TIDEWATER

Renewables Ltd.

Consolidated Financial Statements

For the years ended December 31, 2023, and December 31, 2022

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Tidewater Renewables Ltd. (“Tidewater Renewables”) is responsible for the preparation of the consolidated financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include certain estimates that reflect management’s best estimates and judgements. Management has determined such estimates on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

Management has developed and maintains an extensive system of internal accounting controls that provide reasonable assurance that all transactions are accurately recorded, that the consolidated financial statements present fairly Tidewater Renewables’ financial results, and that Tidewater Renewables’ assets are safeguarded. Management believes that this system of internal controls has operated effectively for the year ended December 31, 2023. Tidewater Renewables has effective disclosure controls and procedures to ensure timely and accurate disclosure of material information relating to Tidewater Renewables which complies with the requirements of Canadian securities legislation.

Deloitte LLP was appointed by a resolution of the Board of Directors to audit the consolidated financial statements of Tidewater Renewables and to provide an independent professional opinion. Deloitte LLP was appointed to hold such office until the next annual meeting of the shareholders of Tidewater Renewables.

The Board of Directors, through its Audit Committee, has reviewed the consolidated financial statements including notes thereto with management and Deloitte LLP. The members of the Audit Committee are independent directors who are not employees of Tidewater Renewables. The Board of Directors have approved the information contained in the consolidated financial statements based on the recommendation of the Audit Committee.

“Jeremy Baines”
Chief Executive Officer

“Ray Kwan”
Chief Financial Officer

March 13, 2024
Calgary, Alberta

Deloitte.

To the Shareholders of Tidewater Renewables Ltd.

Opinion

We have audited the consolidated financial statements of Tidewater Renewables Ltd (the “Corporation”), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of net income (loss) and comprehensive income (loss), changes in shareholders’ equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards (“Canadian GAAS”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our 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.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Accounting Matter - Refer to Note 3d of the financial statements

Key Audit Matter Description

Under the various Canadian clean fuel regulations, emission credits are generated for supplying or selling fuels with a carbon intensity below the targets in the relevant jurisdiction or for achieving certain capital project investment milestones (collectively “emission credits”). The Corporation recognizes revenue for emission credits generated in the ordinary course of business or issued upon meeting investment milestones when it transfers control of the emission credits to the customer. When the Corporation offsets an assumed emission liability with emission credits, the difference between the proceeds received and the carrying value of the emission credits is recognized when the relevant emissions compliance report is filed.

To determine the accounting treatment for the underlying emission credit transactions, management was required to make judgements, and as such, auditing the accounting treatment required a high degree of auditor judgment. This resulted in an increased extent of audit effort, including the need to involve technical accounting specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the emission credit transactions included the following, among others:

- Reviewing the executed contracts and relevant regulations to determine whether all key facts and circumstances were incorporated into management's accounting analysis;
- Evaluating management's determination of the accounting treatment of the emission credit transactions by analyzing specific facts and circumstances against relevant accounting guidance.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 IFRS, 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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Mandeep Singh.

/s/ Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
March 13, 2024

Tidewater Renewables Ltd.

Consolidated Statement of Financial Position

(all tabular amounts expressed in thousands of Canadian dollars)

As at	Notes		December 31, 2023		December 31, 2022
Assets					
Current					
Cash and cash equivalents		**$**	**105**	$	11,379
Accounts receivable			**7,011**		3,905
Derivative contracts			**304**		14,062
Inventory and emission credits	4		**43,807**		24,579
Prepaid expenses and other			**8,305**		403
			59,532		54,328
Derivative contracts			**-**		9,929
Investments	5		**31,001**		30,321
Right-of-use assets	6		**16,669**		19,066
Property, plant and equipment	7		**979,496**		879,677
Total assets		**$**	**1,086,698**	$	993,321
Liabilities					
Current					
Accounts payables, accrued liabilities and provisions	10(a)	**$**	**61,779**	$	55,299
Derivative contracts			**27,299**		7,739
Bank debt	8		**170,474**		-
Term debt	9		**24,500**		-
Lease liabilities	11		**6,646**		6,128
Warrant liability	9		**3,195**		12,445
			293,893		81,611
Bank debt	8		**-**		70,482
Term debt	9		**132,544**		127,882
Derivative contracts			**18,836**		8,733
Lease liabilities	11		**11,433**		14,873
Provisions	10(b)		**1,247**		1,163
Deferred tax liabilities	12		**115,618**		138,452
Total liabilities			**573,571**		443,196
Equity					
Non-controlling interest	14		**6,500**		6,500
Shareholders’ equity					
Share capital	13		**513,043**		512,574
Employee share reserve			**5,898**		2,346
Retained earnings (deficit)			**(12,314)**		28,705
Total shareholders’ equity			**506,627**		543,625
Total shareholders’ equity and non-controlling interest			**513,127**		550,125
Total liabilities and equity		**$**	**1,086,698**	$	993,321

Economic dependence (note 1)

See the accompanying notes to the consolidated financial statements

Approved by the Board:

(signed) “Jeremy Baines”, Director

(signed) “John Adams”, Director

Tidewater Renewables Ltd.

Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

	Notes	**Year ended December 31, 2023**	Year ended December 31, 2022
Revenue	15	**$ 97,679**	$ 76,099
Operating expenses	15	**53,629**	29,971
Gross margin		**44,050**	46,128
General and administrative		**9,634**	5,834
Share-based compensation	17	**4,811**	3,217
Depreciation	6,7	**25,587**	19,443
Operating income		**4,018**	17,634
Finance costs and other	16	**21,009**	7,547
Realized loss (gain) on derivative contracts		**3,331**	(19,488)
Unrealized loss (gain) on derivative contracts		**53,350**	(9,071)
Loss (gain) on warrant liability revaluation	9	**(9,250)**	1,995
Income from equity investment	5	**(680)**	(221)
Transaction costs		**111**	964
Income (loss) before tax		**(63,853)**	35,908
Deferred income tax expense (recovery)	12	**(22,834)**	9,966
Net income (loss) and comprehensive income (loss)		**$ (41,019)**	$ 25,942
Net income (loss) and comprehensive income (loss) attributable to:			
Shareholders of the corporation		**(41,019)**	25,942
Non-controlling interest		**-**	-
Net income (loss) and comprehensive income (loss)		**$ (41,019)**	$ 25,942
Net income (loss) per share attributable to common shareholders:			
Basic	18	**$ (1.18)**	$ 0.75
Diluted	18	**$ (1.18)**	$ 0.74

See the accompanying notes to the consolidated financial statements

Tidewater Renewables Ltd.

Consolidated Statement of Changes in Shareholders' Equity

(all tabular amounts expressed in thousands of Canadian dollars)

	Notes	Attributable to Shareholders of the				
		Share capital	Employee share reserve	Retained earnings (deficit)	Non-controlling interest	Total Equity
		$ 512,574	$ 2,346	$ 28,705	$ 6,500	$ 550,125
Balance, January 1, 2023						
Net loss		-	-	(41,019)	-	(41,019)
Issuance of common shares	13	469	(469)	-	-	-
Share-based compensation		-	4,021	-	-	4,021
Balance at December 31, 2023		**$ 513,043**	**$ 5,898**	**$ (12,314)**	**$ 6,500**	**$ 513,127**
Balance, January 1, 2022		$ 512,483	$ 350	$ 2,763	$ -	$ 515,596
Net income		-	-	25,942	-	25,942
Issuance of common shares	13	99	(99)	-	-	-
Share issue costs (net of tax)	13	(8)	-	-	-	(8)
Share-based compensation		-	2,095	-	-	2,095
Contributions from non - controlling interest	7,14	-	-	-	6,500	6,500
Balance at December 31, 2022		$ 512,574	$ 2,346	$ 28,705	$ 6,500	$ 550,125

See the accompanying notes to the consolidated financial statements

Tidewater Renewables Ltd.

Consolidated Statement of Cash Flows

(all tabular amounts expressed in thousands of Canadian dollars)

	Notes	**Year ended December 31, 2023**	Year ended December 31, 2022
Cash provided by (used in):			
Operating activities			
Net income (loss) for the year		**$ (41,019)**	$ 25,942
Adjustments:			
Non-cash share-based compensation		**4,021**	2,095
Depreciation	6,7	**25,587**	19,443
Interest and financing charges	16	**13,931**	3,650
Accretion	16	**7,898**	3,520
Unrealized loss (gain) on foreign exchange	16	**(386)**	1,412
Unrealized loss (gain) on derivative contracts		**53,350**	(9,071)
Loss on warrant liability revaluation	9	**(9,250)**	1,995
Income from equity investment	5	**(680)**	(221)
Deferred income tax expense (recovery)	12	**(22,834)**	9,966
Changes in non-cash working capital	19(a)	**(7,834)**	8,713
Net cash provided by operating activities		**22,784**	67,444
Financing activities			
Advances of bank debt	8	**99,138**	12,611
Advances of term debt	9	**25,000**	142,500
Payment of lease liabilities	11	**(6,710)**	(5,982)
Interest and financing charges paid		**(15,449)**	(11,713)
Share issuance costs	13	**-**	(8)
Net cash provided by financing activities		**101,979**	137,408
Investing activities			
Additions to property, plant and equipment	7	**(202,808)**	(244,576)
Proceeds from capital emission credit sales	4	**105,901**	33,280
Contributions to investments	5	**-**	(30,100)
Changes in non-cash working capital	19(b)	**(39,130)**	46,901
Net cash used in investing activities		**(136,037)**	(194,495)
Increase (decrease) in cash and cash equivalents		**(11,274)**	10,357
Cash and cash equivalents at beginning of year		**11,379**	1,022
Cash and cash equivalents at end of year		**$ 105**	$ 11,379

See the accompanying notes to the consolidated financial statements

1. REPORTING ENTITY AND ECONOMIC DEPENDENCE

Tidewater Renewables Ltd. (the "Corporation" or "Tidewater Renewables") was incorporated under the Alberta Business Corporations Act (Alberta) on May 11, 2021 and is a majority-owned subsidiary of Tidewater Midstream and Infrastructure Ltd. ("Tidewater Midstream"). The Corporation's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "LCFS". The Corporation's principal place of business is Suite 900, 222 – 3rd Ave SW, Calgary, Alberta, Canada, T2P 0B4.

Corporation is focused on the production of low carbon fuels. During the fourth quarter of 2023, the Corporation commenced operations of its hydrogen-derived renewable diesel ("HDRD") Complex, with a design capacity of 3,000 barrels per day. The Corporation manages the operations of the facility including the acquisition of feedstock, its production schedule and the marketing of renewable fuels. Through the production of renewable fuels, the Corporation generates operating emission credits, including the British Columbia low carbon fuel credits ("BC LCFS") and the Canadian clean fuel regulations ("CFR") credits, which are sold to various counterparties.

The Corporation has entered into various agreements with Tidewater Midstream including take-or-pay processing and storage agreements, renewable product sales agreements, shared services agreement and various marketing arrangements. Prior to the commencement of operations of the HDRD Complex, the Corporation derived the majority of its revenue from Tidewater Midstream. With the commencement of operations of the HDRD Complex, the Corporation offers its products to a broader customer base, however, Tidewater Renewables continues to be economically dependent on Tidewater Midstream, as it remains the primary source of the Corporation's revenues.

The Corporation has a number of subsidiaries including a wholly owned feedstock supplier and the Rimrock Renewables Limited Partnership ("RNG LP"), which it controls. The Corporation also has a joint venture investment in Rimrock Cattle Company Ltd. ("RCC").

2. BASIS OF PRESENTATION

a) Statement of Compliance

The Corporation prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 13, 2024.

b) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except as otherwise allowed for in accordance with IFRS.

c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars which is also the Corporation's functional currency.

Transactions in foreign currencies are translated to Canadian dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the period end exchange rate. Revenue and expenses are translated using the average exchange rates for the period. Foreign currency differences arising on translation or from the settlement of foreign currency transactions are recognized in profit or loss.

d) Use of estimates and judgements

The timely preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions based on currently available information that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of financial position and the reported amounts of income and expenses during the reporting period.

Accordingly, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates, judgments, and assumptions made by management in the preparation of these consolidated financial statements are outlined below.

Key sources of judgement and estimation uncertainty:

The following are the key judgement and estimation uncertainties that management believes have a significant risk of causing adjustments to the carrying amounts of assets and liabilities:

Judgements

i) Depreciation

Depreciation of an asset often requires management to make judgements regarding the determination of an asset's future economic benefit and useful life. Among other factors, these judgements are based on industry standards and historical experience.

ii) Impairment

The determination of an asset, cash generating unit ("CGU") or group of CGUs' impairment is based on management's judgements in regard to the existence of internal or external indicators of impairment. The determination of a CGU is also based on management's judgement in regard to determining the smallest group of assets that generate cash inflows independently of other assets. The asset composition of a CGU can directly impact the recoverability of the related assets. The allocation of assets into a CGU requires judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures and the way in which management monitors the operations. In assessing recoverability, each CGU's carrying value is compared against the recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use.

iii) Revenue recognition

To determine the timing and amount of revenue recognition, management utilizes judgment which includes the nature and type of performance obligations under contract, the timing of when such performance obligations have been satisfied.

iv) Leases

The determination of whether a contract is, or contains, a lease from both a lessee and lessor perspective requires management to assess whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Key judgments include whether a contract identifies an asset (or portion of an asset), whether the lessee obtains substantially all the economic benefits of the asset over the contract term and whether the lessee has the right to direct the asset's use. Judgment is also applied in determining the rate used to discount the lease payments.

Estimates

i) Depreciation

Processing facilities and related equipment are depreciated, net of estimated residual values, on a straight-line basis over their estimated useful lives. Where facilities and equipment, including major components, are significant in relation to the total cost of the assets and have differing useful lives, they are depreciated separately. Depreciation methods, useful lives, and residual values are reviewed on an annual basis and, if necessary, any changes are accounted for prospectively.

ii) Decommissioning obligations

The carrying amount of decommissioning obligations depends on estimates of current pre-tax credit-adjusted risk-free interest rates, future restoration and reclamation expenditures and the timing of those expenditures. The estimated costs for decommissioning obligations include activities such as dismantling, demolition and disposal of the facilities and equipment, as well as remediation and restoration of the sites.

iii) Share-based compensation

The Corporation uses the fair value method of accounting for its long-term incentive plans, which includes the Incentive Stock Option Plan, Restricted Share Units (“RSUs”), Performance Share Units (“PSUs”) Plan, Deferred Share Units (“DSUs”) Plan and the Employee Share Purchase Plan (“ESPP”). Estimates and assumptions are used in the appropriate valuation models to determine fair value.

For stock options, the Corporation uses the Black-Scholes option pricing model which requires that management make assumptions for the expected life of the option, the anticipated volatility of the share price over the life of the option, the risk-free interest rate for the life of the option and forfeiture rate.

iv) Warrant liability

To estimate the fair value of its warrant liability, the Corporation uses the Black-Scholes option pricing model which requires that management make assumptions for the expected life of the option, the exercise price of the warrant, the anticipated volatility of the share price over the life of the warrant and the risk-free interest rate for the life of the warrant.

v) Impairment of property, plant and equipment

In determining the recoverable amount of assets in the absence of quoted market prices, estimates are made regarding the present value of future cash flows. Future cash flow estimates are based on future production profiles and reserves for surrounding wells, commodity prices, demand for renewable product and costs. Estimates are also made in determining the discount rate used to calculate the present value of cash flows.

vi) Impairment of financial assets

The measurement of financial assets carried at amortized cost includes management’s estimates regarding the expected credit losses that will be realized on these financial assets.

vii) Derivative financial instruments

Fair values of derivative contracts fluctuate depending on the underlying estimates of future commodity prices and foreign currency exchange rates. The estimated fair value of all derivative financial instruments are based on observable market data, including commodity price curves, foreign currency curves and credit spread.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies set out below have been applied consistently to the periods presented in these consolidated financial statements.

a) Basis of consolidation

Subsidiaries are entities controlled by the Corporation. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing these consolidated financial statements.

Non-controlling interest ("NCI") represents the portion of equity ownership in a subsidiary not attributable to the Corporation's shareholders. NCI is initially measured as the proportionate share of its interest in the subsidiary and is subsequently adjusted for the proportionate share of net income (loss) and comprehensive income (loss) attributable to the NCI, as well as any dividends paid to the NCI.

b) Financial instruments

Financial assets or liabilities measured at amortized cost

A financial asset is classified in this category if the asset is held within a business entity whose objective is to collect contractual cash flows on specified dates that are solely payments of principal and interest. At initial recognition, financial assets at amortized cost are recognized at fair value plus transaction costs. Subsequent to initial recognition, these financial assets are recorded at amortized cost using the effective interest method less any impairment losses. At each statement of financial position date an assessment is made whether there is objective evidence that a financial asset is impaired based on expected credit loss information. For the Corporation's financial assets measured at amortized cost, loss allowances are determined based on the expected credit loss over the asset's lifetime. Expected credit losses are a probability-weighted estimate of credit losses, considering possible default events over the expected life of a financial asset.

If a financial liability is not measured at fair value through profit or loss, it is measured at amortized cost. For interest bearing debt, this is the fair value of the proceeds received net of transaction costs associated with the borrowing. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

Derivative contracts

Derivative contracts executed by the Corporation to manage market risk are classified as fair value through profit or loss. The estimated fair value is determined by reference to observable market data including commodity price curves, foreign currency curves and credit spreads. Transaction costs are charged to the statements of income and comprehensive income as incurred. Realized gains and losses on these contracts are recorded as gains and losses on derivative contracts in the statement of net income and comprehensive income in the period they occur. Changes in fair value of the derivative contracts are recorded as unrealized gains and losses on derivative contracts in the statement of net income and comprehensive income. Derivatives may include those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. For embedded derivatives within the financial asset host contract, the embedded derivative is not separated from the host contract and instead, the whole contract is accounted for as a single instrument. For embedded derivatives within the financial liability host contract, the embedded derivative is separated from the host contract and accounted for as a derivative instrument.

Derecognition

The Corporation derecognizes financial assets when the contractual rights to the cash flow expire or when the rights to receive the cash flow are transferred in a transaction in which either: substantially all of the risks and rewards of ownership of the financial asset are transferred; or the Corporation neither transfers nor retains substantially all of the risks and rewards of ownership; and it does not retain control of the financial asset. In transactions where the Corporation retains either all or substantially all of the risks and rewards of the transferred assets they are not derecognized.

The table below lists the Corporation's classification of financial instruments:

Financial Instrument	Measurement Category
Cash and cash equivalents	Fair value through profit or loss
Accounts receivable	Amortized cost
Derivative contracts	Fair value through profit or loss
Accounts payables and accrued liabilities	Amortized cost
Warrant liability	Fair value through profit or loss
Bank debt	Amortized cost
Term debt	Amortized cost

c) Inventory

Inventory consists of renewable feedstocks and renewable refined products. Renewable feedstock and renewable refined product inventories are valued at the lower of weighted average cost or net realizable value. Net realizable value is the estimated future sales price of the refined product the Corporation expects to realize when the refined product is processed and sold, less estimated costs to complete production and bring the refined product to sale.

Net realizable value represents the estimated selling price for inventories less selling expenses. The reversal of previous net realizable value write-downs is recorded when there is a subsequent increase in the value of inventories.

Costs for renewable feedstock and renewable refined product include direct purchase costs and an appropriate portion of fixed and variable overhead costs incurred in converting materials into finished goods, based on the normal production capacity. When the costs of joint products are not separately identifiable, they are allocated based on their expected relative sales values.

d) Emission credits

Under the BC LCFS and CFR emission credits are issued for supplying or offering for sale fuels with a carbon intensity below the targets in the relevant jurisdiction (collectively "operating emissions credits") or for achieving certain capital project investment milestones under an agreement with the government of British Columbia ("capital emissions credits").

The operating emissions credits obtained with renewable fuel production can be sold with the renewable fuel, sold separately, or used by the entity to offset acquired carbon emissions. Such operating emission credits are held for sale in the ordinary course of business as inventory at cost and carried at the lower of cost or net realizable value. When the costs of joint products are not separately identifiable, they are allocated based on their expected relative sales values. Net realizable value is the estimated future sales price of the operating emissions credits the Corporation expects to realize when they are sold, less estimated costs to sell. The number of operating emissions credits issued is determined based on the pre-approved carbon intensities of feedstock consumed.

The Corporation recognizes revenue for operating emission credits generated, that is in the ordinary course of business, when it transfers control of the emission credits to the customer. When the Corporation offsets an assumed emissions liability with operating emissions credits the difference between the proceeds received and the carrying value of the operating credits is recognized on a net basis as other income when the relevant emissions compliance report is filed.

Capital 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 statements of net income and comprehensive income. Proceeds from the sale of capital emissions credits are recorded within investing activities in the consolidated statements of cash flows.

e) Investments

The Corporation uses the equity method to account for its investment in RCC, over which it has joint control. Equity investments are initially measured at cost and are adjusted for the Corporation’s proportionate share of earnings or losses. Equity investments are increased for contributions made and decreased for distributions received. The Corporation funds its portion of development, construction or capital expansion projects through capital contributions and classifies these contributions as cash used in investing activities in its Consolidated Statement of Cash Flows. The Corporation considers distributions received as a return on investment to the extent that the distribution was generated through operating results, and therefore classifies these distributions as cash flows from operating activities in its Consolidated Statement of Cash Flows.

An equity method investment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. When such condition is deemed other than temporary, the carrying value of the investment is written down to its fair value, and an impairment charge is recorded in the consolidated statement of net income and comprehensive income.

f) Leases

Lease identification and initial measurement

The Corporation assesses each new contract to determine whether it contains a lease. A specific asset is the subject of a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Corporation allocates contract consideration to the lease and non-lease components on the basis of their relative stand-alone prices.

Key judgments include whether a contract identifies an asset (or a portion of an asset), whether the lessee obtains substantially all of the economic benefits of the asset over the contract term, whether the lessee has the right to direct the asset’s use, which components are fixed or variable in nature and the discount rate. The Corporation applies its incremental borrowing rate for leases where the implicit rate cannot be readily determined.

The lease liability and initial right-of-use asset are recognized at the lease commencement date measured at the present value of fixed lease payments (including in-substance fixed payments) plus the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, discounted at a rate the Corporation would be required to borrow over a similar term.

Subsequent measurement

After initial recognition, the lease liability is accreted for the passage of time and reduced for lease settlements made during each period. For leases denominated in a currency other than the Corporation's functional currency, the lease liability is considered a monetary item and is revalued at each reporting date.

After initial recognition, the right-of-use asset is depreciated on a straight-line basis over the term of the lease. The right-of-use asset is considered a non-monetary item and is reported using the exchange rate at the lease commencement date. Similar to property, plant and equipment, right-of-use assets are subject to the impairment requirements of *IAS 36, Impairment of Assets*. The Corporation assesses right-of-use assets whenever events or changes in circumstances indicate that the carrying value of the right-of-use asset may not be recoverable. An impairment loss is recognized immediately in the statement of net income (loss) for the amount that the right-of-use asset's carrying amount exceeds its recoverable amount.

g) Property, plant and equipment

Measurement

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Initial cost includes expenditures that are directly attributable to the acquisition or construction of the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Corporation and the costs can be measured reliably.

Major maintenance programs (turnaround costs) comprise costs of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Corporation, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection. All other repair and maintenance costs are expensed as incurred.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recognized separately in profit or loss.

Borrowing costs in connection with the borrowing of funds that are attributable to the acquisition, construction or production of a qualifying asset are capitalized when the assets take a significant period of time to get ready for use or sale. Other borrowing costs are expensed as incurred.

Depreciation

Depreciation commences when property, plant and equipment are considered available for use. Depreciation is recognized in profit or loss on a straight-line basis over the useful lives of each component of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. When an item of property, plant and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Assets under construction are not depreciated until they are in the location and condition necessary to be capable of operating in the manner intended by management, at which point the assets under construction are transferred to property, plant and equipment.

The Corporation allocates the amount initially recognized in respect of an item of property, plant and equipment by significant component within each CGU and depreciates each component separately, as applicable. Major maintenance (turnaround costs) are depreciated over the period to the next scheduled maintenance.

The depreciation method and estimated useful life of the Corporation's property, plant and equipment are as follows:

Asset	Depreciation Method	Estimated Useful Life
Storage, injection & withdrawal facilities	Straight-line	20 - 50 years
Gathering systems	Straight-line	20 - 50 years
Refinery units	Straight-line	20 - 60 years
Equipment	Straight-line	10 - 20 years
Turnaround costs	Straight-line	2 - 5 years

Depreciation method and useful lives of the assets are reviewed annually and adjusted if appropriate.

Impairment

The carrying values of the Corporation's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. These indicators include but are not limited to, the economic performance of the assets, the Corporation's business plans, changes in commodity prices leading to lower activity levels, an increase in the discount rate and evidence of physical damage. If any such indication exists, then the CGU's recoverable amount is estimated.

For the purpose of assessing impairment, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets or CGUs. Recoverability is measured by comparing the carrying amount of the asset or the CGU to which the asset belongs to the higher of its value in use and its fair value less costs of disposal. Value in use is calculated using estimated discounted future cash flows generated by the asset or its CGU. The Corporation estimates fair value less cost to sell based upon recent market transactions for similar assets. In the absence of such transactions, an appropriate valuation model is used.

An impairment loss is recognized if the carrying amount of an asset or its respective CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss in respect of property, plant and equipment recognized in prior years is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation if no impairment loss had been recognized. Reversals of impairment losses are recognized in profit or loss.

h) Provisions

Provisions are recognized by the Corporation when a legal or constructive obligation exists as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation.

From time to time, the Corporation will assume a counterparty's emission liabilities for cash proceeds. Provisions for emission liabilities are initially recorded in the period when the emissions liability is assumed using the best estimate of the cost required to settle the obligation and is remeasured at each reporting date. The Corporation may use certain operating and capital emissions credits, or a portion thereof, towards the settlement of this liability when the relevant emissions compliance report is filed, and any gain or loss is recognized as other income. Emissions compliance reports are filed on an annual or quarterly basis.

Provisions for decommissioning obligations are recognized for decommissioning and restoration obligations associated with the Corporation's property, plant and equipment. The best estimate of the expenditure required to settle the present obligation at the statement of financial position date is recorded on a discounted basis using the pre-tax credit-adjusted risk-free interest rate at each reporting date. The future cash flow estimates are adjusted to reflect the risks specific to the liability. The value of the obligation is added to the carrying amount of the associated property, plant and equipment asset and is depreciated in accordance with the depreciation policy. The obligation is accreted over time through charges to finance costs and other. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows or the discount rate are recognized as changes in the decommissioning obligation and associated property, plant and equipment asset. Actual decommissioning expenditures up to the recorded liability at the time are charged against the obligation as the costs are incurred.

i) Warrant liability

The warrants issued are classified as a financial liability due to their exercise features and are measured at fair value upon issuance and at each subsequent reporting period. The changes in fair value are recognized in net income (loss). The fair value of these warrants is determined using the Black-Scholes option valuation model.

j) Income taxes

Income taxes are comprised of current and deferred taxes. Income taxes are recognized in net income (loss) except to the extent that they relate to items recognized directly in equity, in which case the related income taxes are also recognized directly in equity.

Current income taxes are based on the expected taxes payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred taxes are recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized.

k) Revenue

Revenue is measured at the fair value of the consideration received or receivable, after eliminating intercompany sales. Revenue from the rendering of services or the sale of goods is recognized when a specific performance obligation is satisfied through the transfer of goods or services to a customer.

In addition to the above general principle, the Corporation also applies the following specific revenue recognition policies:

i) Renewable fuels revenue

The Corporation generates renewable fuels revenues from the sale of renewable fuels and operating emissions credits and for providing processing and storage services. Revenue from the sale of renewable fuels and operating emissions credits is recognized when the good is transferred to the customer at an amount that reflects the consideration to which the Corporation expects to be entitled to in exchange for those goods or services. Performance obligations associated with the sale of these products are satisfied at the point in time when the products are delivered to and/ or title passes to the customer. Processing and storage revenues are generated through arrangements that are designed to recover operating costs and provide a return on capital. Fees are charged for processing intermediate products, storing liquid volumes and loading trucks and railcars through multi-year agreements. The performance obligation from this form of revenue is normally met in the period in which the services are rendered, in accordance with the applicable agreements. Under these arrangements, a fee is charged per unit processed, stored, or loaded and through the recovery of operating costs for the facility based upon that customer's pro-rata share of total unit throughput. Users of each unit are charged a fee per unit based upon that customer's pro-rata share of total throughput, with an adjustment to actual costs and throughput completed after the end of each year. Revenue from take-or-pay arrangements is recognized as the service is provided or in accordance with the terms of the agreement.

Throughput volumes and operating costs are reviewed to determine whether the estimated unit fee charged properly reflects the actual volumes and costs. The allocation of revenues and operating costs to other unit owners are also reviewed. Amounts collected in excess of the recoverable amounts are recorded as a current liability and recoverable amounts in excess of the amounts collected are recorded as a current receivable.

ii) Renewable natural gas revenue

The Corporation's gas storage assets store natural gas for customers, including financial institutions. Storage revenue is generated through arrangements to acquire, inject, store, withdraw and dispose of customers' natural gas. The performance obligation from this form of revenue is normally met in the period in which the services are rendered, in accordance with the applicable third-party agreements. Under these arrangements, the fee is recognized in the period in which the gas acquisition, injection, storage, withdrawal, or disposition occurs. Because the Corporation does not take title to the customer's gas, the Corporation's gas storage inventory transactions are not recorded on the statement of financial position.

iii) Renewable marketing revenue

Renewable marketing revenue is generated from the sale of renewable feedstocks and purchased refined products. Revenue contracts within the marketing revenue stream are usually for periods less than one year and contracted prices are normally based on a market index price.

The performance obligation associated with revenue from marketing renewable feedstocks and refined products are satisfied when the customer takes possession of the renewable feedstocks and refined products, and title has transferred to the customer based on the actual volumes sold at the delivery point.

l) Operating and general and administrative expenses

Operating expenses consist of the weighted average cost of renewable feedstocks, storage and transportation fees, truck and rail; various field operating expenses, including salaries and benefits for operations personnel; fuel and power costs; maintenance and integrity management costs; regulatory compliance; insurance; and property taxes. General and administrative expenses consist primarily of salaries and benefits; legal fees; information systems; contract and consultant costs; and audit and tax fees.

m) Share-based compensation

The Corporation has a share-based incentive plan in the form of stock options, DSUs, RSUs, PSUs and ESPP.

Stock options granted to directors, officers, employees and consultants of the Corporation are accounted for using the fair value method. The fair value of each option granted is estimated on the date of grant and that value is recorded as share-based compensation expense over the vesting period of the grants, with a corresponding increase to employee share reserve. The consideration received by the Corporation on the exercise of stock options is recorded as an increase to share capital together with corresponding amounts previously recognized as employee share reserve. Forfeitures are estimated based on historical information for each reporting period and adjusted as required to reflect actual forfeitures that have occurred in the period. In order to record share-based compensation expense, the Corporation estimates the fair value of stock options granted using assumptions related to interest rates, expected lives of the options, volatility of the underlying security, forfeiture rates and expected dividend yields.

DSUs granted to directors of the Corporation are accounted for using the fair value method. Although DSUs vest immediately, they can only be redeemed upon termination or separation of service from the Corporation. DSUs may be settled in cash or in shares of the Corporation at the option of the Corporation. The fair value of each unit granted is estimated on the date of grant and that value is recorded as share-based compensation expense, with a corresponding increase to employee share reserve. In order to record share-based compensation expense, the Corporation estimates the fair value of the units granted using assumptions related to interest rates, volatility of the underlying security and expected dividend yields.

RSUs granted to directors, officers, employees and consultants of the Corporation are accounted for using the fair value method. The fair value of each RSU granted is estimated on the date of grant and that value are recorded as share-based compensation expense over the vesting period of the grants, with a corresponding increase to employee share reserve. RSUs vest over three years and expire in three years. Forfeitures are estimated based on historical information for each reporting period and adjusted as required to reflect actual forfeitures that have occurred in the period. In order to record share-based compensation expense, the Corporation estimates the fair value of RSUs granted using assumptions related to interest rates, expected lives of the options, volatility of the underlying security, forfeiture rates and expected dividend yields.

PSUs are granted to officers, employees and consultants of the Corporation. The Board of Directors designates, at the time of grant, the date or dates on which all or a portion of the PSUs will vest and any performance conditions to such vesting. The fair value of the PSUs is determined on the grant date based on the market price of the common shares on the grant date. PSUs will be settled in equity in the amount equal to the fair value of the PSU on that date. The fair value is expensed over the vesting term on a graded vesting basis and represents the fair value for the graded vested portion of the PSUs outstanding. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of PSUs that vest.

The ESPP allows eligible employees to purchase common shares of the Corporation. The Corporation will match from 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 TSX 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.

n) Earnings per share

Basic earnings per common share is computed by dividing net income attributable to shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share amounts are calculated giving effect to the potential dilution that would occur if contracts to issue common shares were exercised, fully vested, or converted to common shares. The treasury stock method is used to determine the dilutive effect of dilutive instruments. The treasury stock method assumes that proceeds received from the exercise of in-the-money dilutive instruments are used to repurchase common shares at the average market price during the period.

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

4. INVENTORY AND EMISSION CREDITS

The following summarizes the Corporation's inventory:

		December 31, 2023		December 31, 2022
Renewable feedstocks	**$**	**27,014**	$	1,094
Renewable refined product		**917**		-
Operating emissions credits		**15,599**		-
Capital emissions credits		**277**		23,485
	$	**43,807**	$	24,579

Capital emissions credits are carried at fair value less cost to sell based on market prices or forward contracted prices. During the year ended December 31, 2023, the Corporation generated $82.7 million (2022 - $56.0 million) of capital emissions credits for achieving construction milestones on its renewable diesel and renewable hydrogen complex. During the year ended December 31, 2022, the Corporation sold capital emissions credits for proceeds of $105.9 million (2022 - $33.3 million). For the years ended December 31, 2023, and 2022, all inventory and operating emissions credits, were carried at cost and $NIL was carried at net realizable value. The cost of inventory and operating emissions credits expensed for the year ended December 31, 2023, was $41.3 million (December 31, 2022 - $18.4 million).

5. INVESTMENTS

The following table summarizes the Corporation's investments:

		December 31, 2023		December 31, 2022
Investment in RCC (1)	**$**	**30,901**	$	30,221
Investments at fair value		**100**		100
	$	**31,001**	$	30,321

(1) Accounted for by the equity method.

On April 4, 2022, the Corporation announced its strategic partnership in RCC, an Alberta based cattle feeding operation. Under the terms of its investment agreement, the Corporation purchased a 50% ownership of RCC for $30.0 million. The final instalment of $7.5 million was made on January 3, 2023, and was included in accounts payables, accrued liabilities and provisions as at December 31, 2022.

The tables below provide RCC's summarized financial information (presented at 100 percent):

Net Income and Comprehensive Income

		December 31, 2023		December 31, 2022
Revenue	**$**	**199,661**	$	91,492
Operating expenses		**184,172**		85,098
General and administrative		**1,768**		1,077
Depreciation		**3,343**		2,366
Realized gains on commodity contracts		**49**		-
Finance costs and other		**8,368**		2,370
Income tax expense		**699**		139
Net income and comprehensive income	**$**	**1,360**	$	442
Net income and comprehensive income attributable to Tidewater Renewables	**$**	**680**	$	221

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

Statement of Financial Position

		December 31, 2023		December 31, 2022
Current assets	**$**	**97,566**	$	84,935
Non-current assets		**67,840**		68,197
Current liabilities		**62,350**		50,143
Non-current liabilities		**41,255**		42,548

6. RIGHT-OF-USE ASSETS

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

		Railcars		Buildings & equipment		Total
COST						
Balance, December 31, 2021	$	24,211	$	198	$	24,409
Additions		1,248		18		1,266
Terminations		-		(176)		(176)
Balance, December 31, 2022	$	25,459	$	40	$	25,499
Additions		1,678		1,275		2,953
Terminations		-		(113)		(113)
Balance, December 31, 2023	$	27,137	$	1,202	$	28,339
ACCUMULATED DEPRECIATION						
Balance, December 31, 2021	$	1,628	$	122	$	1,750
Depreciation		4,772		87		4,859
Terminations		-		(176)		(176)
Balance, December 31, 2022	$	6,400	$	33	$	6,433
Depreciation		5,087		202		5,289
Terminations		-		(52)		(52)
Balance December 31, 2023	$	11,487	$	183	$	11,670

NET BOOK VALUE		Railcars		Buildings & equipment		Total
December 31, 2022	$	19,059	$	7	$	19,066
December 31, 2023	**$**	**15,650**	**$**	**1,019**	**$**	**16,669**

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following:

		Plant and infrastructure		Assets under construction		Total
COST						
Balance, December 31, 2021	$	642,751	$	61,477	$	704,228
Additions		15,397		229,179		244,576
Decommissioning asset (note 10(b))		(121)		-		(121)
NCI contributions (note 14)		-		6,500		6,500
Capital emission credits awarded (note 4)		-		(55,965)		(55,965)
Balance, December 31, 2022	$	658,027	$	241,191	$	899,218
Additions		31,787		173,581		205,368
Government grants		-		(2,560)		(2,560)
Decommissioning asset (note 10(b))		2		-		2
Capital emission credits awarded (note 4)		(253)		(82,440)		(82,693)
Completed projects		308,885		(308,885)		-
December 31, 2023	$	998,448	$	20,887	$	1,019,335
ACCUMULATED DEPRECIATION						
Balance, December 31, 2021	$	4,957	$	-	$	4,957
Depreciation		14,584		-		14,584
December 31, 2022	$	19,541	$	-	$	19,541
Depreciation		20,298		-		20,298
December 31, 2023	$	39,839	$	-	$	39,839

NET BOOK VALUE		Plant and infrastructure		Assets under construction		Total
December 31, 2022	$	638,486	$	241,191	$	879,677
December 31, 2023	**$**	**958,609**	**$**	**20,887**	**$**	**979,496**

During the year ended December 31, 2023, the Corporation received $2.6 million (year ended December 31, 2022 - $0.5 million) of grant funding for achieving engineering design milestones on its proposed renewable natural gas facility. Assets under construction includes costs incurred on the Corporation's proposed renewable natural gas facility in Foothills County, Alberta and other projects in development.

8. BANK DEBT

The following table summarizes the Corporation's bank debt:

		December 31, 2023		December 31, 2022
Senior Credit Facility	**$**	**171,749**	$	72,611
Financing costs		**(1,275)**		(2,129)
Total bank debt	**$**	**170,474**	$	70,482

The Corporation has a revolving credit facility ("Senior Credit Facility") with a syndicate of banks. Total aggregate availability under the Corporation's Senior Credit Facility is $175.0 million and it matures on August 18, 2024. The Senior Credit Facility can be drawn in either Canadian or U.S. funds and bears interest at the agent bank's prime lending rate or banker's acceptance rates, plus applicable margins.

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

Tidewater Renewables' quarterly financial covenants were waived as at September 30, 2023. On December 20, 2023, the Corporation obtained an additional waiver for its December 31, 2023, quarterly financial covenants. Beginning on January 1, 2024, Tidewater Renewables will be required to maintain certain quarterly financial covenants on an annualized basis. The first calculation will be based on results from January 1, 2024, to March 31, 2024. The calculations for each of these ratios are based on specific definitions in the agreements governing the Senior Credit Facility and Term Debt Facility (note 9), are not in accordance with GAAP, and cannot be easily calculated by referring to the Corporation's financial statements. The upcoming financial covenants are as follows:

	Ratio
Consolidated debt(1) to adjusted EBITDA (annualized)	Max 4.00:1.00
Consolidated first lien(2) senior debt to adjusted EBITDA (annualized)	Max 3.00:1.00
Adjusted EBITDA to interest coverage (annualized)	Min 2.50:1.00

(1) Consolidated debt includes the Senior Credit Facility and the Term Debt Facility (note 9).
(2) First lien senior debt includes the Senior Credit Facility but excludes the Term Debt Facility (note 9).

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

At December 31, 2023, Tidewater Renewables had $8.1 million (December 31, 2022 - $5.0 million) of letters of credit outstanding, which operate under a separate facility.

9. TERM DEBT AND WARRANT LIABILITY

The following table summarizes the Corporation's term debt:

		December 31, 2023		December 31, 2022
Senior Secured Second Lien Credit Facility	**$**	**175,000**	$	150,000
Discount on debt(1)		**(17,956)**		(22,118)
Total term debt	**$**	**157,044**	$	127,882

(1) Includes the original issue discount, debt issuance costs and the fair value of the warrant liability upon issuance, net of accretion.

On October 24, 2022, the Corporation announced the closing of a five-year senior secured second lien credit facility (the "Term Debt Facility") with a face value of $150.0 million (the "Original Principal Amount"), through an Alberta based pension fund (the "Term Lender"). The Term Debt Facility was issued along with 3.4 million warrants, each of which entitles the holder to purchase one common share of Tidewater Renewables for a term of five years. On May 10, 2023, the Term Debt Facility was amended and an additional $25.0 million was advanced (the "Additional Debt Capacity").

The $25.0 million of Additional Debt Capacity matures on August 18, 2024, and will be extended to a maximum of August 18, 2025, in the event of an extension of the Senior Credit Facility. The $25.0 million of Additional Debt Capacity is also subject to variable quarterly repayments based on a portion of the Corporation's adjusted cash flows. The calculation of these adjusted cash flows is based on specific definitions in the agreements governing the Term Debt Facility, are not in accordance with GAAP, and cannot be easily calculated by referring to the Corporation's financial statements. The Additional Debt Capacity can be repaid at the Corporation's option without penalty.

The Term Debt Facility is subordinated to and is subject to the same financial covenants as Tidewater Renewables' Senior Credit Facility, as described in note 8. The Term Debt Facility is due on October 24, 2027, with interest paid semi-annually on the original principal amount and monthly on the additional debt capacity. The Term Debt Facility bore interest at 9.5% per annum. Beginning on January 1, 2024, the base interest rate reverts to 6.7% for the Original Principal Amount and remains at 9.5% for any amounts outstanding under the Additional Debt Capacity.

The original issue discount, issuance costs incurred and value of the warrants at issuance are amortized using the effective interest rate over the remaining term of the debt. The Corporation, at its option may redeem up to 100% of the original principal amount with a 2.5% penalty after the second anniversary date or without penalty after the third anniversary date.

The following table summarizes the Corporation's warrant liability upon issuance and at December 31, 2023:

	Number of warrants outstanding (000s)		Fair value
Upon issuance, October 24, 2022	3,375	$	10,450
Loss on warrant liability revaluation	-		1,995
Balance, December 31, 2022	3,375	$	12,445
Gain on warrant liability revaluation	-		(9,050)
Balance, December 31, 2023	3,375	$	3,195

At the holder's option, the warrants may be redeemed via the following methods:

- A traditional exercise, whereby the warrant holder pays the exercise price and received a fixed number of common shares;
- A cashless exercise, whereby the Corporation issues a net number of common shares to settle the difference between the exercise price and the trading price of the common shares without the warrant holder paying the exercise price; and
- A cashless exercise, whereby the Corporation, cash pays the difference between the exercise price and the trading price of the common shares without the warrant holder paying the exercise price.

If Tidewater Renewables is unable or not permitted to make some, or all, of a cash payment that the Term Lender has requested, the Corporation will assist the Term Lender in the sale of the common shares and is obligated to pay certain market slippage costs of up to 15% and related sales costs.

The Term Lender's warrant exercise price may be reduced by $2.00, on a pro rata basis, if the Term Debt Facility, or a portion thereof, has been repaid and the cumulative Canadian consumer price index is greater than 4% per annum. This feature is cancelled if Term Lender transfers the warrants to a third party. The warrant exercise price is also reduced by the cumulative amount of any dividends paid on a per share basis.

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

The warrants are classified as a financial liability due to the cashless exercise feature. They were measured at their fair value upon issuance and at each subsequent reporting period. The fair value of the warrants was determined using the Black-Scholes Option Pricing Model, including the following assumptions:

		Year end December 31, 2023		Year end December 31, 2022
Exercise price per share ($)	**$**	**14.84**	$	14.84
Common share price ($)	**$**	**8.07**	$	11.51
Volatility factor of expected market price (%)		**34.96%**		41.04%
Risk-free interest rate (%)		**3.17%**		3.41%
Remaining life in years		**3.81**		4.81
Expected annual dividend per share (%)		**0.00%**		0.00%
Fair value per warrant ($)	**$**	**0.95**	$	3.69

A 10% change in the Corporation's share price would have an after-tax impact on net income of $1.0 million for the year ended December 31, 2023 (year ended December 31, 2022 $1.9 million).

10. PROVISIONS

a) Emissions liabilities

During the year ended December 31, 2023, the Corporation assumed emissions liabilities from counterparties in exchange for proceeds of $18.5 million. As a result, the Corporation has recognized a provision of $18.5 million in accounts payable, accrued liabilities and provisions to satisfy these obligations (2022 - $NIL). The Corporation may use certain operating and capital emissions credits, or a portion thereof, towards the settlement of this provision. The Corporation offsets the emissions liabilities from its operating and capital emissions credits when the relevant emissions compliance report is filed.

b) Decommissioning obligation

The decommissioning obligation reflects the discounted cash flows expected to be incurred to decommission the Corporation's pipeline systems, storage facilities, and refinery units. The estimated economic lives of assets covered by the decommissioning provision range up to 150 years. At December 31, 2023, the obligation was inflated using a rate of 2% (December 31, 2022 – 2.0%) and discounted using a credit-adjusted risk-free rate of 9.0% (December 31, 2022 – 9.0%).

The following table summarizes changes in the decommissioning obligations:

		December 31, 2023		December 31, 2022
Balance, beginning of year	**$**	**1,163**	$	1,171
Additions		**2**		-
Change in discount rates and estimates		**-**		(121)
Accretion		**82**		113
Balance, end of year	**$**	**1,247**	$	1,163

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

11. LEASE LIABILITIES

The Corporation's lease liabilities primarily relate to railcars and field equipment for the Corporation's facilities.

		December 31, 2023		December 31, 2022
Balance, beginning of year	**$**	**21,001**	$	22,912
Additions		**2,953**		1,266
Disposals		**(61)**		-
Accretion		**1,282**		1,393
Lease payments		**(6,710)**		(5,982)
Foreign exchange re-measurement		**(386)**		1,412
Total lease liabilities	**$**	**18,079**	$	21,001
Current portion of lease liabilities		**6,646**		6,128
Long term lease liabilities		**11,433**		14,873

Undiscounted payments associated with lease liabilities as at December 31, 2023 are summarized below:

		2024		2025		2026		2027		2028
Undiscounted lease payments	$	6,832	$	6,838	$	5,048	$	1,048	$	76

As at December 31, 2023, the incremental borrowing rate used to measure lease liabilities was 6.50% (December 31, 2022 – 6.50%).

12. INCOME TAXES

The provision for deferred taxes in the statements of income and comprehensive income reflect an effective tax rate which differs from the expected statutory tax rate. Differences were accounted for as follows:

		December 31, 2023		December 31, 2022
Income (loss) before taxes	**$**	**(63,853)**	$	35,908
Combined federal and provincial tax rates(1)		**25.0%**		26.5%
Expected tax expense (recovery)		**(15,963)**		9,516
Differences from:				
Share-based compensation		**1,005**		555
Change in tax rate(1)		**(7,798)**		-
Other		**(78)**		(105)
Deferred income tax expense (recovery)	**$**	**(22,834)**	$	9,966

(1) The Corporation's tax rate consists of the combined federal and provincial statutory rates for the years ended December 31, 2023, and 2022. The Alberta corporate tax rate is 8% and the BC corporate tax rate is 12%.

The following table summarizes the movement of deferred taxes:

Asset (Liability)	December 31, 2022	Recognized in: Profit or loss	Recognized in: Equity	**December 31, 2023**
Property, plant and equipment and leases	$ (143,331)	$ (74,933)	$ -	**$ (218,264)**
Decommissioning obligation	308	4	-	**312**
Derivative contracts	(1,993)	13,451	-	**11,458**
Unamortized share issuance costs and finance costs	2,572	(1,859)	-	**713**
Non-capital losses	3,992	86,171	-	**90,163**
Total	$ (138,452)	$ 22,834	$ -	**$ (115,618)**

Asset (Liability)	December 31, 2021	Recognized in: Profit or loss	Recognized in: Equity	December 31, 2022
Property, plant and equipment and leases	$ (136,366)	$ (6,965)	$ -	$ (143,331)
Decommissioning obligation	310	(2)	-	308
Derivative contracts	411	(2,404)	-	(1,993)
Unamortized share issuance costs and finance costs	2,317	255	-	2,572
Non-capital losses	4,842	(850)	-	3,992
Total	$ (128,486)	$ (9,966)	$ -	$ (138,452)

As at December 31, 2023, the Corporation has estimated federal tax pools of $118 million (2022 - $352 million) available for deduction against future taxable income. The Corporation has $361 million (2022 - $15 million) of unused tax losses expiring between 2041 and 2043.

13. SHARE CAPITAL

a) Authorized

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

b) Issued

	December 31, 2023 Number of Shares (000s)	**December 31, 2023** Amount	December 31, 2022 Number of Shares (000s)	December 31, 2022 Amount
Balance, beginning of year	**34,719**	**$ 512,574**	34,712	$ 512,483
Issue of common shares – long term incentive plan	**44**	**469**	7	99
Share issuance costs (net of tax)	**-**	**-**	-	(8)
Balance, end of year	**34,763**	**$ 513,043**	34,719	$ 512,574

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

14. NON-CONTROLLING INTEREST

On April 4, 2022, the Corporation 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. Rimrock Renewables Ltd.'s common shares are owned 51% and 49% by the Corporation and Rimrock, respectively. As the general partner, Rimrock Renewables Ltd. has the power and authority over the RNG Facilities Partnership's relevant operating activities.

15. REVENUE AND OPERATING EXPENSES

For the year ended December 31, 2023 and 2022, the Corporation had one vertically integrated operating segment: renewable energy, as the chief operating decision maker reviews operating results at this level to assess financial performance and make resource allocation decisions. The renewable energy operating segment includes the following revenue categories: renewable fuels, renewable natural gas and renewable marketing. 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.

Year ended December 31, 2023		Renewable fuels		Renewable natural gas		Renewable marketing		Total
Revenue (before eliminations)	$	81,292	$	11,079	$	8,532	$	100,903
Intercompany eliminations		-		-		(3,224)		(3,224)
Revenue from external customers	$	81,292	$	11,079	$	5,308	$	97,679
Operating expenses (before eliminations)	$	47,266	$	3,484	$	6,103	$	56,853
Intercompany eliminations		(3,224)		-		-		(3,224)
Operating expenses from external vendors	$	44,042	$	3,484	$	6,103	$	53,629
Gross Margin	**$**	**37,250**	**$**	**7,595**	**$**	**(795)**	**$**	**44,050**

Year ended December 31, 2022		Renewable fuels		Renewable natural gas		Renewable marketing		Total
Revenue (before eliminations)	$	61,061	$	10,733	$	5,567	$	77,361
Intercompany eliminations		-		-		(1,262)		(1,262)
Revenue from external customers	$	61,061	$	10,733	$	4,305	$	76,099
Operating expenses (before eliminations)	$	27,475	$	3,071	$	687	$	31,233
Intercompany eliminations		(1,262)		-		-		(1,262)
Operating expenses from external vendors	$	26,213	$	3,071	$	687	$	29,971
Gross Margin	**$**	**34,848**	**$**	**7,662**	**$**	**3,618**	**$**	**46,128**

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

16. FINANCE COSTS AND OTHER

Finance costs and other is comprised of the following:

	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest on bank debt and term debt	**$ 29,431**	$ 7,650
Interest capitalized [(1)]	**(15,500)**	(4,000)
Total interest expense	**13,931**	3,650
Realized foreign exchange gain	**(434)**	(235)
Unrealized foreign exchange loss (gain)[(2)]	**(386)**	1,412
Revaluation of capital emission credits	**-**	(800)
Total finance costs and other before accretion	**$ 13,111**	$ 4,027
Unwinding of discount on decommissioning obligations	**82**	113
Unwinding of discount on long-term debt	**6,534**	2,014
Unwinding of discount on lease liabilities	**1,282**	1,393
Accretion	**7,898**	3,520
Total finance costs and other	**$ 21,009**	$ 7,547

(1) For the year ended December 31, 2023, interest was capitalized at an annualized weighted average capitalization rate of approximately 10.3% on funds borrowed (December 31, 2022 – 6.2%).
(2) Relates to translation of USD denominated lease liabilities.

17. SHARE-BASED COMPENSATION

a) Share Awards

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

December 31, 2023	Stock Options	RSUs	DSUs	Total
Outstanding, January 1, 2023	755	810	45	1,610
Granted	312	509	35	856
Exercised	-	(83)	-	(83)
Forfeited	(479)	(206)	-	(685)
Outstanding, December 31, 2023	**588**	**1,030**	**80**	**1,698**
Exercisable, December 31, 2023	**170**	**116**	**20**	**306**

December 31, 2022	Stock Options	RSUs	DSUs	Total
Outstanding, January 1, 2022	182	152	15	349
Granted	671	726	30	1,427
Exercised	-	(15)	-	(15)
Forfeited	(98)	(53)	-	(151)
Outstanding, December 31, 2022	**755**	**810**	**45**	**1,610**
Exercisable, December 31, 2022	**56**	**41**	**-**	**97**

The fair value of the stock options granted are estimated at the date of grant using the Black-Scholes Option Pricing Model, including the following assumptions:

		December 31, 2023		December 31, 2022
Volatility factor of expected market price (%)		**54%**		52%
Weighted average risk-free interest rate (%)		**3.46%**		2.23%
Weighted average expected life in years		**3.0**		3.00
Weighted average expected annual dividend per share (%)		**0.00%**		0.00%
Weighted average fair value per option ($)	**$**	**4.00**	$	5.19
Weighted average forfeiture rate (%)		**19.48%**		7.00%

A summary of stock options outstanding is as follows:

	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Price	Number of Stock Options Outstanding (000s)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Stock Options Exercisable (000s)	Weighted Average Exercise Price
$ 6.82 - $ 8.25	127	4.6	$ 7.64	-	-
$ 8.44 - $ 8.46	184	4.6	$ 8.46	-	-
$ 11.52 - $ 12.99	208	3.7	$ 12.02	121	12.35
$ 15.00	69	12.1	$ 15.00	49	15.00

b) PSU Plan

The following table summarizes the performance share units outstanding:

	December 31,			
		2023		2022
Balance, beginning of year	**$**	**945**	$	320
Granted		**638**		1,061
Exercised		**(217)**		(105)
Forfeited		**(282)**		(331)
Balance, end of year	**$**	**1,084**	$	945

c) Employee Stock Purchase Plan

Tidewater Renewables maintains an employee stock purchase plan whereby eligible employees can purchase common shares of the Corporation. Tidewater Renewables will match 100% of the employee's contribution, 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 shares purchased to match the employee's contribution is expensed as incurred.

d) Share-Based Compensation Expense

Share-based compensation is comprised of the following:

	Year ended December 31, 2023		2022
Stock options	**$**	**789**	$ 631
Restricted Share Units (RSUs)		**3,068**	1,968
Deferred Share Units (DSUs)		**280**	353
Performance Share Units (PSUs)		**439**	207
Employee Stock Purchase Plan (ESPP)		**160**	25
Plan costs and other		**75**	33
Share-based compensation expense	**$**	**4,811**	$ 3,217

18. NET INCOME PER SHARE

	December 31, 2023			December 31, 2022		
	Net loss	**Common shares (000s)**	**Net loss per share**	Net income	Common shares (000s)	Net income per share
Net income (loss) attributable to shareholders - basic	**$ (41,019)**	**34,731**	**$ (1.18)**	$ 25,942	34,712	$ 0.75
Dilutive effect of share awards	**-**	**-**	**-**	-	176	(0.01)
Dilutive effect of warrants	-	-	-	-	-	-
Net income (loss) attributable to shareholders - diluted	**$ (41,019)**	**34,731**	**$ (1.18)**	$ 25,942	34,888	$ 0.74

For the year ended December 31, 2023, 1.3 million share awards (for the year ended December 31, 2022 – 0.2 million) and 3.4 million of warrants were anti-dilutive (for the year ended December 31, 2022 – 0.6 million).

19. SUPPLEMENTAL CASH FLOW INFORMATION

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

	December 31, 2023		2022
Accounts receivable	**$**	**(3,106)**	$ 3,118
Prepaid expenses and other		**(7,902)**	71
Inventory		**(42,436)**	(1,094)
Accounts payable, accrued liabilities and provisions		**45,610**	6,618
Change in non-cash working capital from operating activities	**$**	**(7,834)**	$ 8,713

(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:

	December 31, 2023	December 31, 2022
Accounts payable, accrued liabilities and provisions	**$ (39,130)**	$ 46,901
Change in non-cash working capital from investing activities	**$ (39,130)**	$ 46,901

c) Interest paid

During the year ended December 31, 2023, total interest and financing charges paid, prior to capitalization, was $30.9 million (for the year ended December 31, 2022- $15.7 million).

20. CAPITAL MANAGEMENT

The Corporation manages its capital with the following objectives:

- To ensure sufficient financial flexibility to meet ongoing business objectives including the funding of future growth opportunities and satisfaction of financial obligations; and
- To maximize shareholder return by enhancing share value.

The Corporation considers its capital employed to be bank debt, term debt and shareholders' equity:

	December 31, 2023	December 31, 2022
Bank debt	**$ 170,474**	$ 70,482
Term debt	**157,044**	127,882
Shareholders' equity	**506,627**	543,625

The Corporation makes adjustments to capital employed by monitoring economic conditions and investment opportunities. The Corporation generally relies on credit facilities and cash flows from operations in excess of interest to fund capital requirements. To maintain or modify its capital structure, the Corporation may issue new common or preferred shares, issue new subordinated debt, renegotiate existing debt terms, or repay existing debt.

The Corporation is not currently subject to any externally imposed capital requirements, other than covenants on its bank debt (note 8) and term debt (note 9). The Corporation was compliant with all financial and non-financial covenants as at December 31, 2023 and 2022.

The Corporation also monitors capital structure based on consolidated net debt to adjusted EBITDA. The definition of adjusted EBITDA for capital management purposes is the same measure used in the calculation of the Corporation's financial covenants on its Senior Credit Facility (note 8) and the Term Debt Facility (note 9). This metric measures the Corporation's financial leverage.

The following table presents the Corporation's net debt:

	December 31, 2023	December 31, 2022
Senior Credit Facility	**$ 171,749**	$ 72,611
Term Debt Facility	**175,000**	150,000
Cash and cash equivalents	**(105)**	(11,379)
Net debt	**$ 346,644**	$ 211,232

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Board of Directors have 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. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, the Corporation's management has the responsibility to administer and monitor those risks.

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

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

a) Fair value determination

A number of the Corporation's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining the fair values is disclosed in the notes specific to that asset or liability.

The Corporation classifies the 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 fair value is derived with reference to 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 warrant liability and derivative contracts, which includes exchange-cleared commodity derivatives and over-the-counter commodity derivatives that are traded in observable markets.

At December 31, 2023, the fair value of cash and cash equivalents, accounts receivable, accounts payables and accrued liabilities approximated their carrying value due to their short-term maturity. The carrying value of the outstanding bank debt and term debt approximated its fair value due to the use of floating interest rates.

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

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 December 31, 2023 and December 31, 2022 is as follows:

		December 31, 2023		December 31, 2022
Cash and cash equivalents	**$**	**105**	$	11,379
Accounts receivable		**7,011**		3,905
Derivative contracts – current		**304**		14,062
Derivative contracts – long term		**-**		9,929
	$	**7,420**	$	39,275

Cash and cash equivalents consist of amounts on deposit or in-transit with Canadian chartered banks. The Corporation manages credit exposure of cash and cash equivalents by selecting financial institutions with high credit ratings.

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.

The Corporation's accounts receivable as at December 31, 2023 relate to contractual agreements. At December 31, 2023, the majority of all amounts owing to the Corporation were due from its controlling shareholder, Tidewater Midstream. Revenues earned from Tidewater Midstream for the year ended December 31, 2023 accounted for approximately 89% of the Corporation's revenues, totaled $86.5 million (December 31, 2022 - $71.7 million). At December 31, 2023, the Corporation does not have any receivables over 90 days. The Corporation believes the financial risks associated with Tidewater Midstream are minimal.

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 December 31, 2023, lifetime expected credit losses for accounts receivable outstanding were $0.2 million (December 31, 2022 - $0.2 million).

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 only entering into contracts with 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. Management's assessment of its liquidity reflects estimates, assumptions and judgements relating to current market conditions.

Tidewater Renewables' Senior Credit Facility (note 8) and the Additional Debt Capacity under the Term Debt Facility (note 9) have a maturity date of August 18, 2024. The Additional Debt Capacity will be extended to a maximum of August 18, 2025, in the event of an extension of the Senior Credit Facility. In the event, that the Senior Credit Facility is not extended alternative sources of funding will be necessary. There can be no assurances that Tidewater Renewables' Senior Credit Facility will be extended beyond the August 18, 2024, maturity date.

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

Uncertainties due to economic factors, or unanticipated operational issues with the HDRD Complex may cause liquidity risk for the Corporation. Management has reviewed this risk and considered the various initiatives and resources available to the Corporation to manage this risk. The Corporation believes that it has access to sufficient capital through its working capital, contracted take-or-pay cash flows, and external sources (bank credit markets and equity financing, if required) to meet its obligations and financial commitments. The Corporation expects it will have sufficient liquidity to meet its obligations as they come due.

The following details the contractual maturities of the Corporation's financial liabilities as at December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
	Less than one year	**Greater than one year**	Less than one year	Greater than one year
Accounts payable and accrued liabilities [1]	**$ 43,279**	**$ -**	$ 55,299	$ -
Warrant liability	**3,195**	**-**	12,445	-
Derivative contracts	**27,299**	**18,836**	7,739	8,733
Lease liabilities [2]	**6,832**	**13,009**	6,312	17,457
Bank debt [3]	**171,749**	**-**	-	72,611
Term debt [3]	**25,000**	**150,000**	-	150,000
	$ 277,354	**$ 181,845**	$ 81,795	$ 248,801

(1) Amount excludes provisions of $18.5 million (2022 - $NIL) to be settled in the first quarter of 2024.
(2) Amounts represent the expected undiscounted cash payments related to leases.
(3) Amounts represent undiscounted principal 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.

i) 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 December 31, 2023, the Corporation had variable rate bank debt (note 8) totaling $171.7 million (December 31, 2022 – $72.6 million) and therefore a 1% change in the interest rate on bank debt would have had an after-tax impact of $1.3 million on net income for the year ended December 31, 2023 (December 31, 2022 - $0.5 million). The Corporation's Term debt's interest rate has certain adjustment based on the Canadian CPI rate (note 9). Increasing the assumed inflation rate to the capped amount would have a nominal after-tax impact for the year ended December 31, 2023.

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

ii) 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 December 31, 2023, net working capital liabilities and derivative contract balances denominated in USD were $(46.8) million (December 31, 2022 - $4.2 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 $2.4 million for the year ended December 31, 2023 (for the year ended December 31, 2022 - $0.2 million).

iii) 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 may use derivatives to protect a portion of 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.

The Corporation enters into Chicago Board of Trade soybean oil and New York Mercantile Exchange NY Harbor ULSD forward financial and future derivative contracts to reduce the risk of price volatility related to anticipated purchases of feedstock raw materials and to protect cash margins from potentially adverse effects of price volatility on renewable diesel sales where prices are set at a future date. All of the Corporation's derivative contracts are recorded at fair value. The Corporation is subject to price risk through these derivative contract assets and liabilities. A 10% change in prices for the underlying commodities, related to the Corporation's derivative contracts, would have an after-tax impact on net income of $12.1 million for the year ended December 31, 2023 (for the year ended December 31, 2022 - $24.6 million).

22. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT

The Corporation has entered into certain agreements and transactions with Tidewater Midstream which are discussed below:

a) Related Party Transactions

Related party transactions included in the consolidated statements of net income (loss) and comprehensive income (loss) for the years ended December 31, 2023 and 2022, are summarized in the following table:

		Year ended December 31,			
	Notes		**2023**		2022
Revenue from take-or-pay agreements	(i)	**$**	**47,945**	$	50,491
Revenue from the sale of renewable fuels	(ii)	**$**	**38,580**	$	21,165
Operating expense	(iii)	**$**	**22,997**	$	25,125
G&A Expenses under the shared services agreement	(iv)	**$**	**3,150**	$	2,016
Realized loss (gain) on derivative contracts	(v)	**$**	**941**	$	(8,758)
Unrealized (gain) on derivative contracts	(v)	**$**	**(6,869)**	$	(28,214)

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

Related party transactions included in the consolidated statement of cash flow for the years ended December 31, 2023 and 2022, are summarized in the following table:

		Year ended December 31,	
	Notes	**2023**	2022
Lease payments	(vi)	**$ 125**	$ -
Capital emissions credit sales	(vi)	**$ 4,600**	$ -

(i) Take-or-pay agreements

On August 18, 2021, the Corporation and Tidewater Midstream entered into various take-or-pay agreements. Pursuant to the take-or-pay agreements, the Corporation has agreed to deliver a prescribed capacity and/or related services in connection with certain assets in which Tidewater Midstream has a beneficial ownership interest in at the Prince George refinery and at the Corporation's renewable gas storage asset. The take-or-pay volume commitments shall include annual and monthly capacity commitments, in exchange for a fixed fee paid by Tidewater Midstream.

(ii) Renewable refined product sales agreements

The Corporation has entered into various short-term agreements to sell its renewable refined product production to Tidewater Midstream. Pricing under these agreements is determine by reference to the market information for similar products and is agreed to by both parties.

(iii) Operating expenses

Operating expenses consist of flow-through operating expenses, feedstock purchases and conventional refined product purchases. Flow-through operating expenses are related to working interest assets owned by the Corporation and operated by Tidewater Midstream, these operating costs are flowed-though on a cost recovery basis. Feedstock purchases relate to the Corporation's co-processing assets and are flowed-though on a cost recovery basis. Conventional refined product purchases relate to conventional fuels purchased from Tidewater Midstream under short-term contracts to provide its customers with blended fuels.

(iv) Shared services agreement

The Corporation and Tidewater Midstream have a Shared Services Agreement, whereby, Tidewater Midstream has agreed to provide certain administrative services to the Corporation at cost plus 5%, and reimbursement of associated out-of-pocket costs and expenses. The Shared Services Agreement will remain in effect until August 2026, subject to earlier termination or extension upon mutual agreement by the parties.

(v) Derivative contracts

Tidewater Midstream has entered into various commodity hedging agreements with financial institutions on behalf of the Corporation. Gains or losses on these hedging arrangements are flow-through to Tidewater Renewables.

(vi) Lease payments

During the year ended December 31, 2023, the Corporation entered a five-year lease agreement with Tidewater Midstream for a feedstock collection warehouse.

(vii) Sale of capital emissions credits

During the year ended December 31, 2023, the Corporation completed a block sale of capital emissions credits with Tidewater Midstream for proceeds of $4.6 million.

(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

b) Related Party Balances

The related party balances included in the consolidated statement of financial position as at December 31, 2023 and 2022, are summarized in the following table:

		As at December 31,	
	Notes	**2023**	2022
Accounts receivable		**$ 5,522**	$ 1,795
Prepaid expenses and other	(i)	**$ 3,900**	$ -
Accounts payables, accrued liabilities and provisions		**$ (6,144)**	$ (10,094)
Derivative contracts		**$ (5,988)**	$ 881
Lease liabilities		**$ (442)**	$ -

(i) Prepaid expense and other

Prepaid expenses and other relate to a payment made during the year ended December 31, 2023, to Tidewater Midstream for the future settlement of emissions liabilities on behalf of the Corporation.

c) Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation. Key management personnel include directors, officers and executive vice-presidents. Key management compensation is comprised of the following:

	Year ended December 31,	
	2023	2022
Salaries and other short-term benefits	**$ 1,532**	$ 2,014
Share based compensation	**3,905**	2,002
Termination benefits	**1,470**	-
Total key management personnel remuneration	**$ 6,907**	$ 4,016