



**TRANS**MOUNTAIN

**TRANS MOUNTAIN CORPORATION**

**CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**  
*(unaudited)*

**For the three and six month periods ended June 30, 2022**

**TRANS MOUNTAIN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF INCOME**  
(In thousands of Canadian dollars)  
(Unaudited)

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Revenues</b> <i>(Note 2)</i>	<b>113,276</b>	<b>107,489</b>	<b>220,944</b>	<b>214,988</b>
<b>Expenses</b>				
Pipeline operating costs	32,784	31,432	63,230	63,125
Depreciation and amortization	25,884	25,612	51,801	50,929
Salaries and benefits	22,452	20,028	47,329	40,667
Taxes, other than income taxes	9,441	9,008	18,898	18,048
Administration	2,316	1,089	3,062	3,151
	<b>92,877</b>	<b>87,169</b>	<b>184,320</b>	<b>175,920</b>
<b>Operating income</b>	<b>20,399</b>	<b>20,320</b>	<b>36,624</b>	<b>39,068</b>
Equity allowance for funds used during construction	160,986	84,405	299,339	155,615
Interest expense, net of capitalized debt financing costs	(12,486)	(21,428)	(24,458)	(43,733)
Other, net	484	219	967	437
Foreign exchange gain	1,412	108	635	188
<b>Income before income taxes</b>	<b>170,795</b>	<b>83,624</b>	<b>313,107</b>	<b>151,575</b>
Income tax expense <i>(Note 3)</i>	(42,023)	(20,531)	(77,113)	(37,154)
<b>Net income</b>	<b>128,772</b>	<b>63,093</b>	<b>235,994</b>	<b>114,421</b>

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

**TRANS MOUNTAIN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(In thousands of Canadian dollars)  
(Unaudited)

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Net income</b>	<b>128,772</b>	<b>63,093</b>	<b>235,994</b>	<b>114,421</b>
<b>Other comprehensive income (loss), net of tax</b>				
Currency translation adjustment	7,560	(4,470)	4,055	(8,358)
Pension and post-employment benefits	61	155	122	310
	<b>7,621</b>	<b>(4,315)</b>	<b>4,177</b>	<b>(8,048)</b>
<b>Comprehensive income</b>	<b>136,393</b>	<b>58,778</b>	<b>240,171</b>	<b>106,373</b>

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

**TRANS MOUNTAIN CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
(In thousands of Canadian dollars)  
(Unaudited)

As of	June 30, 2022	December 31, 2021
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	256,444	115,740
Accounts receivable	93,831	87,262
Other current assets	64,142	61,549
	<b>414,417</b>	<b>264,551</b>
Property, plant and equipment	18,834,144	14,562,231
Right-of-use asset	89,603	108,786
Regulatory assets	117,868	85,444
Goodwill (Note 4)	888,098	888,098
Restricted investments	81,948	96,263
Restricted cash	83,078	72,761
Deferred amounts and other assets	217,167	210,288
<b>Total Assets</b>	<b>20,726,323</b>	<b>16,288,422</b>
<b>Liabilities and Equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities	1,079,174	887,187
Interest payable	3,411	-
Regulatory liabilities	82,394	81,818
Debt (Note 6)	2,600,000	-
Other current liabilities	62,188	71,893
	<b>3,827,167</b>	<b>1,040,898</b>
Long term debt (Note 6)	7,659,701	7,552,600
Deferred income taxes	806,928	729,570
Regulatory liabilities	86,521	100,026
Pension and post-employment benefits	74,795	74,637
Lease liabilities	52,735	56,207
Other deferred credits	18,811	10,240
<b>Total Liabilities</b>	<b>12,526,658</b>	<b>9,564,178</b>
Equity	8,199,665	6,724,244
<b>Total Liabilities and Equity</b>	<b>20,726,323</b>	<b>16,288,422</b>

Litigation, commitments and contingencies (Note 10)

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

Approved on behalf of the Board of Directors

“signed”  
**William Downe**  
Director

“signed”  
**Brian Ferguson**  
Director

**TRANS MOUNTAIN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(In thousands of Canadian dollars)  
(Unaudited)

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Operating activities</b>				
Net income	128,772	63,093	235,994	114,421
Items not affecting cash				
Depreciation and amortization	25,884	25,612	51,801	50,929
Equity allowance for funds used during construction	(160,986)	(84,405)	(299,339)	(155,615)
Deferred income tax expense (Note 3)	42,023	20,143	77,113	36,766
Changes in non-cash working capital items (Note 8)	78,639	(94,975)	203,818	(50,698)
<b>Total Cash and cash equivalents and Restricted cash provided by (used in) operating activities</b>	<b>114,332</b>	<b>(70,532)</b>	<b>269,387</b>	<b>(4,197)</b>
<b>Investing activities</b>				
Capital expenditures	(1,982,060)	(1,189,727)	(3,856,110)	(2,055,462)
Internal use software expenditures	(2,226)	(842)	(4,702)	(1,618)
Purchase of restricted investments	(50)	(3,939)	(6,036)	(7,075)
<b>Total Cash and cash equivalents and Restricted cash used in investing activities</b>	<b>(1,984,336)</b>	<b>(1,194,508)</b>	<b>(3,866,848)</b>	<b>(2,064,155)</b>
<b>Financing activities</b>				
Issuances of debt	2,996,000	646,250	4,109,750	1,155,000
Repayment of debt (Note 7)	(1,595,000)	-	(1,595,000)	-
Capital contributions (Note 7)	324,000	528,750	1,235,250	945,000
Debt issuance costs	(1,793)	-	(1,793)	-
<b>Total Cash and cash equivalents and Restricted cash provided by financing activities</b>	<b>1,723,207</b>	<b>1,175,000</b>	<b>3,748,207</b>	<b>2,100,000</b>
Effects of exchange rate changes on Cash and cash equivalents and Restricted cash	472	(987)	275	(1,862)
Net (decrease) increase in Cash and cash equivalents and Restricted cash	(146,325)	(91,027)	151,021	29,786
Cash and cash equivalents and Restricted cash, beginning	485,847	301,004	188,501	180,191
<b>Cash and cash equivalents and Restricted cash, end</b>	<b>339,522</b>	<b>209,977</b>	<b>339,522</b>	<b>209,977</b>
Cash and cash equivalents, beginning	416,316	224,245	115,740	104,454
Restricted cash, beginning	69,531	76,759	72,761	75,737
<b>Cash and cash equivalents and Restricted cash, beginning</b>	<b>485,847</b>	<b>301,004</b>	<b>188,501</b>	<b>180,191</b>
Cash and cash equivalents, end	256,444	134,968	256,444	134,968
Restricted cash, end	83,078	75,009	83,078	75,009
<b>Cash and cash equivalents and Restricted cash, end</b>	<b>339,522</b>	<b>209,977</b>	<b>339,522</b>	<b>209,977</b>

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

**TRANS MOUNTAIN CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF EQUITY**  
(In thousands of Canadian dollars)  
(Unaudited)

	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total Equity
Balance at December 31, 2021	2,064,150	4,115,250	554,472	(9,628)	<b>6,724,244</b>
Capital contributions ( <i>Note 7</i> )	-	1,235,250	-	-	<b>1,235,250</b>
Net income	-	-	235,994	-	<b>235,994</b>
Other comprehensive income, net of tax	-	-	-	4,177	<b>4,177</b>
<b>Balance at June 30, 2022</b>	<b>2,064,150</b>	<b>5,350,500</b>	<b>790,466</b>	<b>(5,451)</b>	<b>8,199,665</b>
Balance at December 31, 2020	2,064,150	1,885,500	281,195	(30,619)	<b>4,200,226</b>
Capital contributions ( <i>Note 7</i> )	-	945,000	-	-	<b>945,000</b>
Net income	-	-	114,421	-	<b>114,421</b>
Other comprehensive loss, net of tax	-	-	-	(8,048)	<b>(8,048)</b>
<b>Balance at June 30, 2021</b>	<b>2,064,150</b>	<b>2,830,500</b>	<b>395,616</b>	<b>(38,667)</b>	<b>5,251,599</b>

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

# TRANS MOUNTAIN CORPORATION

## NOTES TO THE CONDENSED 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 Her 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*.

On April 25, 2022, the Governor General in Council, under subsection 7(1) of the Government Corporations Operations Act, issued a proclamation that the Government Corporations Operation Act no longer applies to Trans Mountain Corporation. This status change to a non-agent Crown corporation allows TMC to borrow from parties other than the Government of Canada. See Note 6 for details on external financing.

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. TMP LP holds certain rights, designs and construction contracts related to the expansion of the TMPL known as the Trans Mountain Expansion Project ("TMEP"). 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 condensed consolidated financial statements include operating results of TMC and the wholly owned Trans Mountain Entities, including the Trans Mountain Pipeline Reclamation Trust which is consolidated with the Corporation.

TMC's mandate is to operate the existing TMPL and Puget Pipeline and to complete the TMEP in a timely and commercially viable manner.

#### **Basis of Presentation**

The accompanying condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"), as contained in the Financial Accounting Standards Board Accounting Standards Codification. 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 condensed consolidated financial statements in accordance with U.S. GAAP, all intercompany items have been eliminated on consolidation.

On February 18, 2022, the Deputy Prime Minister and Minister of Finance reaffirmed the government's commitment to complete the TMEP, however the Minister stated that TMC needed to secure external financing to fund the remaining costs of the project. This announcement resulted in material uncertainty that cast substantial doubt as to TMC's ability to continue as a going concern at the date the consolidated financial statements for the year ended December 31, 2021 were available for issuance. Subsequently this material uncertainty has been resolved. On April 29, 2022, TMC entered into a one year facility with a syndicate of third party lenders for \$10.0 billion, which provides sufficient funds for TMC to meet its obligations as they become due. See Note 6 for details on the external financing.

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 condensed consolidated financial statements. The Corporation's interim results may not be indicative of annual results. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021. These condensed consolidated financial statements follow the same significant accounting policies as those included in the consolidated financial statements for the year ended December 31, 2021.

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.

TMC operates in one operating segment, as the chief operating decision maker reviews operating results at this level to assess financial performance and make resource allocation decisions.

# TRANS MOUNTAIN CORPORATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. General (continued)

#### Basis of Presentation (continued)

These condensed consolidated financial statements were authorized by the board of directors on August 11, 2022. Subsequent events have been evaluated from June 30, 2022 to the date the condensed consolidated financial statements were available for issue on August 11, 2022 and there are no subsequent events which would require adjustment to the condensed consolidated financial statements and related disclosures.

### 2. Revenues

#### Disaggregation of Revenues

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<i>(In thousands of Canadian dollars)</i>				
Transportation				
Fee-based services	100,683	94,298	195,566	169,299
Regulatory adjustment <sup>(a)</sup>	(4,324)	(3,357)	(9,746)	12,608
	<b>96,359</b>	<b>90,941</b>	<b>185,820</b>	<b>181,907</b>
Leases	16,293	16,048	33,899	31,905
Other	624	500	1,225	1,176
<b>Total revenue</b>	<b>113,276</b>	<b>107,489</b>	<b>220,944</b>	<b>214,988</b>

(a) For TMPL, regulatory adjustments are made for differences between transportation revenue recognized pursuant to its toll settlement with shippers, as approved by the Canada Energy Regulator ("CER"), and actual toll receipts.

#### Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. Contract assets are recognized in those instances where billing occurs subsequent to revenue recognition and the right to invoice the customer is conditioned on something other than the passage of time. For the three and six month periods ended June 30, 2022 and 2021, there were no contract assets recognized. Contract liabilities are substantially related to 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.

The following table presents the activity in contract liabilities:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<i>(In thousands of Canadian dollars)</i>				
Opening balance	4,485	4,675	4,203	4,415
Additions	-	-	446	418
Transfer to Revenues	(165)	(157)	(329)	(315)
<b>Ending balance</b>	<b>4,320</b>	<b>4,518</b>	<b>4,320</b>	<b>4,518</b>



# TRANS MOUNTAIN CORPORATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 2. Revenues (continued)

#### Contract Balances (continued)

The contract liabilities balance as of June 30, 2022 and December 31, 2021 is presented as:

	June 30, 2022	December 31, 2021
<i>(In thousands of Canadian dollars)</i>		
Other current liabilities	436	213
Other deferred credits	3,884	3,990
<b>Total contract liabilities</b>	<b>4,320</b>	<b>4,203</b>

#### Revenue Allocated to Remaining Performance Obligations

The following table presents the estimated revenue allocated to remaining performance obligations for contracted revenue that has not yet been recognized, representing the “contractually committed” revenue as of June 30, 2022 that will be invoiced or transferred from contract liabilities and recognized in future periods.

Year	Estimated Revenue
<i>(In thousands of Canadian dollars)</i>	
Remaining 2022	20,894
2023	41,452
2024	3,715
2025	213
2026	213
Thereafter	3,140
<b>Total</b>	<b>69,627</b>

The contractually committed revenue primarily consists of customer contracts for 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. The contractually committed revenue amounts generally exclude remaining performance obligations for: (i) contracts with index-based pricing or variable volume attributes in which such variable consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct service that forms part of a series of distinct services; (ii) contracts with an original expected duration of one year or less; (iii) contracts for which revenue is recognized at the amount for which there is a right to invoice for services performed; and (iv) contracts for revenue dependent on the completion of the TMEP.

# TRANS MOUNTAIN CORPORATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. Income Taxes

Income tax expense included in the condensed consolidated financial statements is as follows:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<i>(In thousands of Canadian dollars)</i>				
Current tax expense	-	(388)	-	(388)
Deferred tax expense	(42,023)	(20,143)	(77,113)	(36,766)
<b>Total income tax expense</b>	<b>(42,023)</b>	<b>(20,531)</b>	<b>(77,113)</b>	<b>(37,154)</b>
Effective tax rate	24.60%	24.55%	24.63%	24.51%

The effective tax rate for the three and six month periods ended June 30, 2022 and 2021 was consistent with the statutory rate of 24.67%.

### 4. Goodwill

Goodwill relates to the acquisition of the TMPL and the Puget Pipeline on August 31, 2018. Management evaluates goodwill on a quarterly basis for indicators of impairment. As a result of significant factors which may have a material effect on TMEP including, but not limited to, changing economic conditions, technical complexities and labour challenges, as of June 30, 2022, management performed a goodwill impairment test, which did not result in an impairment charge.

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, and the extent cash flows will be re-contracted at the end of the initial TMEP term contracts, and therefore, the fair value is representative of a Level 3 fair value. For purposes of determining the fair value, the estimate of discounted cash flows included probability-weighted scenarios of various in-service dates for the TMEP. The estimate of discounted cash flows was determined using a discount rate of 7.25% which reflects the time value of money based on the risks associated with the Corporation's assets that have not otherwise been incorporated in the cash flow estimates.

Changes in these key assumptions would impact the fair value of the reporting unit which could result in impairment. In reference to a base valuation, sensitivity analysis of key assumptions was performed. An increase in the assumed discount rate by 25 basis points on the expected cash flows, while reducing the fair value, does not result in an impairment. An increase in project costs by \$3.0 billion, while reducing the fair value, also does not result in an impairment. A decrease in the percentage of re-contracted cash flows at the end of the initial TMEP term contracts of 10%, while reducing the fair value, does not result in an impairment.

# TRANS MOUNTAIN CORPORATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 5. Pension and Post-employment Benefits

The components of net benefit cost related to the pension and other post-employment benefit plans (“OPEB”) plans are as follows:

	Three months ended June 30,				Six months ended June 30,			
	Pension		OPEB		Pension		OPEB	
	2022	2021	2022	2021	2022	2021	2022	2021
<i>(In thousands of Canadian dollars)</i>								
Service cost <sup>(a)</sup>	3,338	3,119	141	142	6,676	6,239	282	285
Other components on net benefit cost <sup>(b)</sup>								
Interest cost	2,181	1,726	123	109	4,361	3,451	245	217
Expected return on plan assets	(2,868)	(2,260)	-	-	(5,735)	(4,517)	-	-
Amortization of past service cost	80	81	-	-	162	162	-	-
Amortization of net actuarial loss	-	117	-	8	-	234	-	16
<b>Total net benefit cost</b>	<b>2,731</b>	<b>2,783</b>	<b>264</b>	<b>259</b>	<b>5,464</b>	<b>5,569</b>	<b>527</b>	<b>518</b>

(a) Amounts included within “Salaries and benefits” in the condensed consolidated statement of income.

(b) Amounts included within “Other, net” in the condensed consolidated statement of income.

### 6. Debt

Debt included in the condensed consolidated financial statements is as follows:

	Carrying Value	
	June 30, 2022	December 31, 2021
Current debt:		
Syndicated Facility	2,600,000	-
Long term debt:		
Credit Agreement with parent		
Acquisition Facility	2,506,350	2,506,350
Construction Facility	5,153,351	5,046,250
Total long term debt	7,659,701	7,552,600
<b>Total Debt</b>	<b>10,259,701</b>	<b>7,552,600</b>

#### **Credit Agreement with Parent**

TMC has a credit agreement with TMP Finance dated August 29, 2018 (the “Credit Agreement”) which includes an “Acquisition Facility,” a non-revolving term loan facility, and a “Construction Facility,” a revolving construction credit facility to be used primarily to finance the TMEP construction. See Note 7 for further details on transactions with related parties. The facilities have an interest rate of 5% on amounts drawn and a commitment fee of 0.065% on the unadvanced portion. The facilities mature on the earlier of the maturity date, which is August 29, 2025, and in the event of certain changes in ownership. There are no financial covenants under the Credit Agreement.

On March 31, 2022, amendments were made to the Credit Agreement to include the repayment of advances paid to TMC pursuant to any funding request made after February 18, 2022 and to allow for draws under the facility up to June 30, 2022.

# TRANS MOUNTAIN CORPORATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6. Debt (continued)

#### Credit Agreement with Parent (continued)

On April 28, 2022, amendments were made whereby unpaid interest and commitment fees incurred under the Credit Agreement are to be added to the principal amount of the credit facility debt semiannually. Commitment fees were discontinued on May 2, 2022, upon repayment of advances related to the funding requests made after February 18, 2022 and no further cash draws are permitted.

#### Syndicated Facility

On April 29, 2022, TMC entered into a one year senior unsecured revolving facility for \$10.0 billion with a syndicate of lenders (the "Syndicated Facility"). The Syndicated Facility expires April 29, 2023, contains a six month extension option and includes a guarantee provided by the Government of Canada. See Note 7 for details on the guarantee. Borrowings under the Syndicated Facility bear interest at the Canadian Prime rate or the Canadian Dollar Offered Rate ("CDOR") plus applicable margins and a commitment fee of 0.04% on the unadvanced portion of the facility. Initial proceeds of \$1.6 billion drawn from the facility were used to repay advances provided by TMP Finance after February 18, 2022.

### 7. 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

In addition to the credit agreements in Note 6, TMC also has a funding agreement with TMP Finance dated August 30, 2018 as amended most recently on March 31, 2022 (the "Funding Agreement") under which cash proceeds of each funding request are comprised of 55% debt funding in accordance with the Credit Agreement and 45% equity funding.

TMP LP has a \$500.0 million line of credit agreement with TMP Finance dated March 25, 2019 (the "Financial Capacity Line of Credit") 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 June 30, 2022 and December 31, 2021, there were no amounts drawn.

The following table presents transactions with TMP Finance during the three and six month periods ending June 30, 2022 and 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<i>(In thousands of Canadian dollars)</i>				
Issuances of debt <sup>(a)</sup>	588,351	646,250	1,702,101	1,155,000
Repayment of debt	(1,595,000)	-	(1,595,000)	-
Capital contributions	324,000	528,750	1,235,250	945,000
Interest and commitment fees on debt	99,249	71,534	200,415	136,329

(a) Issuances include interest and commitment fees paid in kind on the acquisition and construction facilities.

#### Guarantee from the Government of Canada

The Government of Canada has provided TMC with a guarantee in relation to its Syndicated Facility (see Note 6). In exchange for this guarantee, TMC pays a fee of 5% per annum less the daily weighted average interest rate per annum payable by TMC in accordance with the Syndicated Facility. For the three and six months ended June 30, 2022, TMC incurred \$10.3 million in guarantee fees. Guarantee fees are included in interest expense and are payable on August 31, 2025, or upon events of default. As of June 30, 2022 and December 31, 2021, the guarantee fee payable was \$10.3 million and nil, respectively, and recorded in "Other deferred credits".

# TRANS MOUNTAIN CORPORATION

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 8. Change of Operating Assets and Liabilities

The table below represents the changes in operating non-cash working capital.

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<i>(In thousands of Canadian dollars)</i>	<b>Decrease (Increase)</b>			
Accounts receivable	(10,463)	(20,095)	(6,488)	2,953
Deferred amounts and other assets	(8,609)	(858)	(5,788)	(15,510)
Regulatory assets	(10,997)	(422)	(32,424)	(11,734)
Accounts payable and accrued liabilities	(12,951)	6,994	31,346	4,261
Interest payable	94,918	(64,358)	195,632	-
Pension and post-employment benefits	465	652	128	840
Regulatory liabilities	12,269	(14,810)	7,423	(30,772)
Lease liabilities	677	1,124	2,587	2,669
Other liabilities and deferred credits	13,330	(3,202)	11,402	(3,405)
<b>Total</b>	<b>78,639</b>	<b>(94,975)</b>	<b>203,818</b>	<b>(50,698)</b>

### 9. 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 June 30, 2022 and December 31, 2021, there were no significant accounts receivable past due and no allowance for doubtful accounts 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 condensed 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. See Note 6 for details on debt. Given the significant ongoing expenditures expected in connection with the TMEP, TMC will require continued financing to complete the project. TMC expects it has, or will have, adequate access to funding to meet financial obligations including commitments as they become due.

# **TRANS MOUNTAIN CORPORATION**

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **9. Risk Management and Financial Instruments (*continued*)**

#### ***Interest Rate Risk***

The Corporation's outstanding borrowings are at a fixed interest rate of 5% under the Credit Agreement. Outstanding borrowings under the Syndicated Facility and the guarantee fee have variable interest rates; however, the rates are interrelated as the guarantee fee is determined based of a rate of 5%, less the interest rate paid under the Syndicated Facility. If interest rates on the Syndicated Facility exceed 5%, no guarantee fee is incurred. As such, interest rate exposure is limited to the extent interest rates on the Syndicated Facility do not exceed 5%.

#### ***Significant Shippers***

For the three and six month periods ended June 30, 2022, there were six customers that each individually represented between 12-21% of total revenue, and six customers that each individually represented between 11-20% of total revenue, respectively. For the three and six month periods ended June 30, 2021, there were six customers that each individually represented between 11-21% of total revenue, and six customers that each individually represented between 10-16% of total revenue, respectively.

### **10. 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 June 30, 2022 and December 31, 2021.

#### ***TMEP Litigation***

As a result of a decision from the BC Court of Appeal, the BC Environmental Assessment Office ("EAO") was directed to consider any adjustments to the BC Environmental Assessment Certificate ("EAC") that may be required due to the CER's court directed reconsideration process and subsequent issuance of Certificate OC-065 approving the TMEP. The EAO prepared a report for the Minister of Environment and Climate Change Strategy and the Minister of Energy, Mines and Low Carbon Innovation (the "Ministers"). On February 24, 2022, the Ministers issued a decision to amend the EAC to reflect the recommendations outlined by the EAO. The amendments include the addition of two new conditions and an amendment to an existing condition, none of which are anticipated to impact the TMEP in service date.

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 Dispute Claim in relation to amounts it claims are owed pursuant to the Contract resulting from the termination. The Corporation has responded with a position that the Corporation is entitled to reimbursement from the GCC for the costs incurred resulting from the events leading to the termination. The parties have both stated their positions; however, the final settlement amount cannot be reasonably estimated.

#### ***Commitments***

As of June 30, 2022, irrevocable commitments related to property, plant, and equipment were \$44.6 million. These commitments were primarily related to the TMEP.