TIDEWATER

Renewables Ltd.

Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2023

Tidewater Renewables Ltd.

Condensed Interim Consolidated Statement of Financial Position (unaudited)

(all tabular amounts expressed in thousands of Canadian dollars)

As at	Notes	September 30, 2023	December 31, 2022
Assets			
Current			
Cash and cash equivalents		**$ 296**	$ 11,379
Accounts receivable		**15,131**	3,905
Derivative contracts		**2,067**	14,062
Inventory and emissions credits	3	**21,500**	24,579
Prepaid expenses and other		**2,357**	403
		41,351	54,328
Derivative contracts		**332**	9,929
Investments	4	**33,581**	30,321
Right-of-use assets		**18,113**	19,066
Property, plant and equipment	5	**956,156**	879,677
Total assets		**$ 1,049,533**	$ 993,321
Liabilities			
Current			
Accounts payable and accrued liabilities		**$ 21,659**	$ 55,299
Derivative contracts		**18,699**	7,739
Bank debt	6	**157,700**	-
Term debt	7	**24,500**	-
Lease liabilities		**6,797**	6,128
Warrant liability	7	**4,285**	12,445
		233,640	81,611
Bank debt	6	**-**	70,482
Term debt	7	**131,318**	127,882
Derivative contracts		**16,579**	8,733
Lease liabilities		**13,160**	14,873
Decommissioning obligations		**1,218**	1,163
Deferred tax liabilities		**128,400**	138,452
Total liabilities		**524,315**	443,196
Equity			
Non-controlling interest		**6,500**	6,500
Shareholders' equity			
Share capital	8	**512,746**	512,574
Employee share reserve		**5,539**	2,346
Retained earnings		**433**	28,705
Total shareholders' equity		**518,718**	543,625
Total shareholders' equity and non-controlling interest		**525,218**	550,125
Total liabilities and equity		**$ 1,049,533**	$ 993,321

Economic dependence (note 1)

See the accompanying notes to the condensed interim consolidated financial statements.

Tidewater Renewables Ltd.

Condensed Interim Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss) (unaudited)
(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

	Notes	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Revenue	9	**$ 24,244**	$ 19,697	**$ 57,303**	$ 56,677
Operating expenses	9	**11,646**	8,142	**26,968**	22,001
Gross margin		**12,598**	11,555	**30,335**	34,676
General and administrative		**2,622**	1,652	**6,265**	4,244
Share-based compensation		**553**	1,123	**3,908**	2,477
Depreciation		**5,945**	4,878	**16,133**	14,381
Operating income		**3,478**	3,902	**4,029**	13,574
Finance costs and other	10	**6,620**	2,697	**16,569**	4,881
Realized gain on derivative contracts		**(1,902)**	(5,314)	**(3,305)**	(13,782)
Unrealized loss on derivative contracts		**12,558**	22,441	**40,398**	8,132
Gain on warrant liability revaluation		**(190)**	-	**(8,160)**	-
Income from equity investment	4	**(674)**	(1,737)	**(3,260)**	(2,111)
Transaction costs		**10**	260	**111**	660
Income (loss) before tax		**(12,944)**	(14,445)	**(38,324)**	15,794
Deferred income tax expense (recovery)		**(3,495)**	(4,378)	**(10,052)**	3,984
Net income (loss) and comprehensive income (loss)		**$ (9,449)**	$ (10,067)	**$ (28,272)**	$ 11,810
Net income (loss) and comprehensive income (loss) attributable to:					
Shareholders of the corporation		**(9,449)**	(10,067)	**(28,272)**	11,810
Non-controlling interest		**-**	-	**-**	-
Net income (loss) and comprehensive income (loss)		**$ (9,449)**	$ (10,067)	**$ (28,272)**	$ 11,810
Net income (loss) per share attributable to shareholders – basic	11	**$ (0.27)**	$ (0.29)	**$ (0.81)**	$ 0.34
Net income (loss) per share attributable to shareholders –diluted	11	**$ (0.27)**	$ (0.29)	**$ (0.81)**	$ 0.34

See the accompanying notes to the condensed interim consolidated financial statements.

Tidewater Renewables Ltd.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity (unaudited)

(all tabular amounts expressed in thousands of Canadian dollars)

	Notes	Attributable to Shareholders of the Corporation								
			Share capital		Employee share reserve		Retained earnings		Non-controlling interest	Total Equity
Balance, January 1, 2023		$	512,574	$	2,346	$	28,705	$	6,500	$ 550,125
Net loss			-		-		(28,272)		-	(28,272)
Issuance of common shares	8		172		(172)		-		-	-
Share-based compensation			-		3,365		-		-	3,365
Balance at September 30, 2023		**$**	**512,746**	**$**	**5,539**	**$**	**433**	**$**	**6,500**	**$ 525,218**
Balance, January 1, 2022		$	512,483	$	350	$	2,763	$	-	$ 515,596
Net income			-		-		11,810		-	11,810
Share issue costs (net of tax)	8		(8)		-		-		-	(8)
Share-based compensation			-		1,387		-		-	1,387
Contributions from non-controlling interest			-		-		-		6,500	6,500
Balance at September 30, 2022		$	512,475	$	1,737	$	14,573	$	6,500	$ 535,285

See the accompanying notes to the condensed interim consolidated financial statements.

Tidewater Renewables Ltd.

Condensed Interim Consolidated Statement of Cash Flows (unaudited)

(all tabular amounts expressed in thousands of Canadian dollars)

		Three months ended September 30,		Nine months ended September 30,	
	Notes	**2023**	2022	**2023**	2022
Cash provided by (used in):					
Operating activities					
Net income (loss) for the period		**$ (9,449)**	$ (10,067)	**$ (28,272)**	$ 11,810
Adjustments:					
Non-cash share-based compensation		**465**	339	**3,365**	1,387
Depreciation		**5,945**	4,878	**16,133**	14,381
Interest and financing charges	10	**3,916**	1,161	**10,484**	2,163
Accretion	10	**2,114**	791	**5,831**	1,750
Unrealized loss (gain) on foreign exchange	10	**409**	1,321	**(18)**	1,677
Unrealized loss on derivative contracts		**12,558**	22,441	**40,398**	8,132
Gain on warrant liability revaluation		**(190)**	-	**(8,160)**	-
Income from equity investment		**(674)**	(1,737)	**(3,260)**	(2,111)
Deferred income tax expense (recovery)		**(3,495)**	(4,378)	**(10,052)**	3,984
Changes in non-cash working capital	12(a)	**(10,077)**	(9,588)	**(20,826)**	(4,824)
Net cash provided by operating activities		**1,522**	5,161	**5,623**	38,349
Financing activities					
Advances of bank debt	6	**19,410**	7,793	**86,799**	65,693
Advances of term debt	7	**-**	-	**25,000**	-
Payment of lease liabilities		**(1,737)**	(1,489)	**(4,953)**	(4,394)
Interest and financing charges paid		**(4,112)**	(3,015)	**(11,931)**	(5,680)
Share issuance costs	8	**-**	-	**-**	(8)
Net cash provided by financing activities		**13,561**	3,289	**94,915**	55,611
Investing activities					
Additions to property, plant and equipment	5	**(33,696)**	(58,183)	**(171,146)**	(167,745)
Proceeds from capital emissions credit sales	3	**3,900**	11,500	**105,853**	22,730
Contributions to investments		**-**	(7,600)	**-**	(22,600)
Changes in non-cash working capital	12(b)	**(6,903)**	37,144	**(46,328)**	74,015
Net cash used in investing activities		**(36,699)**	(17,139)	**(111,621)**	(93,600)
Increase (decrease) in cash and cash equivalents		**(21,616)**	(8,689)	**(11,083)**	360
Cash and cash equivalents at beginning of period		**21,912**	10,071	**11,379**	1,022
Cash and cash equivalents at end of period		**$ 296**	$ 1,382	**$ 296**	$ 1,382

See the accompanying notes to the condensed interim consolidated financial statements

1. REPORTING ENTITY AND ECONOMIC DEPENDENCE

Tidewater Renewables Ltd. (the "Corporation" or "Tidewater Renewables") was incorporated under the *Business Corporations Act* (Alberta) on May 11, 2021, and is a majority-owned subsidiary of Tidewater Midstream and Infrastructure Ltd. ("Tidewater Midstream"). The Corporation is a multi-faceted, energy transition company. Tidewater Renewables is focused on the production of low carbon fuels, including renewable diesel and renewable natural gas. The Corporation's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol "LCFS".

On August 18, 2021, the Corporation acquired certain assets from and entered into various take-or-pay agreements with Tidewater Midstream. The take-or-pay agreements provide processing capacity, services and renewable products to Tidewater Midstream. Substantially all of Tidewater Renewables' processing, services and renewable products revenue, as described in these consolidated financial statements, are derived from such agreements. Since the Corporation derives a majority of its revenues from Tidewater Midstream, it is economically dependent on Tidewater Midstream. Through these agreements, the Corporation provides a significant amount of throughput capacity to Tidewater Midstream.

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

The Corporation's principal place of business is Suite 900, 222 – 3rd Ave SW, Calgary, Alberta, Canada, T2P 0B4.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim consolidated financial statements are in compliance with IAS 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. The accounting policies applied are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with the Corporation's consolidated financial statements as at and for the year ended December 31, 2022, other than those adopted below. These condensed interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2023 do not include all disclosures required for the preparation of annual consolidated financial statements and should be read in conjunction with the Corporation's consolidated financial statements as at and for the year ended December 31, 2022.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 8, 2023.

Accounting Policies

Marketing revenue

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

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

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

3. INVENTORY AND EMISSIONS CREDITS

The following summarizes the Corporation's inventory:

		September 30, 2023		December 31, 2022
Renewable feedstocks	**$**	**18,553**	$	1,094
Renewable refined product		**2,282**		-
Operating emissions credits		**593**		-
Capital emissions credits		**72**		23,485
	$	**21,500**	$	24,579

Capital emissions credits are carried at fair value less cost to sell based on market prices or forward contracted prices. The following summarizes the capital emissions credits awarded and sold:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	**2023**	2022
Capital emissions credits awarded	**$ 3,900**	$ -	**$ 82,440**	$ 34,320
Proceeds from the sale of capital emissions credits	**3,900**	11,500	**105,853**	22,730

4. INVESTMENTS

The following table summarizes the Corporation's investments:

		September 30, 2023		December 31, 2022
Investment in RCC [1]	**$**	**33,481**	$	30,221
Investments at fair value		**100**		100
	$	**33,581**	$	30,321

(1) Accounted for by the equity method.

On April 4, 2022, the Corporation announced its strategic partnership in RCC, an Alberta based cattle feeding operation. Under the terms of its investment agreement, the Corporation purchased a 50% ownership of RCC for $30.0 million.

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

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following:

	Plant and infrastructure	Assets under construction	Other	Total
COST				
Balance, January 1, 2022	$ 638,381	$ 61,477	$ 4,370	$ 704,228
Additions	13,988	229,648	1,409	245,045
Government grants	-	(469)	-	(469)
Decommissioning asset	(121)	-	-	(121)
NCI contributions	-	6,500	-	6,500
Capital emissions credits	-	(55,965)	-	(55,965)
Balance, December 31, 2022	$ 652,248	$ 241,191	$ 5,779	$ 899,218
Additions	14,508	158,094	1,104	173,706
Government grants	-	(2,560)	-	(2,560)
Capital emissions credits (note 3)	-	(82,440)	-	(82,440)
Completed projects	14,776	(14,776)	-	-
September 30, 2023	$ 681,532	$ 299,509	$ 6,883	$ 987,924
ACCUMULATED DEPRECIATION				
Balance, January 1, 2022	$ 4,956	$ -	$ 1	$ 4,957
Depreciation	14,018	-	566	14,584
Balance, December 31, 2022	$ 18,974	$ -	$ 567	$ 19,541
Depreciation	11,722	-	505	12,227
September 30, 2023	$ 30,696	$ -	$ 1,072	$ 31,768

NET BOOK VALUE	Plant and infrastructure	Assets under construction	Other	Total
December 31, 2022	$ 633,274	$ 241,191	$ 5,212	$ 879,677
September 30, 2023	**$ 650,836**	**$ 299,509**	**$ 5,811**	**$ 956,156**

During the nine months ended September 30, 2023, the Corporation received $2.6 million (nine months ended September 30, 2022 - $0.5 million) of grant funding for achieving engineering design milestones on its proposed renewable natural gas facility.

6. BANK DEBT

The following table summarizes the Corporation’s bank debt:

	September 30, 2023	December 31, 2022
Senior Credit Facility	**$ 159,410**	$ 72,611
Financing costs	**(1,710)**	(2,129)
Total bank debt	**$ 157,700**	$ 70,482

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

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

Tidewater Renewables' quarterly financial covenants were waived at September 30, 2023. This "Waiver Period" ends on December 31, 2023, at which time Tidewater Renewables will be required to maintain certain financial covenants on an annualized basis. The Corporation may, at its option, exit the Waiver Period earlier, with the annualization period beginning upon the exit of the Waiver Period. The calculations for each of these ratios are based on specific definitions in the agreements governing the Senior Credit Facility and Term Debt Facility (note 7), are not in accordance with GAAP, and cannot be easily calculated by referring to the Corporation's financial statements. The upcoming financial covenants are as follows:

	December 31, 2023	Thereafter
Consolidated debt(1) to adjusted EBITDA (annualized)	Max 5.50:1.00	Max 4.00:1.00
Consolidated first lien(2) senior debt to adjusted EBITDA (annualized)	Max 3.50:1.00	Max 3.00:1.00
Adjusted EBITDA to interest coverage (annualized)	Min 2.00:1.00	Min 2.50:1.00

(1) Consolidated debt includes the Senior Credit Facility and the Term Debt Facility (note 7).
(2) First lien senior debt includes the Senior Credit Facility but excludes the Term Debt Facility (note 7).

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

At September 30, 2023, Tidewater Renewables had $5.0 million (December 31, 2022 - $5.0 million) of letters of credit outstanding, which operate under a separate facility.

7. TERM DEBT AND WARRANT LIABILITY

The following table summarizes the Corporation's term debt:

		September 30, 2023		December 31, 2022
Senior Secured Second Lien Credit Facility	**$**	**175,000**	$	150,000
Discount on debt(1)		**(19,182)**		(22,118)
Total term debt	**$**	**155,818**	$	127,882
Current portion of term debt, net of discount	**$**	**24,500**	$	-
Long term portion of term debt net of discount	**$**	**131,318**	$	127,882

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

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

The $25.0 million of Additional Debt Capacity matures on August 18, 2024, and will be extended to a maximum of August 18, 2025, in the event of an extension of the Senior Credit Facility. The $25.0 million of Additional Debt Capacity is also subject to variable quarterly repayments provided that the undrawn aggregate availability under the Corporation's Senior Credit Facility exceeds $50.0 million. The variable repayments are based on a portion of the Corporation's adjusted cash flows. The Additional Debt Capacity can be repaid at the Corporation's option without penalty.

The Term Debt Facility is subordinated to and is subject to the same financial covenants as Tidewater Renewables' Senior Credit Facility, as described in note 6. The Term Debt Facility is due on October 24, 2027, with interest paid semi-annually on the original principal amount and monthly on the additional debt capacity. During the Waiver Period, described in note 6, the Term Debt Facility bears interest at 9.5% per annum. Following the Waiver Period, the base interest rate reverts to 6.5% for the Original Principal Amount and remains at 9.5% for any amounts outstanding under the Additional Debt Capacity.

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

The following table summarizes the Corporation's warrant liability:

	Number of warrants outstanding (000s)		Fair value
Upon issuance, October 24, 2022	3,375	$	10,450
Loss on warrant liability revaluation	-		1,995
Balance, December 31, 2022	3,375		12,445
Gain on warrant liability revaluation	-		(8,160)
Balance, September 30, 2023	3,375	$	4,285

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

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

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

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

		September 30, 2023		December 31, 2022
Exercise price per share	**$**	**14.84**	$	14.84
Common share price	**$**	**8.30**	$	11.51
Volatility factor of expected market price (%)		**35.90%**		41.04%
Risk-free interest rate (%)		**4.25%**		3.41%
Remaining life in years		**4.07**		4.81
Expected annual dividend per share (%)		**0.00%**		0.00%
Fair value per warrant	**$**	**1.27**	$	3.69

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

8. SHARE CAPITAL

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

	September 30, 2023			December 31, 2022		
	Number of Shares (000s)		**Amount**	Number of Shares (000s)		Amount
Balance, beginning of year	34,719	$	512,574	34,712	$	512,483
Issue of common shares – long term incentive plan	14		172	7		99
Share issuance costs (net of tax)	-		-	-		(8)
Balance, end of period	**34,733**	**$**	**512,746**	34,719	$	512,574

9. REVENUE AND OPERATING EXPENSES

For the three and nine months ended September 30, 2023 and 2022, the Corporation had one vertically integrated operating segment: renewable energy, as the chief operating decision maker reviews operating results at this level to assess financial performance and make resource allocation decisions. The renewable energy operating segment includes the following revenue categories: renewable fuels, renewable natural gas and renewable marketing. Amounts disclosed below do not include realized or unrealized gains and losses on derivative contracts resulting from the Corporation's commodity price risk management initiatives.

Three months ended September 30, 2023		Renewable fuels		Renewable natural gas		Renewable marketing		Total
Revenue (before eliminations)	$	16,874	$	3,498	$	4,898	$	25,270
Intercompany eliminations		-		-		(1,026)		(1,026)
Revenue from external customers	$	16,874	$	3,498	$	3,872	$	24,244
Operating expenses (before eliminations)	$	7,335	$	1,431	$	3,906	$	12,672
Intercompany eliminations		(1,026)		-		-		(1,026)
Operating expenses from external vendors	$	6,309	$	1,431	$	3,906	$	11,646
Gross Margin	**$**	**10,565**	**$**	**2,067**	**$**	**(34)**	**$**	**12,598**

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

Three months ended September 30, 2022	Renewable fuels	Renewable natural gas	Renewable marketing	Total
Revenue (before eliminations)	$ 16,259	$ 2,931	$ 502	$ 19,692
Intercompany eliminations	-	-	5	5
Revenue from external customers	$ 16,259	$ 2,931	$ 507	$ 19,697
Operating expenses (before eliminations)	$ 6,227	$ 963	$ 947	$ 8,137
Intercompany eliminations	5	-	-	5
Operating expenses from external vendors	$ 6,232	$ 963	$ 947	$ 8,142
Gross Margin	**$ 10,027**	**$ 1,968**	**$ (440)**	**$ 11,555**

Nine months ended September 30, 2023	Renewable fuels	Renewable natural gas	Renewable marketing	Total
Revenue (before eliminations)	$ 42,290	$ 9,767	$ 7,721	$ 59,778
Intercompany eliminations	-	-	(2,475)	(2,475)
Revenue from external customers	$ 42,290	$ 9,767	$ 5,246	$ 57,303
Operating expenses (before eliminations)	$ 20,240	$ 3,632	$ 5,571	$ 29,443
Intercompany eliminations	(2,475)	-	-	(2,475)
Operating expenses from external vendors	$ 17,765	$ 3,632	$ 5,571	$ 26,968
Gross Margin	**$ 24,525**	**$ 6,135**	**$ (325)**	**$ 30,335**

Nine months ended September 30, 2022	Renewable fuels	Renewable natural gas	Renewable marketing	Total
Revenue (before eliminations)	$ 45,777	$ 7,905	$ 3,708	$ 57,390
Intercompany eliminations	-	-	(713)	(713)
Revenue from external customers	$ 45,777	$ 7,905	$ 2,995	$ 56,677
Operating expenses (before eliminations)	$ 18,069	$ 2,195	$ 2,450	$ 22,714
Intercompany eliminations	(713)	-	-	(713)
Operating expenses from external vendors	$ 17,356	$ 2,195	$ 2,450	$ 22,001
Gross Margin	**$ 28,421**	**$ 5,710**	**$ 545**	**$ 34,676**

10. FINANCE COSTS AND OTHER

Finance costs and other is comprised of the following:

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	**2023**	2022
Interest on bank debt and term debt	**$ 8,916**	$ 2,161	**$ 20,984**	$ 4,363
Interest capitalized [1]	**(5,000)**	(1,000)	**(10,500)**	(2,200)
Total interest expense	**3,916**	1,161	**10,484**	2,163
Realized foreign exchange loss (gain)	**181**	299	**272**	166
Unrealized foreign exchange loss (gain) [2]	**409**	1,321	**(18)**	1,677
Revaluation of capital emissions credits	**-**	(875)	**-**	(875)
Total finance costs and other before accretion	**$ 4,506**	$ 1,906	**$ 10,738**	$ 3,131
Unwinding of discount on decommissioning obligations	**17**	22	**55**	66
Unwinding of discount on long-term debt	**1,770**	428	**4,802**	638
Unwinding of discount on lease liabilities	**327**	341	**974**	1,046
Accretion	**2,114**	791	**5,831**	1,750
Total finance costs and other	**$ 6,620**	$ 2,697	**$ 16,569**	$ 4,881

(1) For the three and nine months ended September 30, 2023, interest was capitalized at an annualized weighted average capitalization rate of approximately 11.0% and 10.0% on funds borrowed, respectively.

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

11. NET INCOME (LOSS) PER SHARE

	Three months ended,					
	September 30, 2023			September 30, 2022		
	Net loss	**Common shares (000s)**	**Net loss per share**	Net loss	Common shares (000s)	Net loss per share
Net loss attributable to shareholders - basic	**$ (9,449)**	**34,727**	**$ (0.27)**	$ (10,067)	34,712	$ (0.29)
Dilutive effect of share awards	**-**	**-**	**-**	-	-	-
Dilutive effect of warrants	**-**	**-**	**-**	-	-	-
Net loss attributable to shareholders - diluted	**$ (9,449)**	**34,727**	**$ (0.27)**	$ (10,067)	34,712	$ (0.29)

For the three months ended September 30, 2023, 1.5 million share awards (for the three months ended September 30, 2022 - 0.9 million) and 3.4 million of warrants were anti-dilutive (for the three months ended September 30, 2022 - NIL).

	Nine months ended,					
	September 30, 2023			September 30, 2022		
	Net loss	**Common shares (000s)**	**Net loss per share**	Net income	Common shares (000s)	Net income per share
Net income (loss) attributable to shareholders - basic	**$ (28,272)**	**34,723**	**$ (0.81)**	$ 11,810	34,712	$ 0.34
Dilutive effect of share awards	**-**	**-**	**-**	-	112	-
Dilutive effect of warrants	**-**	**-**	**-**	-	-	-
Net income (loss) attributable to shareholders - diluted	**$ (28,272)**	**34,723**	**$ (0.81)**	$ 11,810	34,824	$ 0.34

For the nine months ended September 30, 2023, 1.2 million share awards (for the nine months ended September 30, 2022 - 0.4 million) and 3.4 million of warrants were anti-dilutive (for the nine months ended September 30, 2022 - NIL).

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2023	2022	**2023**	2022
Accounts receivable	**$ (8,438)**	$ (2,440)	**$ (11,226)**	$ (2,293)
Prepaid expenses and other	**2,565**	(1,069)	**(1,954)**	(881)
Inventory	**(10,856)**	(489)	**(20,334)**	(673)
Accounts payable and accrued liabilities	**6,652**	(5,590)	**12,688**	(977)
Change in non-cash working capital from operating activities	**$ (10,077)**	$ (9,588)	**$ (20,826)**	$ (4,824)

b) Changes in non-cash working capital from investing activities were as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
	2023	2022	**2023**	2022
Accounts payable and accrued liabilities	**$ (6,903)**	$ 37,144	**$ (46,328)**	$ 74,015
Change in non-cash working capital from investing activities	**$ (6,903)**	$ 37,144	**$ (46,328)**	$ 74,015

c) Interest paid

During the three and nine months ended September 30, 2023, total interest and finance charges paid, prior to capitalization, was $9.1 million (three months ended September 30, 2022 - $4.0 million) and $22.4 million (nine months ended September 30, 2022 - $7.9 million), respectively.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Board of Directors have the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board of Directors has implemented and monitors compliance with risk management policies. The Corporation's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, the Corporation's management has the responsibility to administer and monitor those risks.

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

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

a) Fair value determination

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

The Corporation classifies the fair value of financial instruments according to the following hierarchies based on the amount of observable inputs used to value the instruments:

- Level 1 – values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value of any marketable securities has been derived with reference to the quoted closing bid prices of the underlying securities.

- Level 2 – values based on inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. Such inputs can be corroborated with other observable inputs for substantially the complete term of the contract. The fair value is derived with reference to commodity price curves, currency curves and credit spreads.

- Level 3 – values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The Corporation has used Level 2 to determine the fair value of its capital emissions credits held for trading, warrant liability and derivative contracts, which includes exchange-cleared commodity derivatives and over-the-counter commodity derivatives that are traded in observable markets.

At September 30, 2023, the fair value of cash and cash equivalents, accounts receivable, accounts payables and accrued liabilities approximated their carrying value due to their short-term maturity. The carrying value of the outstanding bank debt and term debt approximated its fair value due to the use of floating interest rates.

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

b) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Corporation's accounts receivable from customers and joint interest partners. The maximum exposure to credit risk at September 30, 2023 and December 31, 2022 is as follows:

		September 30, 2023		December 31, 2022
Cash and cash equivalents	**$**	**296**	$	11,379
Accounts receivable		**15,131**		3,905
Derivative contracts – current		**2,067**		14,062
Derivative contracts – long term		**332**		9,929
	$	**17,826**	$	39,275

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

The Corporation performs creditworthiness assessment on counterparties, including financial status and external credit ratings. Depending on the outcome of each assessment, letters of credit, prepayments or some other form of credit enhancement may be requested as security.

The Corporation's accounts receivable as at September 30, 2023 relate to contractual agreements. At September 30, 2023, the majority of all amounts owing to the Corporation were due from its controlling shareholder, Tidewater Midstream. Revenues earned from Tidewater Midstream for the three and nine months ended September 30, 2023 accounted for approximately 83% and 88% of the Corporation's revenues, respectively, totaling $20.1 million (three months ended September 30, 2022 - $18.9 million) and $50.5 million (nine months ended September 30, 2022 - $53.8 million), respectively. At September 30, 2023, the Corporation does not have any receivables over 90 days. The Corporation believes the financial risks associated with Tidewater Midstream are minimal.

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

The Corporation enters into derivative contracts to manage commodity price risk, which may be subject to credit risk associated with counterparties with which it contracts. Credit risk is mitigated by only entering into contracts with stable, investment grade counterparties or financial institutions.

c) Liquidity risk

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

The Corporation believes that it has access to sufficient capital through its working capital, contracted take-or-pay cash flows and external sources to meet its obligations, financial commitments and anticipated capital expenditures. Management has reviewed this risk and considered the various initiatives and resources available to the Corporation to manage this risk. The Corporation expects it will have sufficient liquidity to meet its obligations as they come due.

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

The following details the contractual maturities of the Corporation's financial liabilities as at September 30, 2023, and December 31, 2022:

	September 30, 2023		December 31, 2022	
	Less than one year	**Greater than one year**	Less than one year	Greater than one year
Accounts payable and accrued liabilities	**$ 21,659**	**$ -**	$ 55,299	$ -
Warrant liability	**4,285**	**-**	12,445	-
Derivative contracts	**18,699**	**16,579**	7,739	8,733
Lease liabilities (1)	**7,001**	**15,065**	6,312	17,457
Bank debt (2)	**159,410**	**-**	-	72,611
Term debt (2)	**25,000**	**150,000**	-	150,000
	$ 236,054	**$ 181,644**	$ 81,795	$ 248,801

(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.

i) Interest rate risk

Interest rate risk refers to the risk that the value of the financial instrument or cash flows associated with the financial instrument will fluctuate due to changes in market interest rates. The Corporation continuously monitors interest rates and economic conditions. The Corporation may use forward interest rate swaps to hedge the interest rate associated with interest payments occurring as a result of its bank debt. At September 30, 2023, the Corporation had variable rate bank debt (note 6) totaling $159.4 million (September 30, 2022 – $122.6 million) and therefore a 1% change in the interest rate on bank debt would have had an after-tax impact of $0.9 million on net income for the nine months ended September 30, 2023 (nine months ended September 30, 2022 - $0.7 million). The Corporation's term debt's interest rate has certain adjustment features based on the Canadian CPI rate (note 7). Increasing the assumed inflation rate to the capped amount would have a nominal after-tax impact for the nine months ended September 30, 2023.

ii) Foreign currency exchange rate risk

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Corporation's foreign currency risk arises from certain working capital balances denominated in United States Dollars (USD). The Corporation continuously monitors exchange rate trends and economic conditions. At September 30, 2023, working capital and derivative contract balances denominated in USD were $30.2 million (September 30, 2022 - $2.9 million). A 5% change in foreign exchange rates between the USD and the Canadian Dollar would have an after-tax impact on net income of $1.4 million for the nine months ended September 30, 2023 (for the nine months ended September 30, 2022 - $0.1 million).

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

iii) Commodity price risk

Commodity price risk is the risk that the fair value of a commodity derivative will fluctuate because of changes in market prices. In the normal course of operations, the Corporation purchases and sells various commodities and uses derivatives to protect 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. These include renewable and low carbon fuel feedstocks to hedge the cost of inputs for low carbon and renewable fuels. The Corporation is subject to price risk through these derivative contract assets and liabilities. A 10% change in prices for the underlying commodities, related to the Corporation's derivative contracts, would have an after-tax impact on net income of $15.7 million for the nine months ended September 30, 2023 (for the nine months ended September 30, 2022 - $26.0 million).

14. RELATED PARTY TRANSACTIONS

The Corporation has entered into various take-or-pay, offtake, shared service, lease agreements and flow-through commodity hedging agreements with its controlling shareholder, Tidewater Midstream. During the three and nine months ended September 30, 2023 and September 30, 2022, the Corporation incurred the following related party transactions in connection with these agreements:

	Three months ended September 30,		**Nine months ended September 30,**	
	2023	2022	**2023**	2022
Revenue	**$ 20,067**	$ 18,856	**$ 50,511**	$ 53,846
Operating expenses	**$ 7,120**	$ 6,494	**$ 13,969**	$ 18,220
General and administrative	**$ 608**	$ 753	**$ 2,187**	$ 1,336
Realized loss (gain) on derivative contracts	**$ 442**	$ 44	**$ 548**	$ (7,862)
Unrealized loss (gain) on derivative contracts	**$ (3,857)**	$ (1,744)	**$ (2,093)**	$ (21,993)

Balances with Tidewater Midstream included in the statement of financial position as at September 30, 2023 and December 31, 2022 are summarized in the following table:

	September 30, 2023	December 31, 2022
Accounts receivable	**$ 12,152**	$ 1,795
Accounts payable	**$ -**	$ (10,094)
Lease liabilities – current	**$ (121)**	$ -
Lease liabilities – long-term	**$ (344)**	$ -