



TRANSMOUNTAIN

TRANS MOUNTAIN CORPORATION

**CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**
(unaudited)

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenues (Note 3)	137,946	121,630	398,161	342,574
Expenses				
Pipeline operating costs	50,702	40,758	139,828	103,988
Depreciation and amortization	26,576	26,005	79,783	77,806
Salaries and benefits	29,202	22,770	78,317	70,099
Taxes, other than income taxes	9,621	9,644	28,794	28,542
Administration	3,354	2,740	7,795	5,802
Goodwill impairment (Note 5)	888,098	-	888,098	-
	1,007,553	101,917	1,222,615	286,237
Operating (loss) income	(869,607)	19,713	(824,454)	56,337
Equity allowance for funds used during construction	308,728	187,889	835,026	487,228
Interest expense, net of capitalized debt financing costs	(111,384)	(24,436)	(210,813)	(48,894)
Other, net	359	483	1,076	1,450
Foreign exchange gain (loss)	144	1,633	(55)	2,268
(Loss) income before income taxes	(671,760)	185,282	(199,220)	498,389
Income tax expense (Note 4)	(53,154)	(45,538)	(169,426)	(122,651)
Net (loss) income	(724,914)	139,744	(368,646)	375,738

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)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net (loss) income	(724,914)	139,744	(368,646)	375,738
Other comprehensive income (loss), net of tax				
Currency translation adjustment	5,973	16,309	(384)	20,364
Pension and post-employment benefits	(289)	62	(868)	184
	5,684	16,371	(1,252)	20,548
Comprehensive (loss) income	(719,230)	156,115	(369,898)	396,286

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	September 30, 2023	December 31, 2022
Assets		
Current Assets		
Cash and cash equivalents	111,799	162,488
Accounts receivable	94,757	122,213
Other current assets	44,591	41,170
	251,147	325,871
Property, plant and equipment	32,742,823	24,205,240
Right-of-use asset	58,626	65,531
Regulatory assets	178,419	131,111
Goodwill (Note 5)	-	888,098
Restricted investments	95,695	90,481
Restricted cash	981	78,514
Deferred amounts and other assets	162,532	198,220
Total Assets	33,490,223	25,983,066
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	1,336,964	1,099,574
Interest payable	37,357	19,664
Regulatory liabilities	58,947	80,228
Other current liabilities	32,135	40,175
	1,465,403	1,239,641
Debt (Note 7)	22,412,473	15,052,768
Long term interest payable	154,348	36,808
Deferred income taxes	1,079,320	914,294
Regulatory liabilities	96,501	92,556
Pension and post-employment benefits	52,775	51,166
Lease liabilities	50,856	48,873
Other deferred credits	9,403	7,918
Total Liabilities	25,321,079	17,444,024
Equity	8,169,144	8,539,042
Total Liabilities and Equity	33,490,223	25,983,066

Going concern (Note 1)

Litigation, commitments and contingencies (Note 11)

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)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Operating activities				
Net (loss) income	(724,914)	139,744	(368,646)	375,738
Items not affecting cash				
Depreciation and amortization	26,576	26,005	79,783	77,806
Equity allowance for funds used during construction	(308,728)	(187,889)	(835,026)	(487,228)
Deferred income tax expense (Note 4)	50,409	45,946	165,327	123,059
Goodwill impairment (Note 5)	888,098	-	888,098	-
Loss on assets	-	999	-	999
Changes in non-cash working capital items (Note 9)	23,474	99,743	68,063	303,561
Total Cash and cash equivalents and Restricted cash (used in) provided by operating activities	(45,085)	124,548	(2,401)	393,935
Investing activities				
Capital expenditures	(2,279,798)	(2,462,848)	(7,261,215)	(6,318,958)
Insurance proceeds (Note 11)	200	6,250	2,705	6,250
Internal use software expenditures	(4,160)	(2,599)	(11,486)	(7,301)
Restricted investments	(3,534)	(7,132)	(11,405)	(13,168)
Total Cash and cash equivalents and Restricted cash used in investing activities	(2,287,292)	(2,466,329)	(7,281,401)	(6,333,177)
Financing activities				
Issuances of debt (Note 7, 8)	2,275,000	2,250,000	7,165,000	6,359,750
Repayment of debt (Note 8)	-	-	-	(1,595,000)
Capital contributions (Note 8)	-	-	-	1,235,250
Debt issuance costs	(2,651)	(460)	(9,534)	(2,253)
Total Cash and cash equivalents and Restricted cash provided by financing activities	2,272,349	2,249,540	7,155,466	5,997,747
Effects of exchange rate changes on Cash and cash equivalents and Restricted cash	1,261	1,842	114	2,117
Net (decrease) increase in Cash and cash equivalents and Restricted cash	(58,767)	(90,399)	(128,222)	60,622
Cash and cash equivalents and Restricted cash, beginning	171,547	339,522	241,002	188,501
Cash and cash equivalents and Restricted cash, end	112,780	249,123	112,780	249,123
Cash and cash equivalents, beginning	170,627	256,444	162,488	115,740
Restricted cash, beginning	920	83,078	78,514	72,761
Cash and cash equivalents and Restricted cash, beginning	171,547	339,522	241,002	188,501
Cash and cash equivalents, end	111,799	169,610	111,799	169,610
Restricted cash, end	981	79,513	981	79,513
Cash and cash equivalents and Restricted cash, end	112,780	249,123	112,780	249,123

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	Total Equity
Balance at December 31, 2022	2,064,150	5,350,500	1,088,469	35,923	8,539,042
Net loss	-	-	(368,646)	-	(368,646)
Other comprehensive loss, net of tax	-	-	-	(1,252)	(1,252)
Balance at September 30, 2023	2,064,150	5,350,500	719,823	34,671	8,169,144
Balance at December 31, 2021	2,064,150	4,115,250	554,472	(9,628)	6,724,244
Capital contributions (<i>Note 8</i>)	-	1,235,250	-	-	1,235,250
Net income	-	-	375,738	-	375,738
Other comprehensive income, net of tax	-	-	-	20,548	20,548
Balance at September 30, 2022	2,064,150	5,350,500	930,210	10,920	8,355,780

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 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. 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.

Going Concern

The condensed consolidated financial statements have been prepared on a going concern basis in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The going concern basis of presentation assumes that TMC will continue in operation for at least one year after the date the condensed consolidated financial statements are issued and contemplates the realization of assets and settlement of liabilities as they become due in the normal course of business.

The Corporation’s ability to continue as a going concern is dependent upon its ability to service its existing debt and fund the remaining construction costs of the TMEP. 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. As a result, TMC entered into a credit agreement with a syndicate of lenders (the “Syndicated Credit Agreement”), which as of September 30, 2023 contains two facilities with a total combined available credit of \$16 billion and matures on March 24, 2025. See Note 7 for details on TMC’s debt.

In order to meet obligations as they become due, TMC will require additional funding through external financing. TMC expects the external financing will be obtained in a timely manner and on terms satisfactory to TMC. However, there is no assurance that external financing will be obtained. The above factors cause material uncertainty that casts substantial doubt as to TMC’s ability to continue as a going concern.

These condensed consolidated financial statements do not include any adjustments to the carrying value of the assets and liabilities, the reported revenues and expenses (including the application of rate regulated accounting) or the balance sheet classifications that might be necessary if TMC was unable to obtain the necessary funds to service its existing debt and finance the remaining construction costs of the TMEP. Such adjustments could be material.

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 (“ASC”). 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.

TRANS MOUNTAIN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General (continued)

Basis of Presentation (continued)

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, 2022. 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, 2022, except for the adoption of new accounting standards as described in Note 2.

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.

These condensed consolidated financial statements were authorized by the board of directors on November 15, 2023. Subsequent events have been evaluated from September 30, 2023 to the date the condensed consolidated financial statements were available for issue on November 15, 2023 and, other than the increase to the available credit under the Financial Capacity Line of Credit with TMP Finance described in Note 7, there are no subsequent events which would require adjustment to the condensed consolidated financial statements and related disclosures.

2. Accounting Changes

Measurement of credit losses on financial instruments

Effective January 1, 2023, the Corporation adopted Accounting Standard Update (ASU) 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," and related amendments (collectively referred to as "Topic 326") using a modified retrospective approach. The ASU replaces the current "incurred loss" impairment methodology with an "expected loss" model for financial assets measured at amortized cost and includes the evaluation of certain off-balance sheet credit exposures.

The Corporation's financial instruments 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. Upon adoption of ASC 326, no material credit losses were recognized and adoption of this standard does not have a material impact on the condensed consolidated financial statements.

3. Revenues

Disaggregation of Revenues

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>(In thousands of Canadian dollars)</i>				
Transportation				
Fee-based services	125,755	105,051	359,912	300,617
Regulatory adjustment ^(a)	(6,194)	(397)	(16,628)	(10,143)
	119,561	104,654	343,284	290,474
Leases	17,761	16,293	53,005	50,192
Other	624	683	1,872	1,908
Total revenue	137,946	121,630	398,161	342,574

(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.

TRANS MOUNTAIN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Revenues (continued)

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 nine month periods ended September 30, 2023 and 2022, 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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>(In thousands of Canadian dollars)</i>				
Opening balance	4,324	4,320	3,991	4,203
Additions	-	-	881	446
Transfer to revenues	(273)	(165)	(821)	(494)
Ending balance	4,051	4,155	4,051	4,155

The contract liabilities balance as of September 30, 2023 and December 31, 2022 is presented as:

	September 30, 2023	December 31, 2022
<i>(In thousands of Canadian dollars)</i>		
Other current liabilities	433	213
Other deferred credits	3,618	3,778
Total contract liabilities	4,051	3,991

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 September 30, 2023 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 2023	10,029
2024	3,575
2025	213
2026	213
2027	213
Thereafter	2,927
Total	17,170

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

4. Income Taxes

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>(In thousands of Canadian dollars)</i>				
Current income tax expense (recovery)	2,745	(408)	4,099	(408)
Deferred income tax expense	50,409	45,946	165,327	123,059
Total income tax expense	53,154	45,538	169,426	122,651
Effective tax rate	(7.91%)	24.58%	(85.04%)	24.61%

The effective tax rates for the three and nine month periods ended September 30, 2023 differed from the statutory rate of 24.67% due to the non-deductible goodwill impairment. Refer to Note 5 for discussion on goodwill. Normalizing for the impact of the goodwill impairment, the effective tax rates for the three and nine month periods ended September 30, 2023 were consistent with the statutory rate of 24.67%. The effective tax rates for the three and nine month periods ended September 30, 2022 were also consistent with the statutory rate of 24.67%.

5. Goodwill

During the three and nine month periods ended September 30, 2023, a goodwill impairment loss of \$888.1 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 on a quarterly basis for indicators of impairment. As a result of significant factors related to the commencement of service of the TMEP, and primarily a rise in the cost of capital from increased domestic interest rates, Management performed an impairment test as of September 30, 2023. Consistent with the most recent impairment test performed as of December 31, 2022, the impairment test was most sensitive to changes in discount rates which impacted the fair value of the reporting unit as of September 30, 2023. The fair value of the reporting unit was estimated using an income-based approach based on discounted cash flows using a discount rate of 8.25%. 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 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.

6. 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 September 30,				Nine months ended September 30,			
	Pension		OPEB		Pension		OPEB	
	2023	2022	2023	2022	2023	2022	2023	2022
<i>(In thousands of Canadian dollars)</i>								
Service cost ^(a)	2,345	3,338	83	140	7,037	10,014	249	422
Other components of net benefit cost: ^(b)								
Interest cost	3,211	2,180	178	122	9,635	6,541	533	367
Expected return on plan assets	(3,363)	(2,867)	-	-	(10,091)	(8,602)	-	-
Amortization of past service cost	81	82	-	-	244	244	-	-
Amortization of net actuarial gain	(370)	-	(96)	-	(1,110)	-	(287)	-
Total net benefit cost	1,904	2,733	165	262	5,715	8,197	495	789

(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.

TRANS MOUNTAIN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Debt

The carrying value of debt included in the condensed consolidated financial statements is as follows:

	September 30, 2023	December 31, 2022
<i>(In thousands of Canadian dollars)</i>		
Syndicated Facility	14,365,000	7,200,000
Credit Agreement with parent		
Acquisition Facility	2,506,350	2,506,350
Construction Facility	5,541,123	5,346,418
Total Debt	22,412,473	15,052,768

Credit Agreement with Syndicated Lenders

TMC has a credit agreement with a syndicate of lenders (the “Syndicated Credit Agreement”) dated April 29, 2022 which contains an unsecured revolving facility (the “Syndicated Facility”) and includes a guarantee provided from the Government of Canada. See Note 8 for more information on the guarantee and associated fees.

On March 24, 2023, the Corporation amended and restated the Syndicated Credit Agreement to include a letter of credit facility (“LC Facility”) for \$100 million and to amend the Syndicated Facility. The Syndicated Facility, which originally matured on April 29, 2023 and had available credit of \$10.0 billion, was amended to a two year senior unsecured Equator Principles 4 (“EP4”) compliant revolving facility and the available credit was increased to \$10.9 billion. EP4 is a risk management framework adopted by financial institutions for identifying, assessing, and managing environmental and social risks for large infrastructure projects. The facilities under the Syndicated Credit Agreement mature March 24, 2025, with the ability for TMC to request certain extension terms up to August 31, 2025. The Syndicated Credit Agreement allows TMC to elect for reallocation of the available credit under the LC Facility to the Syndicated Facility. There are no financial covenants.

The available credit on the Syndicated Facility was increased to \$12.9 billion on May 2, 2023 and further increased to \$15.9 billion on July 20, 2023. The total combined available credit under the two facilities as of September 30, 2023 was \$16.0 billion.

Borrowings under the Syndicated Facility bear interest at the Canadian Prime Rate or the Canadian Dollar Offered Rate (“CDOR”) plus applicable margins and commitment fees. The effective interest rate for the three and nine month periods ended September 30, 2023 was 6.6% and 6.0%, respectively.

Under the LC Facility as of September 30, 2023, TMC has letters of credit of \$69.3 million issued and outstanding from the available \$100 million facility.

Credit Agreement with Parent

TMC has a credit agreement with TMP Finance dated August 29, 2018 and as amended most recently on April 28, 2022 (the “Credit Agreement”) which includes an “Acquisition Facility”, a non-revolving term loan facility, and a “Construction Facility”, a loan facility which was used primarily to finance the TMEP construction up to February 18, 2022.

Amendments to the Credit Agreement occurred in 2022 whereby no further funding draws are permitted under the Construction Facility and unpaid interest incurred under the Credit Agreement are paid in kind and added to the principal amount of the Construction Facility semiannually. Commitment fees were also discontinued on May 2, 2022.

The facilities under the Credit Agreement have an interest rate of 5% on amounts drawn and 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. See Note 8 for further details on transactions with related parties.

TRANS MOUNTAIN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Debt (continued)

Credit Agreement with Parent (continued)

In addition, 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 September 30, 2023 and December 31, 2022, there were no amounts drawn.

Subsequent to period end, as a result of the CER financial capacity requirements under the expanded system, on October 27, 2023, the Financial Capacity Line of Credit was increased to \$550.0 million.

8. 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 three and nine month periods ending September 30, 2023 and 2022. Refer to Note 7 for details on the credit agreements.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>(In thousands of Canadian dollars)</i>				
Issuances of debt ^(a)	-	-	194,706	1,702,101
Repayment of debt	-	-	-	(1,595,000)
Capital contributions	-	-	-	1,235,250
Interest and commitment fees on debt	101,799	96,911	297,248	297,326

(a) Issuances include interest incurred under the Credit Agreement paid in-kind semiannually and added to the Construction Facility principal.

As of September 30, 2023 and December 31, 2022, the interest payable to TMP Finance not yet paid in kind was \$101.4 million and nil, respectively, and recorded in "Long term interest payable".

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 7) in exchange for a guarantee fee. On March 24, 2023, the guarantee was amended for changes to the borrowing limits under the amended Syndicated Credit Agreement and for changes to the guarantee fee. Prior to the amendment on 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 amended guarantee fee is accrued at a fixed rate based on the outstanding balance under the Syndicated Credit Agreement.

For the three and nine month periods ended September 30, 2023, TMC incurred \$8.5 million and \$16.1 million in guarantee fees, respectively. For the three and nine month periods ended September 30, 2022, TMC incurred \$17.7 million and \$28.0 million in guarantee fees, respectively. Guarantee fees are included in interest expense and are payable on August 31, 2025, or upon certain events of default. As of September 30, 2023 and December 31, 2022, the guarantee fees payable was \$52.9 million and \$36.8 million, respectively, and recorded in "Long term interest payable."

TRANS MOUNTAIN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. Supplemental Cash Flow Information

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>(In thousands of Canadian dollars)</i>	Decrease (Increase)			
Accounts receivable	10,455	(14,044)	24,720	(20,532)
Deferred amounts and other assets	(1,678)	13,695	(11,828)	7,907
Regulatory assets	(12,474)	(11,618)	(47,308)	(44,042)
Accounts payable and accrued liabilities	(19,400)	(15,416)	25,552	15,930
Interest payable	41,805	131,757	89,616	327,389
Pension and post-employment benefits	1,406	1,091	(804)	1,219
Regulatory liabilities	1,382	4,020	(11,146)	11,443
Lease liabilities	1,042	1,850	271	4,437
Other liabilities and deferred credits	936	(11,592)	(1,010)	(190)
Total	23,474	99,743	68,063	303,561

10. 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 September 30, 2023 and December 31, 2022, there were no significant credit losses and no significant accounts receivable past due.

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. Given the significant ongoing expenditures expected in connection with the TMEP, TMC will require additional financing in order to complete the project and service its existing debt as further described in Note 1.

TRANS MOUNTAIN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Interest Rate Risk

The Corporation is exposed to interest rate risk on outstanding debt borrowings. The Corporation manages interest rate risk by holding both fixed and variable interest rate debt. Borrowings under the Credit Agreement with TMC's parent are fixed at of rate of 5%. Borrowings under the Syndicated Credit Agreement have variable interest rates and a related fixed rate guarantee fee. Variable interest rates are based on CDOR or Prime rates plus applicable margins. Significant increases in such rates can result in a material impact to the Corporations financial results and cash flows.

Significant Shippers

For both the three and nine month periods ended September 30, 2023, there were six customers that each individually represented between 12-20% of total revenue. For the three and nine month periods ended September 30, 2022, there were six customers that each individually represented between 12-19% of total revenue.

11. 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 September 30, 2023 and December 31, 2022.

TMEP Litigation

In 2021, following the Corporation's termination (the "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 of its position 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 continued in the third quarter of 2023. 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

As of September 30, 2023, irrevocable commitments related to property, plant, and equipment were \$44.8 million. These commitments were primarily related to the TMEP.

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 and delays to the TMEP construction. In 2022, insurance proceeds of \$30.3 million were recognized related to funds received or receivable from insurance providers for interim settlements on the flood related claims. From the 2022 interim settlement, \$0.2 million and \$3.1 million was collected during the three and nine month period ended September 30, 2023, respectively. Of the amounts collected in the three and nine month periods ended September 30, 2023, \$0.2 million and \$2.7 million, respectively related to recovery of capital costs and the remainder related to recovery of operating costs. The amount and timing of any future insurance proceeds cannot be reasonably estimated.