



TIDEWATER RENEWABLES LTD. ANNOUNCES COMPLETION OF ITS PREVIOUSLY ANNOUNCED PROPOSED TRANSACTION WITH TIDEWATER MIDSTREAM AND THE REFINANCING OR EXTENSION OF ITS CREDIT FACILITIES

CALGARY, AB, Sept. 12, 2024 /CNW/ - Tidewater Renewables Ltd. ("Tidewater Renewables" or the "Corporation") (TSX: LCFS) is pleased to announce that it has completed its previously announced proposed transaction (the "Transaction") with Tidewater Midstream and Infrastructure Ltd. ("Tidewater Midstream") and has refinanced its first lien credit facilities and extended its second lien credit facilities.

As part of the Transaction, among other things, the Corporation and Tidewater Midstream have entered into an Assets Sale Agreement, pursuant to which the Corporation has sold its canola co-processing infrastructure, and the fluid catalytic cracking co-processing infrastructure, working interests in various other Prince George refinery units, and a natural gas storage facility co-located at Tidewater Midstream's Brazeau River Complex (collectively the "Divested Assets") to Tidewater Midstream for cash proceeds of \$122 million, plus the assumption of certain liabilities relating to the Divested Assets. In addition, as part of the consideration, Tidewater Midstream assigned the right to receive certain British Columbia Low Carbon Fuel Standard ("BC LCFS") credits to the Corporation with a minimum value of \$7.7 million. The cash proceeds for the Divested Assets were used to repay amounts outstanding on the Corporation's first lien senior credit facility.

The Divested Assets historically generated annual Adjusted EBITDA^[1] of \$40.0 million to \$50.0 million through previously contracted take-or-pay or operating agreements with Tidewater Midstream. As part of the Transaction, the contracted take-or-pay and operating agreements were terminated.

In connection with the Transaction, Tidewater Renewables and Tidewater Midstream also entered into an Agreement for the Purchase and Sale of Credits, pursuant to which, among other things, (i) the Corporation sold to Tidewater Midstream certain BC LCFS credits for an aggregate purchase price of approximately \$7.2 million, and (ii) the Corporation will sell, and Tidewater Midstream will purchase, BC LCFS credits (subject to certain monthly average limits) until March 31, 2025 for cash proceeds of approximately \$77.5 million (assuming the Corporation's Renewable Diesel & Renewable Hydrogen Complex (the "HDRD Complex") continues to operate at over 90% utilization). A portion of such BC LCFS credits are being subject to the exercise of a put option in favour of the Corporation and/or a call option in favour of Tidewater Midstream. The cash proceeds will be received monthly by the Corporation as the BC LCFS credits are sold to Tidewater Midstream.

"The completion of this transaction significantly strengthens Tidewater Renewables' balance sheet by reducing debt and lowering our financing costs," said Jeremy Baines, Chief Executive Officer of Tidewater Renewables. "Additionally, the forward sale of BC LCFS Credits to Tidewater Midstream until March 2025 provides Tidewater Renewables with a reliable source of cash flow, allowing us to continue to focus on our renewable fuels business, which consists of the HDRD Complex and the proposed sustainable aviation fuel project. We also appreciate the ongoing support from AIMCo,

which has been instrumental in helping us achieve these milestones."

Concurrent with closing of the Transaction, the Corporation has refinanced its first lien credit facilities. The aggregate principal amount of the first lien senior credit facilities was reduced from \$175 million to \$30 million, and the maturity date was extended from September 18, 2024 to February 28, 2026. Also concurrent with the closing of the Transaction, the maturity of the \$25 million tranche B second lien term debt facility has been extended from September 18, 2024 to February 28, 2026 (with the \$150 million tranche A second lien term debt facility maturity remaining unchanged at October 24, 2027). A new \$33 million tranche C second lien term debt facility was also added, for the purpose of refinancing the first lien credit facilities in certain circumstances. In addition, compliance by the Corporation with the quarterly financial covenants applicable to both the first and second lien credit facilities has been waived until September 30, 2025. Certain fees were paid or agreed to be paid to the first and second lien lenders as part of the refinancing and extension of the credit facilities.

In conjunction with the extension of the Corporation's second lien credit facilities, which are provided by an affiliate of the Alberta Investment Management Corporation ("AIMCo"), the Corporation issued to an affiliate of AIMCo warrants (the "2024 AIMCo Warrants") to acquire 1,000,000 common shares of the Corporation ("Common Shares") at an exercise price of \$3.99 per share (representing a 50% premium to the 5 day volume weighted average trading price ("VWAP") of the Common Shares on the TSX prior to this announcement) with such warrants to have an expiry date of September 12, 2029. If the five day VWAP of the Common Shares on the TSX following this announcement is higher than the exercise price of the 2024 AIMCo Warrants, the exercise price will be increased to such five day VWAP. In addition, certain of the fees payable to AIMCo by the Corporation as part of the second lien refinancing (the "Convertible Fees") are convertible into Common Shares by either the Corporation or AIMCo at the then prevailing 10 day VWAP. As part of the initial closing of the second lien credit facility in October 2022, an affiliate of AIMCo was issued warrants to acquire 3,375,000 Common Shares at an exercise price of \$14.84, subject to certain reductions thereto, which warrants expire on October 24, 2027, (the "2022 AIMCo Warrants"). The terms and conditions of the 2022 AIMCo Warrants have not been amended.

Immediately before the Transaction, AIMCo had indirect ownership and control of nil Common Shares and, if all of the 2022 Warrants were to be exercised at such time, it would have had indirect ownership and control of 3,375,000 Common Shares, representing approximately 8.8% of the then outstanding Common Shares after giving effect to such exercise. Immediately after the Transaction, AIMCo has indirect ownership and control of nil Common Shares, and if all of the 2022 Warrants, 2024 Warrants and Convertible Fees were to be exercised and converted at such time, it would have indirect ownership and control of approximately 8,015,000 Common Shares, representing approximately 18.7% of the then outstanding Common Shares after giving effect to such exercises and conversion.

The terms of the 2024 Warrants and the Convertible Fees prohibit AIMCo and its affiliates and associates exercising the 2024 Warrants and/or converting the Convertible Fees in circumstances where it would result in them collectively owning more than 19.9% of the then outstanding Common Shares.

The TSX has conditionally approved the listing of the Common Shares issuable on exercise of the 2024 Warrants and Convertible Fees, subject to certain limitations and the filing of customary post-closing documents. The TSX previously approved for listing the Common Shares issuable on exercise of the 2022 Warrants.

Tidewater Midstream, as a substantial shareholder of the Corporation, is a "related party" of the Corporation and, as such, the Transaction constitutes a "related party transaction" for Tidewater Renewables under Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). The Board of Directors of the Corporation, on the recommendation of

the special committee of the Board comprised solely of the independent directors of the Corporation (the "Special Committee"), has approved the Transaction and, in light of the Board's and Special Committee's determinations, acting in good faith, that (i) the Corporation is in serious financial difficulty, (ii) the Transaction is designed to improve the financial position of the Corporation, and (iii) the terms of the Transaction are reasonable in the circumstances of the Corporation, the Transaction is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101, as the Corporation is relying on the "financial hardship" exemptions provided in Section 5.5(g) and 5.7(1)(e) of MI 61-101 and there is no other requirement, corporate or otherwise, to hold a meeting to obtain any approval of the Corporation's shareholders.

ABOUT TIDEWATER RENEWABLES

Tidewater Renewables is a multi-faceted energy transition company. The Corporation is focused on the production of low carbon fuels, including renewable diesel. The Corporation was created in response to the growing demand for renewable fuels in North America and to capitalize on its potential to efficiently turn a wide variety of renewable feedstocks (such as tallow, used cooking oil, distillers corn oil, soybean oil, canola oil and other biomasses) into low carbon fuels. Tidewater Renewables' objective is to become one of the leading Canadian renewable fuel producers. Additional information relating to Tidewater Renewables is available on SEDAR+ at www.sedarplus.ca and at www.tidewater-renewables.com.

NON-GAAP AND OTHER FINANCIAL MEASURES

In this press release and in other materials disclosed by the Corporation, Tidewater Renewables uses Adjusted EBITDA, which is a non-GAAP financial measure, when assessing its results and measuring overall performance. Adjusted EBITDA does not have a standardized meaning as prescribed under International Financial Reporting Standards, which are also generally accepted accounting principles ("GAAP") for publicly accountable entities in Canada. Adjusted EBITDA is used by management to set objectives, make operating and capital investment decisions, monitor debt covenants, and assess performance. The Corporation issues guidance on Adjusted EBITDA and believes that it is useful for analysts and investors to assess the performance of the Corporation as seen from management's perspective. Adjusted EBITDA is unlikely to be comparable to similar measures presented by other entities. As such, this measure should not be considered in isolation or used as a substitute for measures of performance prepared in accordance with GAAP. The nearest GAAP measure to Adjusted EBITDA is net income (loss).

For more information with respect to the Corporation's non-GAAP measures, non-GAAP ratios, capital management measures and supplementary financial measures, including reconciliations to the closest comparable GAAP measure for any non-GAAP measures and non-GAAP ratios, including Adjusted EBITDA, see the "Non-GAAP and Other Financial Measures" section of Tidewater Renewables' management's discussion and analysis for the three and six months ended June 30, 2024 ("MD&A") which is available on SEDAR+ at www.sedarplus.ca.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "intend", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes the expectations reflected in the forward-looking statements used herein are reasonable, but no assurance can be given that these expectations will prove to be correct, and such forward-looking statements included in this press release should not be unduly relied on.

In particular, this press release contains forward-looking statements concerning the Transaction and

the expected timing and completion thereof including the Corporation's future sale of BC LCFS credits to Tidewater Midstream and the HDRD Complex's ability to continue operating at a 90% utilization rate as well as the Corporation's business strategies and objectives following such transactions.

Although the forward-looking statements contained in this press release are based upon assumptions which management of the Corporation believes to be reasonable, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. Any forward-looking statements contained in this press release represent expectations as of the date of this press release and are subject to change after such date. However, the Corporation is under no obligation (and the Corporation expressly disclaims any such obligation) to update or alter any statements containing forward-looking information, the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by law. With respect to the forward-looking statements contained in this press release, the Corporation has made assumptions regarding the impact of the Transaction and the refinanced and extend credit facilities; the Corporation's continued ability to generate BC LCFS credits; the expectation that the liquidity issues of Tidewater Renewables will be addressed by the Transaction; and the ability of the Corporation to achieve its business strategies and objectives following the transactions described herein.

In addition, the Corporation is subject to a number of risks and uncertainties, many of which are beyond the Corporation's control. Such risks and uncertainties include the factors discussed under "Risk Factors" in the Corporation's annual information form for the year ended December 31, 2023 and its most recent management's discussion and analysis.

All the forward-looking statements in this press release are qualified by the cautionary statements herein. Further information about factors affecting forward-looking statements and management's assumptions and analysis thereof is available in filings made by the Corporation with Canadian securities commissions available on SEDAR+ at www.sedarplus.ca.

¹ Non-GAAP financial measure. See the "Non-GAAP and Other Financial Measures" in this press release and the Corporation's MD&A for information on each non-GAAP financial measure or ratio.

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