



**TIDEWATER**

Renewables Ltd.

Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

## 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 IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IASB") 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, 2025. 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

"Ian Quartly"  
Chief Financial Officer

March 25, 2026  
Calgary, Alberta

## Independent Auditor's Report

To the Shareholders and the Board of Directors 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, 2025 and 2024, 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, 2025 and 2024, and its financial performance and its cash flows for the years then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

### 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, 2025. 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.

#### ***Revenue Recognition – Emission credits revenue – Refer to Note 3k and 17 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. The Corporation recognizes revenue for emission credits generated in the ordinary course of business when emissions credits are delivered to and/or title passes to the customer.

Emissions credits revenue is a key audit matter due to the significant audit effort required in performing audit procedures related to the Company's revenue recognition.

### *How the Key Audit Matter Was Addressed in the Audit*

Our audit procedures related to the revenue recognition of emission credits included the following, among others:

- Obtaining and analyzing the executed contracts to understand the key facts and circumstances,
- Identifying the performance obligation and evaluating revenue recognition by obtaining and inspecting a combination of the following audit evidence: external confirmations, invoices, evidence of transfer of custody, and cash receipts.

### 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 Accounting Standards as issued by the IASB, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 25, 2026

**Tidewater Renewables Ltd.**  
**Consolidated Statements of Financial Position**  
(Millions of Canadian dollars)

As at December 31	Notes	2025		2024
<b>Assets</b>				
Current				
Accounts receivable		\$ 12.3	\$	13.9
Inventory and emission credits	6	51.3		42.2
Prepaid expenses and other		0.4		3.4
Assets held for sale	5(b)	-		14.3
<b>Total current assets</b>		<b>64.0</b>		73.8
Investments	7	39.0		35.4
Right-of-use assets	8	5.3		10.8
Property, plant and equipment	9	286.3		286.4
Deferred tax asset	14	3.0		-
<b>Total assets</b>		<b>\$ 397.6</b>	<b>\$</b>	<b>406.4</b>
<b>Liabilities</b>				
Current				
Accounts payable, accrued liabilities and provisions		\$ 25.2	\$	25.0
Deferred revenues	6	11.2		-
Derivative contracts		-		29.1
Lease liabilities	13	4.9		7.0
Warrant liabilities	11(b)	5.1		0.2
<b>Total current liabilities</b>		<b>46.4</b>		61.3
Senior credit facility	10	22.2		20.3
Second lien credit facility	11(a)	171.2		160.0
Lease liabilities	13	0.9		5.7
Decommissioning obligations	12	1.7		1.4
<b>Total liabilities</b>		<b>242.4</b>		248.7
<b>Equity</b>				
Attributable to shareholders		155.2		151.2
Attributable to non-controlling interest	16	-		6.5
<b>Total equity</b>		<b>155.2</b>		157.7
<b>Total liabilities and equity</b>		<b>\$ 397.6</b>	<b>\$</b>	<b>406.4</b>

See the accompanying notes to the consolidated financial statements

Approved by the Board:  
*(signed)* "Jeremy Baines", Director

*(signed)* "Jeff Hamilton", Director

**Tidewater Renewables Ltd.****Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)****(Millions of Canadian dollars, except per share information)**

<b>For the year ended December 31</b>	Notes	<b>2025</b>	<b>2024</b>
Revenue	17	\$ <b>248.0</b>	\$ 426.5
Operating expenses		<b>212.3</b>	308.4
Gross margin		<b>35.7</b>	118.1
General and administrative		<b>5.0</b>	9.1
Share-based compensation	19(c)	<b>0.7</b>	(0.2)
Depreciation	8,9	<b>17.5</b>	31.5
Operating income		<b>12.5</b>	77.7
Finance costs and other	18	<b>22.0</b>	42.4
Realized loss on derivative contracts		<b>16.6</b>	41.0
Unrealized gain on derivative contracts		<b>(29.1)</b>	(16.7)
Loss (gain) on warrant liabilities revaluation	11(b)	<b>4.9</b>	(3.0)
Loss on sale of assets	5(b)	<b>1.0</b>	489.0
Impairment expense		-	0.8
Income from equity investments	7(a)	<b>(3.6)</b>	(4.5)
Transaction costs		<b>0.2</b>	2.2
Income (loss) before income tax		<b>0.5</b>	(473.5)
Deferred income tax recovery	14	<b>(3.0)</b>	(115.6)
<b>Net income (loss) and comprehensive income (loss)</b>		<b>\$ 3.5</b>	<b>\$ (357.9)</b>
Net income (loss) per share attributable to shareholders:			
Basic	15(c)	\$ <b>0.10</b>	\$ (10.15)
Diluted	15(c)	\$ <b>0.09</b>	\$ (10.15)

*See the accompanying notes to the consolidated financial statements*

**Tidewater Renewables Ltd.**
**Consolidated Statements of Changes in Shareholders' Equity**

(Millions of Canadian dollars)

	Notes	Attributable to Shareholders of the Corporation			Non-controlling interest	Total equity
		Share capital	Equity reserve	Deficit		
Balance, January 1, 2025		\$ 517.5	\$ 3.9	\$ (370.2)	\$ 6.5	\$ 157.7
Net income and comprehensive income		-	-	3.5	-	3.5
Issuance of common shares	15(b)	0.1	(0.1)	-	-	-
Share-based compensation		-	0.5	-	-	0.5
Disposal of interest in RNG Partnership	5(b)	-	-	-	(6.5)	(6.5)
<b>Balance, December 31, 2025</b>		<b>\$ 517.6</b>	<b>\$ 4.3</b>	<b>\$ (366.7)</b>	<b>\$ -</b>	<b>\$ 155.2</b>
Balance, January 1, 2024		\$ 513.0	\$ 5.9	\$ (12.3)	\$ 6.5	\$ 513.1
Net loss and comprehensive loss		-	-	(357.9)	-	(357.9)
Issuance of common shares	15(b)	4.5	(0.9)	-	-	3.6
Share-based compensation		-	(1.1)	-	-	(1.1)
Balance, December 31, 2024		\$ 517.5	\$ 3.9	\$ (370.2)	\$ 6.5	\$ 157.7

See the accompanying notes to the consolidated financial statements

**Tidewater Renewables Ltd.**  
**Consolidated Statements of Cash Flows**  
(Millions of Canadian dollars)

For the year ended December 31	Notes	2025	2024
<b>Cash provided by (used in):</b>			
<b>Operating activities</b>			
Net income (loss)	\$	3.5	\$ (357.9)
Adjustments:			
Non-cash share-based compensation		0.5	(1.1)
Depreciation	8,9	17.5	31.5
Interest and finance charges	18	15.0	27.8
Accretion and other	18	7.6	9.2
Unrealized loss on investments	7,18	-	2.1
Unrealized (gain) loss on foreign exchange	18	(0.5)	1.2
Unrealized gain on derivative contracts		(29.1)	(16.7)
Loss (gain) on warrant liabilities revaluation	11(b)	4.9	(3.0)
Loss on sale of assets	5(b)	1.0	489.0
Impairment expense		-	0.8
Income from equity investments	7(a)	(3.6)	(4.5)
Deferred income tax recovery	14	(3.0)	(115.6)
Changes in non-cash operating working capital	20(a)	19.9	(8.2)
<b>Net cash provided by operating activities</b>		<b>33.7</b>	<b>54.6</b>
<b>Financing activities</b>			
Advances (repayment) of senior credit facility	10	1.4	(150.9)
Payment of lease liabilities	13	(7.0)	(7.0)
Interest and financing charges paid		(15.0)	(27.8)
Changes in non-cash financing working capital	20(b)	(0.1)	1.9
<b>Net cash used in financing activities</b>		<b>(20.7)</b>	<b>(183.8)</b>
<b>Investing activities</b>			
Expenditures on property, plant and equipment	9	(13.1)	(24.0)
Proceeds from capital emission credit sales		1.3	45.4
Receipt of government grant	9	-	2.0
Proceeds from sales of assets	5(b)	7.8	140.3
Contribution to investments	7(b)	-	(2.1)
Changes in non-cash investing working capital	20(c)	(9.0)	(32.5)
<b>Net cash (used in) provided by investing activities</b>		<b>(13.0)</b>	<b>129.1</b>
<b>Decrease in cash and cash equivalents</b>		<b>-</b>	<b>(0.1)</b>
Cash and cash equivalents, beginning of year		-	0.1
<b>Cash and cash equivalents, end of year</b>	<b>\$</b>	<b>-</b>	<b>\$ -</b>

See the accompanying notes to the consolidated financial statements

## **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 through 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 a joint venture investment in Rimrock Cattle Company Ltd. (“RCC”). The Corporation’s controlling interest in the Rimrock Renewables Limited Partnership (“RNG Partnership”), was sold on January 10, 2025 (note 5(b)).

## **2. BASIS OF PRESENTATION**

### **a) Statement of compliance**

The Corporation prepares its consolidated financial statements in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 25, 2026.

### **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 Accounting Standards.

### **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 the statement of net income (loss) and comprehensive income (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) 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.

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.

*iii) 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 liabilities*

To estimate the fair value of its warrant liabilities, 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*

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.

*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) 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.

*viii) 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 (loss) and comprehensive income (loss) as incurred. Realized gains and losses on these contracts are recorded as gains and losses on derivative contracts in the statement of net income (loss) and comprehensive income (loss) 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 (loss) and comprehensive income (loss). 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 liabilities	Fair value through profit or loss
Senior credit facility	Amortized cost
Second lien credit facility	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 selling 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 emissions liability. 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 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 (loss) and comprehensive income (loss). 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 (loss) and comprehensive income (loss).

**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® Standards 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.

Tank bottoms, which represents the minimum product volume required for the operation of storage tanks, are recorded at historical cost. Tank bottom volumes are recovered when the storage tanks are removed from service. Tank bottoms volumes are considered a component of the facility and are not amortized because of an indefinite useful life.

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. Barrels of refined product that represent the minimum working requirements in tanks are not depreciated.

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 <sup>(1)</sup>	Straight-line	20 - 50 years
Gathering systems <sup>(1)</sup>	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

(1) These assets were sold as part of the Tidewater Midstream Transaction on September 12, 2024 (note 5(a)).

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.

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 liabilities**

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 diesel and blending fuels revenue**

The Corporation generates revenue from the sale of refined renewable diesel and other blended renewable fuels. Revenue contracts are usually for periods of less than one year and contracted prices are based on a market index price. Revenue from the sale of renewable fuels is recognized when the refined product is transferred to the customer at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for the products. 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 based on the delivered volumes sold at the point of sale.

*ii)* Emission credits revenue

The Corporation recognizes emission credit revenue when ownership of the credits is transferred. Operating emissions credits are generated at the point of sale of renewable diesel and other renewable fuels, and revenue is recognized at an amount that reflects the consideration to which the Corporation expects to be entitled from the sale of the operating emissions credits. Performance obligations associated with the sale of emission credits are satisfied at the point in time when operating emissions credits are delivered to and/or title passes to the customer.

*iii)* Take-or-pay revenue

Revenue from take-or-pay arrangements is recognized as the service is provided or in accordance with the terms of the agreement. Prior to the Tidewater Midstream Transaction on September 12, 2024, Tidewater Renewables generated revenue through take-or-pay arrangements for the storage of natural gas and for processing intermediate feedstocks for customers. Processing and storage revenues were generated through arrangements designed to recover operating costs and provide a return on capital. Fees were 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. As the Corporation did not take title to the customer's gas, the Corporation's gas storage inventory transactions were not recorded on the statement of financial position.

*iv)* Renewable natural gas revenue

As part of the Tidewater Midstream Transaction, Tidewater Renewables' processing and storage agreements with Tidewater Midstream were terminated, effective August 1, 2024. As a result, no renewable natural gas revenues were recognized as of August 1, 2024. 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.

**l) Operating and general and administrative expenses**

Operating expenses consist of the weighted average cost of renewable feedstocks; storage and transportation fees; 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 Savings Plan and ESPP allow eligible employees to contribute cash into the Savings Plan or purchase common shares of the Corporation via the ESPP plan. The Corporation will match 100% of the employee's contribution, up to a maximum of 5% of the employee's base salary into the plans as elected by the employees. For the ESPP, 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 (loss) 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.

**4. FUTURE ACCOUNTING PRONOUNCEMENTS**

***Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures***

In May 2024, the IASB issued amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* relating to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets. The amendments will be effective on January 1, 2026, but are not expected to have a material impact on Tidewater Renewable’s financial statements.

***IFRS 18 Presentation and Disclosure in Financial Statements***

IFRS 18 *Presentation and Disclosure in Financial Statements* (“IFRS 18”) was issued by the IASB on April 9, 2024. IFRS 18 replaces IAS 1 *Presentation of Financial Statements* and will be applied to annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. IFRS 18 establishes a revised structure for the consolidated statements of net earnings, required disclosures for certain management-defined performance measures, and enhanced requirements for grouping of information in the financial statements. Tidewater Renewables is currently assessing the impact of adopting IFRS 18 on the consolidated financial statements.

**5. 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.

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 income (loss) and comprehensive income (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 (loss) related to the Tidewater Midstream Transaction:

Total proceeds	\$	129.7
Net assets sold		(621.5)
<b>Loss on Tidewater Midstream Transaction</b>	<b>\$</b>	<b>(491.8)</b>

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 Rimrock Renewables Limited Partnership**

During 2024, the Corporation classified its interest in the RNG Partnership as held for sale.

On January 10, 2025, Tidewater completed the sale of its interest in the RNG Partnership for a total purchase price of \$7.8 million in cash, of which \$4.7 million was received on close and a further \$2.1 million was received in February 2026 in satisfaction of the total purchase price.

Total proceeds	\$	7.8
Closing adjustments		(1.0)
Net proceeds received		6.8
Net assets sold		(14.3)
Non-controlling interest derecognized as result of the sale		6.5
<b>Loss on sale of RNG Partnership</b>	<b>\$</b>	<b>(1.0)</b>

**c) 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 \$3.7 million. Total proceeds included \$2.0 million of contingent consideration that was received in the fourth quarter of 2024.

Total proceeds	\$	10.6
Net assets sold		(6.9)
<b>Gain on Feedstock Assets Sale</b>	<b>\$</b>	<b>3.7</b>

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 10).

**6. INVENTORY AND EMISSION CREDITS**

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

	December 31, 2025	December 31, 2024
Renewable feedstocks	\$ 14.3	\$ 12.3
Renewable refined products	7.6	7.3
Operating emission credits	26.8	21.3
Capital emission credits	2.6	1.3
<b>Total inventory and emission credits</b>	<b>\$ 51.3</b>	<b>\$ 42.2</b>

As at December 31, 2025, the Corporation had commitments to transfer control of operating emission credits to customers. The Corporation received payment and recognized deferred revenues of \$11.2 million for these commitments. Revenue will be recognized when the credits are transferred in the first quarter of 2026.

**7. INVESTMENTS**

**a) Investment in RCC**

On April 4, 2022, the Corporation announced its 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.

As at December 31, 2025, the carrying value for the Corporation's equity investment in the Rimrock Cattle Company was \$39.0 million (December 31, 2024 - \$35.4 million).

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

**Net income and comprehensive income**

For the year ended December 31	<b>2025</b>	2024
Revenue	\$ 242.3	\$ 244.4
Operating expenses	<b>227.2</b>	237.7
General and administrative	1.7	1.9
Depreciation	<b>3.3</b>	3.3
Gain on commodity contracts	<b>(12.8)</b>	(2.7)
Unrealized loss (gain) on revaluation of biological assets	<b>7.8</b>	(13.6)
Finance costs and other	<b>6.2</b>	6.1
Income tax expense	<b>1.7</b>	2.7
<b>Net income and comprehensive income</b>	<b>\$ 7.2</b>	\$ 9.0
<b>Net income and comprehensive income attributable to Tidewater Renewables</b>	<b>\$ 3.6</b>	\$ 4.5

**Statement of financial position**

As at December 31	<b>2025</b>	2024
Current assets	\$ 134.4	\$ 111.9
Non-current assets	<b>66.8</b>	65.8
Current liabilities	<b>12.5</b>	78.0
Non-current liabilities	<b>110.4</b>	28.7

**b) Fair value investments**

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. In the third quarter of 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 year ended December 31, 2024, the Corporation recognized an unrealized loss of \$2.1 million.

**8. RIGHT-OF-USE ASSETS**

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

		Total
<b>Cost</b>		
Balance, January 1, 2024	\$	28.3
Additions		0.3
Lease terminations		(1.1)
Balance, December 31, 2024	\$	27.5
Balance, December 31, 2025	\$	27.5
<b>Accumulated Depreciation</b>		
Balance, January 1, 2024	\$	11.7
Depreciation		5.4
Lease terminations		(0.4)
Balance, December 31, 2024	\$	16.7
Depreciation		5.5
Balance, December 31, 2025	\$	22.2
<b>Net book value</b>		
December 31, 2024 <sup>(1)</sup>	\$	10.8
<b>December 31, 2025 <sup>(1)</sup></b>	<b>\$</b>	<b>5.3</b>

(1) As at December 31, 2025, building and equipment right-of-use assets had a net book value of \$0.2 million (December 31, 2024 - \$0.3 million).

**9. PROPERTY, PLANT AND EQUIPMENT**

	Plant and infrastructure <sup>(1)</sup>		Assets under construction		Total
<b>Cost</b>					
Balance, January 1, 2024	\$	998.4	\$	20.9	\$ 1,019.3
Additions		-		24.0	24.0
Receipt of government grant		-		(2.0)	(2.0)
Capital emission credits awarded		(38.1)		(8.4)	(46.5)
Completed projects		19.8		(19.8)	-
Disposals		(681.3)		(0.8)	(682.1)
Impairment		-		(0.4)	(0.4)
Reclassification to assets held for sale		-		(12.9)	(12.9)
Balance, December 31, 2024	\$	298.8	\$	0.6	\$ 299.4
Additions		1.3		13.1	14.4
Capital emission credits awarded		-		(2.6)	(2.6)
Completed projects		7.9		(7.9)	-
Disposals		(4.4)		-	(4.4)
Decommissioning asset		0.2		-	0.2
Balance, December 31, 2025	\$	303.8	\$	3.2	\$ 307.0
<b>Accumulated Depreciation and Impairment</b>					
Balance, January 1, 2024	\$	39.8	\$	-	\$ 39.8
Depreciation		26.1		-	26.1
Disposals		(52.9)		-	(52.9)
Balance, December 31, 2024	\$	13.0	\$	-	\$ 13.0
Depreciation		12.0		-	12.0
Disposals		(4.3)		-	(4.3)
Balance, December 31, 2025	\$	20.7	\$	-	\$ 20.7
<b>Net book value</b>					
December 31, 2024	\$	285.8	\$	0.6	\$ 286.4
<b>December 31, 2025</b>	<b>\$</b>	<b>283.1</b>	<b>\$</b>	<b>3.2</b>	<b>\$ 286.3</b>

(1) Barrels of refined product that represent the minimum working requirements in tanks are not depreciated. As at December 31, 2025, \$1.3 million of tank bottoms were included in non-depreciated property, plant and equipment (December 31, 2024 - \$NIL).

**10. SENIOR CREDIT FACILITY**

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

	December 31, 2025		December 31, 2024	
Senior Credit Facility	\$	22.3	\$	20.9
Financing costs		(0.1)		(0.6)
<b>Total Senior Credit Facility</b>	<b>\$</b>	<b>22.2</b>	<b>\$</b>	<b>20.3</b>
Current portion, net of financing costs		-		-
Long-term portion, net of financing costs		22.2		20.3

The Senior Credit Facility can be drawn in 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.

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 year to date basis.

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

## 11. SECOND LIEN CREDIT FACILITY AND WARRANT LIABILITIES

### a) Second Lien Credit Facility

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

	December 31, 2025	December 31, 2024
Second Lien Credit Facility	\$ 183.9	\$ 175.0
Discount <sup>(1)</sup>	(12.7)	(15.0)
<b>Total Second Lien Credit Facility</b>	<b>\$ 171.2</b>	<b>\$ 160.0</b>
Current portion, net of discount	-	-
Long-term portion, net of discount	171.2	160.0

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

Tidewater Renewables has a Second Lien Credit Facility consisting of a tranche A facility in the aggregate principal amount of \$155.1 million (the "Tranche A Facility"), a tranche B facility in the aggregate principal amount of \$28.8 million (the "Tranche B Facility"), and a tranche C facility in the aggregate principal amount of \$43.0 million (the "Tranche C Facility") which may only be drawn in certain circumstances to refinance the Senior Credit Facility.

The Tidewater Renewables Second Lien Credit Facility is subordinate to the Senior Credit Facility and is subject to a number of customary covenants and restrictions, however, compliance by Tidewater Renewables with its quarterly financial covenants has been waived until March 31, 2026.

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

- increased the Tranche C second lien credit 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.

Minimum interest on the Tranche A Facility was 6.5% for periods up to and including October 24, 2025. Beginning October 25, 2025, the Tranche A Facility bears minimum interest of 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 Tranche B Facility continues to bear interest at 9.5%. The \$28.8 million Tranche B Facility can be repaid at Tidewater Renewables' option without penalty.

In the event a First Lien Demand Notice is presented to the Corporation, the Tranche C 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 Facility is subject to variable repayments.

**b) Warrant liabilities**

The following table summarizes the Corporation's warrant liabilities as at December 31, 2025:

	Number of warrants outstanding (millions)		Fair value
Balance, January 1, 2024	3.4	\$	3.2
Upon issuance of 2024 warrants, September 12, 2024	1.0		0.8
Gain on 2022 warrant liability revaluation	-		(3.2)
Gain on 2024 warrant liability revaluation	-		(0.6)
Balance, December 31, 2024	4.4		0.2
Loss on 2022 warrant liability revaluation	-		2.3
Loss on 2024 warrant liability revaluation	-		2.6
<b>Balance, December 31, 2025</b>	<b>4.4</b>	<b>\$</b>	<b>5.1</b>

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:

	December 31, 2025		December 31, 2024
Exercise price per share	\$ 14.84	\$	14.84
Common share price	\$ 4.25	\$	0.81
Volatility factor expected market price	89.70%		71.06%
Risk-free interest rate	2.55%		2.93%
Remaining life (years)	1.81		2.81
Fair value	\$ 0.70	\$	0.01

A 10% change in the Corporation's share price would have an after-tax impact on net income (loss) of \$0.4 million for the year ended December 31, 2025 (December 31, 2024 - \$NIL).

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

	<b>December 31, 2025</b>		December 31, 2024
Exercise price per share	\$ 3.99	\$	3.99
Common share price	\$ 4.25	\$	0.81
Volatility factor expected market price	<b>89.70%</b>		71.06%
Risk-free interest rate	<b>2.90%</b>		2.96%
Remaining life (years)	<b>3.70</b>		4.70
Fair value	\$ 2.74	\$	0.20

A 10% change in the Corporation's share price would have an after-tax impact on net income (loss) of \$0.3 million for the year ended December 31, 2025 (December 31, 2024 - \$NIL).

## 12. DECOMMISSIONING OBLIGATIONS

The decommissioning obligation reflects the discounted cash flows expected to be incurred to decommission the Corporation's physical assets. The estimated economic lives of assets covered by the decommissioning provision range from 3 to 141 years. At December 31, 2025, the obligation was inflated using a rate of 2.5% (December 31, 2024 - 2.0%) and discounted using a credit-adjusted risk-free rate of 5.7% (December 31, 2024 - 9.0%).

The following table summarizes changes in the decommissioning obligations:

	<b>2025</b>		2024
Balance, beginning of year	\$ 1.4	\$	1.2
Change in discount rate and estimates	<b>0.2</b>		0.1
Unwinding of discount included in finance costs	<b>0.1</b>		0.1
<b>Balance, end of year</b>	<b>\$ 1.7</b>	\$	<b>1.4</b>

## 13. LEASE LIABILITIES

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

The following table summarizes the changes in lease liabilities:

	<b>2025</b>		2024
Balance, beginning of year	\$ 12.7	\$	18.1
Additions	-		0.2
Disposals	-		(0.8)
Accretion	<b>0.6</b>		1.0
Lease payments	<b>(7.0)</b>		(7.0)
Foreign exchange re-measurement	<b>(0.5)</b>		1.2
<b>Balance, end of year</b>	<b>\$ 5.8</b>	\$	<b>12.7</b>
Current portion of lease liability	<b>4.9</b>		7.0
Long-term portion of lease liability	<b>0.9</b>		5.7

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Undiscounted payments associated with lease liabilities as at December 31, 2025, are summarized below:

	Within one year	After one year but not more than five years <sup>(1)</sup>	More than five years	Total
Undiscounted lease payments	\$ 5.0	\$ 1.0	\$ -	\$ 6.0

(1) \$0.7 million to be paid in 2027 and \$0.3 million in 2028.

As at December 31, 2025, the incremental borrowing rate used to measure lease liabilities was 6.5% (December 31, 2024 - 6.5%).

**14. INCOME TAXES**

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

	2025	2024
Income (loss) before income tax	\$ 0.5	\$ (473.5)
Combined federal and provincial tax rates <sup>(1)</sup>	25%	25%
Expected tax expense (recovery)	0.1	(118.4)
Differences from:		
Unrecognized deferred tax assets	(1.8)	1.8
Share-based compensation	1.3	(2.1)
Change in tax rate and other <sup>(1)</sup>	(2.6)	3.1
<b>Deferred income tax recovery</b>	<b>\$ (3.0)</b>	<b>\$ (115.6)</b>

(1) The Corporation's tax rate consists of the combined federal and provincial statutory rates for the years ended December 31, 2025 and 2024. The Alberta corporate tax rate is 8% and the BC corporate tax rate is 12%.

The following tables summarize the movement of deferred taxes:

Asset (Liability)	December 31, 2024	Recognized in:		December 31, 2025
		Net income (loss)		
Property, plant and equipment and leases	\$ (51.9)	\$ (5.6)	\$ (57.5)	
Decommissioning obligation	0.3	0.1	0.4	
Derivative contracts	7.3	(7.3)	-	
Unamortized share issuance costs and finance costs	0.6	0.5	1.1	
Stock-based compensation and other	-	0.2	0.2	
Non-capital losses	45.5	13.3	58.8	
Unrecognized deferred tax asset	(1.8)	1.8	-	
<b>Total</b>	<b>\$ -</b>	<b>\$ 3.0</b>	<b>\$ 3.0</b>	

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Asset (Liability)	December 31, 2023	Recognized in:		December 31, 2024
		Net income (loss)		
Property, plant and equipment and leases	\$ (218.3)	\$ 166.4	\$	(51.9)
Decommissioning obligation	0.3	-		0.3
Derivative contracts	11.5	(4.2)		7.3
Unamortized share issuance costs and finance costs	0.7	(0.1)		0.6
Non-capital losses	90.2	(44.7)		45.5
Unrecognized deferred tax asset	-	(1.8)		(1.8)
<b>Total</b>	<b>\$ (115.6)</b>	<b>\$ 115.6</b>	<b>\$</b>	<b>-</b>

As at December 31, 2025, the Corporation had estimated federal tax pools of \$71.7 million (December 31, 2024 - \$98.0 million) available for deduction against future taxable income. The Corporation has \$234.9 million (December 31, 2024 - \$182.0 million) of unused tax losses expiring between 2042 and 2045.

The Corporation has recognized a deferred tax asset of \$3.0 million (December 31, 2024 - \$NIL) based on the expectation of sufficient future taxable profits and future reversals of temporary differences.

**15. EQUITY ATTRIBUTABLE TO SHAREHOLDERS**

**a) Authorized**

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

**b) Issued and outstanding common shares**

	2025		2024	
	Number of Shares (millions)	Amount	Number of Shares (millions)	Amount
Balance, beginning of year	36.4	\$ 517.5	34.8	\$ 513.0
Issue of common shares - long-term incentive plan	-	0.1	0.2	0.9
Issue of common shares - Term Lender amendment fees	-	-	1.4	3.6
<b>Balance, end of year</b>	<b>36.4</b>	<b>\$ 517.6</b>	<b>36.4</b>	<b>\$ 517.5</b>

**c) Net income (loss) per share**

	Year ended December 31, 2025			Year ended December 31, 2024		
	Net income	Common shares (millions)	Net income (loss) per share	Net loss	Common shares (millions)	Net loss per share
Net income (loss) - basic	\$ 3.5	36.4	\$ 0.10	\$ (357.9)	35.3	\$ (10.15)
Dilutive effect of share awards	-	0.7	(0.01)	-	-	-
Net income (loss) - diluted	\$ 3.5	37.1	\$ 0.09	\$ (357.9)	35.3	\$ (10.15)

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For the year ended December 31, 2025, 0.2 million share awards (December 31, 2024 - 1.5 million) and 4.4 million warrants (December 31, 2024 - 4.4 million) were excluded from the weighted-average share calculations as they were anti-dilutive.

**16. NON-CONTROLLING INTEREST**

On April 4, 2022, the Corporation entered into the RNG Partnership agreement, 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 the RNG Partnership. Rimrock Renewables Ltd., a company with nominal assets and no operations, is the general partner. Rimrock Renewables Ltd.’s common shares were owned 51% and 49% by the Corporation and Rimrock, respectively. As the general partner, Rimrock Renewables Ltd. had the power and authority over the RNG Facilities Partnership’s relevant operating activities.

On January 10, 2025, Tidewater completed the sale of its interest in the RNG Partnership (note 5(b)).

**17. REVENUE**

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

		2025		2024
Renewable diesel <sup>(1)</sup>	\$	163.8	\$	174.6
Emission credits		47.8		170.1
Blending fuels <sup>(2)</sup>		36.4		54.4
Take-or-pay agreements		-		27.4
<b>Total revenue</b>	<b>\$</b>	<b>248.0</b>	<b>\$</b>	<b>426.5</b>

(1) For the year ended December 31, 2024, the Corporation recognized \$25.8 million in revenue related to the assets divested to Tidewater Midstream. Beginning in 2025, a significant portion of renewable diesel was sold with the emissions credits attached, with pricing indexed to U.S import parity benchmarks.

(2) The amount represents revenue from the conventional refined product portion of the blended fuels.

**18. FINANCE COSTS AND OTHER**

Finance costs and other are comprised of the following:

		2025		2024
Interest on senior credit facility and second lien credit facility	\$	15.0	\$	27.8
Total interest expense		15.0		27.8
Realized foreign exchange (gain) loss		(0.1)		2.1
Unrealized foreign exchange loss (gain) loss <sup>(1)</sup>		(0.5)		1.2
Total finance costs and other before accretion	\$	14.4	\$	31.1
Unwinding of discount on decommissioning obligations		0.1		0.1
Unwinding of discount on long-term debt		6.9		8.1
Unwinding of discount on lease liabilities		0.6		1.0
Total accretion		7.6		9.2
Unrealized loss on investments (note 7(b))		-		2.1
<b>Total finance costs and other</b>	<b>\$</b>	<b>22.0</b>	<b>\$</b>	<b>42.4</b>

(1) . Relates to translation of USD denominated lease liabilities.

**19. SHARE-BASED COMPENSATION**

**a) Share awards**

A summary of Tidewater Renewable's stock options, restricted share units and deferred share units outstanding and exercisable is as follows:

(thousands of options and units)	Stock Options	RSUs	DSUs	Total
Outstanding, January 1, 2025	268	125	55	448
Granted	263	526	108	897
Exercised	-	(56)	(35)	(91)
Forfeited	(31)	(74)	-	(105)
Expired	(78)	(1)	-	(79)
<b>Outstanding, December 31, 2025</b>	<b>422</b>	<b>520</b>	<b>128</b>	<b>1,070</b>
<b>Exercisable, December 31, 2025</b>	<b>107</b>	<b>8</b>	<b>128</b>	<b>243</b>

(thousands of options and units)	Stock Options	RSUs	DSUs	Total
Outstanding, January 1, 2024	588	1,030	80	1,698
Granted	233	85	40	358
Exercised	-	(246)	(65)	(311)
Forfeited	(482)	(726)	-	(1,208)
Expired	(71)	(18)	-	(89)
Outstanding, December 31, 2024	268	125	55	448
Exercisable, December 31, 2024	135	11	35	181

The range of exercise prices and weighted average remaining contractual lives of Tidewater Renewables outstanding and exercisable stock options as at December 31, 2025 is summarized below:

Range of Exercise Prices (\$ per option)	Stock Options Outstanding			Stock Options Exercisable	
	Number of Stock Options Outstanding (000s)	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$ per option)	Number of Stock Options Exercisable (000s)	Weighted Average Exercise Price (\$ per option)
0.78 - 5.00	248	4.1	0.78	-	-
5.01 - 10.00	108	3.2	7.54	40	7.52
10.01 - 15.00	66	1.1	13.67	67	13.67
<b>Total</b>	<b>422</b>	<b>3.4</b>	<b>4.54</b>	<b>107</b>	<b>11.36</b>

The weighted average fair values of Tidewater Renewables options granted is estimated at the date of grant using the Black-Scholes option pricing model, including the following assumptions:

	2025	2024
Volatility factor of expected market price	50%	52%
Weighted average risk-free interest rate	2.98%	3.39%
Weighted average expected life in years	3.00	3.00
Weighted average fair value per option	\$ 1.66	\$ 3.81
Weighted average forfeiture rate	17.72%	19.57%

**b) PSU plan**

As at December 31, 2025, Tidewater Renewables had \$NIL PSUs outstanding (December 31, 2024 - \$0.1 million).

**c) Share-based compensation expense**

		<b>2025</b>		2024
Stock options	\$	<b>0.2</b>	\$	-
RSUs		<b>0.1</b>		(0.5)
DSUs		<b>0.3</b>		0.2
PSUs		-		(0.1)
Employee stock purchase plan		-		0.1
Plan costs and other		<b>0.1</b>		0.1
<b>Total share-based compensation expense</b>	<b>\$</b>	<b>0.7</b>	<b>\$</b>	<b>(0.2)</b>

**20. SUPPLEMENTAL CASH FLOWS INFORMATION**

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

		<b>2025</b>		2024
Accounts receivable	\$	<b>3.7</b>	\$	(9.6)
Prepaid expenses and other		<b>3.0</b>		4.9
Inventory		<b>(9.1)</b>		2.6
Accounts payable, accrued liabilities and provisions		<b>11.1</b>		(6.1)
Deferred revenues		<b>11.2</b>		-
<b>Change in non-cash working capital from operating activities</b>	<b>\$</b>	<b>19.9</b>	<b>\$</b>	<b>(8.2)</b>

b) Changes in non-cash working capital from financing activities is as follows:

		<b>2025</b>		2024
Accounts payable, accrued liabilities and provisions	\$	<b>(0.1)</b>	\$	1.9
<b>Change in non-cash working capital from financing activities</b>	<b>\$</b>	<b>(0.1)</b>	<b>\$</b>	<b>1.9</b>

c) Changes in non-cash working capital from investing activities is as follows:

		<b>2025</b>		2024
Accounts receivable	\$	<b>(3.1)</b>	\$	-
Inventory		-		(0.2)
Accounts payable, accrued liabilities and provisions		<b>(5.9)</b>		(32.3)
<b>Change in non-cash working capital from investing activities</b>	<b>\$</b>	<b>(9.0)</b>	<b>\$</b>	<b>(32.5)</b>

**21. CAPITAL MANAGEMENT**

The Corporation manages its capital to ensure sufficient financial flexibility to achieve ongoing business objectives, including funding future investment and growth opportunities and financial obligations, and maximizing shareholder returns.

The Corporation considers its capital employed to be the Senior Credit Facility, Second Lien Credit Facility and shareholders' equity. 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 (note 10) on Tidewater Renewables Senior Credit Facility and Second Lien Credit Facility.

The Corporation also monitors its 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 Tidewater Renewables financial covenants on its Senior Credit Facility and Second Lien Credit Facility, which have been waived until March 31, 2026.

## **22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Board of Directors has 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. The Corporation employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Corporation's business objectives and risk tolerance levels. 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.

### **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 liabilities and derivative contracts, which includes exchange-cleared commodity derivatives and over-the-counter commodity derivatives that are traded in observable markets.

At December 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 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, 2025 relate to contractual agreements. For the year ended December 31, 2025, the Corporation's top three customers represented 78% (December 31, 2024 - 93%) of total revenue. Of this, Tidewater Midstream represented 32% (December 31, 2024 - 50%). At December 31, 2025, the Corporation does not have any receivables over 90 days. The Corporation believes the financial risks associated with Tidewater Midstream and other major customers is 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, 2025, lifetime expected credit losses for accounts receivable outstanding were \$0.2 million (December 31, 2024 - \$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. 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 will be sufficient to fulfill its financial commitments, obligations, and anticipated capital expenditures as they become due.

*Contractual maturities*

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

	December 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	\$ 25.2	\$ -	\$ 25.0	\$ -
Derivative contracts	-	-	29.1	-
Lease liabilities <sup>(1)</sup>	5.0	1.0	7.2	6.3
Senior credit facility <sup>(2)</sup>	-	22.3	-	20.9
Second lien credit facility <sup>(2)</sup>	-	183.9	-	175.0
<b>Total financial liabilities</b>	<b>\$ 30.2</b>	<b>\$ 207.2</b>	<b>\$ 61.3</b>	<b>\$ 202.2</b>

(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. The Corporation's financial derivatives are governed through International Swaps and Derivatives Association ("ISDA") master agreements and clearing brokerage agreements.

*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 December 31, 2025, the Corporation had a variable rate Senior Credit Facility (note 10) totalling \$22.3 million (December 31, 2024 - \$20.9 million). A 1% change in the interest rates on the Senior Credit Facility would have an after-tax impact on net income (loss) of approximately \$0.2 million for the year ended December 31, 2025 (December 31, 2024 - \$0.2 million).

*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. As at December 31, 2025, net working capital balances denominated in USD were \$1.9 million (December 31, 2024 - \$33.0 million). A 5% change in foreign exchange rates between the USD and the Canadian Dollar would have an after-tax impact on net income (loss) of \$0.1 million for the year ended December 31, 2025 (December 31, 2024 - \$1.8 million).

*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, New York Mercantile Exchange NY Harbor ULSD, D4 Renewable Identification Number, and California Low Carbon Fuel Standard 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. As at December 31, 2025, the Corporation had no outstanding derivative contracts. 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 (loss) of \$NIL for the year ended December 31, 2025 (December 31, 2024 - \$7.4 million).

**23. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION**

The Corporation has entered into certain agreements and transactions with Tidewater Midstream. In addition to the Tidewater Midstream Transaction described in note 5(a), 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 income (loss) and comprehensive income (loss) for the years ended December 31, 2025 and 2024, are summarized in the following table:

	<b>2025</b>	<b>2024</b>
Revenue from take-or-pay agreements	\$ -	\$ 27.4
Revenue from the sale of renewable fuels	<b>49.5</b>	149.7
Purchases of blending fuels <sup>(1)</sup>	<b>36.3</b>	54.6
Purchase of operating emission credits	-	11.6
Sale of operating emission credits	<b>28.3</b>	36.6
Other operating expenses	<b>23.0</b>	30.7
G&A expenses under the shared services agreement <sup>(2)</sup>	<b>2.8</b>	2.3
Realized loss on derivative contracts	<b>3.1</b>	4.3
Unrealized gain on derivative contracts	<b>(4.8)</b>	(1.2)

(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.

Related party transactions included in the consolidated statement of cash flow for the years ended December 31, 2025 and 2024, are summarized in the following table:

	<b>2025</b>	<b>2024</b>
Lease payments	\$ -	\$ (0.1)
Capital emission credit sales	-	21.9
Proceeds on sale of assets	-	129.7

**b) Related party balances**

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

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Accounts receivable	\$ 1.9	\$ 10.5
Accounts payable, accrued liabilities and provisions	<b>(10.2)</b>	(7.1)
Derivative contracts	-	(4.8)

**c) Key management compensation**

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

		<b>2025</b>		2024
Salaries and other short-term benefits	\$	<b>1.1</b>	\$	1.2
Share based compensation		<b>0.5</b>		(0.9)
Termination benefits		-		1.0
<b>Total key management personnel compensation</b>	<b>\$</b>	<b>1.6</b>	<b>\$</b>	<b>1.3</b>