TRANS MOUNTAIN CORPORATION

MANAGEMENT REPORT

For the three and six month period ended June 30, 2024

August 8, 2024

This Management Report (the "Report") should be read in conjunction with the unaudited condensed consolidated financial statements of Trans Mountain Corporation for the three and six month periods ended June 30, 2024 ("TMC's Financial Statements") as well as the audited consolidated financial statements of Trans Mountain Corporation for the year ended December 31, 2023, and Trans Mountain Corporation's Management Report for the year ended December 31, 2023. TMC's Financial Statements are prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("U.S. GAAP"). All financial measures in this Report are presented in Canadian dollars unless otherwise indicated.

Throughout this Report, the terms "we", "us", "our", and "TMC" refer to Trans Mountain Corporation and its subsidiaries.

Our Mandate

TMC's mandate is to safely operate the existing Trans Mountain Pipeline and Puget Sound Pipeline and to complete the Trans Mountain Expansion Project ("TMEP") in a timely and commercially viable manner. TMC seeks to operate in compliance with applicable laws, rules and regulations and manage the business in a commercial manner. With the commercial commencement of the expanded pipeline system occurring on May 1, 2024, TMC has completed the expansion in alignment with the Federal Government's direction and priority to provide increased access to international markets for Canadian crude oil producers.

About Our Business

TMC is a Federal Crown corporation and is a wholly owned subsidiary of Canada TMP Finance Ltd., which in turn is a wholly owned subsidiary of the Canada Development Investment Corporation ("CDEV"). TMC conducts operations through four entities: Trans Mountain Pipeline Limited Partnership and its wholly owned subsidiary Trans Mountain Pipeline (Puget Sound) LLC, Trans Mountain Pipeline ULC, and Trans Mountain Canada Inc. Together these entities own and operate the Trans Mountain Pipeline System, consisting of the expanded Trans Mountain pipeline system and the Puget Sound pipeline. TMC is a non-agent Crown corporation, which status allows it to borrow from parties other than the Government of Canada.

Trans Mountain Pipeline

The Trans Mountain pipeline ("TMPL") has been in operation since 1953 and transports crude oil and refined petroleum products from Alberta to the lower mainland of British Columbia. The mechanical completion and commercial commencement of the TMEP in the second quarter of 2024 twins the preexisting 1,150 kilometer pipeline system that begins near Edmonton, Alberta and terminates in Burnaby, British Columbia, with a nominal capacity of 890,000 bpd. Collectively, the newly constructed pipeline and the original pipeline operate as the expanded pipeline system ("Expanded System").

Shippers have signed contracts for transportation service on the Expanded System and have made 15 and 20 year commitments that total approximately 80% of the capacity on the Expanded System. These shippers represent or are affiliates of some of the largest producing, marketing and refining companies in the Western Canada Sedimentary Basin and have direct access to large volumes of crude oil and refined products from their business operations.

As of today, TMPL remains the only pipeline that transports petroleum from the Western Canadian Sedimentary Basin to the West coast of Canada. It is also the only pipeline providing Canadian producers with direct access to world market pricing through a Canadian port.

Puget Sound Pipeline

The Puget Sound pipeline (“Puget”), owned by Trans Mountain Pipeline (Puget Sound) LLC, has been in operation since 1954. Puget transports crude oil from the Canada-US border near the Sumas Terminal to Washington State refineries in Anacortes and Ferndale.

Puget is approximately 111 kilometers long. One pump station and two tanks with total capacity of approximately 200,000 barrels facilitate movements on the system. The system has total throughput capacity of approximately 240,000 bpd when transporting primarily light oil.

Puget is a common carrier pipeline and the tolls on Puget are set in accordance with the Federal Energy Regulatory Commission (“FERC”) rate indexing system. FERC sets ceiling rates annually, which in turn allows Trans Mountain to adjust its rates subject to the ceiling limitation.

Trans Mountain Expansion Project

As of June 30, 2024, construction of the TMEP was nearly complete, with cleanup, reclamation, road and civil work expected to continue throughout the remainder of 2024. Since the inception of the project, $28.1 billion in construction capital spending has been incurred plus $5.1 billion in financial carrying costs have been capitalized. The TMEP was mechanically complete, with the final “golden weld” occurring on April 11, 2024. The commercial commencement date for the Expanded System was May 1, 2024. All deliveries have since been subject to the Expanded System tariff and tolls and both pipelines are transporting crude. TMC can load cargoes from its state-of-the-art loading facility, Westridge Marine Terminal, with three berths providing tidewater access to global markets. Final line fill on the expanded line was complete in early May followed by the loading of the first ship from the expanded line during the second half of May, in accordance with the typical monthly nomination cycle.

Legal and Regulatory Developments

On June 1, 2023, Trans Mountain filed the Application for Interim Commencement Date Tolls with the CER. On November 30, 2023, the CER approved Trans Mountain’s preliminary interim tolls. At the commencement of service on the Expanded System on May 1, 2024, TMC began recording revenue on the basis of these preliminary interim tolls. The interim tolls are currently under examination by the CER due to issues raised by shippers, with process steps continuing through to the second half of 2025.

On October 31, 2023, TMC filed a construction variance application with the CER to modify the pipeline diameter being installed through a crossing known as Mountain Tunnel 3 in lower British Columbia. The requested variance reduces the pipeline diameter from 36-inches to 30-inches for the approximate 2.5 kilometer crossing. This modification was requested to mitigate potential construction risks and to maintain completion schedule for this section of the TMEP. The change in diameter is expected to have no impact on the potential throughput capability of the new pipeline. On January 12, 2024, the CER approved the variance request with conditions. The Mountain Tunnel 3 was mechanically completed successfully on April 16, 2024.

A regulatory Leave to Open (LTO) was issued by the CER to allow operations of the entire Expanded System on April 30, 2024. Subsequent to commercial commencement of the Expanded System, TMC has ongoing reporting and regulatory obligations that must be completed and filed with the CER and Provincial authorities.

Financial Highlights

Non-GAAP measures

We make use of certain financial measures that do not have a standardized meaning under U.S. GAAP because we believe they improve management's ability to evaluate our operating performance and compare results between periods. These are known as non-GAAP measures and may not be similar to measures disclosed by other entities. The non-GAAP measures discussed below should not be considered as an alternative to or more meaningful than revenues, net income, operating income or other U.S. GAAP measures. Adjusted EBITDA is a non-GAAP measure we use to evaluate our operating performance and is calculated from its most directly comparable U.S. GAAP measure, operating income but excludes the impact of non-cash depreciation and amortization. It also excludes the impact of financing decisions, non-cash equity AFUDC[1], foreign exchange, taxes and other expenses.

The second quarter of 2024 represents a significant transition following the commercial commencement of the Expanded System on May 1, 2024. Revenues, expenses and net income all reflect a partial quarter's contribution from the Expanded System. As a result, key financial measures such as revenues, Adjusted EBITDA and net income (loss) are not representative of a full quarter's expected contribution, as the second quarter incorporated only two months from the Expanded System.

[1] Allowance for Funds Used During Construction ("AFUDC"). A component of construction cost in regulated utilities representing the cost of capital deployed during construction of new assets. AFUDC contains a cost of borrowed funds component and a return on equity component.

Financial Highlights	**Three months ended**		**Six months ended**	
		June 30		**June 30**
(thousands of Canadian dollars, except throughput amounts)	**2024**	**2023**	**2024**	**2023**
Revenues	395,935	126,280	521,231	260,215
Operating expenses[1]	(112,964)	(78,061)	(202,360)	(161,855)
Adjusted EBITDA[2]	282,971	48,219	318,871	98,360
Depreciation and amortization	(151,034)	(26,599)	(178,129)	(53,207)
Operating income	131,937	21,620	140,742	45,153
Equity allowance for funds used during construction	117,139	279,016	460,624	526,298
Interest expense, net of capitalized debt financing costs	(313,048)	(72,536)	(456,090)	(99,429)
Foreign exchange and other	199	195	466	518
(Loss) income before income taxes	(63,773)	228,295	145,742	472,540
Income tax recovery (expense)	15,942	(56,183)	(35,507)	(116,272)
Net (loss) income	(47,831)	172,112	110,235	356,268
Cash provided by (used in) operating activities	65,718	(12,511)	44,288	42,684
Capital expenditures incurred	543,447	3,003,806	1,647,587	5,991,935
Average daily throughput				
Mainline deliveries (bpd)	471,000	349,000	402,000	343,000
Puget Sound Pipeline (bpd)	229,000	233,000	232,000	230,000
Westridge Marine Terminal (bpd)	157,000	39,000	102,000	44,000

Financial Position at (thousands of Canadian dollars)	**June 30, 2024**	**December 31, 2023**
Cash and cash equivalents and restricted cash	295,138	116,239
Total assets	36,978,330	35,174,647
Total debt	26,220,444	24,340,314

(1) Excludes depreciation and amortization.
(2) Adjusted EBITDA is a non-GAAP measure. See Non-GAAP Measures.

Revenues

(thousands of Canadian dollars)	Three months ended June 30 2024	2023	% Change	Six months ended June 30 2024	2023	% Change
Transportation	379,848	108,107	251%	490,474	223,723	119%
Leases	15,394	17,483	(12%)	29,384	35,244	(17%)
Other	693	690	0%	1,373	1,248	10%
Total	**395,935**	**126,280**	**214%**	**521,231**	**260,215**	**100%**

The second quarter of 2024 represents a significant transition following the commercial commencement of the Expanded System on May 1, 2024. Revenues reflect a partial quarter's contribution from the Expanded System, and as a result are not representative of a full quarter's expected contribution, as the second quarter incorporated only two months from the Expanded System. The following table summarizes transportation revenues and average daily throughput by month for the three month period ended June 30, 2024, which demonstrates the transitional nature of this quarter:

(thousands of Canadian dollars, except throughput amounts)	April	May	June	Three months ended June 30, 2024
Transportation Revenues	33,915	135,216	210,717	379,848
Average daily throughput				
Mainline deliveries (bpd)	300,000	412,000	704,000	471,000
Puget Sound Pipeline (bpd)	199,000	241,000	246,000	229,000
Westridge Marine Terminal (bpd)	36,000	76,000	361,000	157,000

Total revenues consist of income from three sources: transportation, leases and other services. With the commercial commencement of service on the Expanded System occurring on May 1, 2024, all deliveries have since been subject to the Expanded System tariff and tolls. Contractually committed revenue associated with the 15 to 20 year committed contracts for transportation service on the Expanded System have resulted in a significant increase to revenues. For the three month period ended June 30, 2024, total revenues increased by $269.6 million to $395.9 million, as compared to $126.3 million in the same period of the prior year. For the six months ended June 30, 2024, total revenues increased by $261.0 million to $521.2 million, as compared to $260.2 million in the same period of the prior year.

Transportation revenues in the second quarter of 2024 increased by $271.7 million to $379.8 million, as compared to $108.1 million in the same period of the prior year. On a year to date basis, transportation revenues for the six months ended June 30, 2024 increased by $266.8 million to $490.5 million, as compared to $223.7 million in the same period of the prior year. The increase for both the three and six month periods ended June 30, 2024, as compared to the same periods in the prior year, is due to the commercial commencement of the Expanded System on May 1, 2024, resulting in higher tolls and increased throughput under the Expanded System.

Lease revenues primarily relate to income earned on TMC's third party tank leases. For the three month period ended June 30, 2024, lease revenues decreased by $2.1 million to $15.4 million, as compared to $17.5 million in the same period of the prior year. On a year to date basis, lease revenues for the six months ended June 30, 2024 decreased by $5.8 million to $29.4 million, as compared to $35.2 million in the same period of the prior year. The decrease for both the three and six month periods ended June 30, 2024, as compared to the same periods in the prior year, is mainly due to the recall of two merchant tanks in the fourth quarter of 2024 to support the Expanded System, coupled with lower flow through costs on TMC's Edmonton merchant tanks.

Other revenues mainly relate to pipe rack rent revenues earned at TMC's terminals and other minor revenue items.

Operating Expenses

	Three months ended June 30			Six months ended June 30		
(thousands of Canadian dollars)	**2024**	**2023**	**% Change**	**2024**	**2023**	**% Change**
Pipeline operating costs	48,867	40,732	20%	89,547	89,126	0%
Depreciation and amortization	151,034	26,599	468%	178,129	53,207	235%
Salaries and benefits	39,682	24,747	60%	74,608	49,115	52%
Taxes, other than income taxes	14,686	9,524	54%	25,036	19,173	31%
Administration	9,729	3,058	218%	13,169	4,441	197%
Total	**263,998**	**104,660**	**152%**	**380,489**	**215,062**	**77%**

The second quarter of 2024 represents a significant transition following the commercial commencement of the Expanded System on May 1, 2024. Operating expenses, in particular depreciation and amortization, reflect a partial quarter's contribution from the Expanded System, and as a result are not representative of a full quarter's expected contribution, as the second quarter incorporated only two months from the Expanded System.

With the commencement of service on the Expanded System occurring on May 1, 2024, operating expenses are expected to increase. The increase in volumes transported on the Expanded System, will result in higher pipeline operating costs, depreciation and amortization, and taxes, other than income taxes. Additionally, salaries and benefits and administration costs are expected to increase due to increases in the workforce to support the Expanded System and associated business requirements.

Pipeline operating costs for the three month period ended June 30, 2024 totalled $48.9 million reflecting an increase of $8.2 million, as compared to $40.7 million in the same period of the prior year. On a year to date basis, pipeline operating costs for the six month period ended June 30, 2024 increased by $0.4 million to $89.5 million, as compared to $89.1 million in the same period of the prior year. The increase for both the three and six month periods ended June 30, 2024, as compared to the same periods in the prior year, is mainly due to the commencement of commercial operations on the Expanded System on May 1, 2024, resulting in increased government and community payments and higher insurance premiums, partially offset by lower power rates in the current periods.

Depreciation and amortization expense in the second quarter of 2024 increased by $124.4 million to $151.0 million, as compared to $26.6 million in the same period of the prior year. For the six month period ended June 30, 2024, depreciation and amortization expense increased by $124.9

million to $178.1 million, as compared to $53.2 million in the same period of the prior year. The increase for both the three and six month periods ended June 30, 2024, as compared to the same periods in the prior year, is due to the commencement of commercial operations on the Expanded System on May 1, 2024, as the TMEP assets were transferred from construction work in progress to their respective fixed asset classification, resulting in the commencement of deprecation and amortization expense on the TMEP assets.

Salaries and benefits expense for the three month period ended June 30, 2024 increased by $15.0 million to $39.7 million, as compared to $24.7 million in the same period of the prior year. On a year to date basis, salaries and benefits expense for the six month period ended June 30, 2024 increased by $25.5 million to $74.6 million, as compared to $49.1 million in the same period of the prior year. The increase for both the three and six month periods ended June 30, 2024, as compared to the same periods in the prior year, is mainly due to costs associated with increases in the workforce to support the Expanded System and associated business requirements.

Taxes, other than income taxes, in the second quarter of 2024 increased by $5.2 million to $14.7 million, as compared to $9.5 million in the same period of the prior year. For the six month period ended June 30, 2024 taxes, other than income taxes, increased by $5.8 million to $25.0 million, as compared to $19.2 million in the same period of the prior year. The increase for both the three and six month periods ended June 30, 2024, as compared to the same periods in the prior year, is mainly due to the commencement of commercial operations on the Expanded System on May 1, 2024, resulting in higher property taxes.

Administration expenses for the three month period ended June 30, 2024 increased by $6.7 million to $9.8 million, as compared to $3.1 million in the same period of the prior year. On a year to date basis, administration expenses for the six month period ended June 30, 2024 increased by $8.8 million to $13.2 million, as compared to $4.4 million in the same period of the prior year. The increase for both the three and six month periods ended June 30, 2024, as compared to the same periods in the prior year, is mainly due to higher external contract services and increased costs associated with supporting a larger workforce.

Operating income and Adjusted EBITDA

The following table provides a reconciliation of operating income to Adjusted EBITDA:

	Three months ended June 30		**Six months ended June 30**	
(thousands of Canadian dollars)	**2024**	**2023**	**2024**	**2023**
Revenues	395,935	126,280	521,231	260,215
Less: Operating expenses	(263,998)	(104,660)	(380,489)	(215,062)
Operating income	**131,937**	**21,620**	**140,742**	**45,153**
Add: Depreciation and amortization	151,034	26,599	178,129	53,207
Adjusted EBITDA	**282,971**	**48,219**	**318,871**	**98,360**

The second quarter of 2024 represents a significant transition following the commercial commencement of the Expanded System on May 1, 2024. Operating income and Adjusted EBITDA reflect a partial quarter’s contribution from the Expanded System, and as a result are not representative of a full quarter's expected contribution, as the second quarter incorporated only two months from the Expanded System. Operating income and Adjusted EBITDA recognized in the second quarter were also impacted by line-fill activities during May and make-up rights earned by customers for transportation capacity payments not utilized during the quarter.

Operating income in the second quarter of 2024 increased by $110.3 million to $131.9 million, as compared to $21.6 million in the same period of the prior year. Likewise, Adjusted EBITDA for the three month period ended June 30, 2024 increased by $234.8 million to $283.0 million, as compared to $48.2 million in the same period of the prior year. On a year to date basis, for the six month period ended June 30, 2024, operating income increased by $95.5 million to $140.7 million, as compared to $45.2 million in the same period of the prior year. Likewise, Adjusted EBITDA for the six month period ended June 30, 2024 increased by $220.5 million to $318.9 million, as compared to $98.4 million in the same period of the prior year. The increase in both operating income and Adjusted EBITDA for both the three and six month periods ended June 30, 2024, as compared to the same periods in the prior year, is due to the commencement of commercial operations on the Expanded System on May 1, 2024. All deliveries have since been subject to the Expanded System tariff and tolls. Contractually committed revenues associated with the 15 to 20 year committed contracts for transportation service on the Expanded System have resulted in a significant increase to transportation volumes, revenues and Adjusted EBITDA.

Equity Allowance for funds used during construction ("AFUDC")

Equity AFUDC for the three month period ended June 30, 2024 decreased by $161.9 million to $117.1 million, as compared to $279.0 million in the same period of the prior year. For the six month period ended June 30, 2024, Equity AFUDC decreased by $65.7 million to $460.6 million, as compared to $526.3 million in the same period of the prior year. The significant decrease for both the three and six month periods ended June 30, 2024, as compared to the same periods in the prior year, is due to the commercial commencement of the Expanded System on May 1, 2024 resulting in the cessation of the capitalization of AFUDC on TMEP.

Interest expense

	Three months ended June 30			Six months ended June 30		
(thousands of Canadian dollars)	**2024**	**2023**	**% Change**	**2024**	**2023**	**% Change**
Interest and commitment fees						
Syndicated Facility	282,396	168,918	67%	557,367	276,924	101%
Credit Facilities - related party	102,976	98,264	5%	205,951	195,449	5%
Guarantee fee - related party	10,898	6,794	60%	21,303	7,614	180%
Capitalized debt financing costs	(83,004)	(197,446)	(58%)	(326,108)	(372,449)	(12%)
Interest income and other	(218)	(3,994)	(95%)	(2,423)	(8,109)	(70%)
Interest Expense	**313,048**	**72,536**	**332%**	**456,090**	**99,429**	**359%**

The increase in interest expense for the three and six month periods ended June 30, 2024, as compared to the same periods in the prior year, is due to the capital spending on the TMEP and the corresponding increase in long-term debt levels year-over-year, higher interest rates on TMC's Syndicated Facility, and the cessation of capitalizing interest on the TMEP following the commercial commencement of the Expanded System on May 1, 2024. See 'Liquidity and Capital Resources' for more details on TMC's financing arrangements.

Income taxes

Income taxes for the three month period ended June 30, 2024 were in a recovery position and totalled $15.9 million, reflecting an effective tax rate of 25.0%, as compared to income tax expense in the same period of the prior year of $56.2 million, reflecting an effective tax rate of 24.6%. For the six month period ended June 30, 2024, income tax expense of $35.5 million, reflected an effective tax rate of 24.4%, as compared to income tax expense in the same period of the prior year of $116.3 million, reflecting an effective tax rate of 24.6%. The effective tax rates for both the three and six month periods ended June 30, 2024 and 2023 were consistent with TMC's statutory rate of 24.67%.

Net Income (loss)

The second quarter of 2024 represents a significant transition following the commercial commencement of the Expanded System on May 1, 2024. Revenues, expenses and net income all reflect a partial quarter's contribution from the Expanded System. As a result, key financial measures such as revenues, Adjusted EBITDA and net income (loss) are not representative of a full quarter's expected contribution, as the second quarter incorporated only two months from the Expanded System.

TMC had a net loss of $47.8 million in the second quarter of 2024, as compared to net income of $172.1 million in the same period of the prior year. Net income for the six month period ended June 30, 2024 totalled $110.2 million, as compared to $356.3 million in the same period of the prior year. While Adjusted EBITDA reflects the results from TMC's base business, net income incorporates depreciation expense and the significant financing impact of the TMEP, specifically equity allowance for funds used during construction, interest expense and capitalized debt financing costs.

As expected, due to the transitional nature of the second quarter, the net loss recognized in the second quarter of 2024 reflects the commercial commencement of the Expanded System on May 1, 2024, which resulted in a significant increase in Adjusted EBITDA, offset by increased depreciation and amortization expense, the cessation of equity AFUDC and capitalized debt financing costs on the TMEP, and higher interest expense. The following table summarizes the key components of net income (loss) by month for the three month period ended June 30, 2024, which demonstrates the transitional nature of this quarter:

(thousands of Canadian dollars)	April	May	June	Three months ended June 30, 2024
Adjusted EBITDA	9,468	100,087	173,416	282,971
Depreciation and amortization	(8,771)	(71,222)	(71,041)	(151,034)
Equity AFUDC	116,676	229	234	117,139
Capitalized debt financing costs	82,587	197	220	83,004
Interest expense	(129,125)	(135,604)	(131,323)	(396,052)
Foreign exchange and other	20	104	75	199
Income tax recovery (expense)	(17,427)	26,273	7,096	15,942
Net (loss) income	53,428	(79,936)	(21,323)	(47,831)

Capital Expenditures

	Three months ended June 30		Six months ended June 30	
(thousands of Canadian dollars)	**2024**	**2023**	**2024**	**2023**
TMEP construction capital incurred	318,034	2,504,627	818,642	5,055,194
TMEP carrying costs[(1)]	198,876	476,076	784,325	897,740
TMEP including cash and non-cash items	516,910	2,980,703	1,602,967	5,952,934
Capital expenditures on existing pipeline system	26,537	23,103	44,620	39,001
Total	**543,447**	**3,003,806**	**1,647,587**	**5,991,935**

(1) TMEP carrying costs include equity allowance for funds used during construction and capitalized debt financing costs related to the TMEP construction.

Capital expenditures for the three and six month periods ended June 30, 2024 mainly relate to construction activity on the TMEP. A total of $318.0 million and $818.6 million in construction capital was incurred on the TMEP during the three and six month periods ended June 30, 2024, respectively. A number of significant milestones on the TMEP were achieved in the second quarter of 2024, including the mechanical completion of the Mountain Tunnel 3 in the Fraser Valley between Hope and Chilliwack, BC., and mechanical completion of the entire TMEP following the final “golden weld” on April 11, 2024. As of June 30, 2024, construction of the TMEP was nearly complete, with cleanup, reclamation, road and civil work expected to continue throughout the remainder of 2024.

For the three and six months ended June 30, 2024, capital expenditures on the existing pipeline system totaled $26.5 million and $44.6 million, respectively. For the three and six month periods ended June 30, 2024, capital expenditures included new capital projects of $4.5 million and $8.3 million, respectively, which was mainly related to the installation of communication hubs for the fiber optic network. For the three and six month periods ended June 30, 2024, the remaining capital expenditures of $22.0 million and $36.3 million, respectively, related to sustaining capital projects to maintain the TMPL and Puget in a safe and reliable operating condition.

For the three and six months ended June 30, 2023, capital expenditures on the existing pipeline system totaled $23.1 million and $39.0 million, respectively. For the three and six month periods ended June 30, 2023, capital expenditures included new capital projects of $4.9 million and $8.4 million, respectively, which was mainly related to the installation of communication hubs for the fiber optic network. For the three and six month periods ended June 30, 2023, the remaining capital expenditures on the existing pipeline system of $18.2 million and $30.6 million, respectively, related to sustaining capital projects to maintain the TMPL and Puget in a safe and reliable operating condition.

Liquidity and Capital Resources

TMC's primary liquidity and capital resource needs are to fund the final cleanup, reclamation, road and civil work related to construction of the TMEP, make required interest payments and fund working capital. As at June 30, 2024, TMC's main sources of liquidity and capital resources are cash provided by operating activities, and financing from the Credit Agreement with its parent and the Syndicated Facility, both of which are described in more detail below.

TMC has a credit agreement with TMP Finance (the "Credit Agreement") which includes an "Acquisition Facility", a non-revolving term loan facility, and a "Construction Facility", a revolving construction credit facility, to be used to finance the TMEP construction. The facilities have an interest rate of 5% on amounts outstanding. The facilities were most recently amended on June 27, 2024 to extend the maturity date from August 29, 2025 to August 29, 2027. Interest incurred under the Credit Agreement is added to the principal amount of the Construction Facility semiannually. No further cash draws are permitted under the Credit Agreement.

Additionally, TMC has an Equator Principles 4 ("EP4") compliant credit agreement with a syndicate of lenders (the "Syndicated Credit Agreement") dated April 29, 2022 and as amended most recently on May 17, 2024, which contains two senior revolving facilities, a $18.9 billion syndicated facility (the "Syndicated Facility") and a $100 million letter of credit facility ("LC Facility"), for a combined available credit of $19.0 billion under the two facilities. EP4 is a risk management framework adopted by financial institutions for identifying, assessing, and managing environmental and social risks for large infrastructure projects. The facilities under the Syndicated Credit Agreement mature August 31, 2026, and include a guarantee provided from the Government of Canada.

TMP LP also has a $550 million undrawn line of credit agreement with TMP Finance dated March 25, 2019 (the "Financial Capacity Line of Credit") and as amended most recently on October 27, 2023, which is designed to meet the CER mandated financial capacity requirements. The Financial Capacity Line of Credit matures 5 years following the date of the advance or as otherwise extended in accordance with the agreement and has an interest rate of 5% on amounts drawn and a standby fee of 0.3% on the unadvanced portion.

Total capital contributions from TMP Finance and TMC's total available credit as of June 30, 2024 and outstanding amounts as of June 30, 2024 and December 31, 2023 are shown in the table below. There are no financial covenants.

(thousands of Canadian dollars)	Total available credit June 30, 2024	Outstanding amount June 30, 2024	Outstanding amount December 31, 2023
Syndicated Facility	18,900,000	17,765,000	16,090,000
Acquisition Facility	2,506,350	2,506,350	2,506,350
Construction Facility	5,949,094	5,949,094	5,743,964
Financial Capacity Line of Credit	550,000	-	-
Total debt	**27,905,444**	**26,220,444**	**24,340,314**
Capital contributions			
Acquisition		2,064,150	2,064,150
Construction		5,350,500	5,350,500
Total capital contributions		**7,414,650**	**7,414,650**
Total investment		**33,635,094**	**31,754,964**

As of June 30, 2024 and December 31, 2023, TMC had letters of credit issued and outstanding under the LC Facility of $79.9 million and $69.3 million, respectively. The Syndicated Credit Agreement allows TMC to elect for reallocation of the available credit under the LC Facility to the Syndicated Facility.

Summary of Quarterly Results

(thousands of Canadian dollars)	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Revenues	395,935	125,296	123,642	137,946	126,280	133,935	135,430	121,630
Adjusted EBITDA	282,971	35,900	45,776	45,067	48,219	50,141	52,510	45,718
Net income (loss)	(47,831)	158,066	160,233	(724,914)	172,112	184,156	158,259	139,744

Revenues and Adjusted EBITDA increased significantly in the second quarter of 2024, following the commercial commencement of the Expanded System on May 1, 2024. All deliveries have since been subject to the Expanded System tariff and tolls. Contractually committed revenue associated with the 15 to 20 year committed contracts for transportation service on the Expanded System have resulted in a significant increase to transportation volumes, revenues and Adjusted EBITDA.

Prior to May 1, 2024, TMPL operated under the Incentive Toll Settlement ("ITS") agreement with its shippers. As a result, revenues were impacted by flow through costs primarily related to items such as power, environmental remediation and insurance costs, which could vary quarter over quarter. Whereas Adjusted EBITDA was mainly impacted by throughput and revenue on Puget, which led to increased Adjusted EBITDA in the fourth quarter of 2022 through to the second quarter of 2023. Adjusted EBITDA in the third quarter of 2023 through to the first quarter of 2024 were impacted by increased salary and benefits and higher administration expenses, due to costs associated with increases in the workforce required to support the commencement of the Expanded System and associated business requirements.

Net income consistently increased from the third quarter of 2022 through to the second quarter of 2023, due to the cumulative impact of capital spending on the TMEP and the corresponding increase in equity AFUDC, which positively impacts net income. However, increased interest expense from higher debt levels and interest rates, negatively impacted net income in the second half of 2023 through to the first quarter of 2024. Net income was also significantly impacted by a goodwill impairment which led to a net loss in the third quarter of 2023. As expected, due to the transitional nature of the second quarter, the net loss recognized in the second quarter of 2024 reflects the commercial commencement of the Expanded System on May 1, 2024, which resulted in a significant increase in Adjusted EBITDA, offset by increased depreciation and amortization expense, the cessation of equity AFUDC and capitalized debt financing costs on the TMEP, and higher interest expense.

Environment, Health and Safety

Our Environment, Health and Safety program tracks our performance against our own previous three-year average in the areas of vehicle safety, worker safety, and releases of the commodities we transport. Tracking against our own historical performance drives continuous improvement which is an integral part of all our programs. The following table provides a summary of TMC's Environment, Health and Safety program year to date in 2024:

Health and Safety	**2024**	**Three-year TMC average**
Avoidable Vehicle Incident Rate (per million km driven)	0.00	0.17
Total Recordable Injury Rate(1)		
Employees	0.15	0.34
Contractors	0.19	0.67
Environment		
Commodity Releases Rate(2)	0.00	0.27
Volume of releases(m^3)(2)	0.00	1.86

(1) Total Recordable Injury Rate: number of recordable incidents X 200,000 divided by number of hours worked.
(2) Release rates are per 1,000 km of operating pipeline.

While TMC tracks all commodity releases, industry data for releases greater than 1.5 m^3 is the threshold used for performance comparison. There have been no commodity releases in 2024 that met this threshold.

Environment, Social and Governance

In July 2024, TMC published its fourth annual Environment, Social and Governance ("ESG") report sharing the company's ESG performance, including TMC's Task Force on Climate-Related Financial Disclosures ("TCFD"), a copy of which can be found on our website at www.transmountain.com/esg-report.

Risk Factors

We are exposed to a number of risks in our business. Some of the risks impact the energy industry as a whole and others are unique to our operations. The main risks that may affect the business and operations of TMC and its subsidiaries are set forth below.

Regulatory Compliance

TMC and its subsidiaries are subject to a variety of laws and regulations that require it to obtain registrations, licenses, permits, inspections and other approvals in order to operate. There is no guarantee that such approvals can be obtained on a timely basis, or at all, or that they will be issued with acceptable terms and conditions. Regulatory delays, whether as a result of actions by a regulator or intervention by third parties, may result in project economics becoming less favourable. The cost to comply with regulatory requirements can be significant. Pipelines can be subject to common carrier applications to rate setting by regulatory authorities in the event that fees or tariffs cannot be reached with producers. Producers and shippers may also apply to the appropriate regulatory authorities for a review of tariffs. Tolls for transportation service on the Canadian portion of the Expanded System are regulated by the CER. With the commencement of commercial operations on the Expanded System on May 1, 2024, all deliveries are now subject to the Expanded System tariff and tolls. The interim tolls are currently under examination by the CER due to issues raised by shippers with process steps continuing through to the second half of 2025. The results of the CER process may have future impacts on our cash flows.

Operational Risks

Operational risks include, but are not limited to: pipeline leaks; the breakdown or failure of equipment, pipelines and facilities; information systems or process; the compromise of information systems and control systems; the performance of equipment at levels below those originally intended; adverse sea conditions and release or spills from shipping vessels loaded at the Westridge Marine Terminal; failure to maintain adequate supplies of spare parts; operator error; labour disputes; demonstrations or protests; catastrophic events, including, but not limited to, those related to climate change and extreme weather events, includes wildfires, floods and other natural disasters, earthquakes, epidemics or pandemic outbreaks, terrorism or sabotage or similar events, many of which are beyond the control of TMC and all of which could result in operational disruptions, damage to assets, related releases or other environmental issues.

Environmental Regulation and Climate Change

TMC's activities are regulated by federal, provincial and municipal environmental laws and regulations, which impose, among other things, obligations in respect of the handling and transportation of hazardous substances, and in connection with spills, releases and emissions of various substances into the environment. Environmental legislation also requires that pipelines and other properties associated with the operations of TMC and its subsidiaries be operated, maintained or abandoned and reclaimed to comply with changing regulations and standards. The Expanded System runs through or is adjacent to populated areas. Major equipment failure, a release of toxic substances or pipeline rupture could result in damage to the environment, death or injury and substantial costs and liabilities to third parties.

Public support for climate change action has grown in recent years. There has been increased environmental activism and public opposition to the continued exploitation, development and transportation of fossil fuels, and in relation to the oil sands in particular. Laws, the political landscape in Canada, regulations, policies, obligations, social attitudes and customer preference relating to climate change and the transition to a lower carbon economy could have an adverse impact on TMC's business, including less demand for our services, increased costs from compliance, litigation and regulatory or litigation outcomes.

Health and Safety

The ownership and operation of the Expanded System is subject to hazards of transporting hydrocarbons, including without limitation, spills, leaks, corrosion, vandalism, terrorism, fires and explosions. Any of these hazards can interrupt operations, cause loss of life or personal injury, equipment damage and pollution.

Credit, Liquidity and Availability of Future Financing

The development of our business and ability to carry out our strategy may be dependent on our ability to obtain additional capital, including, but not limited to debt and equity financing. Among other things, unpredictable financial markets, a change in law, market fundamentals, our credit ratings, business operations or investor or lender policy may impede our ability to secure and maintain cost-effective financing and to repay and refinance existing debt as it becomes due. An inability to access capital, on terms acceptable to us, or at all, could affect our ability to make future capital expenditures and to meet our financial obligations as they become due.

Exposure to Counterparties

In the normal course of business, we enter contractual relationships with shippers, partners, lenders, suppliers and other counterparties for the provision and sale of goods and services. If such counterparties do not fulfill their contractual obligations on a timely basis, or at all, we may suffer financial losses, which could materially impact our business, results of operations and financial condition.

Reliance on Principal Customers

TMC sells services to large customers within its area of operations and relies on several significant shippers. In particular, shippers have signed contracts for transportation service on the Expanded System and have made 15 and 20 year commitments that total approximately 80% of the capacity on the Expanded System. If for any reason these parties are unable to perform their obligations under the various agreements with us, the revenues of TMC and the operations of TMC could be negatively impacted. In addition, any default by counterparties under such contracts or any expiration or early termination of tolling arrangements, without renewal or replacement may have an adverse effect on TMC business and results in operations.

Inflation and Interest Rates

Market interest rates are impacted by actions taken by central banks to stabilize the economy and moderate inflation and have increased since March 2022. Changes in interest rates could increase our net interest rate exposure and negatively impact our cash flow and financial results.

Uncommitted Transportation Services

TMC is exposed to volume risk under certain of its transportation services, specifically for uncommitted transportation services. A decrease in uncommitted volumes transported can directly impact TMC's revenues. The utilization of the Expanded System may be impacted by factors such as changing market fundamentals including, among others, lower commodity prices, system maintenance, weather issues and operational incidents.

Reliance on Other Facilities and Third-Parties

Our activities at the Westridge Marine Terminal and in respect of the Expanded System are dependent upon interconnections with networks and facilities owned and operated by third parties to facilitate delivery of the product to our facilities for transport and enable the product transported to reach end markets extending beyond our pipeline. These connections are important to our customers as they provide critical transportation routes for delivery of product to our facilities and provide product egress to end markets. Risks may be created as a result of differences in product specifications and pressure; and planned and unplanned outages or curtailments at third-party facilities that restrict deliveries to or from the Expanded System; and the availability of marine vessels and marine logistics associated with the expanded Westridge Marine Terminal, many of which are beyond the control of TMC and which may negatively affect TMC and its subsidiaries' operations.

Reliance on Management, Skilled Workforce and Contractors

TMC and its subsidiaries operations require the retention and recruitment of a skilled workforce, including engineers, technical personnel and other professionals. If we are unable to retain employees and/or recruit new employees of comparable skill, knowledge and experience, our operations could be negatively impacted. TMC and its subsidiaries rely heavily on the use of contractors in its operations, but TMC does not have the same level of control over its contractors as it does employees and as a result may be adversely affected by violations of law, fraud, cost-over runs and other impacts to its operations caused by contractors. In addition, TMC is dependent on senior management in respect of the administration and management of its operations and the loss of the services of key individuals could negatively impact TMC. TMC may not be able to find suitable replacements in a timely manner who have equivalent skill and experience.

Changes in Laws

The midstream industry is subject to regulation and intervention by governments in matters such as environmental protection, tariffs, abandonment and reclamation activities. The laws may be changed in a manner that could adversely affect TMC or its subsidiaries. In addition, failure to comply with applicable laws or regulations could result in substantial fines or revocation of operating permits and licenses.

Political Uncertainty

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes and international responses may lead to uncertainty in energy and financial markets, as well as increased cybersecurity risks. Political events and decisions made in Canada, the U.S. and elsewhere, including changes to federal, provincial, state or municipal governments, may create future uncertainty and have an adverse effect on TMC's business and financial results.

Litigation

In the course of its business, TMC and its subsidiaries may be subject to lawsuits and other claims. In recent years there has been an increase in climate and disclosure-related litigation in the energy industry and there is no assurance that TMC will not be impacted by such litigation or other legal proceedings.

Cyber Security

TMC collects and stores sensitive data in the ordinary course of its business, including employee information as well as proprietary business information and that of TMC's customers, suppliers, investors and other stakeholders. Cybersecurity threats include unauthorized access to information technology systems due to hacking, viruses, phishing attacks and system failures. A breach in the security or failure of TMC's information technology could result in operational outages, delays, damage to assets or the environment, reputational harm, lost data and other adverse outcomes for which TMC could be liable and which could result in material adverse effect on the business, operations or financial results of TMC.

Breach of Confidentiality

Breaches of confidentiality could put TMC at competitive risk and may cause significant damage to its business. There is no assurance that, in the event of a breach of confidentiality, TMC will be able to obtain equitable remedies from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that may be caused by such breach of confidentiality.

Insurance

Although TMC carries commercial general liability insurance and other insurance coverage which it believes is customary for similar business operations, such policies contain limits and there is no assurance that the types of insurance and the amounts for which TMC and its subsidiaries are insured, or the proceeds of such insurance will compensate TMC fully for its losses.

Foreign Exchange Rates

While most of our revenues and business are in Canadian dollars, fluctuations in foreign exchange rates may affect our results, particularly the U.S./Canadian dollar. A change in the value of the Canadian dollar relative to the U.S. dollar will impact revenues and costs, as expressed in

Canadian dollars. Fluctuations of exchange rates are beyond our control and could have an adverse effect on our cash flows and results of operations.

Forward-looking information

This Report contains certain statements that constitute “forward-looking information” within the meaning of applicable Canadian securities legislation. We disclose forward-looking information to help the reader understand management's assessment of our future plans and financial outlook. Forward looking information is typically identified by words such as “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “should”, “plan”, “intend”, “target”, “believe” and similar words and expressions. Examples of forward-looking statements contained in this Report include, among others, statements regarding the operations of the TMEP including the timing of cleanup, reclamation, road and civil work related to the TMEP; the timing of the interim toll process with shippers; the timing and ability to load cargo from the Westridge Marine Terminal; expectations regarding increases in future revenues and operating costs, depreciation and amortization, and taxes, other than income taxes; and expectations regarding increases in the workforce to support the Expanded System.

Forward-looking statements do not guarantee future performance. Actual results could be different due to incorrect assumptions, risks or uncertainties related to our business, or events that happen after the date of this Report. There is no assurance that the results or events indicated or suggested by the forward-looking statements, or the plans, intentions, expectations or beliefs contained therein or upon which they are based, are correct or will in fact occur or be realized (or if they do, what benefits TMC may derive therefrom).

This forward-looking information reflects our assumptions and expectations based on information available at the time the information was stated. By its nature, forward-looking information is subject to various assumptions, risks and uncertainties which could cause our actual results and achievements to differ materially from the anticipated results or expectations expressed or implied in such information.

Assumptions

Key assumptions on which the forward-looking information contained in this Report is based include, but are not limited to, assumptions about:

- Expected operating and financial results including planned changes in our business;
- Expectations or projections about strategies and goals for system optimization, growth and expansion;
- Expected cash flows and availability of funds from external financing sources;
- Potential costs, schedules and completion dates for planned projects, including projects under construction, permitting and in development;
- Planned and unplanned outages of our pipelines and related assets;
- Integrity and reliability of our assets;

- Expected outcomes relating to regulatory processes and legal proceedings, and potential changes in laws and regulations;
- The expected impact of future accounting changes, commitments and contingent liabilities;
- Expected industry, market and economic conditions;
- Future demand for space on our pipeline systems;
- Pace of energy transition;
- Inflation rates and commodity prices; and
- Interest, tax and foreign exchange rates.

Risks and uncertainties

The risks and uncertainties that could cause actual results or events to differ materially from current expectations include, but are not limited to:

- Our ability to successfully implement our strategic priorities and whether they will yield the expected financial and operational results and benefits;
- The operating performance of our pipelines and related assets;
- The available supply and price of energy commodities;
- Performance and credit risk of our counterparties;
- Regulatory and legal decisions and outcomes, and potential changes in laws and regulations;
- Changes in market commodity prices, the geopolitical environment, widespread epidemics or pandemics, and economic conditions in Canada and globally;
- Construction execution and completion of capital and operations projects, including reliance on the availability, performance and expertise of a suitably skilled and qualified workforce and third party contractors;
- Demonstrations, protests or civil disobedience that impact construction execution and/or operations;
- The pace of energy transition initiatives in North America and globally;
- Climate change risks, including the effects of unusual weather and natural catastrophes;
- Climate change effects and regulatory and market compliance and other costs associated with climate change;
- Our ability to transport a broad range of oil products and other fuels;
- Reputational risks;
- Increases in costs for labour, equipment and materials;
- Fluctuations in interest, tax and foreign exchange rates;
- Risks related to cyber security, confidentiality, and data integrity;
- Risks related to technological developments;
- Natural hazards (floods, wildfires, landslides, seismic activity, etc.); and
- Those risks and contingencies described under “Risk Factors” in this Report.

Forward-looking information should not be used for anything other than its intended purpose, as actual results could vary. Any forward-looking statement in this Report is based only on information currently available to us and speaks only as of the date on which it is made. Except as required by applicable laws, we undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise. The forward-looking information and statements contained in this Report are expressly qualified by this cautionary statement.