TRANS MOUNTAIN CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of Trans Mountain Corporation ("the Corporation" or "TMC") are the responsibility of management and were authorized for issue by the Board of Directors on March 6, 2025. The consolidated financial statements have been prepared by TMC in accordance with accounting principles generally accepted in the United States of America. The financial statements of TMC's four wholly-owned subsidiaries for which it has responsibility have been consolidated with TMC. When alternative accounting methods exist, TMC has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on best estimates and judgments.

TMC maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the consolidated financial records are reliable, form a proper basis for the preparation of consolidated financial statements, and that TMC's assets are properly accounted for and adequately safeguarded.

The Board of Directors carries out its responsibilities for the consolidated financial statements principally through its Audit Committee. The Audit Committee reviews TMC's annual consolidated financial statements and reports its findings to the Board for its consideration and approval. The Audit Committee also meets with the Corporation's auditors to discuss auditing matters and financial reporting issues.

These consolidated financial statements have been audited by the Corporation's auditors, the Auditor General of Canada and PricewaterhouseCoopers LLP, whose report is presented separately.

As Chief Executive Officer and Chief Financial Officer of TMC, we have reviewed TMC's consolidated financial statements and based upon our knowledge, having exercised due diligence, believe they fairly present in all material respects the financial position as at December 31, 2024, and financial performance and cash flows for the year ended December 31, 2024.

"signed"

Mark Maki
Chief Executive Officer
Trans Mountain Corporation

"signed"

Todd Stack
Chief Financial Officer
Trans Mountain Corporation

March 6, 2025

Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

INDEPENDENT AUDITORS' REPORT

To the Shareholder of Trans Mountain Corporation

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Trans Mountain Corporation and its subsidiaries (the Corporation), which comprise the consolidated balance sheet as at 31 December 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at 31 December 2024, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with US GAAP, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Corporation as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Compliance with Specified Authorities

Opinion

In conjunction with the audit of the consolidated financial statements, we have audited transactions of Trans Mountain Corporation and its wholly-owned subsidiaries coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act,* and the articles and by-laws of Trans Mountain Corporation and its wholly-owned subsidiaries.

In our opinion, the transactions of Trans Mountain Corporation and its wholly-owned subsidiaries that came to our notice during the audit of the consolidated financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in US GAAP have been applied on a basis consistent with that of the preceding year.

Responsibilities of Management for Compliance with Specified Authorities

Management is responsible for Trans Mountain Corporation and its wholly-owned subsidiaries' compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Trans Mountain Corporation and its wholly-owned subsidiaries to comply with the specified authorities.

Auditors' Responsibilities for the Audit of Compliance with Specified Authorities

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the consolidated financial statements are in compliance with the specified authorities referred to above.

Firyal Awada, CPA, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
6 March 2025

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Canada
6 March 2025

TRANS MOUNTAIN CORPORATION
CONSOLIDATED STATEMENT OF INCOME
(millions of Canadian dollars)

Year ended December 31,	**2024**	**2023**
Revenues *(Note 3)*	**1,882**	**522**
Expenses		
Pipeline operating costs	263	172
Depreciation and amortization *(Notes 7, 9)*	607	109
Salaries and benefits	167	108
Taxes, other than income taxes	59	38
Administration	47	15
Goodwill impairment *(Note 8)*	-	888
	1,143	**1,330**
Operating income (loss)	**739**	**(808)**
Equity allowance for funds used during construction *(Note 7)*	462	1,165
Interest expense, net of capitalized debt financing costs *(Note 17)*	(1,197)	(344)
Other, net	1	2
Income before income taxes	**5**	**15**
Income tax expense *(Note 5)*	-	(223)
Net income (loss)	**5**	**(208)**

The accompanying notes are an integral part of these consolidated financial statements.

TRANS MOUNTAIN CORPORATION
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(millions of Canadian dollars)

Year ended December 31,	2024	2023
Net income (loss)	5	(208)
Other comprehensive income (loss), net of tax		
Currency translation adjustment	27	(7)
Pension and post-employment benefits	5	(14)
	32	**(21)**
Comprehensive income (loss)	**37**	**(229)**

The accompanying notes are an integral part of these consolidated financial statements.

TRANS MOUNTAIN CORPORATION
CONSOLIDATED BALANCE SHEET
(millions of Canadian dollars)

As of December 31,	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	491	110
Accounts receivable	173	149
Other current assets *(Note 6)*	114	27
	778	**286**
Property, plant and equipment *(Note 7)*	36,149	34,428
Right-of-use assets	43	54
Regulatory assets *(Note 14)*	210	194
Restricted investments	128	105
Restricted cash	3	7
Deferred amounts and other assets *(Note 9)*	69	100
Total Assets	**37,380**	**35,174**
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities *(Note 10)*	523	963
Interest payable	105	40
Regulatory liabilities *(Note 14)*	96	73
Other current liabilities *(Note 11)*	205	28
	929	**1,104**
Debt *(Note 15)*	12,000	24,340
Long term interest payable *(Note 16)*	-	63
Deferred income taxes *(Note 5)*	1,125	1,127
Regulatory liabilities *(Note 14)*	98	112
Pension and post-employment benefits *(Note 12)*	61	58
Lease liabilities *(Note 4)*	47	49
Other deferred credits *(Note 13)*	47	11
Total Liabilities	**14,307**	**26,864**
Equity	23,073	8,310
Total Liabilities and Equity	**37,380**	**35,174**

Litigation, commitments and contingencies *(Note 20)*

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board of Directors

"signed"
Dawn Farrell
Director

"signed"
Brian Ferguson
Director

TRANS MOUNTAIN CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(millions of Canadian dollars)

Year ended December 31,	**2024**	**2023**
Operating activities		
Net income (loss)	5	(208)
Items not affecting cash		
Depreciation and amortization	607	109
Equity allowance for funds used during construction	(462)	(1,165)
Deferred income tax (recovery) expense *(Note 5)*	(5)	218
Goodwill impairment *(Note 8)*	-	888
Changes in non-cash working capital and other items *(Note 18)*	567	63
Total Cash and cash equivalents and Restricted cash provided by (used in) operating activities	**712**	**(95)**
Investing activities		
Capital expenditures	(2,293)	(8,886)
Insurance proceeds	35	6
Internal-use software expenditures	(9)	(16)
Restricted investments	(22)	(9)
Total Cash and cash equivalents and Restricted cash used in investing activities	**(2,289)**	**(8,905)**
Financing activities		
Issuances of debt	5,302	8,890
Repayment of debt	(18,065)	-
Capital contributions *(Note 16)*	14,726	-
Debt issuance costs	(15)	(13)
Total Cash and cash equivalents and Restricted cash provided by financing activities	**1,948**	**8,877**
Effects of exchange rate changes on Cash and cash equivalents and Restricted cash	6	(1)
Net increase (decrease) in Cash and cash equivalents and Restricted cash	377	(124)
Cash and cash equivalents and Restricted cash, beginning	117	241
Cash and cash equivalents and Restricted cash, end	**494**	**117**
Cash and cash equivalents, beginning	110	162
Restricted cash, beginning	7	79
Cash and cash equivalents and Restricted cash, beginning	**117**	**241**
Cash and cash equivalents, end	491	110
Restricted cash, end	3	7
Cash and cash equivalents and Restricted cash, end	**494**	**117**

Supplemental cash flow information *(Note 18)*
The accompanying notes are an integral part of these consolidated financial statements.

TRANS MOUNTAIN CORPORATION
CONSOLIDATED STATEMENT OF EQUITY
(millions of Canadian dollars)

	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total Equity
Balance at December 31, 2022	2,064	5,351	1,088	36	**8,539**
Net loss	-	-	(208)	-	**(208)**
Other comprehensive loss, net of tax	-	-	-	(21)	**(21)**
Balance at December 31, 2023	**2,064**	**5,351**	**880**	**15**	**8,310**
Capital contributions *(Note 16)*	14,726	-	-	-	**14,726**
Transfers *(Note 16)*	5,351	(5,351)	-	-	**-**
Net income	-	-	5	-	**5**
Other comprehensive income, net of tax	-	-	-	32	**32**
Balance at December 31, 2024	**22,141**	**-**	**885**	**47**	**23,073**

The accompanying notes are an integral part of these consolidated financial statements.

1. General

Trans Mountain Corporation (the "Corporation" or "TMC") is a Federal Crown corporation, incorporated under the *Canada Business Corporations Act* on May 28, 2018. TMC is a wholly owned subsidiary of Canada TMP Finance Ltd. ("TMP Finance"), which is a wholly owned subsidiary of Canada Development Investment Corporation ("CDEV"). CDEV is wholly owned by His Majesty in Right of Canada and is an agent Crown corporation. TMC is subject to the provisions of Part X of the *Financial Administration Act* and the provisions of the *Income Tax Act*. TMC is a non-agent Crown corporation which allows it to borrow from parties other than the Government of Canada.

TMC conducts operations through four entities: Trans Mountain Pipeline Limited Partnership ("TMP LP") and its wholly owned subsidiary Trans Mountain Pipeline (Puget Sound) LLC ("Puget"), Trans Mountain Pipeline ULC ("TMP ULC"), and Trans Mountain Canada Inc. ("TMCI"). Together these entities own and operate the Trans Mountain pipeline ("TMPL") and the Puget Sound pipeline ("Puget Pipeline"). TMPL has operated since 1953, and transports crude oil and refined petroleum from Edmonton, Alberta to Burnaby, British Columbia. On May 1, 2024, Trans Mountain began commercial operations of the Trans Mountain Expansion Project ("TMEP"), which increased the capacity of the TMPL from approximately 300,000 bpd to approximately 890,000 bpd. Collectively, the newly constructed pipeline and the original pipeline operate as the expanded pipeline system ("Expanded System"). Puget owns the Puget Pipeline, which interconnects with TMPL at the international border near Sumas, British Columbia, and transports crude oil to refineries in Washington State. TMP ULC is the General Partner of TMP LP, and TMCI employs the workforce that manages and operates the pipelines and related assets. These consolidated financial statements include operating results of TMC and the wholly owned Trans Mountain entities, including the Trans Mountain Pipeline Reclamation Trust (the "Trust") which is consolidated with the Corporation.

TMC's mandate is to operate, optimize and grow the TMPL and Puget Pipeline 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 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.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with U.S. GAAP, as contained in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" or the "Codification"). The *Canada Business Corporations Act* subsection 71(1) requires the preparation of annual financial statements in accordance with Canadian GAAP. TMC applied for and received an exemption from this requirement, allowing TMC to use U.S. GAAP in the preparation of its consolidated financial statements for the year ended December 31, 2024. TMC believes that U.S. GAAP provides better comparability with industry peers and best reflects the economic effects of the actions of regulatory bodies on its operations. In preparing these annual consolidated financial statements in accordance with U.S. GAAP, all intercompany items have been eliminated on consolidation.

On April 29, 2022 TMC entered into a credit agreement with a syndicate of lenders (the "Syndicated Credit Agreement"), which as of December 31, 2023, contained two facilities with a total combined available credit of $18 billion and was scheduled to mature on March 24, 2025. At the date the consolidated financial statements for the year ended December 31, 2023 were available for issuance, additional financing was required, which resulted in material uncertainty that cast substantial doubt as to TMC's ability to continue as a going concern for the year ended December 31, 2023. Subsequently this material uncertainty has been resolved with the commercial commencement of the Expanded System on May 1, 2024, and the increase and extension of certain financing arrangements. These changes are expected to provide sufficient funds for TMC to meet its obligations as they become due. See Note 15 for details on debt.

In management's opinion, all adjustments considered necessary for a fair statement of the financial position and operating results have been included in the accompanying consolidated financial statements.

Amounts are stated in Canadian dollars, which is the functional currency of all of the Corporation's operations, except for Puget which uses the U.S. dollar as its functional currency.

2. Summary of Significant Accounting Policies *(continued)*

Basis of Presentation (continued)

These consolidated financial statements were authorized by the board of directors on March 6, 2025. Subsequent events have been evaluated from December 31, 2024 to the date the consolidated financial statements were available for issue on March 6, 2025 and, other than the financing described in Note 15 and Note 16, there are no subsequent events which would require adjustment to the consolidated financial statements and related disclosures.

Use of Estimates

Certain amounts included in or affecting the consolidated financial statements and related disclosures must be estimated, requiring certain assumptions with respect to values or conditions, which cannot be known with certainty at the time the consolidated financial statements are prepared. These estimates and assumptions affect the amounts reported for assets and liabilities, revenues and expenses during the reporting period, and the disclosures, including as it relates to contingent assets and liabilities at the date of the consolidated financial statements. These estimates are evaluated on an ongoing basis, utilizing historical experience, consultation with experts and other methods considered reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from estimates. Any effects on the business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

Certain accounting policies are of more significance in the financial statement preparation process than others. Set out below are the principal accounting policies applied in the preparation of the accompanying consolidated financial statements.

Regulation

TMP LP's operations are regulated by the Canada Energy Regulator ("CER") under the Canadian Energy Regulator Act. Puget's operations are regulated by the United States Federal Energy Regulatory Commission ("FERC") and the U.S. Department of Transportation ("U.S. DOT") for pipeline companies.

The CER exercises statutory authority over matters such as construction and operation of facilities, rates and ratemaking, and accounting practices for Canadian pipelines crossing a provincial or international border. To recognize the economic effects of the actions of the regulator, TMP LP applies the provisions of ASC 980 *Regulated Operations*, under which the timing of recognition of certain revenues and expenses may differ from that otherwise expected under U.S. GAAP for non-regulated businesses. The FERC exercises statutory authority over rates and ratemaking for U.S. interstate or international pipelines, including the Puget Pipeline, while the U.S. DOT regulates facility operations.

Regulatory assets represent amounts that are expected to be recovered from customers in future periods through rates. Regulatory liabilities represent amounts that are expected to be refunded to customers in future periods through rates or paid out of the Trust to cover future abandonment costs in relation to the CER's Land Matters Consultation Initiative ("LMCI"). Regulatory assets and liabilities are recognized based on the actions, or expected future actions, of the regulator. To the extent that the regulator's actions differ from expectations, the timing and amount of recovery or settlement of regulatory balances could differ from those recorded. See Note 14.

Allowance for funds used during construction ("AFUDC") is included in the cost of property, plant and equipment and is depreciated over future periods as part of the total cost of the related asset. AFUDC includes both an interest component (interest during construction or "IDC") and, if approved by the regulator, a cost of equity component ("Equity AFUDC"). In the absence of rate regulation, TMP LP would capitalize interest using a capitalization rate based on its cost of borrowing, whereas the capitalized equity component, the corresponding earnings during the construction phase and the subsequent depreciation would not be recognized.

Revenue Recognition

Revenue from contracts with customers is accounted for in accordance with ASC Topic 606. The unit of account in Topic 606 is a performance obligation, which is a promise in a contract to transfer to a customer either a distinct good or service (or bundle of goods and services) or a series of distinct goods or services provided over a period of time. Topic 606 requires that a contract's transaction price, which is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, be allocated to each performance obligation in the contract based on relative standalone selling prices and recognized as revenue when (point in time) or as (over time) the performance obligation is satisfied.

2. Summary of Significant Accounting Policies *(continued)*

Revenue Recognition (continued)

Nature of Revenue

TMC primarily provides crude oil and refined petroleum transportation services. The TMPL and the Puget Pipeline are common carrier pipelines and the regulated tolls are designed to provide revenues sufficient to recover the costs of providing transportation services to shippers, including a return on invested capital. The TMPL provides services on both a firm and non-firm basis, whereas Puget Pipeline provides services on a non-firm basis. Firm transportation services are provided on the TMPL under long-term take or pay customer contracts with 15 and 20 year terms, which commenced with the commercial operations of the Expanded System on May 1, 2024. Under the firm service customer contracts there are minimum volume commitment elements. Non-firm ("uncommitted") transportation services are provided upon shipper nomination when and to the extent that it is determined capacity is available in these pipeline systems. The shippers pay a per-unit rate for actual quantities of product delivered from the transportation system.

Regulatory adjustments are made for TMPL's revenue for differences between transportation revenue recognized pursuant to toll agreements or transportation service agreements as approved by the CER and actual toll collections on the TMPL. Differences between transportation revenue recognized and actual toll collections are recognized as regulatory assets or liabilities and are settled in future tolls.

TMC also provides leased storage space for tanks under long-term contracts. The lease rates are designed to recover the operating costs of the tanks and to provide a return on invested capital. Refer to the leases discussion below for lessor accounting policies.

Other revenues include pipe rack rent revenue at TMC's terminals and other miscellaneous revenues.

Transportation Revenue from Contracts with Customers

The customer service contracts primarily include transportation service contracts. Generally, for the majority of these contracts: (i) the promise is to transfer a series of distinct integrated services over a period of time, which is a single performance obligation; (ii) the transaction price includes fixed and/or variable consideration, which amount is determinable at contract inception and/or at each month end based on the right to invoice at month end for the value of services provided to the customer that month; and (iii) the transaction price is recognized as revenue over the service period specified in the contract (which can be a day, including each day in a series of promised daily services, a month, a year, or other time increment, including a deficiency makeup period) as the services are rendered using a time-based (passage of time) or units-based (units of service transferred) output method for measuring transfer of control of the services and progress towards satisfying the performance obligation, based on the nature of the promised service (e.g., firm or non-firm) and the terms and conditions of the contract (e.g., contracts with or without makeup rights).

Firm services are services that are promised to be available to the customer at all times during the period(s) covered by the contract, with limited exceptions. The firm service contracts are typically structured with take-or-pay or minimum volume provisions, which specify minimum service quantities a customer will pay for even if it chooses not to receive or use them in the specified service period. The transaction price is recognized as revenue in the specified service period as the promised units of services are transferred to the customer.

Long-term firm service customer contracts, under which shippers are obligated to pay fixed amounts regardless of volumes shipped, may contain make-up rights. Make-up rights are earned by shippers when minimum volume commitments are not utilized during the period but under certain circumstances can be used in future periods, subject to expiry. If it is expected that the customer will make up all deficiencies it is contractually entitled to, any non-refundable consideration received relating to temporary deficiencies that will be made up in future periods will be deferred as a contract liability. Revenues associated with make-up rights are recognized at the earlier of when the make-up volume is shipped, the make-up right expires, or when it is determined that the likelihood that the shipper will utilize the make-up right is remote.

2. Summary of Significant Accounting Policies *(continued)*

Revenue Recognition (continued)

Transportation Revenue from Contracts with Customers (continued)

Non-firm services are the opposite of firm services in that such services are provided to a customer on an “as available” basis. Generally, there is no obligation to perform these services until a customer’s periodic request for service is accepted. For the majority of the non-firm service contracts, the customer will pay only for the actual quantities of services it chooses to receive or use, and the transaction price is typically recognized as revenue as those units of service are transferred to the customer in the specified service period (typically a monthly period).

Tolls charged under the Expanded System are based on the Interim Commencement Date Tolls (“ICDT”), which have been approved by the CER. Changes between ICDT and final tolls could result in changes to recognized revenue.

Leases

Lessee

An arrangement is determined to be, or contain, a lease at inception. Right-of-use (“ROU”) assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized based on the present value of future lease payments over the lease term at commencement date. For purposes of determining the lease liabilities, the lease term is deemed to include the renewal option when it is reasonably certain that it will be exercised. As most of TMC’s leases do not provide an implicit rate, an incremental borrowing rate based on the lease term is used to determine the present value of the lease payments. The implicit rate is used when readily determinable. Where leases are subject to changes based on an index or rate, the lease liability is not remeasured based on these changes and instead, are treated as variable lease payments. For certain leases, related to real estate, TMC applies the practical expedient to account for lease and non-lease components as a single component.

Leases are classified as either operating or finance leases. Operating leases are recognized as “Right-of-use assets” and corresponding liabilities are included in “Other current liabilities” and “Lease liabilities” on the accompanying consolidated balance sheet. Operating lease costs are recognized as a single lease cost on a straight-line basis over the lease term. Finance lease assets are included in “Property, plant, and equipment” and the corresponding liabilities are included in “Other current liabilities” and “Other deferred credits” on the accompanying consolidated balance sheet. Finance lease costs include recognition of interest expense on the lease liability and amortization of the ROU asset.

TMC elects not to apply recognition requirements of ROU assets and lease liabilities to short-term leases. Short-term leases are recognized in profit or loss on a straight-line basis over the lease term.

Lessor

Leases where the Corporation is the lessor are classified and accounted for as operating leases. The Corporation recognizes lease payments as income over the lease term on a straight-line basis. For certain leases, including the merchant tanks, the lease and non-lease components are accounted for as a single component. Variable lease payments are recognized as income in the period in which the change in facts and circumstances on which these payments are based occur. See Note 4 for additional information regarding leases.

Pensions and Post-employment Benefits

The differences between the fair value of each of the pension and other post-employment benefit plans’ assets and the benefit obligations are recorded as either assets or liabilities on the accompanying consolidated balance sheet. Deferred plan costs and income - unrecognized losses and gains, unrecognized prior service costs and credits, and any remaining unamortized transition obligations - are recorded in “Accumulated other comprehensive income” or as a regulatory asset or liability for certain regulated operations until they are amortized as a component of benefit expense. The service cost component of net benefit expense is recognized in “Salaries and benefits” and the other components of the net benefit expense are recognized in “Other, net” within the accompanying consolidated statement of income. See Note 12 for additional information regarding the pension and other post-employment benefit plans.

2. Summary of Significant Accounting Policies *(continued)*

Income Taxes

Income tax expense is based on an estimate of the effective tax rate in effect or to be in effect during the relevant periods. The changes in tax legislation are included in the relevant computations in the period in which such changes are enacted. The Corporation does business in various jurisdictions with differing laws concerning how income subject to each jurisdiction's tax regime is measured and at what effective rate such income is taxed, which requires an estimate of how income will be apportioned among the various jurisdictions in order to arrive at an overall effective tax rate. Changes in the effective rate, including any effect on previously recorded deferred taxes, are recorded in the period in which the need for such change is identified.

Deferred income tax assets and liabilities are recognized for temporary differences between the basis of assets and liabilities for financial reporting and tax purposes. Deferred tax assets are reduced by a valuation allowance for the amount that is, more likely than not, to not be realized. While estimated future taxable income and prudent and feasible tax planning strategies are considered in determining the amount of the valuation allowance, any change in the amount that is expected to ultimately be realized will be included in income in the period in which such a determination is reached.

Foreign Currency

Transactions in foreign currencies are initially recorded at the exchange rate in effect at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars using the closing exchange rate at the balance sheet date. The resulting exchange rate differences are included in the consolidated statement of income.

The assets and liabilities of Puget, which uses U.S. dollars as its functional currency, are translated to Canadian dollars at period-end exchange rates. Income and expense items are translated at weighted-average rates of exchange prevailing during the period and its equity accounts are translated by using historical exchange rates. The cumulative translation adjustments balance is included in "Accumulated other comprehensive income" on the consolidated statement of equity.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid short-term investments with original maturities of three months or less.

Restricted Cash

Cash and cash equivalents that are restricted as to withdrawal or usage are presented as restricted cash on the consolidated balance sheet and are presented as non-current to the extent they are to be used to satisfy long-term obligations. Restricted cash consists of cash in the Trust that is to be used to satisfy the LMCI liabilities.

Accounts Receivable

The Corporation's financial assets primarily consist of our accounts receivable from customers. TMC measures expected credit losses on a collective (pool) basis when similar risk characteristics exist. Historical credit losses by age of receivable, current economic conditions, and forward looking information is utilized in determining estimated credit losses. Accounts receivable are measured at cost, net of allowance for credit losses. Collectability is reviewed regularly and adjustments are established as necessary.

Inventories

Inventories, which consist of materials and supplies, are valued at weighted-average cost, and are periodically reviewed for physical deterioration and obsolescence.

Internal-Use Software

Internal-use software projects are recognized at historical cost and included in "Deferred amounts and other assets" on the accompanying consolidated balance sheet. TMC capitalizes costs incurred during the application development stage of internal-use software projects. In general, software assets are amortized on a straight-line basis over the assets estimated useful lives, commencing when the asset is available for use.

2. Summary of Significant Accounting Policies *(continued)*

Property, Plant and Equipment

Property, plant and equipment is recorded at historical cost. Expenditures are capitalized for construction, expansion, major renewals and betterments. Maintenance and repair costs are expensed as incurred. Expenditures are capitalized for project development if they are expected to have future benefit. Interest on borrowed funds is capitalized for non-rate-regulated assets. For rate-regulated assets, AFUDC is included in the cost of property, plant and equipment and is depreciated over future periods as part of the total cost of the related asset. IDC and interest capitalized on non-rate-regulated assets are referred to herein as “capitalized debt financing costs” and result in a reduction in interest expense. Equity AFUDC is recognized as other income in “Equity allowance for funds used during construction” in the accompanying consolidated statement of income.

Depreciation is recorded on a straight-line basis over the assets estimated useful lives. Depreciation rates for regulated assets are approved by the regulator.

Construction work in progress stops accumulating AFUDC and begins depreciating when the assets are available for their intended use.

Long-lived Asset Impairments

Long-lived assets, including property, plant and equipment as well as other intangibles are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses are recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount.

If indicators of impairment exist, a review is completed of the carrying value of the long-lived assets and any appropriate impairments are recorded prior to conducting the goodwill impairment test. Because the impairment test for long-lived assets held in use is based on undiscounted cash flows, there may be instances where an asset or asset group is not considered impaired, even when its fair value may be less than its carrying value, because the asset or asset group is recoverable based on the cash flows to be generated over the estimated life of the asset or asset group. For the year ended December 31, 2024 there were no impairments recorded to long-lived assets.

Goodwill

Goodwill is not subject to amortization but must be tested for impairment at least annually. Goodwill is tested for impairment by comparing the fair value of a reporting unit with its carrying amount. To the extent the carrying amount of the reporting unit exceeds its fair value a loss is recognized for the excess. Goodwill is also evaluated for impairment to the extent events or conditions indicate a risk of possible impairment. Generally, the evaluation of goodwill for impairment involves a quantitative test, although under certain circumstances an initial qualitative evaluation may be sufficient to conclude that goodwill is not impaired without conducting the quantitative test. For the year ended December 31, 2023, a goodwill impairment loss of $888 million was recognized. See Note 8 for details on goodwill.

Restricted Investments

Restricted investments are long-term investments in Canadian government and Federal agency bonds held in the Trust. The restricted long-term investments held by the Trust are to be used solely for the purposes of satisfying future abandonment costs under the LMCI. There are related LMCI long-term obligations of an amount equal to the restricted cash and restricted investments in the Trust recorded in “Regulatory liabilities” on the accompanying consolidated balance sheet. The abandonment cost estimate used to measure and fund the Trust is based on a set of assumptions and a collection period established by the CER. The restricted assets are measured at fair value with offsetting adjustments recorded to the LMCI liabilities. Fair values for the restricted investments are determined based on observable prices and inputs for similar instruments available in the market, utilizing widely accepted cash flow models to value such instruments. Such techniques represent a Level 2 fair value measurement. See Note 14 for details on the amounts recorded in “Regulatory liabilities”.

2. Summary of Significant Accounting Policies *(continued)*

Deferred Financing Costs

Financing costs incurred with new borrowings are deferred and subsequently recognized in “Interest expense, net of capitalized debt financing” in the accompanying consolidated statement of income over the contractual term of the obligation.

Asset Retirement Obligations (“ARO”)

Liabilities are recorded for obligations related to the retirement and removal of long-lived assets used in the Corporation’s businesses. Liabilities are recorded for the fair value of ARO on a discounted basis when they are incurred and can be reasonably estimated. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities increase due to the change in their present value, and the initial capitalized costs are depreciated over the useful lives of the related assets. The liabilities are eventually extinguished when the asset is taken out of service.

Due to the lack of information that can be derived from past experience or industry practice, the timing and scope of future removal and site restoration costs for the majority of the Corporation’s assets is not reasonably determinable. Therefore, ARO is not recognized until this information becomes available. Short term ARO is recorded in “Other current liabilities” and long term ARO is recorded in “Other deferred credits.” Also see Note 14 regarding pipeline abandonment surcharges retained in the Trust.

Environmental Matters

Environmental expenditures are capitalized or expensed, as appropriate. Certain environmental expenditures required in obtaining rights-of-way, regulatory approvals or permitting as part of construction are capitalized. Environmental costs that relate to an existing condition caused by past operations, which do not contribute to current or future revenue generation are accrued and expensed. Generally, environmental liabilities are not discounted to a net present value and are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Generally, recording of these accruals coincides with completion of a feasibility study or commitment to a formal plan of action. Receivables are recognized for associated insurance recoveries when such recoveries are deemed to be probable. Environmental liabilities assumed in a business combination are recorded at estimated fair value, where appropriate.

Reviews of potential environmental issues and claims that could impact the Corporation’s assets or operations are routinely conducted. These reviews assist in identifying environmental issues and estimating the costs and timing of remediation efforts. Environmental liabilities are also routinely adjusted to reflect changes in previous estimates. In making environmental liability estimations, the material effect of environmental compliance, pending legal actions against the Corporation, and potential third-party liability claims are considered. Often, as the remediation evaluation and effort progresses, additional information is obtained, requiring revisions to estimated costs. These revisions are reflected in income in the period in which they are reasonably determinable. As of December 31, 2024 and 2023, there was $9 million and $12 million, respectively accrued for outstanding environmental matters and are included in “Other current liabilities” and “Other deferred credits” within the accompanying consolidated balance sheet.

TMEP Construction Offset Obligations

Liabilities are recorded for obligations to offset greenhouse gas emissions generated by construction of the TMEP which could be settled over multiple years. The TMEP construction offset obligations are included in “Other current liabilities” and “Other deferred credits” within the accompanying consolidated balance sheet, with an offsetting amount recognized in “Regulatory assets” as amounts are recoverable through future tolls. The quantity of emissions required for offset, expressed in tonnes of carbon dioxide equivalent (“CO_2e”), is estimated using the National Inventory Report 1990-2021: Greenhouse Gas Sources and Sinks in Canada from Environment and Climate Change Canada and the Carbon Budget Model of the Canadian Forest Sector. Costs per tonne of CO_2e is estimated based on expected fair value of offsets which includes assumptions such as the type of offset, location of generated offset, and expected timing of settlement. Estimates are reviewed and updated regularly based on the most recent available information.

2. Summary of Significant Accounting Policies *(continued)*

Accounting Standards Updates ("ASU") Not Yet Adopted as of December 31, 2024

Income taxes — ASU No. 2023-09

In December 2023, the FASB issued ASU No. 2023-09, *"Income Taxes (Topic 740): Improvements to income tax disclosures."* This ASU requires additional disclosures related to income tax rate reconciliation, income taxes paid and certain tax information by jurisdiction. ASU No 2023-09 will be effective as of January 1, 2026 with early adoption permitted. Management is currently reviewing the effect of this ASU on the consolidated financial statements.

Codification Improvements — ASU No. 2024-02

In February 2024, the FASB issued ASU No. 2024-02, *"Codification Improvements: Amendments to Remove References to the Concept Statements."* Amendments made under this ASU removes references to concept statements in the codification, which are non-authoritative. This update affects a variety of topics within the codification and could affect the current application of accounting guidance. ASU 2024-02 is effective for fiscal years beginning after December 15, 2025, with early adoption permitted. Management is currently reviewing the effect of this ASU on the consolidated financial statements.

3. Revenue Recognition

Disaggregation of Revenues

The following table presents revenues disaggregated by revenue source and type of revenue for each revenue source:

Year ended December 31,	**2024**	**2023**
(millions of Canadian dollars)		
Transportation		
Firm services [(a)]	1,514	-
Fee-based services[(b)]	321	476
Regulatory adjustment [(c)]	(17)	(28)
	1,818	448
Lease *(Note 4)*	62	71
Other	2	3
Total revenues	**1,882**	**522**

(a) Firm services include non-cancellable firm service customer contracts, which commenced on May 1, 2024 with commercial operations of the Expanded System, where there are minimum volume commitment elements and the price is fixed. Amounts exclude the variable toll component related to the firm service contracts, which are reported as "Fee-based services."

(b) Fee-based services include the variable toll component from firm service contracts and consideration from uncommitted transportation services, including transportation services prior to the commercial commencement of the Expanded System on May 1, 2024.

(c) Regulatory adjustments are made for differences between transportation revenue recognized pursuant to toll agreements or transportation service agreements as approved by the CER and actual tolls collected on the TMPL.

Contract Liabilities

Contract liabilities are the result of timing differences between revenue recognition, billings and cash collections and represent payments received for performance obligations which have not yet been fulfilled. Contract liabilities primarily relate to make-up rights and deferred revenue for firm service contracts in place under the Expanded System. Contract liabilities also include capital improvements paid for in advance by certain customers, generally in the Corporation's non rate regulated businesses, which are subsequently recognized as revenue on a straight-line basis over the initial term of the related customer contracts.

3. Revenue Recognition *(continued)*

Contract Liabilities (continued)

Contract liabilities are presented as follows:

Year ended December 31,	2024	2023
(millions of Canadian dollars)		
Other current liabilities *(Note 11)*	135	-
Other deferred credits *(Note 13)*	3	4
Total contract liabilities	**138**	**4**

Less than $1 million in revenues were recognized during the year ended December 31, 2024 that were included in contract liabilities at the beginning of the year.

Revenue Allocated to Remaining Performance Obligations

The following table presents the estimated revenue related to remaining performance obligations for contracted revenue that has not yet been recognized as of December 31, 2024 and will be invoiced, or transferred from contract liabilities as disclosed above, and recognized in future periods.

Year	Estimated Revenue
(millions of Canadian dollars)	
2025	2,632
2026	2,559
2027	2,623
2028	2,696
2029	2,756
Thereafter	46,635
Total	**59,901**

The contractually committed revenue primarily consists of customer contracts for firm service, which have minimum volume commitment payment obligations. The actual revenue recognized on these customer contracts can vary depending on the service provided. The contractually committed revenue for purposes of the tabular presentation above is generally limited to the minimum revenue committed to under these customer contracts. Variable toll components from firm service contracts and consideration from uncommitted transportation services are excluded from the amounts above until actual volumes and tolls are determined.

4. Leases

Lessee

TMC incurs operating lease costs related primarily to real estate buildings, land, and office equipment. The operating leases have remaining lease terms ranging from one to 80 years. TMC is obligated to pay variable costs as it relates to building and land, such as a proportionate share of property taxes, insurance and common area maintenance. These payments are excluded from the lease liabilities. Some leases have options to extend the lease which are included in the lease term for purposes of determining the lease liabilities when it is reasonably certain that the renewal option will be exercised.

4. Leases *(continued)*

Lessee (continued)

The following table presents the amounts recognized related to operating leases:

Year ended December 31,	2024	2023
(millions of Canadian dollars)		
Lease cost:		
Operating lease cost[(a)]	11	33
Short-term and variable cost	7	32
Total operating lease cost	**18**	**65**
Other information:		
Operating cash flows from operating leases	(5)	(4)
Investing cash flows from operating leases	(10)	(32)
Reduction in operating ROU assets	9	29

(a) Includes capitalized lease costs of $7 million and $29 million for the years ended December 31, 2024 and 2023, respectively.

The following table presents other information related to operating leases:

December 31,	2024	2023
Weighted-average remaining lease term	42.6 years	35.8 years
Weighted-average discount rate	4.4%	4.4%

Lease Maturity analysis

The operating lease payments under non-cancellable leases, excluding short-term leases, as of December 31, 2024 are as follows:

Year	Operating Lease Payments
(millions of Canadian dollars)	
2025	5
2026	5
2027	5
2028	3
2029	3
Thereafter	97
Total undiscounted cash flows	118
Less: imputed interest	(66)
Total operating lease liabilities	**52**
Presented as:	
Other current liabilities *(Note 11)*	5
Lease liabilities	47

Lessor

Operating leases in which the Corporation is the lessor primarily relate to merchant tanks owned by the Corporation. These leases have remaining lease terms of up to 14 years, some of which have extension options of up to 5 years per the renewal term. The agreement terms on certain merchant tanks are subject to automatic renewal for successive 5-year terms unless terminated by either party within the specified notice period. In relation to the same merchant tanks, the Corporation retains the right to relinquish the right of the lessee to use any specified tank, or multiples of such, if the assets are required for regulated service and the appropriate notice period of approximately 2 years is given. During the year ended December 31, 2023, Trans Mountain recalled two tanks for regulated service. Options for a lessee to renew the contract are not included as part of future minimum operating lease revenues. None of the Corporation's leases allow the lessee to purchase the leased asset.

4. Leases *(continued)*

Lessor (continued)

Some leases contain payments for both lease and non-lease components, such as the services associated with the operation of the various merchant tanks. Variable lease payments related to the service of operating certain merchant tanks have been excluded from the future operating lease revenues as their variability is dependent on the use of the merchant tanks, market conditions and pricing, occurrence or non-occurrence of certain events or based on other factors controlled by TMC as lessor.

Merchant tank income is recognized in "Lease revenue" and includes the variable lease payments described above. For the years ended December 31, 2024 and 2023, lease income from merchant tanks was $62 million and $71 million, respectively, which include variable lease income of $18 million and $20 million, respectively. See Note 3 for revenue details.

The future undiscounted minimum merchant tank operating lease payments to be received based on contractual agreements as of December 31, 2024 are as follows:

Year	**Operating Lease Payments to be Received**
(millions of Canadian dollars)	
2025	41
2026	37
2027	35
2028	33
2029	32
Thereafter	216
Total	**394**

The cost, accumulated depreciation, and net book value of property, plant and equipment that represent merchant tank operating leases are as follows:

December 31,	**2024**	**2023**
(millions of Canadian dollars)		
Cost	420	420
Accumulated depreciation	(85)	(68)
Net book value	**335**	**352**

5. Income Taxes

Components of the income tax provision are as follows:

Year ended December 31,	**2024**	**2023**
(millions of Canadian dollars)		
Current tax expense	5	5
Deferred tax (recovery) expense	(5)	218
Total income tax expense	**-**	**223**

5. Income Taxes *(continued)*

The current and deferred tax rate was 24.7% for the years ended December 31, 2024 and 2023. The difference between the statutory income tax and the effective income tax recognized is summarized below.

Year ended December 31,	**2024**	**2023**
(millions of Canadian dollars)		
Federal and provincial statutory income tax expense	1	4
Decrease (Increase) as a result of:		
Non-deductible goodwill impairment	-	219
Foreign tax rate differential	(1)	(1)
Adjustment related to prior periods	-	1
Total income tax expense	**-**	**223**

Deferred tax assets and liabilities result from the following:

December 31,	**2024**	**2023**
(millions of Canadian dollars)		
Deferred tax assets		
Non-capital losses	895	568
Excess interest carried forward	257	-
Reserves	63	19
Total deferred tax assets	**1,215**	**587**
Deferred tax liabilities		
Property, plant and equipment	(2,340)	(1,714)
Total deferred tax liabilities	**(2,340)**	**(1,714)**
Total deferred income taxes	**(1,125)**	**(1,127)**

Expiration Periods for Deferred Tax Assets: There were non-capital loss carryforwards of $3.6 billion and $2.3 billion as of December 31, 2024 and 2023, respectively, which will start to expire in 2037. There was excess interest expense carried forward of $1.0 billion as of December 31, 2024, which will start to expire in 2045.

Unrecognized Tax Benefits: There were no unrecognized tax benefits as of December 31, 2024 and 2023.

6. Other Current Assets

December 31,	**2024**	**2023**
(millions of Canadian dollars)		
Prepaid expenses and deposits	37	13
Inventory	29	10
Regulatory assets *(Note 14)*	48	4
Total other current assets	**114**	**27**

7. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

December 31,	**Useful Life in Years**	**2024**	**2023**
(millions of Canadian dollars)			
Pipelines	30-64	28,003	1,291
Tanks and Station Equipment	5-51	8,334	1,947
Other	5-40	540	44
Accumulated depreciation, depletion, and amortization		(1,130)	(542)
		35,747	2,740
Construction work in progress		72	31,378
Land		330	310
Property, plant and equipment		**36,149**	**34,428**

On May 1, 2024, upon commercial commencement of the Expanded System, the TMEP assets were transferred from construction work in progress to their respective fixed asset classification resulting in commencement of depreciation and amortization as well as cessation in the capitalization of equity AFUDC and capitalized debt financing costs. Construction costs continue to be incurred for the TMEP related to the remaining cleanup, reclamation and road and civil work. As of December 31, 2024, construction work in progress related to the TMEP was $27 million, compared to $31.3 billion as of December 31, 2023.

Equity AFUDC and capitalized debt financing costs charged against property, plant and equipment totaled $462 million and $327 million, respectively for the year ended December 31, 2024 and $1.2 billion and $825 million, respectively for the year ended December 31, 2023, which was primarily related to the TMEP. See Note 2 for more details on the regulatory concept of AFUDC.

Depreciation and amortization expense charged against property, plant and equipment was $600 million for the year ended December 31, 2024 and $101 million for the year ended December 31, 2023.

8. Goodwill

During the year ended December 31, 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. Management is required to evaluate goodwill at least annually, or more frequently when indicators of impairment exist. As a result of significant factors, primarily a rise in the cost of capital from increased domestic interest rates, as well as changes in the timing of the commencement of service of the TMEP and related increases in construction costs, Management performed an impairment test as of September 30, 2023. The fair value of the reporting unit was estimated using an income-based approach based on discounted cash flows. The estimate of fair value required the use of significant unobservable inputs, including assumptions related to the discount rate, the timing and cost to complete the TMEP, tolls consistent with the CER approved toll methodology, and the likelihood that cash flows will be re-contracted at the end of the initial TMEP term contracts, and therefore, the fair value was representative of a Level 3 fair value.

9. Deferred Amounts and Other Assets

December 31,	**2024**	**2023**
(millions of Canadian dollars)		
Internal-use software	38	36
Pension and post-employment benefits *(Note 12)*	16	8
Debt issuance costs	-	10
Other recoverable assets and prepayments	15	46
Total deferred amounts and other assets	**69**	**100**

9. Deferred Amounts and Other Assets *(continued)*

Depreciation and amortization expense charged against “Deferred amounts and other assets” for the years ended December 31, 2024 and 2023 was $7 million and $8 million, respectively and relates to internal-use software and other recoverable assets. Accumulated depreciation and amortization as of December 31, 2024 and 2023 was $21 million and $17 million, respectively.

10. Accounts Payable and Accrued Liabilities

December 31,	**2024**	**2023**
(millions of Canadian dollars)		
Trade accounts payable and other accrued liabilities	196	114
Property, plant and equipment accrued liabilities and contractor retainage	327	849
Total accounts payable and accrued liabilities	**523**	**963**

11. Other Current Liabilities

December 31,	**2024**	**2023**
(millions of Canadian dollars)		
Operating lease liabilities *(Note 4)*	5	15
Finance lease liabilities	2	1
Environmental accrual	2	10
Pension and post-employment benefits *(Note 12)*	2	2
Contract liabilities *(Note 3)*	135	-
TMEP construction emission offset obligation	49	-
Asset retirement obligations	10	-
Total other current liabilities	**205**	**28**

12. Pension and Post-employment Benefits

TMCI sponsors pension plans covering eligible Canadian employees and retirees (the Legacy and TMCI plans). Legacy plans are closed to new participants. The plans include registered defined benefit pension plans (the Legacy plan includes a defined contribution component and is included in the following disclosures), and supplemental unfunded arrangements which provide pension benefits in excess of Income Tax Act limits. Post-employment benefits other than pension are also provided for qualified retired employees.

Retirement benefits under the defined benefit plans are based on employees’ years of credited service and pensionable earnings. Contributions for the defined benefit component of the plans are based on independent actuarial valuations. The most recent actuarial valuation for the defined benefit pension plans for funding purposes was completed as of December 31, 2023. Contributions for the defined contribution component of the Legacy plan were based on pensionable earnings.

Certain employees are eligible to receive supplemental benefits under the defined benefit plans. The supplemental plans provide pension benefits in excess of Income Tax Act limits, but consistent with the plan formula. The TMCI supplemental plan is unfunded and the Legacy supplemental plan is secured by a letter of credit.

Other post-employment benefits (“OPEB”) are provided to current and future retirees and their dependents, including depending on circumstance, supplemental health, dental and life insurance coverage. Medical benefits under those OPEB plans may be subject to deductibles, co-payment provisions, dollar caps and other limitations on the amount of employer costs, and the Corporation reserves the right to change these benefits. Post-employment benefits are unfunded and annual expense is recorded on an accrual basis based on independent actuarial determination, considering, among other factors, health care cost escalation. The most recent actuarial valuation for accounting purposes was completed as of December 31, 2024.

12. Pension and Post-employment Benefits *(continued)*

Benefit Obligation, Plan Assets, and Funded Status

The following table provides information about the pension and OPEB plans.

	Pension		OPEB	
Year ended December 31,	**2024**	**2023**	**2024**	**2023**
(millions of Canadian dollars)				
Change in benefit obligation:				
Benefit obligation, opening	291	252	16	14
Service cost	12	9	-	-
Interest cost	13	13	1	1
Actuarial loss	3	25	1	1
Benefits paid	(13)	(12)	(1)	-
Participant contributions	6	5	-	-
Expenses paid	-	(1)	-	-
Benefit obligation, ending	312	291	17	16
Change in plan assets:				
Fair value of plan assets, opening	255	233	-	-
Return on plan assets	24	22	-	-
Employer contributions	10	7	1	1
Participant contributions	6	5	-	-
Benefits paid	(13)	(12)	(1)	(1)
Fair value of plan assets, ending	282	255	-	-
Funded status – net liabilities	**30**	**36**	**17**	**16**
Presented as follows:				
Non-current benefit asset[(a)]	16	8	-	-
Current benefit liabilities[(b)]	(1)	(1)	(1)	(1)
Non-current benefit liabilities[(c)]	(45)	(43)	(16)	(15)
Total net liabilities	**(30)**	**(36)**	**(17)**	**(16)**

(a) Amounts included in “Deferred amounts and other assets” on the consolidated balance sheet (Note 9).
(b) Amounts included in “Other current liabilities” on the consolidated balance sheet (Note 11).
(c) Amounts included in “Pension and post-employment benefits” on the consolidated balance sheet.

As of December 31, 2024, the most significant source of actuarial gains is the greater than expected asset returns as well as the increase in applicable bond yields used to determine the present value of obligations, which was offset by losses due to refreshed census data as of December 31, 2023. There were also less significant changes in other financial assumptions. As of December 31, 2023, the most significant source of actuarial gains was the increase in the applicable bond yields used to determine the present value of obligations. These gains were offset by lower than expected asset returns. There were also less significant changes due to refreshed census data as of December 31, 2022.

The funded status based on the accumulated benefit obligation for all pension plans is as follows:

December 31,	**2024**	**2023**
(millions of Canadian dollars)		
Fair value of plan assets	282	255
Accumulated benefit obligation	280	260
Funded status – plan surplus (deficit)	**2**	**(5)**

12. Pension and Post-employment Benefits *(continued)*

Benefit Obligation, Plan Assets, and Funded Status (continued)

Certain plans included in the above have both an accumulated benefit obligation and a projected benefit obligation in excess of the fair value of plan assets. These plans included the Legacy supplemental pension plan and the TMCI supplemental pension plan as of December 31, 2024 and 2023. For these plans, the total projected benefit obligation, accumulated benefit obligation and fair value of plan assets were as follows:

December 31,	**2024**	**2023**
(millions of Canadian dollars)		
Fair value of plan assets	4	4
Projected benefit obligation	51	48
Accumulated benefit obligation	44	40

Components of Accumulated Other Comprehensive Income

The following table details the amounts of pre-tax accumulated other comprehensive loss related to the pension and OPEB plans, which are included in "Accumulated other comprehensive income" on the accompanying consolidated balance sheet:

	Pension		**OPEB**	
December 31,	**2024**	**2023**	**2024**	**2023**
(millions of Canadian dollars)				
Unrecognized net actuarial gain	(22)	(16)	(4)	(4)
Unrecognized prior service cost	2	2	-	-
Accumulated other comprehensive income	**(20)**	**(14)**	**(4)**	**(4)**

Actuarial gains and losses and prior service costs deferred in accumulated other comprehensive income are amortized into income over either the period of expected future service of active participants, or over the expected future lives of inactive plan participants.

Plan Assets

The investment policies and strategies for the assets of the pension plans are established by the Pension Committee (the "Committee"), which is responsible for investment decisions and management oversight of the plans. The stated philosophy of the Committee is to manage these assets in a manner consistent with the purpose for which the plans were established and the time frame over which the plans' obligations need to be met. The objectives of the investment management program are to (i) meet or exceed plan actuarial earnings assumptions over the long term and (ii) provide a reasonable return on assets within established risk tolerance guidelines and to maintain the liquidity needs of the plans with the goal of paying benefit and expense obligations when due. In seeking to meet these objectives, the Committee recognizes that prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the targeted investment returns. In order to reduce portfolio risk and volatility, the Committee has adopted a strategy of using multiple asset classes.

As of December 31, 2024 and 2023, the target asset allocation for the Legacy plans was 95% fixed income and 5% equity and the target allocation for the TMCI plans was 40% fixed income, 50% equity, and 10% real estate investments.

12. Pension and Post-employment Benefits *(continued)*

Plan Assets (continued)

Below are the details of the pension plan assets by class and a description of the valuation methodologies used for assets measured at fair value.

December 31,	**2024**	**2023**
(millions of Canadian dollars)		
Measured within Level 1 of fair value hierarchy		
Cash	3	5
Mutual funds[(a)]	262	233
Measured within Level 2 of fair value hierarchy		
Real estate investment funds	17	17
Total plan assets	**282**	**255**

(a) Mutual funds were invested in approximately 57% fixed income and 43% equity as of December 31, 2024 and 61% fixed income and 39% equity as of December 31, 2023.

Level 1 asset fair values are based on quoted market prices for the instruments in actively traded markets. Included in this level are cash and exchange traded mutual funds. These investments are valued at the closing price reported on the active market on which the individual securities are traded. Included in Level 2 are real estate investment funds for which the fair value is determined using inputs other than quoted prices included in Level 1 that are observable for the assets.

Expected Payment of Future Benefits and Employer Contributions

The following are the expected future benefit payments as of December 31, 2024:

Year	**Pension**	**OPEB**
(millions of Canadian dollars)		
2025	15	1
2026	15	1
2027	16	1
2028	16	1
2029	16	1
2030-2034	85	5

In 2025, employer contributions are expected to be approximately $10 million and $1 million for the pension and OPEB plans, respectively.

12. Pension and Post-employment Benefits *(continued)*

Actuarial Assumptions

Benefit obligations and net benefit cost are based on actuarial estimates and assumptions. The following table details the weighted-average actuarial assumptions used in determining the benefit obligation and net benefit costs of the pension and OPEB plans:

	Pension		OPEB	
December 31,	**2024**	**2023**	**2024**	**2023**
Assumptions related to benefit obligations:				
Discount rate	4.7%	4.6%	4.7%	4.6%
Rate of compensation increase	3.8%	4.5/3.8% [a]	N/A	N/A
Assumptions related to benefit costs:				
Discount rate for benefit obligations	4.6%	5.3%	4.6%	5.3%
Discount rate for interest on benefit obligations	4.6%	5.2%	4.6%	5.2%
Discount rate for service cost	4.6%	5.3%	4.6%	5.3%
Discount rate for interest on service cost	4.6%	5.3%	4.7%	5.3%
Expected return on plan assets	5.9%	5.8%	N/A	N/A
Rate of compensation increase	4.5/3.8% [a]	5.0/3.8% [b]	N/A	N/A

(a) Actuarial estimates assumed a rate of compensation increase of 4.5% for 2024 and 3.8% thereafter.
(b) Actuarial estimates assumed a rate of compensation increase of 5.0% for 2023 and 3.8% thereafter.

The expected long-term rates of return on plan assets were determined by combining a review of the historical returns realized within the portfolio, the investment strategy included in the plans' investment policy, and capital market projections for the asset classes in which the portfolio is invested and their target weightings of each asset class.

Actuarial estimates for the OPEB plan benefit obligation assumed a weighted-average annual rate of increase in the per capita cost of covered health care benefits of 5.1% gradually decreasing to 4.0% by the year 2040.

Components of Net Benefit Cost and Other Amounts Recognized in Other Comprehensive Income

The components of net benefit cost and other amounts recognized in pre-tax other comprehensive income related to the pension and OPEB plans for the years ended December 31, 2024 and 2023 are presented in the table below.

	Pension		OPEB	
Year ended December 31,	**2024**	**2023**	**2024**	**2023**
(millions of Canadian dollars)				
Components of net benefit cost:				
Service cost	12	9	-	-
Interest cost	13	13	1	1
Expected return on plan assets	(15)	(13)	-	-
Amortization of net gain	-	(1)	-	-
Net benefit cost	10	8	1	1
Other changes recognized in other comprehensive income:				
Net (gain) loss arising during the year	(6)	16	-	1
Amortization of net gain	-	1	-	-
Total recognized in total other comprehensive (income) loss	(6)	17	-	1
Total recognized in net benefit cost and other comprehensive loss	**4**	**25**	**1**	**2**

13. Other Deferred Credits

December 31,	**2024**	**2023**
(millions of Canadian dollars)		
Contract liabilities *(Note 3)*	3	4
Environmental liabilities	7	2
Finance lease liabilities	6	5
Asset retirement obligations	15	-
TMEP construction emission offset obligations	16	-
Total other deferred credits	**47**	**11**

14. Accounting for Regulatory Activities

The following table summarizes the regulatory asset and liability balances. The current regulatory assets are included in “Other current assets” within the consolidated balance sheet.

December 31,	**2024**	**2023**
(millions of Canadian dollars)		
Bulk oil cargo fee	6	-
Enhanced response regime cost recovery	42	-
Under-collections of transportation revenue and capacity incentives	-	4
Total current regulatory assets *(Note 6)*	48	4
Under-collections of transportation revenue	65	-
Enhanced response regime cost recovery	145	194
Total non-current regulatory assets	210	194
Total regulatory assets	**258**	**198**
Westridge dock premiums	47	41
Over-collections of transportation revenue	39	25
Redirect fee	10	7
Total current regulatory liabilities	96	73
Pipeline abandonment surcharges	98	112
Total non-current regulatory liabilities	98	112
Total regulatory liabilities	**194**	**185**

Under/Over-collections of transportation revenue and capacity incentives

For 2023 and the first four months of 2024, prior to the Expanded System commencing service, tolls were governed by the terms of the 2022 - 2023 Incentive Toll Settlement and the 2024 Incentive Toll Settlement, respectively (“ITS Agreements”). These ITS Agreements were negotiated settlements between TMP LP and its shippers, as approved by the CER. For transportation under the Expanded System, tolls were charged based on the Interim Commencement Date Tolls (“ICDT”), which are based on the tolling methodology in the Expanded System Transportation Service Agreement (“TSA”) and Facility Support Agreement (“FSA”) with firm shippers. The ICDT, TSA and FSA have been approved by the CER with final tolls expected to be determined and approved in the coming years.

Under the terms of the ITS and ICDT, tolls are designed to recover an approved rate of return on capital, and certain estimated operating expenses for the upcoming year. In addition to recovering certain estimated operating expenses, the variable toll component of the ICDT is designed to recover uncontrollable costs as specified in the TSA and FSA, which includes the costs of the TMEP’s emission offset obligations. Differences between expected and actual toll proceeds cause a transportation revenue variance (an under or over collection of revenue) in a given year. These under or over collections are recorded as regulatory assets or liabilities, respectively, and they are collected from or refunded to shippers via toll adjustments in subsequent years.

14. Accounting for Regulatory Activities *(continued)*

Bulk oil cargo fee ("BOCF") and Enhanced Response Regime Cost Recovery Fee ("ECRF")

The BOCF is intended to provide the Western Canada Marine Response Corporation ("WCMRC") with funds for spill response and is collected from shippers based on volume of commodities moved through the WCMRC's response area. TMP LP remits the BOCF related to traffic through the Westridge Marine Terminal (the "dock") to WCMRC and collects it from TMPL shippers through a tariff provision.

On January 19, 2016, the CER approved an alternative funding mechanism for WCMRC to enhance spill response capability for expected traffic increases related to the TMEP (the Enhanced Response Regime, or "ERR"). Costs related to the ERR were remitted to WCMRC by TMP LP. TMP LP began recovery of these payments over a period of up to 5 years through the ECRF, which is an element of the variable toll for transportation to the Westridge Marine Terminal. Recovery includes carrying charges incurred prior to commencement of commercial operations of the Expanded System on May 1, 2024.

Westridge dock bid premium

On April 12, 2006, the CER approved the inclusion of a Westridge dock bid premium in the TMPL tariff structure as a means of allocating capacity to shippers at the Westridge dock. The premiums collected do not result in revenue and are recorded as regulatory liabilities because they are refundable to shippers in future periods through tariff reductions incorporated into the following year's toll filings. The timing of such tariff reductions varies depending on the toll filing which is agreed with the shippers and approved by the CER, but it is generally one year or more. Customer demand for capacity at the dock determines the amount of premiums collected and therefore, the amount added to the regulatory liability can vary year to year.

Redirect fee

Under the terms of the ITS Agreements, shippers were charged an alternate delivery point fee for deliveries to destinations other than the designated delivery point upon nomination. These fees did not result in revenue, because they are collected on behalf of the shippers merely as a means of organizing scheduling and are not compensation for providing services. These collections are recorded as regulatory liabilities and are refunded to shippers via toll adjustments in subsequent years.

Pipeline abandonment surcharges

Amounts represent collection of surcharges related to future pipeline abandonment which is retained in the Trust. The Trust was established in 2015 in the Province of Alberta to set aside funds collected through pipeline abandonment surcharges over a collection period established by the CER. The use of amounts in the Trust is restricted to pay for future abandonment costs. Asset retirement obligations recognized during the year are expected to be recovered from the Trust.

15. Debt

The carrying value of debt included in the consolidated balance sheet is as follows:

December 31,	**2024**	**2023**
(millions of Canadian dollars)		
Syndicated Facility	-	16,090
Credit Agreement with parent		
Acquisition Facility	2,506	2,506
Construction Facility	6,162	5,744
Refinancing Facility	3,332	-
Working Capital Facility[(a)]	-	-
Financial Capacity Line of Credit with parent[(b)]	-	-
Total Debt	**12,000**	**24,340**

(a) As of December 31, 2024, the Working Capital Facility has $500 million of available capacity.
(b) As of December 31, 2024, the Financial Capacity Line of Credit has $550 million of available capacity.

15. Debt *(continued)*

Credit Agreement with Syndicated Lenders

TMC entered into a credit agreement with a syndicate of lenders on April 29, 2022, which has been subsequently amended and restated, with the most recent amendment on May 17, 2024 (the “Syndicated Credit Agreement”). The Syndicated Credit Agreement includes a senior unsecured revolving facility (the “Syndicated Facility”) and a letter of credit facility (the “LC Facility”). The Syndicated Credit Agreement also includes a guarantee provided from the Government of Canada. See Note 16 for more information on the guarantee and associated fees. The Syndicated Credit Agreement has a maturity date of August 31, 2026 and there are no financial covenants.

Syndicated Facility

The available credit on the Syndicated Facility was increased from $17.9 billion to $18.9 billion on May 17, 2024. The increase to the facility included a corresponding increase to the guarantee provided from the Government of Canada.

On December 20, 2024, TMC paid the outstanding balance and cancelled the Syndicated Facility using the proceeds of the funding from TMP Finance described below and in Note 16. All deferred debt costs remaining were recognized upon cancellation of the facility in “Interest expense, net of capitalized debt financing costs” within the accompanying consolidated statement of income.

Borrowings under the Syndicated Facility bear interest at the Canadian Prime Rate or Canadian Overnight Repo Rate Average (“CORRA”) plus applicable margins and commitment fees. The effective interest rate for both the period of January 1, 2024 up to December 20, 2024 when the Syndicated Facility was cancelled and the year ended December 31, 2023 was 6.2%.

Letter of Credit Facility

As of December 31, 2024, TMC had letters of credit of $74 million issued and outstanding from the available $100 million facility.

Subsequent to year end, on February 5, 2025, the LC Facility and the Syndicated Credit Agreement were terminated. Concurrently, the LC 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.

Credit Agreement with Parent

TMC has a credit agreement with TMP Finance dated August 29, 2018 that was amended most recently on December 13, 2024 (the “Credit Agreement”), which includes three non-revolving term loan facilities, an Acquisition Facility, a Construction Facility, a Refinancing Facility, and a revolving Working Capital Facility (collectively, the “Facilities”). The Facilities have an interest rate of 5% on amounts outstanding and repayment during the term of the loan is permitted. There are no financial covenants.

On December 13, 2024, the Credit Agreement was amended and restated to provide the Refinancing Facility and Working Capital Facility, and to extend the maturity date for all facilities to August 31, 2032. Prior to the amendment, interest incurred under the Credit Agreement was paid in kind and added to the principal amount of the Construction Facility semiannually. Additionally, interest incurred on the Refinancing Facility was paid in kind and added to the principal as of December 31, 2024. Following the Credit Agreement amendments, interest incurred after December 31, 2024 on all Facilities is to be paid monthly.

As of December 31, 2024, there were no draws on the $500 million available Working Capital Facility. See Note 16 for further details on transactions with related parties.

In addition, TMP LP has a $550 million line of credit agreement with TMP Finance dated March 25, 2019 (the “Financial Capacity Line of Credit”) that was 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 commitment fee of 0.3% on the unadvanced portion. There are no financial covenants on the Financial Capacity Line of Credit and as of December 31, 2024 and 2023, there were no amounts drawn.

16. Transactions with Related Parties

The Corporation is related in terms of common ownership to all Canadian federal government departments, agencies and Crown corporations. The Corporation may enter into transactions with some of these entities in the normal course of business.

Funding from Parent

The following table presents transactions with TMP Finance during the year ended December 31, 2024 and 2023. Refer to Note 15 for details on the credit agreements.

Year ended December 31,	**2024**	**2023**
(millions of Canadian dollars)		
Issuances of debt[(a)]	3,750	398
Interest and commitment fees on debt *(Note 17)*	425	399
Capital contributions	14,726	-

(a) Issuances include interest incurred under the Credit Agreement and paid in kind semiannually. For the year ended December 31, 2024, $418 million and $5 million was added to the Construction Facility and Refinancing Facility principal, respectively. For the year ended December 31, 2023, $398 million was added to the Construction Facility principal.

Capital Contributions

The following table presents the movement in the share capital account.

	Number of shares	**Amount**
(millions of Canadian dollars, except share amounts)		
Outstanding as of December 31, 2023	2,064,150	2,064
Transferred from additional paid in capital[(a)]	-	5,351
Common share stock split[(a)]	5,350,500	-
Issuance of common shares for cash[(b)]	14,726,439	14,726
Outstanding as of December 31, 2024	**22,141,089**	**22,141**

(a) On December 6, 2024, TMC transferred $5.4 billion of additional paid in capital to share capital and on December 13, 2024, TMC effected a stock split on the existing 2,064,150 common shares to 7,414,650 common shares.

(b) On December 13, 2024, TMC entered into a subscription agreement with TMP Finance (the “Subscription Agreement”). Pursuant to the Subscription Agreement, TMP Finance subscribed to 14,726,439 common shares in the Corporation at a price of $1,000 per common share for aggregate gross proceeds of $14.7 billion. TMC used the proceeds of the Subscription Agreement as well as the Refinancing Facility (discussed above) to repay the indebtedness under the Syndicated Facility (see Note 15).

In accordance with the Subscription Agreement, the Corporation 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 the Corporation of its fiduciary duties under applicable laws. The Corporation will retain cash reserves sufficient to meet ongoing operating costs, sustaining and growth capital and tax requirements.

Guarantee from the Government of Canada

The Government of Canada has provided TMC with a guarantee in relation to its Syndicated Credit Agreement (see Note 15) in exchange for a fee, which is accrued at a fixed rate based on the outstanding balance under the Syndicated Credit Agreement. Prior to March 24, 2023, the guarantee fee was 5% per annum less the daily weighted average interest rate per annum payable by TMC in accordance with the Syndicated Credit Agreement. The guarantee provided increased in conjunction with the increase to the Syndicated Credit Agreement on May 17, 2024.

For the year ended December 31, 2024 and 2023, TMC incurred $42 million and $26 million in guarantee fees, respectively. Guarantee fees are included in “Interest expense, net of capitalized debt financing”. As of December 31, 2024 and 2023, the guarantee fees payable was $105 million, recorded in “Interest payable,” and $63 million, recorded in “Long term interest payable,” respectively. Following year end, on February 6, 2025, the guarantee fees were repaid and the guarantee was subsequently cancelled.

17. Interest Expense, Net of Capitalized Debt Financing Costs

Year ended December 31,	2024	2023
(millions of Canadian dollars)		
Interest, guarantee, and commitment fees on debt		
Syndicated Credit Agreement	1,042	759
Credit Agreement with parent *(Note 16)*	425	399
Guarantee fee due to Government of Canada *(Note 16)*	42	26
Capitalized debt financing costs *(Note 7)*	(327)	(825)
Interest income and other	15	(15)
Total interest expense, net of capitalized debt financing costs	**1,197**	**344**

18. Supplemental Cash Flow Information

The following table presents the changes in operating non-cash working capital and other items:

Year ended December 31,	2024	2023
(millions of Canadian dollars)	(Increase)/ Decrease	
Accounts receivable	(59)	5
Deferred amounts and other assets	(27)	4
Regulatory assets	(16)	(63)
Accounts payable and accrued liabilities	82	(22)
Interest payable	359	134
Pension and post-employment benefits	1	-
Regulatory liabilities	41	6
Lease liabilities	(1)	(3)
Other liabilities and deferred credits	187	2
Total	**567**	**63**

The following table presents other cash flow information:

Year ended December 31,	2024	2023
(millions of Canadian dollars)		
Interest and income taxes paid		
Cash interest paid, net of amounts capitalized	825	226
Cash paid for income taxes	4	3
Non-cash investing and financing activities		
Increase in non-cash property, plant and equipment due to capitalized debt financing costs	66	310
Increase (decrease) in property, plant and equipment due to foreign currency translation	21	(6)
Right-of-use assets obtained in exchange for new lease obligations	4	22
Issuances of debt for interest paid in kind	423	398

19. Risk Management and Financial Instruments

Credit Risk

The Corporation is exposed to credit risk on cash and cash equivalents, restricted cash, and accounts receivable, which is the risk that a customer or other counterparty will fail to perform an obligation or settle a liability, resulting in a financial loss to the business.

The majority of the Corporation's customers operate in the oil exploration and development, or energy marketing or transportation fuel industries. There may be exposure to volatility in energy commodity prices and economic instability or other credit events impacting these industries and customers' ability to pay for services. The exposure to credit risk is limited by requiring shippers who fail to maintain specified credit ratings or a suitable financial position to provide acceptable security, generally in the form of guarantees from credit worthy parties or letters of credit from well rated financial institutions. As of December 31, 2024 and 2023, there were no significant accounts receivable past due and no credit losses recorded.

Cash and cash equivalents and restricted cash are held with major financial institutions that are rated A-, A3, or A Low or better, minimizing the risk of non-performance by counter parties.

Foreign Currency Transactions and Translation

The Corporation is exposed to foreign currency risk from foreign currency transaction gains or losses resulting from a change in exchange rates between the functional currency of an entity and the currency in which a transaction is denominated. Unrealized and realized gains and losses generated from these transactions are recorded in foreign exchange gain or loss in the accompanying consolidated statement of income. Management does not believe that the exposure to foreign currency transactions is significant.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet financial obligations, including commitments, as they become due. Liquidity risk is managed by ensuring access to sufficient funds to meet obligations. Cash requirements are forecasted to ensure funding is available to settle financial liabilities when they become due. The primary sources of liquidity and capital resources are funds generated from operations and issuance of debt, including the available capacity on the Working Capital Facility. See Note 15 for details on debt.

Interest Rate Risk

As of December 31, 2024, the Corporation does not have significant exposure to interest rate risk as loans from its parent are at fixed interest rates and there were no floating interest rate instruments at the balance sheet date. As such, exposure to interest rate risk would arise on refinancing.

Significant Shippers

For the year ended December 31, 2024, there were five customers that each individually represented between 11-17% of total revenue. For the year ended December 31, 2023, there were six customers that each individually represented between 12-18% of total revenue. Firm contracts under the Expanded System represent approximately 80% of the system's capacity and are held by 10 customers.

Fair Value Measurements

Financial assets or liabilities measured at fair value are not carried on a recurring basis, other than the Trust described in Note 14. The fair value of financial instruments reflects management's best estimate of market value based on generally accepted valuation techniques or models and are supported by observable market prices and rates. When such values are not available, a discounted cash flow analysis from applicable yield curves based on observable market inputs is used to estimate fair value.

19. Risk Management and Financial Instruments ***(continued)***

Fair Value of Financial Instruments

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The fair value of the financial instruments is classified according to the following hierarchy based on the observable inputs used to value the instrument:

- Level 1— inputs to the valuation methodology are quoted prices unadjusted for identical assets or liabilities in active markets;
- Level 2— inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (i.e. derived from prices); and
- Level 3— inputs to the valuation model are not based on observable market data.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment considering factors specific to an asset or liability and may affect placement within the fair value hierarchy. Level 1 is used for the fair value of cash, cash equivalents, and restricted cash and Level 2 is used for restricted investments. Due to the short-term or on demand nature of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued liabilities, the carrying amounts for these balances are determined to approximate fair value.

20. Litigation, Commitments and Contingencies

Legal Proceedings

The Corporation is subject to various legal and regulatory actions and proceedings which arise in the normal course of business. While the final outcome of such actions and proceedings cannot be predicted with certainty, management believes that the resolution of such actions and proceedings will not have a material impact on the Corporation's financial position or results of operations. There were no accruals for outstanding legal proceedings as of December 31, 2024 and 2023.

TMEP Litigation

In 2021, following the Corporation's termination of the general construction contract (the "Contract") with the general construction contractor for Spreads 1, 4B and 6 (the "GCC"), the GCC provided the Corporation with a Notice of Dispute in relation to amounts it claimed were outstanding pursuant to the Contract. The Corporation subsequently entered into discussions with the GCC and agreed to pay for some work that had been completed. However, the Corporation notified the GCC that it was entitled to reimbursement for costs resulting from the termination. In 2022, the Corporation provided a Notice of Dispute to the GCC. Discussions between the parties are ongoing. Both parties have formally exchanged legal positions and have entered a Standstill Agreement. The final settlement amount cannot be reasonably estimated at this time.

Commitments

The Corporation has the following contractual obligations outstanding as of December 31, 2024:

	2025	**2026-2029**	**Thereafter**	**Total**
(millions of Canadian dollars)				
Capital	4	-	-	**4**
Operating	88	287	929	**1,304**
Total	**92**	**287**	**929**	**1,308**

Capital Commitments
Capital commitments are generally made up of irrevocable commitments primarily related to the remaining work on the TMEP.

20. Litigation, Commitments and Contingencies *(continued)*

Commitments (continued)

Operating Commitments

Operating commitments primarily relate to commitments to provide funding to support indigenous and local communities, payments to the Province of British Columbia (the "Province"), and commitments for power and other services. Expenses related to these operating commitments are recorded in "Pipeline operating costs" as incurred. Certain commitments include an estimate for increases in the consumer price index.

In order to meet the conditions to operate in British Columbia, the Corporation is committed to making long term payments to the Province over an initial 20 year term. Payments include an annual guaranteed amount of $25 million and a variable amount based on uncommitted volume revenue, to a maximum combined payment of $50 million annually. Future payments included in the above table represent the minimum guaranteed amounts.

Flood Insurance Proceeds

In 2021, there was widespread flooding in British Columbia and Washington State, which resulted in financial losses, including damage to TMC's assets, delays to the TMEP construction, and business interruption. The Corporation has recognized a total of $88 million in insurance proceeds since the initial event in 2021. During the year ended December 31, 2024 and 2023, insurance proceeds on the flood related claims were recognized for nil and $58 million, respectively. Of the total recognized for the year ended December 31, 2023, $38 million was recognized as a recovery of capital costs on rate-regulated assets, $15 million was recognized as a recovery within "Pipeline operating costs", and $5 million was recognized as a recovery within "Administration" in the consolidated statement of income. Included in these amounts recognized for the year ended December 31, 2023, is a business interruption insurance recovery of $5 million, of which $3 million was recognized in "Pipeline operating costs" and $2 million was recognized as a recovery on rate-regulated assets. The amounts receivable as of December 31, 2024 and 2023 were nil and $54 million, respectively. While certain claims included in the amounts recognized have reached final settlement, there is a claim remaining where the proceeds recognized represent the interim settlements. The amount and timing of any future insurance proceeds on claims in progress cannot be reasonably estimated.