TIDEWATER

Renewables Ltd.

Condensed Interim Consolidated Financial Statements

For the three month period ended March 31, 2025

Tidewater Renewables Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited, thousands of Canadian dollars)

As at	Notes		**March 31, 2025**		December 31, 2024
Assets					
Current					
Cash and cash equivalents		**$**	**123**	$	44
Accounts receivable			**18,503**		13,916
Inventory and emission credits	3		**40,917**		42,225
Prepaid expenses and other			**6,087**		3,366
Assets held for sale	4(b)		**-**		14,346
Total current assets			**65,630**		73,897
Investments			**42,074**		35,430
Right-of-use assets			**9,498**		10,832
Property, plant and equipment	4		**284,492**		286,367
Total assets		**$**	**401,694**	$	406,526
Liabilities					
Current					
Accounts payable, accrued liabilities and provisions		**$**	**28,356**	$	25,041
Derivative contracts			**17,056**		29,142
Senior credit facility	5		**21,503**		-
Lease liabilities			**6,976**		6,984
Warrant liability			**4,776**		233
Total current liabilities			**78,667**		61,400
Senior credit facility	5		**-**		20,273
Second lien credit facility	6		**161,043**		160,033
Lease liabilities			**4,079**		5,692
Provisions			**1,385**		1,357
Total liabilities			**245,174**		248,755
Equity					
Attributable to shareholders			**156,520**		151,271
Attributable to non-controlling interest			**-**		6,500
Total equity			**156,520**		157,771
Total liabilities and equity		**$**	**401,694**	$	406,526

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Renewables Ltd.

Condensed Interim Consolidated Statements of Net Income and Comprehensive Income

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

	Notes		Three months ended March 31, 2025		Three months ended March 31, 2024
Revenue	8	**$**	**57,674**	$	111,239
Operating expenses			**49,827**		79,693
Gross margin			**7,847**		31,546
General and administrative			**1,241**		487
Share-based compensation			**89**		1,128
Depreciation			**3,940**		9,564
Operating income			**2,577**		20,367
Finance costs and other	9		**5,126**		9,351
Realized loss on derivative contracts			**6,196**		8,140
Unrealized gain on derivative contracts			**(12,085)**		(5,551)
Loss (gain) on warrant liability revaluation			**4,543**		(485)
Income from equity investments			**(6,644)**		(1,097)
Transaction costs			**194**		5
Income before income tax			**5,247**		10,004
Deferred income tax expense			**-**		2,284
Net income and comprehensive income		**$**	**5,247**	$	7,720
Net income per share:					
Basic	7(b)	**$**	**0.14**	$	0.22
Diluted	7(b)	**$**	**0.14**	$	0.21

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)

	Notes	Share capital	Equity reserves	Deficit	Non-controlling interest	Total equity
		Attributable to Shareholders of the Corporation				
Balance, January 1, 2025		$ 517,527	$ 3,904	$ (370,160)	$ 6,500	$ 157,771
Net income and comprehensive income		-	-	5,247	-	5,247
Issuance of common shares	7(a)	78	(78)	-	-	-
Share-based compensation		-	2	-	-	2
Disposal of interest in RNG Partnership	4(b)	-	-	-	(6,500)	(6,500)
Balance, March 31, 2025		**$ 517,605**	**$ 3,828**	**$ (364,913)**	**$ -**	**$ 156,520**
Balance, January 1, 2024		$ 513,043	$ 5,898	$ (12,314)	$ 6,500	$ 513,127
Net income and comprehensive income		-	-	7,720	-	7,720
Issuance of common shares		232	(232)	-	-	-
Share-based compensation		-	821	-	-	821
Balance, March 31, 2024		$ 513,275	$ 6,487	$ (4,594)	$ 6,500	$ 521,668

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 March 31, 2025**		Three months ended March 31, 2024
Cash provided by (used in):					
Operating activities					
Net income		**$**	**5,247**	$	7,720
Adjustments:					
Non-cash share-based compensation			**2**		821
Depreciation			**3,940**		9,564
Interest and finance charges	9		**3,866**		8,803
Accretion and other	9		**1,543**		2,014
Unrealized gain on investments			**-**		(2,348)
Unrealized (gain) loss on foreign exchange	9		**(14)**		410
Unrealized gain on derivative contracts			**(12,085)**		(5,551)
Loss (gain) on warrant liability revaluation			**4,543**		(485)
Income from equity investment			**(6,644)**		(1,097)
Deferred income tax expense			**-**		2,284
Changes in non-cash operating working capital			**1,845**		18,323
Net cash provided by operating activities			**2,243**		40,458
Financing activities					
Advances (repayment) of senior credit facility			**1,136**		(27,749)
Payment of lease liabilities			**(1,794)**		(1,739)
Interest and financing charges paid			**(3,866)**		(8,810)
Changes in non-cash financing working capital			**2,241**		-
Net cash used in financing activities			**(2,283)**		(38,298)
Investing activities					
Expenditures on property, plant and equipment	4		**(2,053)**		(5,772)
Proceeds from capital emission credit sales			**1,300**		14,600
Proceeds from sale of assets	4		**7,846**		-
Contributions to investments			**-**		(2,094)
Changes in non-cash investing working capital			**(6,974)**		3,127
Net cash provided by investing activities			**119**		9,861
Increase in cash and cash equivalents			**79**		12,021
Cash and cash equivalents, beginning of period			**44**		105
Cash and cash equivalents, end of period		**$**	**123**	$	12,126

See the accompanying notes to the condensed interim consolidated financial statements

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

1. REPORTING ENTITY

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. The Corporation manages the operations of its hydrogen-derived renewable diesel ("HDRD") Complex 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.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements are in compliance with IAS® Standards 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied are in accordance with IFRS® Accounting Standards as issued by the IASB, are consistent with the Corporation's consolidated financial statements as at and for the year ended December 31, 2024 and should be read in conjunction with those consolidated financial statements. The condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 7, 2025.

3. INVENTORY AND EMISSION CREDITS

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

		March 31, 2025		December 31, 2024
Renewable feedstocks	**$**	**12,196**	$	12,294
Renewable refined products		**4,629**		7,322
Operating emission credits		**22,867**		21,309
Capital emission credits		**1,225**		1,300
Total inventory and emission credits	**$**	**40,917**	$	42,225

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

4. PROPERTY, PLANT AND EQUIPMENT

a) Property, plant and equipment is comprised of the following:

		Plant and infrastructure		Assets under construction		Total
Cost						
Balance, January 1, 2025	$	298,822	$	628	$	299,450
Additions		-		2,053		2,053
Capital emission credits awarded		-		(1,225)		(1,225)
Disposals		(97)		-		(97)
Balance, March 31, 2025	$	298,725	$	1,456	$	300,181
Accumulated Depreciation						
Balance, January 1, 2025	$	13,083	$	-	$	13,083
Depreciation		2,606		-		2,606
Balance, March 31, 2025	$	15,689	$	-	$	15,689
Net book value						
December 31, 2024	$	285,739	$	628	$	286,367
March 31, 2025	**$**	**283,036**	**$**	**1,456**	**$**	**284,492**

b) Sale of Rimrock Renewables Limited Partnership

During 2024, the Corporation classified its interest in the Rimrock Renewables Limited Partnership ("RNG Partnership") as held for sale.

On January 10, 2025, Tidewater completed the sale of its interest in the RNG Partnership for total proceeds of $7.8 million, of which $4.7 million was received on close and a further $3.1 million is expected to be received upon the satisfaction of certain post-closing conditions on or before December 30, 2025.

Total proceeds	$	7,846
Net assets sold		(14,346)
Non-controlling interest derecognized as result of the sale		6,500
Gain on sale of RNG Partnership	**$**	**-**

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

5. SENIOR CREDIT FACILITY

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

		March 31, 2025		December 31, 2024
Senior Credit Facility	**$**	**22,032**	$	20,896
Financing costs		**(529)**		(623)
Total Senior Credit Facility	**$**	**21,503**	$	20,273
Current portion, net of financing costs		**21,503**		-
Long-term portion, net of financing costs	**$**	**-**	$	20,273

On March 26, 2025, the Corporation amended its Senior Credit Facility to increase the total aggregate availability by $10.0 million to $40.0 million. In addition, the requirement to comply with the quarterly financial covenants has been waived until March 31, 2026 (previously waived until September 30, 2025) at which time the Corporation will be required to maintain certain financial covenants on an annualized basis.

On May 7, 2025, the maturity date of the Senior Credit Facility was extended from February 28, 2026, to February 28, 2027.

6. SECOND LIEN CREDIT FACILITY

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

		March 31, 2025		December 31, 2024
Second Lien Credit Facility	**$**	**178,815**	$	175,000
Discount (1)		**(17,772)**		(14,967)
Total Second Lien Credit Facility	**$**	**161,043**	$	160,033
Current portion, net of discount		**-**		-
Long-term portion, net of discount	**$**	**161,043**	$	160,033

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

On March 26, 2025, the following amendments were made to the Second Lien Credit Facility:

- increased the tranche C second lien credit facility (the "Tranche C Facility") by $10.0 million to $43.0 million for the purpose of refinancing the Senior Credit Facility in certain circumstances;
- the Corporation was provided the option to elect that the April 24, 2025 interest payment on the $150.0 million Tranche A Facility be paid in kind. Tidewater Renewables exercised this option and $5.1 million was added to the aggregate principal amount of the Tranche A Facility on April 24, 2025.
- the maturity date of the Second Lien Tranche B and Tranche C Facilities was extended from February 28, 2026, to October 24, 2027;
- the requirement to comply with the quarterly financial covenants was waived until March 31, 2026 (previously waived until September 30, 2025) at which time the Corporation will be required to maintain certain financial covenants on an annualized basis; and
- the amendment fee of $3.8 million was added to the principal amount of the Tranche B Facility.

7. EQUITY ATTRIBUTABLE TO SHAREHOLDERS

a) Issued and outstanding common shares

As at March 31, 2025, the Corporation had 36.4 million common shares outstanding with a carrying value of $517.6 million (December 31, 2024 – 36.4 million outstanding common shares with a carrying value of $517.5 million).

b) Net income per share

	Three months ended March 31, 2025				Three months ended March 31, 2024			
	Net income	Common shares (000s)		Net income per share	Net income	Common shares (000s)		Net income per share
Net income - basic	**$ 5,247**	**36,390**	**$**	**0.14**	$ 7,720	34,777	$	0.22
Dilutive effect of share awards	**-**	**419**		**-**	-	1,231		(0.01)
Net income - diluted	**$ 5,247**	**36,809**	**$**	**0.14**	$ 7,720	36,008	$	0.21

For the three months ended March 31, 2025, 0.2 million share awards (March 31, 2024 - 0.5 million) and 4.4 million of warrants (March 31, 2024 - 3.4 million) were excluded from the weighted-average share calculations as they were anti-dilutive.

8. 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 March 31, 2025		Three months ended March 31, 2024
Renewable diesel (1)	**$**	**31,038**	$	41,583
Emission credits		**24,505**		30,229
Blending fuels (2)		**2,131**		27,470
Take-or-pay agreements		**-**		11,957
Total revenue	**$**	**57,674**	$	111,239

(1) For the three months ended March 31, 2024, the Corporation recognized $9.0 million in revenue related to the assets divested to Tidewater Midstream.
(2) The amount represents revenue from the conventional refined product portion of the blended fuels.

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

9. FINANCE COSTS AND OTHER

Finance costs and other are comprised of the following:

		Three months ended March 31, 2025		Three months ended March 31, 2024
Interest on senior credit facility and second lien credit facility	**$**	**3,866**	$	8,803
Total interest expense		**3,866**		8,803
Realized foreign exchange (gain) loss		**(269)**		472
Unrealized foreign exchange (gain) loss		**(14)**		410
Total finance costs and other before accretion	**$**	**3,583**	$	9,685
Unwinding of discount on decommissioning obligations		**28**		27
Unwinding of discount on long-term debt		**1,328**		1,705
Unwinding of discount on lease liabilities		**187**		282
Total accretion		**1,543**		2,014
Unrealized gain on investments		**-**		(2,348)
Total finance costs and other	**$**	**5,126**	$	9,351

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

At March 31, 2025, the fair value of cash and cash equivalents, accounts receivable, accounts payables, accrued liabilities and provisions approximated their carrying value due to their short-term maturity. The carrying value of the outstanding Senior Credit Facility and Second Lien Credit facility 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 March 31, 2025, lifetime expected credit losses for accounts receivable outstanding were $0.2 million (December 31, 2024 - $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. The Corporation anticipates that its net cash from operating activities, funds from its Senior Credit Facility and second lien credit facility, proceeds from the sale of emissions credits, and other financing sources (including equity financing if necessary) will be sufficient to fulfill its financial commitments, obligations, and anticipated capital expenditures as they become due; however, economic uncertainties, operational issues with the HDRD Complex, or other unexpected operational difficulties could pose liquidity and financial obligations risks to the Corporation.

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

Contractual maturities

The following table details the contractual maturities of the Corporation's financial liabilities as at March 31, 2025 and December 31, 2024:

	March 31, 2025		December 31, 2024	
	Less than one year	Greater than one year	Less than one year	Greater than one year
Accounts payable, accrued liabilities and provisions	$ 28,356	$ -	$ 25,041	$ -
Derivative contracts	17,056	-	29,142	-
Warrant liabilities	4,776	-	233	-
Lease liabilities (1)	7,185	4,515	7,193	6,315
Senior credit facility (2)	22,032	-	-	20,896
Second lien credit facility (2)	-	178,815	-	175,000
Total financial liabilities	**$ 79,405**	**$ 183,330**	$ 61,609	$ 202,211

(1) Amounts represent the expected undiscounted cash payments related to leases.
(2) 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 Senior Credit Facility.

At March 31, 2025, the Corporation had a variable rate Senior Credit Facility (note 5) totalling $22.0 million. A 1% change in the interest rates on the Senior Credit Facility would have an after-tax impact on net income of less than $0.1 million for the three months ended March 31, 2025.

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 March 31, 2025, net working capital liabilities and derivative contract balances denominated in USD were $17.2 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 $0.9 million for the three months ended March 31, 2025.

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 $5.0 million for the three months ended March 31, 2025.

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

Warrant liability risk

The Corporation's 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. A 10% change in the Corporation's share price would have an after-tax impact on net income of $0.6 million for the three months ended March 31, 2025.

11. RELATED PARTY TRANSACTIONS

The Corporation has entered into certain agreements and transactions with Tidewater Midstream, which are discussed in note 24 of the Corporation's consolidated financial statements as at and for the year ended December 31, 2024.

a) Related party transactions

Related party transactions included in the consolidated statements of net income and comprehensive income for the three months ended March 31, 2025 and 2024, are summarized in the following table:

		Three months ended March 31, 2025		Three months ended March 31, 2024
Revenue from take-or-pay agreements	**$**	**-**	$	11,957
Revenue from the sale of renewable fuels		**28,907**		29,699
Purchases of blending fuels [1]		**2,035**		27,756
Sale of emission credits		**20,420**		-
Other operating expenses		**5,265**		8,153
G&A expenses under the shared services agreement		**619**		500
Realized loss on derivative contracts		**1,051**		811
Unrealized gain on derivative contracts		**(1,891)**		(566)

(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.

b) Related party balances

The related party balances included in the consolidated statement of financial position as March 31, 2025 and December 31, 2024, are summarized in the following table:

		March 31, 2025		December 31, 2024
Accounts receivable	**$**	**13,914**	$	10,516
Accounts payable, accrued liabilities and provisions		**(5,603)**		(7,138)
Derivative contracts		**(2,926)**		(4,812)