TRANS MOUNTAIN CORPORATION

MANAGEMENT REPORT

For the year ended December 31, 2024

March 6, 2025

This Management Report (the "Report") should be read in conjunction with the audited consolidated financial statements of Trans Mountain Corporation for the year ended December 31, 2024 ("TMC's Financial Statements"). 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 operate, optimize and grow the Trans Mountain and Puget Sound Pipelines in a 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 Trans Mountain Expansion Project ("TMEP") in the second quarter of 2024 expands the preexisting 1,150 kilometer pipeline system that begins near Edmonton, Alberta and terminates in Burnaby, British Columbia, with a combined nominal capacity of 890,000 bpd. Collectively, the newly constructed pipeline and the original pipeline operate collectively as the expanded pipeline system (the "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 December 31, 2024, construction of the TMEP was nearly complete, with reclamation, road and civil work expected to continue in 2025. Since the inception of the project, $28.6 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 Canadian Energy Regulator ("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.

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.

Financial Highlights	**Three months ended**		**Year ended December 31**	
(millions of Canadian dollars, except throughput amounts)	**2024**	**2023**	**2024**	**2023**
Revenues	695	124	1,882	522
Operating expenses[(a)]	(180)	(78)	(536)	(333)
Adjusted EBITDA[(b)]	515	46	1,346	189
Depreciation and amortization	(214)	(29)	(607)	(109)
Goodwill impairment	-	-	-	(888)
Operating income (loss)	301	17	739	(808)
Equity allowance for funds used during construction	1	330	462	1,165
Interest expense, net of capitalized debt financing costs	(352)	(133)	(1,197)	(344)
Foreign exchange and other	-	-	1	2
(Loss) income before income taxes	(50)	214	5	15
Income tax recovery (expense)	13	(54)	-	(223)
Net (loss) income	(37)	160	5	(208)
Cash provided by (used in) operating activities	343	(93)	712	(95)
Capital expenditures incurred	193	1,754	2,261	10,368
Average daily throughput				
Mainline deliveries (bpd)	721,000	337,000	555,000	348,000
Puget Sound Pipeline (bpd)	239,000	217,000	234,000	231,000
Westridge Marine Terminal (bpd)	395,000	43,000	241,000	41,000
Financial Position at (millions of Canadian dollars)		**December 31, 2024**		**December 31, 2023**
Cash and cash equivalents and restricted cash		494		117
Total assets		37,380		35,174
Total debt		12,000		24,340

a) *Excludes goodwill impairment and depreciation and amortization.*
b) *Adjusted EBITDA is a non-GAAP measure. See Non-GAAP Measures.*

[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.

Revenues

(millions of Canadian dollars)	Three months ended December 31 2024	2023	% Change	Year ended December 31 2024	2023	% Change
Transportation	678	105	546%	1,818	448	306%
Leases	17	18	(6%)	62	71	(13%)
Other	-	1	nm	2	3	(33%)
Total	**695**	**124**	**460%**	**1,882**	**522**	**261%**

nm – calculation not meaningful due to lack of comparability between periods.

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 revenues 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 December 31, 2024, total revenues increased by $571 million to $695 million, as compared to $124 million in the same period of the prior year. For the year ended December 31, 2024, total revenues increased by $1,360 million to $1,882 million, as compared to $522 million in the prior year.

Transportation revenues in the fourth quarter of 2024 increased by $573 million to $678 million, as compared to $105 million in the same period of the prior year. For the year ended December 31, 2024, transportation revenues increased by $1,370 million to $1,818 million, as compared to $448 million in the prior year. The increase for both the three months and year ended December 31, 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.

Lease revenues primarily relate to income earned on TMC’s third party tank leases. For the three month period ended December 31, 2024, lease revenues decreased by $1 million to $17 million, as compared to $18 million in the same period of the prior year. For the year ended December 31, 2024, lease revenues decreased by $9 million to $62 million, as compared to $71 million in the prior year. The decrease for both the three months and year ended December 31, 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 December 31			Year ended December 31		
(millions of Canadian dollars)	**2024**	**2023**	**% Change**	**2024**	**2023**	**% Change**
Pipeline operating costs	94	33	185%	263	172	53%
Depreciation and amortization	214	29	638%	607	109	457%
Salaries and benefits	49	30	63%	167	108	55%
Taxes, other than income taxes	18	9	100%	59	38	55%
Administration	19	6	217%	47	15	213%
	394	107	268%	1,143	442	159%
Goodwill impairment	-	-	-	-	888	nm
Total	**394**	**107**	**268%**	**1,143**	**1,330**	**(14%)**

nm – calculation not meaningful due to lack of comparability between periods.

With the commencement of service on the Expanded System occurring on May 1, 2024, the increase in volumes transported on the Expanded System has resulted in higher pipeline operating costs, depreciation and amortization, and taxes, other than income taxes. Additionally, salaries and benefits and administration costs have increased due to a larger workforce required to support the Expanded System and associated business requirements.

Pipeline operating costs for the three month period ended December 31, 2024 totalled $94 million reflecting an increase of $61 million, as compared to $33 million in the same period of the prior year. For the year ended December 31, 2024, pipeline operating costs increased by $91 million to $263 million, as compared to $172 million in the same period of the prior year. The increase for both the three months and year ended December 31, 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, higher asset integrity costs, increased insurance premiums and higher power costs in the current periods.

Depreciation and amortization expense in the fourth quarter of 2024 increased by $185 million to $214 million, as compared to $29 million in the same period of the prior year. For the year ended December 31, 2024, depreciation and amortization expense increased by $498 million to $607 million, as compared to $109 million in the prior year. The increase for both the three months and year ended December 31, 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 depreciation and amortization expense.

Salaries and benefits expense for the three month period ended December 31, 2024 increased by $19 million to $49 million, as compared to $30 million in the same period of the prior year. For the year ended December 31, 2024, salaries and benefits expense increased by $59 million to $167 million, as compared to $108 million in the prior year. The increase for both the three months and year ended December 31, 2024, as compared to the same periods in the prior year, is 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 fourth quarter of 2024 increased by $9 million to $18 million, as compared to $9 million in the same period of the prior year. For the year ended December 31, 2024 taxes, other than income taxes, increased by $21 million to $59 million, as compared to $38 million in the prior year. The increase for both the three months and year ended December 31, 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 December 31, 2024 increased by $13 million to $19 million, as compared to $6 million in the same period of the prior year. For the year ended December 31, 2024, administration expenses increased by $32 million to $47 million, as compared to $15 million in the prior year. The increase for both the three months and year ended December 31, 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.

Goodwill Impairment

In the prior period, during the third quarter of 2023, a goodwill impairment loss of $888 million was recognized for the full carrying value of goodwill. Goodwill previously related to the acquisition of the TMPL and the Puget Pipeline on August 31, 2018. As a result of significant factors related to the commencement of service of the TMEP, and primarily a rise in the cost of capital from increased domestic interest rates, TMC performed an impairment test as of September 30, 2023. The impairment test was most sensitive to changes in discount rates which impacted the fair value of the reporting unit as of September 30, 2023.

Operating income and Adjusted EBITDA

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

	Three months ended December 31		**Year ended December 31**	
(millions of Canadian dollars)	**2024**	**2023**	**2024**	**2023**
Revenues	695	124	1,882	522
Less: Operating expenses	(394)	(107)	(1,143)	(1,330)
Operating income (loss)	**301**	**17**	**739**	**(808)**
Add: Depreciation and amortization	214	29	607	109
Add: Goodwill impairment	-	-	-	888
Adjusted EBITDA	**515**	**46**	**1,346**	**189**

Operating income in the fourth quarter of 2024 increased by $284 million to $301 million, as compared to $17 million in the same period of the prior year. For the year ended December 31, 2024, operating income increased by $1,547 million to $739 million, as compared to a loss of $808 million in the prior year. The significant increase in operating income for both the three months and year ended December 31, 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, which has resulted in a significant increase to transportation volumes, revenues and Adjusted EBITDA. Additionally, the $888 million goodwill impairment loss recognized in the third quarter of 2023 negatively impacted operating income in 2023 as compared to 2024.

Adjusted EBITDA for the three month period ended December 31, 2024 increased by $469 million to $515 million, as compared to $46 million in the same period of the prior year. For the year ended December 31, 2024, Adjusted EBITDA increased by $1,157 million to $1,346 million, as compared to $189 million in the same period of the prior year. The increase in Adjusted EBITDA for both the three months and year ended December 31, 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 in the fourth quarter of 2024 decreased by $329 million to $1 million, as compared to $330 million in the same period of the prior year. For the year ended December 31, 2024, Equity AFUDC decreased by $703 million to $462 million, as compared to $1,165 million in the same period of the prior year. The significant decrease for both the three months and year ended December 31, 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 the TMEP.

Interest expense

	Three months ended December 31			**Year ended December 31**		
(millions of Canadian dollars)	**2024**	**2023**	**% Change**	**2024**	**2023**	**% Change**
Interest and commitment fees						
Syndicated Facility	213	258	(17%)	1,042	759	37%
Credit Facilities - related party	113	102	11%	425	399	7%
Guarantee fee - related party	9	10	(10%)	42	26	62%
Capitalized debt financing costs	-	(234)	(100%)	(327)	(825)	(60%)
Interest expense (income) and other	17	(3)	(667%)	15	(15)	(200%)
Interest Expense	**352**	**133**	**165%**	**1,197**	**344**	**248%**

The increase in interest expense for the three months and year ended December 31, 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 December 31, 2024 were in a recovery position and totalled $13 million, reflecting an effective tax rate of 26.0%, as compared to income tax expense in the same period of the prior year of $54 million, reflecting an effective tax rate of 25.2%.

For the year ended December 31, 2024, income taxes were less than $1 million, resulting in an effective tax rate that is not meaningful, as compared to an income tax recovery in the prior year of $223 million, reflecting an effective tax rate of 24.7%, after normalizing for the goodwill impairment recognized in the prior period.

The effective tax rates for the three months and year ended December 31, 2024 differed from the statutory rate of 24.7% due to the impact of foreign tax rate differences.

The effective tax rates for the three months and year ended December 31, 2023 were consistent with TMC's statutory rate of 24.7%, after normalizing for the non-deductible goodwill impairment recognized in the third quarter of 2023.

Net Income (loss)

TMC had a net loss of $37 million in the fourth quarter of 2024, as compared to net income of $160 million in the same period of the prior year. Net income for the year ended December 31, 2024 totalled $5 million, as compared to a net loss of $208 million in the prior year. While Adjusted EBITDA reflects the results from TMC's base business, net income incorporates the goodwill impairment recognized in the third quarter of 2023, 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 2024, the net loss recognized for the three months ended December 31, 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.

For the year ended December 31, 2024, net income of $5 million reflects the Equity AFUDC and capitalized debt financing costs recognized on the TMEP prior to commercial commencement of the Expanded System, as well as the significant increase in Adjusted EBITDA following commercial commencement on May 1, 2024. These increases were offset by higher depreciation and amortization expense, and the cessation of equity AFUDC and capitalized debt financing costs on the TMEP following the commercial commencement of the Expanded System, as well as higher interest expense.

Capital Expenditures

	Three months ended December 31		Year ended December 31	
(millions of Canadian dollars)	**2024**	**2023**	**2024**	**2023**
TMEP construction capital incurred	169	1,164	1,379	8,273
TMEP carrying costs(1)	-	563	785	1,987
TMEP including cash and non-cash items	169	1,727	2,164	10,260
Capital expenditures	24	27	97	108
Total	**193**	**1,754**	**2,261**	**10,368**

(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 months and year ended December 31, 2024 mainly relate to construction activity on the TMEP. A total of $169 million and $1.4 billion in construction capital was incurred on the TMEP during the three months and year ended December 31, 2024, respectively. Capital expenditures incurred on the TMEP in the fourth quarter of 2024 relate to cleanup, reclamation, road and civil work, which are expected to continue in 2025. For the year ended, December 31, 2024, a number of significant milestones on the TMEP were achieved prior to mechanical completion and the commencement of service on the Expanded System, 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.

For the three months and year ended December 31, 2024, capital expenditures on the pipeline system totaled $24 million and $97 million, respectively. For the three months and year ended December 31, 2024, capital expenditures included new capital projects of $2 million and $14 million, respectively, which mainly related to the installation of communication hubs for the fiber optic network. For the three months and year ended December 31, 2024, the remaining capital expenditures of $22million and $83 million, respectively, related to sustaining capital projects to maintain the TMPL and Puget in a safe and reliable operating condition. Sustaining capital projects in 2024 included the Coquihalla Crossing #10 replacement, which replaces an existing aerial crossing that was built in the 1950s, as well a meter upgrades on Puget at Anacortes and Ferndale.

For the three months and year ended December 31, 2023, capital expenditures on the pipeline system totaled $27 million and $108 million, respectively. For the three months and year ended December 31, 2023, capital expenditures included new capital projects of $5 million and $20 million, respectively, which mainly related to the installation of communication hubs for the fiber optic network. For the three months and year ended December 31, 2023, the remaining capital expenditures on the pipeline system of $22 million and $88 million, respectively, related to sustaining capital projects. For the year ended December 31, 2023, $13 million of the sustaining capital projects related to non-routine flood response projects in British Columbia. The remaining sustainable capital in 2023 related to routine 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 capital expenditures, including the final work related to construction of the TMEP, make required interest and distribution payments to TMP Finance and to fund working capital.

In December 2024, TMC entered into a number of transactions to recapitalize TMC's balance sheet including the following:

- On December 6, 2024, TMC transferred $5.4 billion of TMP Finance's additional paid in capital to share capital;
- On December 13, 2024, TMC entered into a subscription agreement with TMP Finance (the "Subscription Agreement"), pursuant to which TMP Finance subscribed to common shares in TMC for proceeds of $14.7 billion;
- On December 13, 2024, the Credit Agreement with TMP Finance (the "Credit Agreement") was amended and restated to provide a $3.3 billion Refinancing Facility, which was subsequently fully drawn on December 20, 2024, and a $500 million Working Capital Facility;
- On December 20, 2024, TMC repaid the outstanding balance and cancelled the $18.9 billion third party syndicated revolving facility.

In accordance with the Subscription Agreement, TMC will distribute excess cash to TMP Finance in the form of dividends, share repurchases or repayment of debt, subject to the discharge by the Board of Directors of TMC of its fiduciary duties under applicable laws. TMC will retain cash reserves sufficient to meet ongoing operating costs, sustaining and growth capital, and tax requirements.

As at December 31, 2024, TMC's main sources of liquidity and capital resources are cash provided by operating activities, and financing from the Credit Agreement, which as noted above was most recently amended on December 13, 2024. The Credit Agreement now includes three non-revolving term loan facilities, an Acquisition Facility, a Construction Facility, and a Refinancing Facility, as well as a revolving Working Capital Facility, collectively the "Facilities". Other than the Working Capital Facility, no further cash draws are permitted under the Credit Agreement. The amendments to the Credit Agreement extended the maturity date for all the Facilities to August 31, 2032 and require interest incurred after December 31, 2024 to be paid monthly. The Facilities have an interest rate of 5% on amounts outstanding. As at December 31, 2024, TMC had letters of credit of $74 million issued and outstanding under the available third party letter of credit facility. Subsequent to year end, on February 5, 2025, the letter of credit facility was replaced with a $100 million third party uncommitted demand revolving letter of credit facility (the "Demand LC Facility"). All issued and outstanding letters of credit are deemed to be letters of credit issued under the Demand LC Facility.

TMP LP also has a $550 million undrawn line of credit agreement with TMP Finance (the "Financial Capacity Line of Credit"), 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 outstanding 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 December 31, 2024 and outstanding amounts as of December 31, 2024 and December 31, 2023 are shown in the table below. There are no financial covenants.

(millions of Canadian dollars)	Total available credit December 31, 2024	Outstanding amount December 31, 2024	Outstanding amount December 31, 2023
Syndicated Facility	-	-	16,090
Acquisition Facility	2,506	2,506	2,506
Construction Facility	6,162	6,162	5,744
Refinancing Facility	3,332	3,332	-
Working Capital Facility	500	-	-
Financial Capacity Line of Credit	550	-	-
Total debt	**13,050**	**12,000**	**24,340**
Capital contributions		22,141	7,415
Total investment		**34,141**	**31,755**

Summary of Quarterly Results

(millions of Canadian dollars)	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Revenues	695	666	396	125	124	138	126	134
Adjusted EBITDA	515	512	283	36	46	45	48	50
Net (loss) income	(37)	(68)	(48)	158	160	(724)	172	184

Revenues and Adjusted EBITDA began to increase 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 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.

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. Adjusted EBITDA was mainly impacted by throughput and revenues on Puget. As the TMEP progressed towards completion, Adjusted EBITDA was 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.

Prior to the commercial commencement of the Expanded System on May 1, 2024, net income was impacted by the cumulative impact of capital spending on the TMEP and the corresponding increase in equity AFUDC, which positively impacts net income. The third quarter of 2023 was also significantly impacted by a goodwill impairment which led to a net loss. The net losses recognized in the last three quarters of 2024 reflect 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.

2025 Financial Outlook

For 2025, the Expanded System's first full year of operations, TMC expects to generate Adjusted EBITDA of between $2.1 billion and $2.2 billion, with total average daily throughput of between 725,000 bpd and 750,000 bpd.

The expected increase in Adjusted EBITDA and TMC's restructured balance sheet, and the corresponding lower interest expense, is expected to result in higher net income and net cash flow in 2025. TMC will distribute excess cash to TMP Finance in the form of dividends, share repurchases or repayment of debt, subject to the discharge by the Board of Directors of TMC of its fiduciary duties under applicable laws. See 'Liquidity and Capital Resources' for more details on TMC's financing arrangements.

Capital spending is expected to total approximately $0.9 billion, of which approximately $750 million relates to the final cleanup, reclamation, road and civil work related to construction of the TMEP and $160 million relates to other capital projects including sustaining capital projects required to maintain the TMPL and Puget in a safe and reliable operating condition.

These projections are based on a number of assumptions that reflect information available as of the date of this Report, including:

- Continued strong demand for transportation to the West coast of Canada and into Washington State; and
- Revenues recorded on the basis of the contractual tolls approved by the CER on a preliminary interim basis, which are currently under examination.

Actual events and results may vary from our expectations and could be significantly different because of assumptions, risks or uncertainties related to our business that occur after the date of this Report.

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 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	0.16	0.34
Contractors	0.47	0.67
Environment		
Commodity Releases Rate(2)	1.22	0.27
Volume of releases(m^3)	3.0	2.3

(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 was one commodity release 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 conditions affecting marine access 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 with respect to 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 into 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's business and results of operations.

Inflation and Interest Rates

Changes in interest rates could increase our net interest rate exposure and negatively impact our cash flow and financial results. Additionally, TMC is exposed to inflation on non-flow through operating and capital costs.

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 with respect to 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 to 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 and/or policies, 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 a 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;
- Interest, tax and foreign exchange rates;
- Those assumptions described under “2025 Financial Outlook” in the Report.

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.