporation to successfully turn a wide variety of renewable feedstocks into low carbon fuels; changes in the credit-worthiness of counterparties; the Corporation's future debt levels and its ability to repay its debt when due; the Corporation's ability to continue to satisfy the terms and conditions of its credit facilities; the continued availability of the Corporation's credit facilities; the Corporation's ability to obtain additional debt and/or equity financing on satisfactory terms; the Corporation's ability to manage liquidity by working with its current capital providers and other sources and through the sale of BC LCFS credits; foreign currency, exchange, inflation and interest rate risks; and the other assumptions set forth in the Corporation's most recent annual information form available under the Corporation's profile on SEDAR at www.sedar.com.

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

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

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

Management of the Corporation has included the above summary of assumptions and risks related to forward-looking statements provided in this MD&A in order to provide holders of common shares in the capital of the Corporation with a more complete perspective on the Corporation's current and future operations and such information may not be appropriate for other purposes. The Corporation's actual results' performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do occur, what benefits the Corporation will derive from them. Readers are therefore cautioned that the foregoing list of important factors is not exhaustive, and they should not unduly rely on the forward-looking statements included in this MD&A. Tidewater Renewables does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable securities law. All forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Further information about factors affecting forward-looking statements and management's assumptions and analysis thereof is available in the Corporation's most recent annual information form and other filings made by the Corporation with Canadian provincial securities commissions available under the Corporation's profile on SEDAR at www.sedar.com.

Financial Outlook

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about expectations regarding financial results for 2023 and 2024, including Adjusted EBITDA and annual run rate EBITDA, which are subject to the same assumptions, risk factors, limitations and qualifications as set out under the heading "Forward-Looking Information". The actual financial results of the Corporation may vary from the amounts set out herein and such variation may be material. The Corporation and its management believe that the financial outlook has been prepared on a reasonable basis, reflecting management's best estimates and judgments and the FOFI contained in this MD&A was approved by management as of the date hereof. However, because this information is subjective and subject to numerous risks, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, the Corporation undertakes no obligation to update such FOFI. FOFI contained in this MD&A was made as of the date hereof and was provided for the purpose of providing further information about the Corporation's anticipated future business operations on an annual basis. Readers are cautioned that the FOFI contained in this MD&A should not be used for purposes other than for which it is disclosed herein.