TIDEWATER

Renewables Ltd.

Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2024

Tidewater Renewables Ltd.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited, thousands of Canadian dollars)

As at	Notes		September 30, 2024		December 31, 2023
Assets					
Current					
Cash and cash equivalents		$	5	$	105
Accounts receivable			18,557		7,011
Derivative contracts			-		304
Inventory and emission credits	4		54,634		43,807
Prepaid expenses and other			1,406		8,305
Assets held for sale	6		14,346		-
Total current assets			88,948		59,532
Investments	5		31,698		31,001
Right-of-use assets			11,743		16,669
Property, plant and equipment	6		287,839		979,496
Total assets		$	420,228	$	1,086,698
Liabilities					
Current					
Accounts payable, accrued liabilities and provisions		$	44,006	$	61,779
Derivative contracts			26,552		27,299
Senior credit facility	7		-		170,474
Second lien credit facility	8		-		24,500
Lease liabilities			6,540		6,646
Warrant liability	8		480		3,195
Total current liabilities			77,578		293,893
Senior credit facility	7		6,901		-
Second lien credit facility	8		158,407		132,544
Derivative contracts			5,693		18,836
Lease liabilities			6,615		11,433
Provisions			1,330		1,247
Deferred tax liabilities	3		714		115,618
Total liabilities			257,238		573,571
Equity					
Non-controlling interest			6,500		6,500
Shareholders’ equity					
Share capital	9(a)		517,471		513,043
Equity reserve			5,794		5,898
Deficit			(366,775)		(12,314)
Total shareholders’ equity			156,490		506,627
Total shareholders’ equity and non-controlling interest			162,990		513,127
Total liabilities and equity		$	420,228	$	1,086,698

Going concern (note 2)

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Renewables Ltd.

Condensed Interim Consolidated Statements of Net Loss and Comprehensive Loss

(Unaudited, thousands of Canadian dollars, except per share information)

	Notes	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Revenue	10	**$ 91,625**	$ 24,244	**$ 350,102**	$ 57,303
Operating expenses		**63,243**	11,646	**246,407**	26,968
Gross margin		**28,382**	12,598	**103,695**	30,335
General and administrative	12	**1,893**	2,622	**6,965**	6,265
Share-based compensation		**394**	553	**281**	3,908
Depreciation		**5,610**	5,945	**24,508**	16,133
Operating income		**20,485**	3,478	**71,941**	4,029
Finance costs and other	11	**13,483**	6,620	**33,138**	16,569
Realized loss (gain) on derivative contracts		**13,876**	(1,902)	**31,899**	(3,305)
Unrealized (gain) loss on derivative contracts		**(13,268)**	12,558	**(13,585)**	40,398
Gain on warrant liability revaluation	8	**(1,770)**	(190)	**(2,715)**	(8,160)
Loss on sale of assets		**491,028**	-	**491,028**	-
Impairment expense	5, 6	**801**	-	**801**	-
Loss (income) from equity investments		**664**	(674)	**(797)**	(3,260)
Transaction costs		**1,532**	10	**1,537**	111
Loss before income tax		**(485,861)**	(12,944)	**(469,365)**	(38,324)
Deferred income tax recovery	3	**(118,745)**	(3,495)	**(114,904)**	(10,052)
Net loss and comprehensive loss		**$ (367,116)**	$ (9,449)	**$ (354,461)**	$ (28,272)
Net loss and comprehensive loss attributable to:					
Shareholders		**(367,116)**	(9,449)	**(354,461)**	(28,272)
Non-controlling interest		**-**	-	**-**	-
Net loss and comprehensive loss		**$ (367,116)**	$ (9,449)	**$ (354,461)**	$ (28,272)
Net loss per share attributable to shareholders:					
Basic	9(b)	**$ (10.46)**	$ (0.27)	**$ (10.15)**	$ (0.81)
Diluted	9(b)	**$ (10.46)**	$ (0.27)	**$ (10.15)**	$ (0.81)

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Renewables Ltd.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited, thousands of Canadian dollars)

		Attributable to Shareholders of the Corporation				
	Notes	Share capital	Equity reserves	(Deficit) retained earnings	Non-controlling interest	Total equity
Balance, January 1, 2024		$ 513,043	$ 5,898	$ (12,314)	$ 6,500	$ 513,127
Net loss and comprehensive loss		-	-	(354,461)	-	(354,461)
Issuance of common shares	9(a)	4,428	(788)	-	-	3,640
Share-based compensation		-	684	-	-	684
Balance, September 30, 2024		**$ 517,471**	**$ 5,794**	**$ (366,775)**	**$ 6,500**	**$ 162,990**
Balance, January 1, 2023		$ 512,574	$ 2,346	$ 28,705	$ 6,500	$ 550,125
Net loss and comprehensive loss		-	-	(28,272)	-	(28,272)
Issuance of common shares		172	(172)	-	-	-
Share-based compensation		-	3,365	-	-	3,365
Balance, September 30, 2023		$ 512,746	$ 5,539	$ 433	$ 6,500	$ 525,218

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Renewables Ltd.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited, thousands of Canadian dollars)

	Notes	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Cash provided by (used in):					
Operating activities					
Net loss		**$ (367,116)**	$ (9,449)	**$ (354,461)**	$ (28,272)
Adjustments:					
Non-cash share-based compensation		**460**	465	**684**	3,365
Depreciation		**5,610**	5,945	**24,508**	16,133
Interest and finance charges	11	**5,877**	3,916	**22,522**	10,484
Accretion and other	11	**3,594**	2,114	**7,529**	5,831
Unrealized loss on investments	5, 11	**4,442**	-	**2,094**	-
Unrealized (gain) loss on foreign exchange	11	**(187)**	409	**385**	(18)
Unrealized (gain) loss on derivative contracts		**(13,268)**	12,558	**(13,585)**	40,398
Gain on warrant liability revaluation	8	**(1,770)**	(190)	**(2,715)**	(8,160)
Loss on sale of assets	3	**491,028**	-	**491,028**	-
Impairment expense	5, 6	**801**	-	**801**	-
Loss (income) from equity investment		**664**	(674)	**(797)**	(3,260)
Deferred income tax recovery	3	**(118,745)**	(3,495)	**(114,904)**	(10,052)
Changes in non-cash operating working capital		**(8,256)**	(10,077)	**12,997**	(20,826)
Net cash provided by operating activities		**3,134**	1,522	**76,086**	5,623
Financing activities					
(Repayment) advances of bank debt		**(135,035)**	19,410	**(163,427)**	86,799
Advances of second lien debt		**-**	-	**-**	25,000
Payment of lease liabilities		**(1,748)**	(1,737)	**(5,250)**	(4,953)
Interest and financing charges paid		**(5,877)**	(4,112)	**(22,522)**	(11,931)
Changes in non-cash financing working capital		**1,117**	-	**4,415**	-
Net cash (used in) provided by financing activities		**(141,543)**	13,561	**(186,784)**	94,915
Investing activities					
Expenditures on property, plant and equipment	6	**(1,443)**	(33,696)	**(15,771)**	(171,146)
Proceeds from capital emission credit sales	4	**2,412**	3,900	**35,975**	105,853
Receipt of government grant	6	**208**	-	**1,966**	-
Proceeds from sale of assets	3	**138,291**	-	**138,291**	-
Contributions to investments		**-**	-	**(2,094)**	-
Changes in non-cash investing working capital		**(3,025)**	(6,903)	**(47,769)**	(46,328)
Net cash provided by (used in) investing activities		**136,443**	(36,699)	**110,598**	(111,621)
Decrease in cash and cash equivalents		**(1,966)**	(21,616)	**(100)**	(11,083)
Cash and cash equivalents, beginning of period		**1,971**	21,912	**105**	11,379
Cash and cash equivalents, end of period		**$ 5**	$ 296	**$ 5**	$ 296

See the accompanying notes to the condensed interim 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.

The 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 entered into various agreements with Tidewater Midstream, including take-or-pay processing and storage agreements, renewable product sales agreements, and shared services agreements. In connection with the transaction with Tidewater Midstream (see note 3(a)), the take-or-pay processing and storage agreements were terminated, and the shared services agreements were amended to exclude provisions related to the sold assets. 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 at the HDRD Complex, the Corporation offers its products to a broader customer base, however, Tidewater Midstream remains a significant revenue source to the Corporation.

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

2. BASIS OF PRESENTATION

a) Statement of compliance

These condensed interim consolidated financial statements were prepared in accordance with IAS 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. The accounting policies applied are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with the Corporation's consolidated financial statements as at and for the year ended December 31, 2023. These condensed interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2024 do not include all disclosures required for the preparation of annual consolidated financial statements and should be read in conjunction with the Corporation's consolidated financial statements as at and for the year ended December 31, 2023.

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

b) Statement of preparation

Going concern uncertainty

The Corporation's condensed interim consolidated financial statements were prepared on a going concern basis. The going concern basis assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

On September 30, 2024, the Corporation had negative working capital of $3.0 million, when excluding the assets held for sale, nominal cash and cash equivalents and cash flow provided by operating activities of $3.1 million and

$76.1 million for the three and nine months ended September 30, 2024, respectively.

As disclosed in interim condensed financial statements for the second quarter of 2024, the Corporation had insufficient cash to fund its operations for the next 12 months if the Corporation's sales declined and/or the Senior Credit Facility and tranche B facility under the Second Lien Credit Facility matured without extension or refinancing. During the third quarter of 2024, the Corporation successfully completed the previously announced proposed transaction with Tidewater Midstream (note 3(a)) and refinanced and extended its Senior Credit Facility and Second Lien Credit Facility (note 7 and 8). While the transactions immediately enhanced Tidewater Renewables' leverage profile and reduced cash interest costs, uncertainty remains regarding the future market prices of BC LCFS capital and operating emission credits. If the BC LCFS capital and operating emission credit prices do not recover before the second quarter of 2025, the Corporation's profitability and liquidity will be significantly impacted.

In assessing whether the going concern assumption was appropriate, management considered all relevant information available about the future including, but not limited to, all relevant information available about the twelve-month period following September 30, 2024.

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

During the first half 2024, the Corporation contracted and sold BC LCFS emission credits at an average price of approximately $450 per emission credit to various customers. Tidewater Renewables had intended to forward sell emission credits to de-risk and manage liquidity of the business, however, towards the end of the second quarter of 2024 the Corporation was unable to secure new forward sales agreements for the BC LCFS emission credits expected to be generated during the third and fourth quarter of 2024. Management attributes the inability to contract near-term BC LCFS emission credit sales to a substantial increase in the volume of subsidized U.S. renewable diesel physically moving out of the oversupplied U.S. renewable fuel market and into the higher value BC market. This increased supply of U.S. renewable diesel being imported into Canada has reduced the demand for emission credits. This is a result of overlapping U.S. and Canadian low carbon fuel policies which allow U.S. renewable diesel producers to take advantage of U.S. subsidies and incentives generated at the point of production, then import their volumes to Canada and generate emission credits, at the point of sale. The Corporation relies heavily on the revenue generated from sale of emission credits.

In addition, political developments arising outside of Canada and the U.S., including changes in political regimes or parties in power, may have a significant impact on the price of oil and natural gas. It is unclear exactly what actions the current or future Canadian or U.S. administrations will implement, and if implemented, how these actions may impact Canada and, in particular, the renewable energy industry. Any actions taken by the current or any future U.S. administration may have a negative impact on the Canadian economy and on the businesses, financial conditions, results of operations and the valuation of Canadian energy companies, including Tidewater Renewables. A change in federal or provincial governments in Canada may have an impact on the directions taken by such governments on matters that may impact the energy industry including the balance between economic development and environmental policy. The reduction, elimination or expiration of government subsidies and economic incentives could adversely affect the Corporation.

Should the Corporation be unable to generate sufficient cash flow from financing and operating activities, such circumstances may adversely affect the Corporation's ability to operate its facility profitably. These factors indicate the existence of material uncertainties that may cast significant doubt about the Corporation's ability to continue as a going concern. These condensed interim consolidated financial statements do not reflect adjustments in the carrying value of assets and liabilities, revenue or expenses, nor the statement of financial position classification that could be necessary if the going concern assumption was not valid. Such adjustments could be material.

c) Management judgments and estimation uncertainty

The Corporation operates in an industry subject to various risks and uncertainties that could impact the pricing of emission credits, including but not limited to, changes in provincial and federal government regulations in Canada, market volatility, and technological advancements. The fair value of emission credits is influenced by these factors, and their impact on our financial statements is subject to significant judgment and estimation. We regularly monitor and assess these risks, considering both internal and external factors, to ensure the appropriateness of our estimates and disclosures.

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 condensed interim consolidated financial statements are consistent with the Corporation's consolidated financial statements as at and for the year ended December 31, 2023, except as outlined below:

Revenue recognition

The Corporation recognizes revenue from the sale of emission credits when persuasive evidence of an arrangement exists, a performance obligation has been met, the price is fixed or determinable, and collectability is reasonably assured. The fair value of emission credits is determined based on market prices that the Corporation determines through offering emission credits for sale, and participating in emission credits auctions, as there is no reputable market data sources for the current fair value of emission credits. The determination of fair value involves significant judgment and estimation due to the inherent variability in emission credit pricing influenced by market conditions and regulatory changes.

Valuation of emission credits

The Corporation values capital emission credits using a market-based approach and operating emission credits using a relative fair value approach. The fair value is determined by referencing market prices obtained through offering emission credits for sale, and participating in emission credits auctions, as there is no reputable market data. The Corporation periodically assess the carrying value of our emission credits for impairment. The recoverable amount is determined based on the lower of the cost or net realizable value. The net realizable value is contracted values or estimated market prices.

Impairment of property, plant and equipment

Management applies judgment in assessing the existence of indicators of impairment and reversal of impairment based on various internal and external factors. The recoverable amount of a CGU or of an individual asset is determined as the greater of its fair value less costs of disposal and its value in use. Key assumptions and estimates used in the impairment assessment include projected cash flows, discount rates, and the expected future demand for renewable diesel and emission credits. Any impairment loss recognized reflects management's best estimate of the reduction in value due to changes in market conditions or project-specific circumstances.

3. ASSET DIVESTITURES

a) Assets sale to Tidewater Midstream

On September 12, 2024, the Corporation completed the related party Assets Sale Agreement (the "Tidewater Midstream Transaction") with Tidewater Midstream for total proceeds of $129.7 million.

The proceeds received on close of the Tidewater Midstream Transaction consisted of $122.0 million in cash, and Tidewater Midstream assigned the right to receive certain BC LCFS credits to the Corporation with a value of $7.7 million. Should Tidewater Midstream not receive credits totalling $7.7 million by March 31, 2025, they will compensate the Corporation for any shortfall. As at September 30, 2024, the $7.7 million was recognized as a receivable from Tidewater Midstream.

(Tabular amounts stated in thousands of Canadian dollars, except as noted)

Under the Tidewater Midstream Transaction, the assets and liabilities divested by Tidewater Renewables and acquired by Tidewater Midstream include:

- the 100% owned canola co-processing infrastructure, fluid catalytic cracking co-processing infrastructure, and steam methane reformer;
- working interests in various Prince George Refinery assets including tankage, rack and truck infrastructure, water treatment and electrical utilities;
- a 100% owned natural gas storage facility co-located at Tidewater Midstream's Brazeau River Complex; and
- Decommissioning liabilities associated with the divested assets.

As part of the Tidewater Midstream Transaction, Tidewater Renewables' take-or-pay processing and storage agreements with Tidewater Midstream were terminated, effective August 1, 2024. As a result no revenues and associated expenses were recorded in the statement of net loss and comprehensive loss as of August 1, 2024. Following the sale of the assets, the Corporation recognized a decrease in its deferred tax liability by $122.7 million.

The following table summarizes the loss recorded in net income related to the Tidewater Midstream Transaction:

Total proceeds	$	129,700
Net assets sold		(621,499)
Loss on Tidewater Midstream Transaction	**$**	**(491,799)**

Concurrent with the close of the Tidewater Midstream Transaction, Tidewater Midstream agreed to purchase BC LCFS emission credits over the next nine months, representing minimum proceeds of $77.5 million to Tidewater Renewables, under the assumption that the HDRD Complex continues to operate at over 90% utilization. The minimum proceeds of $77.5 million are inclusive of the $7.7 million in proceeds recognized as consideration, discussed above.

b) Sale of used cooking oil feedstock assets

On September 12, 2024, Tidewater Renewables completed the sale of its used cooking oil feedstock assets (the "Feedstock Assets Sale") for total proceeds of $10.6 million, resulting in a gain on sale of $1.7 million.

Total proceeds	$	10,554
Contingent consideration		(2,000)
Proceeds received		8,554
Net assets sold		(6,895)
Gain on Feedstock Assets Sale	**$**	**1,659**

The cash proceeds from the Tidewater Midstream Transaction and Feedstock Assets Sale were used to repay amounts outstanding on the Corporation's Senior Credit Facility (note 7).

(Tabular amounts stated in thousands of Canadian dollars, except as noted)

4. INVENTORY AND EMISSION CREDITS

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

		September 30, 2024		December 31, 2023
Renewable feedstocks	**$**	**18,998**	$	27,014
Renewable refined products		**4,023**		917
Operating emission credits		**24,253**		15,599
Capital emission credits		**7,360**		277
Total inventory	**$**	**54,634**	$	43,807

Capital emission credits are carried at fair value less cost to sell based on market prices or forward contracted prices. During the three and nine months ended September 30, 2024, the Corporation generated $9.3 million and $42.9 million, respectively, of capital emission credits (three and nine months ended September 30, 2023 - $3.9 million and $82.4 million, respectively) for achieving construction, engineering and operational milestones on its HDRD Complex and its proposed Sustainable Aviation Fuel ("SAF") Facility. During the three and nine months ended September 30, 2024, the Corporation sold capital emission credits for cash proceeds of $2.4 million and $36.0 million, respectively (three and nine months ended September 30, 2023 - $3.9 million and $105.9 million, respectively).

5. INVESTMENTS

The following table summarizes the Corporation's investments:

		September 30, 2024		December 31, 2023
Investment in RCC (1)	**$**	**31,698**	$	30,901
Investments at fair value		**-**		100
Total investments	**$**	**31,698**	$	31,001

(1) Accounted for by the equity method.

On January 2, 2024, in a related party transaction, the Corporation purchased an interest in the NGIF Cleantech Ventures Fund from Tidewater Midstream in exchange for $1.4 million. The NGIF Cleantech Ventures Fund invests in a portfolio of start-up renewable and low carbon energy companies. A former member of the Corporation's board of directors is an officer of NGIF Cleantech Ventures Fund. This board members resignation was announced by the Corporation on April 22, 2024. At September 30, 2024, the Corporation decided to cease further contributions to the NGIF Cleantech Ventures Fund, leading to a revaluation of the fair value of the investment. During the nine months ended September 30, 2024, the Corporation recognized an unrealized loss of $2.1 million. The Corporation no longer intends to contribute to the Fund and has initiated plans to exit the investment.

(Tabular amounts stated in thousands of Canadian dollars, except as noted)

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following:

	Plant and infrastructure	Assets under construction	Total
Cost			
Balance, January 1, 2023	$ 658,027	$ 241,191	$ 899,218
Additions	31,787	173,581	205,368
Receipt of government grant	-	(2,560)	(2,560)
Decommissioning asset	2	-	2
Capital emission credits awarded	(253)	(82,440)	(82,693)
Completed projects	308,885	(308,885)	-
Balance, December 31, 2023	$ 998,448	$ 20,887	$ 1,019,335
Additions	-	15,771	15,771
Receipt of government grant	-	(1,966)	(1,966)
Capital emission credits awarded (note 4)	(35,846)	(7,050)	(42,896)
Completed projects	16,496	(16,496)	-
Disposals	(681,126)	(904)	(682,030)
Reclassification to assets held for sale	-	(12,464)	(12,464)
Balance, September 30, 2024	$ 297,972	$ (2,222)	$ 295,750
Accumulated Depreciation			
Balance, January 1, 2023	$ 19,541	$ -	$ 19,541
Depreciation	20,298	-	20,298
Balance, December 31, 2023	$ 39,839	$ -	$ 39,839
Depreciation	22,043	-	22,043
Impairment	400	-	400
Disposals	(54,371)	-	(54,371)
Balance, September 30, 2024	$ 7,911	$ -	$ 7,911
Net book value			
December 31, 2023	$ 958,609	$ 20,887	$ 979,496
September 30, 2024	**$ 290,061**	**$ (2,222)**	**$ 287,839**

The Corporation’s proposed sustainable aviation fuel facility is presented within assets under construction. At September 30, 2024, due to the timing of capital expenditures, the capital emission credits awarded by the Government of British Columbia exceeded the capital costs incurred to date.

During the nine months ended September 30, 2024, the Corporation received $2.0 million of grant funding for achieving engineering design and regulatory approval milestones on its proposed renewable natural gas facility. As at September 30, 2024, the Corporation classified certain non-core renewable natural gas assets as held for sale. Immediately prior to classifying the assets as held for sale, the Corporation conducted a review of the assets' recoverable amounts and recorded an impairment loss of $0.4 million on property, plant and equipment and $0.3 million on accounts receivable. The recoverable amount was determined based on the assets fair value less costs of disposal and based on the expected consideration.

(Tabular amounts stated in thousands of Canadian dollars, except as noted)

At September 30, 2024, the non-core renewable natural gas assets had been reclassified as follows:

		September 30, 2024
Cash [(1)]	$	1,882
Property, plant and equipment		12,464
Assets held for sale	**$**	**14,346**

(1) Includes an accounts receivable and accounts payable net balance of $0.1 million.

7. SENIOR CREDIT FACILITY

The following table summarizes the Corporation's Senior Credit Facility:

		September 30, 2024		December 31, 2023
Senior Credit Facility	**$**	**8,323**	$	171,749
Financing costs		**(1,422)**		(1,275)
Total Senior Credit Facility	**$**	**6,901**	$	170,474
Current portion of Senior Credit Facility, net of financing costs		**-**		170,474
Long-term portion of Senior Credit Facility, net of financing costs	**$**	**6,901**	$	-

On August 15, 2024, the Corporation obtained an extension on its $175.0 million Senior Credit Facility from August 18, 2024 to August 30, 2024. On August 30, 2024, the Corporation obtained an additional extension on the Senior Credit Facility from August 30, 2024 to September 18, 2024.

On September 12, 2024, the Senior Credit Facility was amended and restated ("Fourth ARCA"). The total aggregate availability under the Tidewater Renewables Senior Credit Facility was reduced from $175.0 million to $30.0 million, and the maturity date was extended from September 18, 2024 to February 28, 2026.

The Senior Credit Facility can be drawn Canadian funds and bear interest at the agent bank's prime lending rate or adjusted Canadian Overnight Repo Rate Average ("CORRA") or Secured Overnight Financing Rate ("SOFR") lending rates, plus applicable margins and stamping fees.

Compliance by the Corporation with the quarterly financial covenants applicable to the bank debt has been waived for one year, until September 30, 2025.

At September 30, 2024, the Corporation had $8.1 million (December 31, 2023 - $8.1 million) of letters of credit outstanding, which operate under a separate facility.

8. SECOND LIEN CREDIT FACILITY AND WARRANT LIABILITY

The following table summarizes the Corporation's Second Lien Credit Facility:

		September 30, 2024		December 31, 2023
Second Lien Credit Facility	**$**	**175,000**	$	175,000
Discount [(1)]		**(16,593)**		(17,956)
Total Second Lien Credit Facility	**$**	**158,407**	$	157,044
Current portion of Second Lien Credit Facility, net of discount		**-**		24,500
Long-term portion of Second Lien Credit Facility, net of discount	**$**	**158,407**	$	132,544

(1) Includes the 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 with a face value of $150.0 million (tranche A), through an Alberta based pension fund (the "Term Lender"). The second lien credit 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 second lien credit facility was amended and an additional $25.0 million tranche B was advanced.

On August 15, 2024, the Corporation obtained an extension on its $25.0 million tranche B second lien credit facility from August 18, 2024 to August 30, 2024. On August 30, 2024, the Corporation obtained an additional extension on the tranche B second lien credit facility from August 30, 2024 to September 18, 2024.

On September 12, 2024, Tidewater Renewables amended and restated its second lien credit facility. The maturity of the $150.0 million tranche A second lien credit facility remained unchanged and matures on October 24, 2027. The maturity of the $25.0 million tranche B second lien credit facility was extended from September 18, 2024 to February 28, 2026.

The $150.0 million tranche A second lien credit facility minimum interest at 6.5% for periods up to and including October 24, 2025, minimum 6.875% for periods between October 25, 2025 and October 24, 2026, and minimum 7.25% from October 25, 2026 up to but excluding the maturity date of October 24, 2027. The rates are subject to an annual CPI Index adjustment factor with a maximum cumulative increase of 4.0% per annum. The $25.0 million tranche B second lien credit facility continues to bear interest at 9.5%, paid quarterly.

The $25.0 million tranche B second lien credit facility is subject to variable quarterly repayments based on a portion of Tidewater Renewables' adjusted cash flows. The calculation of these adjusted cash flows is based on specific definitions in the agreements governing the second lien credit facility, are not in accordance with GAAP, and cannot be directly calculated by referring to Tidewater Renewables' consolidated financial statements. The $25.0 million tranche B second lien credit facility can be repaid at Tidewater Renewables' option without penalty.

As part of the amended and restated agreement, a new $33.0 million tranche C second lien credit facility was also added, for the purpose of refinancing the Corporation's Senior Credit Facility in certain circumstances, with a maturity of February 28, 2026. In the event a First Lien Demand Notice is presented to the Corporation, the tranche C second lien credit facility can be drawn down by way of a single advance and bears interest at the adjusted CORRA rate plus 8.0% payable quarterly in arrears. At Tidewater Renewables discretion, the $33.0 million tranche C second lien credit facility is subject to variable repayments.

Compliance by the Corporation with the quarterly financial covenants applicable to the second lien credit facility has been waived until September 30, 2025.

In conjunction with the amended and restated second lien credit facility, the Corporation issued 1.0 million warrants (the "2024 warrants"), which entitles the holder to purchase 1.0 million Tidewater Renewables common shares at an exercise price of $3.99 per share for a term of five years. The exercise price represents a 50% premium to the 5-day volume weighted average trading price ("VWAP") of the common shares on the TSX prior to September 12, 2024.

On September 13, 2024, certain fees payable to the Term Lender as part of the second lien credit facility amendments were settled with the issuance of 1,449,239 common shares of Tidewater Renewables at the 10-day volume weighted average trading price of the Tidewater Renewables common shares on the TSX.

The following table summarizes the Corporation's warrant liability as at September 30, 2024:

	Number of warrants outstanding (000s)		Fair value
Balance, December 31, 2022	3,375	$	12,445
Gain on warrant liability revaluation	-		(9,250)
Balance, December 31, 2023	3,375		3,195
Upon issuance of 2024 warrants, September 12, 2024	1,000		849
Gain on 2022 warrant liability revaluation	-		(3,161)
Gain on 2024 warrant liability revaluation	-		(403)
Balance, September 30, 2024	**4,375**	**$**	**480**

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 current market 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 current market price of the common shares without the warrant holder paying the exercise price.

The 2022 and 2024 warrants are classified as a financial liability due to the cashless exercise feature. They are measured at their fair value upon issuance and at each subsequent reporting period.

The fair value of the 2022 warrants was determined using the Black-Scholes option pricing model, including the following assumptions:

		September 30, 2024		December 31, 2023
Exercise price per share	**$**	**14.84**	$	14.84
Common share price	**$**	**1.96**	$	8.07
Volatility factor expected market price		**45.89%**		34.96%
Risk-free interest rate		**2.84%**		3.17%
Remaining life (years)		**3.07**		3.81
Expected annual dividend per share		**0.00%**		0.00%
Fair value	**$**	**0.01**	$	0.95

A 10% change in the Corporation's share price would have an after-tax impact on net income of $NIL for the three and nine months ended September 30, 2024 (three and nine months ended September 30, 2023 - $0.9 million).

The fair value of the 2024 warrants was determined using the Black-Scholes option pricing model, including the following assumptions:

	September 30, 2024		September 12, 2024
Exercise price per share	**3.99**	$	3.99
Common share price	**1.96**	$	2.69
Volatility factor expected market price	**45.89%**		45.89%
Risk-free interest rate	**2.73%**		2.74%
Remaining life (years)	**4.95**		5.00
Expected annual dividend per share	**0.00%**		0.00%
Fair value	**0.45**	$	0.85

A 10% change in the Corporation's share price would have an after-tax impact on net income of $0.1 million for the three and nine months ended September 30, 2024.

9. EQUITY ATTRIBUTABLE TO SHAREHOLDERS

a) Issued and outstanding common shares

The following table summarizes the Corporation's common shares outstanding:

	September 30, 2024			December 31, 2023		
	Number of Shares (000s)		**Amount**	Number of Shares (000s)		Amount
Balance, beginning of period	34,763	$	513,043	34,719	$	512,574
Issue of common shares - long-term incentive plan	115		788	44		469
Issue of common shares - Term Lender amendment fees (note 8)	1,449		3,640	-		-
Balance, end of period	**36,327**	**$**	**517,471**	34,763	$	513,043

b) Net loss per share

	Three months ended September 30, 2024					Three months ended September 30, 2023				
		Net loss	Common shares (000s)		Net loss per share		Net loss	Common shares (000s)		Net loss per share
Net loss attributable to shareholders - basic and diluted	**$**	**(367,116)**	**35,109**	**$**	**(10.46)**	$	(9,449)	34,727	$	(0.27)

For the three months ended September 30, 2024, 1.2 million share awards (September 30, 2023 - 1.5 million) and 4.4 million of warrants (September 30, 2023 - 3.4 million) were anti-dilutive.

	Nine months ended September 30, 2024					Nine months ended September 30, 2023				
		Net loss	Common shares (000s)		Net loss per share		Net loss	Common shares (000s)		Net loss per share
Net loss attributable to shareholders - basic and diluted	**$**	**(354,461)**	**34,912**	**$**	**(10.15)**	$	(28,272)	34,723	$	(0.81)

For the nine months ended September 30, 2024, 1.6 million share awards (September 30, 2023 - 1.2 million) and 4.4 million of warrants (September 30, 2023 - 3.4 million) were anti-dilutive.

(Tabular amounts stated in thousands of Canadian dollars, except as noted)

10. REVENUE

The Corporation disaggregated revenue into categories to reflect how the nature and cash flows are affected by economic factors as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Revenue:				
Take-or-pay agreements	**$ 4,167**	$ 12,624	**$ 27,420**	$ 38,122
Renewable diesel [1]	**42,832**	11,620	**142,813**	19,181
Blending fuels	**2,421**	-	**51,700**	-
Emission credits	**42,205**	-	**128,169**	-
Total revenue	**$ 91,625**	$ 24,244	**$ 350,102**	$ 57,303

(1) The three and nine months ended September 30, 2024, the Corporation recognized $4.5 million and $25.8 million, respectively, in revenue related to the assets divested to Tidewater Midstream (three and nine months ended September 30, 2023 - $7.4 million and $12.4 million, respectively).

11. FINANCE COSTS AND OTHER

Finance costs and other are comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Interest on bank debt and second lien debt	**$ 5,877**	$ 8,916	**$ 22,522**	$ 20,984
Interest capitalized	**-**	(5,000)	**-**	(10,500)
Total interest expense	**5,877**	3,916	**22,522**	10,484
Realized foreign exchange (gain) loss	**(243)**	181	**608**	272
Unrealized foreign exchange (gain) loss	**(187)**	409	**385**	(18)
Total finance costs and other before accretion	**$ 5,447**	$ 4,506	**$ 23,515**	$ 10,738
Unwinding of discount on decommissioning obligations	**28**	17	**83**	55
Unwinding of discount on long-term debt	**3,333**	1,770	**6,669**	4,802
Unwinding of discount on lease liabilities	**233**	327	**777**	974
Total accretion	**3,594**	2,114	**7,529**	5,831
Unrealized loss on investments (note 5)	**4,442**	-	**2,094**	-
Total finance costs and other	**$ 13,483**	$ 6,620	**$ 33,138**	$ 16,569

12. GENERAL AND ADMINISTRATIVE

General and administrative expenses are comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Employee costs	**$ 1,242**	$ 1,909	**$ 4,249**	$ 5,650
Capitalized corporate costs	**(100)**	(500)	**(600)**	(2,400)
Non-recurring [1]	**286**	279	**1,438**	616
External services [2]	**191**	505	**963**	1,185
Licenses and insurance	**121**	73	**319**	310
Rent and office expenses	**119**	132	**376**	392
Other	**34**	224	**220**	512
Total general and administrative expenses	**$ 1,893**	$ 2,622	**$ 6,965**	$ 6,265

(1) Includes costs related to executive and management restructuring changes, and employee severance costs.
(2) Includes accounting, legal and consulting costs.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

At September 30, 2024, 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 second lien debt approximated its fair value due to the use of floating interest rates.

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. Credit risk arises principally from the Corporation's accounts receivable, and from financial counterparties holding cash, cash equivalents and derivative contracts. Cash consists of amounts on deposit with Canadian chartered banks. The Corporation manages credit exposure of cash and cash equivalents by selecting financial institutions with high credit ratings.

The Corporation assesses lifetime expected credit losses for accounts receivable using historical default rates, aged accounts receivable analysis, and forward-looking information to determine the appropriate expected credit losses. At September 30, 2024, lifetime expected credit losses for accounts receivable outstanding were $0.2 million (December 31, 2023 - $0.2 million).

c) Liquidity risk

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

While the Corporation completed the asset divestitures (note 3) and successfully amended and restated its Senior Credit Facility and second lien credit facility (note 7 and 8), which immediately enhanced Tidewater Renewables' leverage profile and reduced cash interest costs, there can be no assurances that the future market prices of BC LCFS emission credits will recover to historical levels. If the BC LCFS emission credit prices do not recover by the second quarter of 2025, the Corporation's profitability will be significantly impacted, necessitating alternative funding sources and there can be no assurances that such financing will be available to the Corporation. Any refinancing may also be at higher interest rates, less favourable terms, may require compliance with more onerous covenants, or result in dilution of shareholders.

(Tabular amounts stated in thousands of Canadian dollars, except as noted)

The following table details the contractual maturities of the Corporation's financial liabilities as at September 30, 2024 and December 31, 2023:

	September 30, 2024		December 31, 2023	
	Less than one year	Greater than one year	Less than one year	Greater than one year
Accounts payable, accrued liabilities and provisions (1)	$ 44,006	$ -	$ 43,279	$ -
Derivative contracts	26,552	5,693	27,299	18,836
Warrant liability	-	480	3,195	-
Lease liabilities and other (2)	6,735	7,340	6,832	13,009
Senior Credit Facility (3)	-	8,323	171,749	-
Second lien credit facility (3)	-	175,000	25,000	150,000
Total financial liabilities	**$ 77,293**	**$ 196,836**	$ 277,354	$ 181,845

(1) Amounts at December 31, 2023 excludes provisions of $18.5 million 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.

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 may use forward interest rate swaps to hedge the interest rate associated with interest payments occurring as a result of its bank debt.

At September 30, 2024, the Corporation had variable rate bank debt (note 7) totalling $8.3 million. A 1% change in the interest rates on bank debt would have an after-tax impact on net income of approximately $NIL million for the three and nine months ended September 30, 2024.

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). As at September 30, 2024, net working capital liabilities and derivative contract balances denominated in USD were $34.0 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 $1.7 million for the nine months ended September 30, 2024.

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 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 $2.0 million for the nine months ended September 30, 2024.

(Tabular amounts stated in thousands of Canadian dollars, except as noted)

14. RELATED PARTY TRANSACTIONS

The Corporation has entered into certain agreements and transactions with Tidewater Midstream, which are discussed in note 22 of the Corporation's consolidated financial statements as at and for the year ended December 31, 2023. In addition to the Tidewater Midstream Transaction described in note 3, other transactions and new agreements with Tidewater Midstream are disclosed below:

a) Related party transactions

Related party transactions included in the consolidated statements of net loss and comprehensive loss for the three and nine months ended September 30, 2024 and 2023, are summarized in the following table:

	Three months ended September 30,		**Nine months ended September 30,**	
	2024	2023	**2024**	2023
Revenue from take-or-pay agreements	**$ 4,167**	$ 12,624	**$ 27,420**	$ 38,122
Revenue from the sale of renewable fuels	**41,580**	7,747	**118,902**	13,935
Purchases of blending fuels (1)	**2,340**	-	**52,444**	-
Purchase of emission credits	**-**	-	**6,023**	-
Sale of emission credits	**13,344**	-	**13,344**	-
Other operating expenses	**6,129**	7,121	**24,260**	13,969
G&A expenses under the shared services agreement (2)	**736**	608	**2,022**	2,187
Realized loss on derivative contracts	**1,215**	442	**3,056**	548
Unrealized gain on derivative contracts	**(1,587)**	(3,858)	**(844)**	(2,093)

(1) Tidewater Renewables purchases conventional refined product from Tidewater Midstream to blend with its renewable refined products and sell to external customers. These purchases are made under short-term agreements at market rates.
(2) 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.

Related party transactions included in the consolidated statement of cash flow for the three and nine months ended September 30, 2024 and 2023, are summarized in the following table:

	Three months ended September 30,		**Nine months ended September 30,**	
	2024	2023	**2024**	2023
Lease payments	**$ (31)**	$ (31)	**$ (93)**	$ (93)
Capital emission credit sales	**-**	-	**12,250**	4,600
Proceeds on sale of assets	**122,000**	-	**122,000**	-

b) Related party balances

The related party balances included in the consolidated statement of financial position as September 30, 2024 and December 31, 2023, are summarized in the following table:

	September 30, 2024	December 31, 2023
Account receivable	**$ 9,770**	$ 5,522
Prepaid expenses and other	**-**	3,900
Accounts payable, accrued liabilities and provisions	**(7,156)**	(6,144)
Derivative contracts	**(5,144)**	(5,988)
Lease liabilities	**(31)**	(442)