



TRANSMOUNTAIN

TRANS MOUNTAIN CORPORATION

**CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**
(unaudited)

For the three and nine month periods ended September 30, 2024

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenues (Note 2)	665,904	137,946	1,187,135	398,161
Expenses				
Pipeline operating costs	79,371	50,702	168,918	139,828
Depreciation and amortization	214,901	26,576	393,030	79,783
Salaries and benefits	43,639	29,202	118,247	78,317
Taxes, other than income taxes	16,354	9,621	41,390	28,794
Administration	14,211	3,354	27,380	7,795
Goodwill impairment (Note 5)	-	888,098	-	888,098
	368,476	1,007,553	748,965	1,222,615
Operating income (loss)	297,428	(869,607)	438,170	(824,454)
Equity allowance for funds used during construction	788	308,728	461,412	835,026
Interest expense, net of capitalized debt financing costs	(389,343)	(111,384)	(845,433)	(210,813)
Other, net	234	359	701	1,076
Foreign exchange gain (loss)	92	144	91	(55)
(Loss) income before income taxes	(90,801)	(671,760)	54,941	(199,220)
Income tax recovery (expense) (Note 3)	22,822	(53,154)	(12,685)	(169,426)
Net (loss) income	(67,979)	(724,914)	42,256	(368,646)

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net (loss) income	(67,979)	(724,914)	42,256	(368,646)
Other comprehensive (loss) income, net of tax				
Currency translation adjustment	(4,416)	5,973	5,861	(384)
Pension and post-employment benefits	17	(289)	50	(868)
	(4,399)	5,684	5,911	(1,252)
Comprehensive (loss) income	(72,378)	(719,230)	48,167	(369,898)

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, 2024	December 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	213,572	109,508
Accounts receivable	161,492	149,122
Other current assets	143,544	26,516
	518,608	285,146
Property, plant and equipment (Note 4)	36,113,594	34,427,826
Right-of-use asset	47,570	54,347
Regulatory assets	177,607	194,171
Restricted investments	123,897	105,428
Restricted cash	3,121	6,731
Deferred amounts and other assets	105,080	100,998
Total Assets	37,089,477	35,174,647
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	640,964	963,360
Interest payable	29,182	40,282
Regulatory liabilities	94,528	73,198
Other current liabilities	168,958	28,255
	933,632	1,105,095
Debt (Note 7)	26,195,444	24,340,314
Long term interest payable (Note 8)	201,463	62,671
Deferred income taxes	1,136,728	1,127,098
Regulatory liabilities	126,972	111,962
Pension and post-employment benefits	60,078	57,959
Lease liabilities	48,052	49,321
Other deferred credits	29,402	10,688
Total Liabilities	28,731,771	26,865,108
Equity	8,357,706	8,309,539
Total Liabilities and Equity	37,089,477	35,174,647

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"

Dawn Farrell
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,	
	2024	2023	2024	2023
Operating activities				
Net (loss) income	(67,979)	(724,914)	42,256	(368,646)
Items not affecting cash				
Depreciation and amortization	214,901	26,576	393,030	79,783
Equity allowance for funds used during construction	(788)	(308,728)	(461,412)	(835,026)
Deferred income tax (recovery) expense (Note 3)	(23,550)	50,409	9,288	165,327
Goodwill impairment (Note 5)	-	888,098	-	888,098
Changes in non-cash working capital items (Note 9)	202,631	23,474	386,341	68,063
Total Cash and cash equivalents and Restricted cash provided by (used in) operating activities	325,215	(45,085)	369,503	(2,401)
Investing activities				
Capital expenditures	(370,873)	(2,279,798)	(1,914,729)	(7,261,215)
Insurance proceeds	-	200	34,842	2,705
Internal use software expenditures	(2,356)	(4,160)	(8,937)	(11,486)
Restricted investments	(4,146)	(3,534)	(16,767)	(11,405)
Total Cash and cash equivalents and Restricted cash used in investing activities	(377,375)	(2,287,292)	(1,905,591)	(7,281,401)
Financing activities				
Issuances of debt	75,000	2,275,000	1,750,000	7,165,000
Repayment of debt	(100,000)	-	(100,000)	-
Debt issuance costs	(51)	(2,651)	(14,711)	(9,534)
Total Cash and cash equivalents and Restricted cash (used in) provided by financing activities	(25,051)	2,272,349	1,635,289	7,155,466
Effects of exchange rate changes on Cash and cash equivalents and Restricted cash	(1,234)	1,261	1,253	114
Net (decrease) increase in Cash and cash equivalents and Restricted cash	(78,445)	(58,767)	100,454	(128,222)
Cash and cash equivalents and Restricted cash, beginning	295,138	171,547	116,239	241,002
Cash and cash equivalents and Restricted cash, end	216,693	112,780	216,693	112,780
Cash and cash equivalents, beginning	293,931	170,627	109,508	162,488
Restricted cash, beginning	1,207	920	6,731	78,514
Cash and cash equivalents and Restricted cash, beginning	295,138	171,547	116,239	241,002
Cash and cash equivalents, end	213,572	111,799	213,572	111,799
Restricted cash, end	3,121	981	3,121	981
Cash and cash equivalents and Restricted cash, end	216,693	112,780	216,693	112,780

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, 2023	2,064,150	5,350,500	880,056	14,833	8,309,539
Net income	-	-	42,256	-	42,256
Other comprehensive gain, net of tax	-	-	-	5,911	5,911
Balance at September 30, 2024	2,064,150	5,350,500	922,312	20,744	8,357,706
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

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. 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 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.

Basis of Presentation

The accompanying condensed consolidated financial statements are prepared in accordance with 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.

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 matured 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, the increase and extension of the Syndicated Credit Agreement on May 17, 2024, which extends the maturity date to August 31, 2026, and the extension of the credit agreement with TMP Finance on June 27, 2024, which extends the maturity date to August 29, 2027. These changes are expected to provide sufficient funds for TMC to meet its obligations as they become due. See Note 7 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 condensed consolidated financial statements. The Corporation’s interim results may not be indicative of annual results. Additionally, comparative period results differ from the current period results due to commercial commencement of the Expanded System for which there are contractually committed transportation service agreements and an increased tariff and tolling structure. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2023. 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, 2023.

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 November 6, 2024. Subsequent events have been evaluated from September 30, 2024 to the date the condensed consolidated financial statements were available for issue on November 6, 2024. 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		Nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
<i>(In thousands of Canadian dollars)</i>				
Transportation				
Firm services ^(a)	600,966	-	902,471	-
Fee-based services ^(b)	53,041	125,755	251,013	359,912
Regulatory adjustment ^(c)	(4,178)	(6,194)	(13,181)	(16,628)
	649,829	119,561	1,140,303	343,284
Leases	15,395	17,761	44,779	53,005
Other	680	624	2,053	1,872
Total revenue	665,904	137,946	1,187,135	398,161

(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 Canada Energy Regulator (the "CER") and actual toll receipts on the TMPL.

Contract Balances

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, prepayments, 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.

The following table presents the activity in contract liabilities:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
<i>(In thousands of Canadian dollars)</i>				
Opening balance	125,409	4,324	3,778	3,991
Additions	86,678	-	258,297	881
Transfer to revenues	(67,288)	(273)	(117,276)	(821)
Ending balance	144,799	4,051	144,799	4,051

TRANS MOUNTAIN CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Revenues (continued)

Contract Balances (continued)

The contract liabilities balance as of September 30, 2024 and December 31, 2023 is presented as:

	September 30, 2024	December 31, 2023
<i>(In thousands of Canadian dollars)</i>		
Other current liabilities	141,393	213
Other deferred credits	3,406	3,565
Total contract liabilities	144,799	3,778

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 September 30, 2024 and will be invoiced, or transferred from contract liabilities as disclosed above, and recognized in future periods.

Year	Estimated Revenue
<i>(In thousands of Canadian dollars)</i>	
Remaining 2024	728,905
2025	2,513,794
2026	2,559,327
2027	2,623,307
2028	2,696,136
Thereafter	49,391,143
Total	60,512,612

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.

3. Income Taxes

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
<i>(In thousands of Canadian dollars)</i>				
Current income tax expense	728	2,745	3,397	4,099
Deferred income tax (recovery) expense	(23,550)	50,409	9,288	165,327
Total income tax (recovery) expense	(22,822)	53,154	12,685	169,426
Effective tax rate	25.13%	(7.91%)	23.09%	(85.04%)

The effective tax rates for the three and nine month periods ended September 30, 2024 differed from the statutory rate of 24.67% due to the impact of foreign tax rate differences.

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 recognized during the third quarter of 2023. 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%.

TRANS MOUNTAIN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	Useful Life in Years	September 30, 2024	December 31, 2023
<i>(In thousands of Canadian dollars)</i>			
Pipelines	30-64	27,870,796	1,291,257
Tanks and Station Equipment	5-51	8,292,746	1,947,116
Other	5-40	306,582	43,545
Accumulated depreciation, depletion, and amortization		(915,527)	(541,931)
		35,554,597	2,739,987
Construction work in progress		229,357	31,377,794
Land		329,640	310,045
Property, plant and equipment		36,113,594	34,427,826

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 allowance for funds used during construction ("AFUDC"). AFUDC is capitalized as approved by the regulator and includes a debt component, which is included with capitalized debt financing costs as a reduction to interest expense, and a cost of equity component, which is recognized as other income in "Equity allowance for funds used during construction" in the accompanying condensed consolidated statement of income.

Construction costs continue to be incurred for the TMEP related to the remaining cleanup, reclamation and road and civil work. Construction in progress related to the TMEP was \$118.4 million as of September 30, 2024, compared to \$31.3 billion as of December 31, 2023, and construction in progress related to capital expenditures on the existing pipeline system was \$110.9 million as of September 30, 2024, compared to \$65.0 million as of December 31, 2023.

Depreciation and amortization expense charged against property, plant and equipment was \$212.7 million and \$387.1 million for the three and nine months ended September 30, 2024, respectively. For the three and nine months ended September 30, 2023, depreciation and amortization expense charged against property, plant and equipment was \$25.3 million and \$76.2 million, respectively.

Capitalized debt financing costs charged against property, plant and equipment totaled \$0.7 million and \$326.8 million for the three and nine months ended September 30, 2024, respectively. For the three and nine months ended September 30, 2023, capitalized debt financing costs charged against property, plant and equipment totaled \$218.5 million and \$590.9 million, respectively.

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. As a result of significant factors related to the commencement of service of the TMEP, primarily a rise in the cost of capital from increased domestic interest rates, Management performed an impairment test as of September 30, 2023. The impairment test was most sensitive to changes in discount rates which impacted the fair value of the reporting unit as of September 30, 2023. 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 was representative of a Level 3 fair value.

TRANS MOUNTAIN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	
	2024	2023	2024	2023	2024	2023	2024	2023
<i>(In thousands of Canadian dollars)</i>								
Service cost ^(a)	3,067	2,345	94	83	9,200	7,037	283	249
Other components of net benefit cost: ^(b)								
Interest cost	3,290	3,211	174	178	9,870	9,635	522	533
Expected return on plan assets	(3,720)	(3,363)	-	-	(11,159)	(10,091)	-	-
Amortization of past service cost	81	81	-	-	244	244	-	-
Amortization of net actuarial gain	-	(370)	(59)	(96)	-	(1,110)	(178)	(287)
Total net benefit cost	2,718	1,904	209	165	8,155	5,715	627	495

(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.

7. Debt

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

	September 30, 2024	December 31, 2023
<i>(In thousands of Canadian dollars)</i>		
Syndicated Facility	17,740,000	16,090,000
Credit Agreement with parent		
Acquisition Facility	2,506,350	2,506,350
Construction Facility	5,949,094	5,743,964
Total Debt	26,195,444	24,340,314

Credit Agreement with Syndicated Lenders

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

The Syndicated Credit Agreement matures August 31, 2026 and the facilities include a guarantee provided from the Government of Canada, which was increased in conjunction with the increases to the Syndicated Credit Agreement. See Note 8 for more information on the guarantee and associated fees. There are no financial covenants.

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 the three and nine month periods ended September 30, 2024 was 6.1% and 6.4%, respectively. The effective interest rate for the three and nine month periods ended September 30, 2023 was 6.6% and 6.0%, respectively.

As of September 30, 2024 and December 31, 2023, TMC had letters of credit issued and outstanding under the LC Facility of \$73.4 million and \$69.3 million, respectively. The Syndicated Credit Agreement allows TMC to elect for reallocation of the available credit under the LC Facility to the Syndicated Facility.

TRANS MOUNTAIN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Debt (continued)

Credit Agreement with Parent

TMC has a credit agreement with TMP Finance dated August 29, 2018 and as amended most recently on June 27, 2024 (the "Credit Agreement") which includes an "Acquisition Facility", a non-revolving term loan facility, and a "Construction Facility", a loan facility which was used to finance the TMEP construction up to February 18, 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 and in the event of certain changes in ownership. On June 27, 2024, the maturity date was extended from August 29, 2025 to August 29, 2027. Interest incurred under the Credit Agreement is paid in kind and added to the principal amount of the Construction Facility semiannually. No further cash draws are permitted and there are no financial covenants. See Note 8 for further details on transactions with related parties.

In addition, TMP LP has a \$550.0 million line of credit agreement with TMP Finance dated March 25, 2019 (the "Financial Capacity Line of Credit") and as amended most recently on October 27, 2023, which is designed to meet the CER mandated financial capacity requirements. The Financial Capacity Line of Credit matures 5 years following the date of the advance or as otherwise extended in accordance with the agreement and has an interest rate of 5% on amounts drawn and a 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, 2024 and December 31, 2023, there were no amounts drawn.

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

TMC incurred interest on debt with TMP Finance which is added to the Construction Facility semiannually. See Note 7 for more details on the credit agreements. For the three and nine months ended September 30, 2024, TMC incurred \$106.6 million and \$312.6 million, respectively, in interest and commitment fees on debt with TMP Finance. For the three and nine months ended September 30, 2023, TMC incurred \$101.8 million and \$297.2 million, respectively, in interest and commitment fees on debt with TMP Finance. As of September 30, 2024 and December 31, 2023, the interest payable to TMP Finance not yet paid in kind was \$106.3 million and nil, respectively, and is 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 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 three and nine months ended September 30, 2024, TMC incurred \$11.2 million and \$32.5 million in guarantee fees, respectively. For the three and nine months ended September 30, 2023, TMC incurred \$8.5 million and \$16.1 million in guarantee fees, respectively. Guarantee fees are included in interest expense. Along with the amendment to the Syndicated Credit Agreement, the due date of the guarantee fee payable was extended to August 31, 2027, or upon certain events of default. As of September 30, 2024 and December 31, 2023, the guarantee fees payable was \$95.2 million and \$62.7 million, respectively, and was 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		Nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
<i>(In thousands of Canadian dollars)</i>	Decrease (Increase)			
Accounts receivable	23,025	10,455	(47,138)	24,720
Deferred amounts and other assets	13,725	(1,678)	(101,710)	(11,828)
Regulatory assets	18,753	(12,474)	47,840	(47,308)
Accounts payable and accrued liabilities	13,222	(19,400)	53,155	25,552
Interest payable	109,685	41,805	266,365	89,616
Pension and post-employment benefits	221	1,406	872	(804)
Regulatory liabilities	8,388	1,382	34,638	(11,146)
Lease liabilities	(225)	1,042	(3,484)	271
Other liabilities and deferred credits	15,837	936	135,803	(1,010)
Total	202,631	23,474	386,341	68,063

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, or prepayment for services. As of September 30, 2024 and December 31, 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 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 7 for details on debt.

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 CORRA or Prime rates plus applicable margins. Significant changes in such rates can result in a material impact to the Corporations financial results and cash flows.

Significant Shippers

For the three and nine month periods ended September 30, 2024, there were six customers that each individually represented between 10-21% of total revenue and five customers that each individually represented between 11-17%, respectively. For the three and nine month periods ended September 30, 2023, there were six customers that each individually represented between 12-20% of total revenue. Firm contracts under the Expanded System represent approximately 80% of the system's capacity and are held by 10 customers.

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, 2024 and December 31, 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 September 30, 2024:

	Remaining 2024	2025-2028	Thereafter	Total
<i>(In thousands of Canadian dollars)</i>				
Capital	6,822	-	-	6,822
Operating	19,564	294,242	890,027	1,203,833
Total	26,386	294,242	890,027	1,210,655

Capital Commitments

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

TRANS MOUNTAIN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. 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 spot 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 and delays to the TMEP construction. The Corporation has recognized a total of \$88.0 million in insurance proceeds since the initial event in 2021. The insurance proceeds receivable as of September 30, 2024 and December 31, 2023 were nil and \$54.4 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 settlement. The amount and timing of any future insurance proceeds on claims in progress cannot be reasonably estimated.