TIDEWATER
Renewables Ltd.

Management's Discussion and Analysis
For the period from date of incorporation,
May 11, 2021, to December 31, 2021

March 9, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the audited annual consolidated financial and operating results of Tidewater Renewables Ltd. ("Tidewater Renewables" or the "Corporation") is dated March 9, 2022, and should be read in conjunction with Tidewater Renewables' audited consolidated financial statements as at December 31, 2021 and for the period from date of incorporation, May 11, 2021, to December 31, 2021 (the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), representing generally accepted accounting principles ("GAAP"), and are expressed in Canadian dollars. This MD&A contains non-GAAP measures which are used to measure and analyze financial performance, financial position and cash flow and therefore may not be comparable to similar measures presented by other entities. This MD&A also contains forward-looking statements. Readers are cautioned that the MD&A should be read in conjunction with Tidewater Renewables' disclosure under "Non-GAAP and Other Financial Measures" and "Forward-Looking Information" included at the end of this MD&A. Unless otherwise indicated, referencing to "$" or "dollars" are to Canadian dollars.

Management is responsible for preparing the MD&A. The MD&A has been reviewed and recommended by the Audit Committee of Tidewater Renewables' Board of Directors and approved by its Board of Directors.

BUSINESS OVERVIEW

Tidewater Renewables is a multi-faceted, energy transition company. The Corporation is focused on the production of low carbon fuels, including renewable diesel, renewable hydrogen and renewable natural gas, as well as carbon capture through future initiatives. 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. The Corporation is pursuing this objective through the ownership, development, and operation of clean fuels projects and related infrastructure, utilizing existing proven technologies. Organically, Tidewater Renewables will seek to leverage the existing infrastructure and engineering expertise of Tidewater Midstream and Infrastructure Ltd. ("Tidewater Midstream"), its majority shareholder, regarding the development of the Corporation's portfolio of greenfield and brownfield capital projects as well as the expansion of the Corporation's product offerings. Tidewater Renewables' common shares are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "LCFS".

Concurrent with closing of its initial public offering, Tidewater Renewables acquired certain pre-existing operating assets as well as a number of growth projects from Tidewater Midstream. These assets provide an initial platform for the renewable diesel, renewable hydrogen, and renewable natural gas business units. The operating assets include working interests in certain refinery units at the Prince George Refinery ("PGR") and a gas storage facility at Tidewater Midstream's Brazeau River Complex and Fractionation Facility ("BRC") in Alberta. The initial growth projects are for the production of renewable diesel at PGR: (i) the Canola Co-Processing project and the fluid catalytic cracking ("FCC") Co-Processing project, and (ii) the Renewable Diesel & Renewable Hydrogen Complex ("HDRD Complex"). Through these initial projects, Tidewater Renewables will supply low carbon fuels to investment grade offtakers, existing customers, government entities, First Nations groups and others in the transportation, utilities, refining, marketing, and power and industries.

Additional information relating to Tidewater Renewables is available on SEDAR at www.sedar.com and at www.tidewater-renewables.com.

HIGHLIGHTS

- During its first full quarter of operations, Tidewater Renewables generated strong Adjusted EBITDA[(1)] of $10.6 million and net income of $0.1 million which was ahead of previous guidance. Net cash provided by operating activities totaled $10.0 million for the fourth quarter of 2021, with distributable cash flow[(1)] of $7.9 million.
- On August 18, 2021, Tidewater Renewables completed its initial public offering (the "Offering") of approximately 10.7 million common shares, including the over-allotment exercise, at a price of $15.00 per Common Share, for total gross proceeds of approximately $161 million. Common Shares of Tidewater Renewables, held by Tidewater Midstream, represents approximately 69% of the outstanding common shares. Tidewater Renewables received approximately $150 million in cash consideration net of underwriter commissions and legal expenses.
- Construction of Tidewater Renewables' 3,000 bbl/d HDRD Complex continues to progress. The Corporation has reached several important milestones and construction of the facility is well underway. Tidewater Renewables expects production of Renewable Diesel in the first quarter of 2023.
- On November 15, 2021, Tidewater Renewables announced a multi-year agreement with an investment-grade company to sell 125,000 British Columbia Low Carbon Fuel Standard ("BC LCFS") credits at $425 per credit. Subsequent to December 31, 2021, the Corporation announced two additional BC LCFS credit sales with two different investment-grade companies for 25,000 BC LCFS credits at an average price of $478 per credit and 10,000 BC LCFS credits at $490 per credit, respectively. These agreements extend to January 2024, and significantly reduce the price exposure on BC LCFS credits that Tidewater Renewables is expected to receive. Gross proceeds over the term of these agreements are approximately $70 million. The Corporation has now sold over 58% of the volume of its BC LCFS credits expected to be granted under the Part 3 Agreement with the Government of British Columbia on a forward basis at prices higher than the originally budgeted of $375 per credit.
- During the year, Tidewater Renewables successfully commissioned its Canola Co-Processing Project at PGR ahead of schedule and is currently producing and selling renewable diesel and gasoline.
- On December 10, 2021, Tidewater Renewables closed an acquisition of a used cooking oil supplier for total consideration of $3.3 million, consisting of cash and common shares of Tidewater Renewables. Used cooking oil is a low carbon intensity renewable fuel feedstock that the HDRD Complex will be capable of processing.
- Tidewater Renewables continues to progress its feedstock business strategy and is in discussions with multiple counterparties on potential partnerships and long-term arrangements on discounted feedstock supply. The Corporation also continues to make significant headway on its Renewable Natural Gas ("RNG") business with various partnership discussions aimed at both securing long term feedstock supply and investment-grade offtake agreements. Tidewater Renewables continues to see material government support for various future renewable fuel initiatives.
- Tidewater Renewables is expecting material growth as it develops markets for feedstocks and clean fuels and anticipates Adjusted EBITDA growth of over 20% into the end of 2022 as compared to the fourth quarter of 2021. Tidewater Renewables remains confident in its ability to deliver over 300% Adjusted EBITDA growth over the next 14-18 months with the commissioning of the HDRD Complex in the first quarter of 2023.

- Tidewater Renewables is pleased to announce a multi-year partnership with the University of Saskatchewan, which will focus on a variety of renewable feedstocks, catalyst synthesis and conversion technologies to produce clean fuels such as RNG, renewable diesel, and sustainable aviation fuel.
- Joining the management team is Dr. Venu Babu Borugadda, Manager Research and Development, who will oversee the development of next generation feedstocks, catalysts, and conversion technologies for clean fuels within Tidewater Renewables. Prior to joining Tidewater Renewables, Dr. Borugadda was a MITACS Postdoctoral Fellow in the Department of Chemical and Biological Engineering at the University of Saskatchewan, Saskatoon, Canada. He received his Ph.D. in Chemical Engineering from the Indian Institute of Technology Guwahati, India in 2016 and Master of Technology degree with Petroleum Refinery Engineering specialization from the same University in 2011. Dr. Borugadda has over ten years of research and development experience in biomaterials processing, bio-lubricants and the production of biofuels and biochemicals. Dr. Borugadda is currently advancing several patents on catalysts relating to the production of renewable fuels. Tidewater Renewables is in the process of developing multiple patents related to feedstocks and catalysts in the advancement of renewable fuels.

(1) Adjusted EBITDA, distributable cash flow and run rate EBITDA used throughout this MD&A are non-GAAP financial measures or ratios. See the "Non-GAAP and Other Financial Measures" section of this MD&A for information on each non-GAAP financial measure or ratio.

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars except per share information)		Three months ended December 31, 2021		For the period from date of incorporation, May 11, 2021, to December 31, 2021
Revenue	$	16,925	$	23,055
Net income	$	80	$	2,763
Net income per share – basic and diluted	$	0.00	$	0.14
Adjusted EBITDA (1)	$	10,635	$	15,965
Net cash provided by operating activities	$	9,963	$	8,187
Distributable cash flow (1)	$	7,880	$	11,820
Distributable cash flow per common share – basic and diluted (1)	$	0.23	$	0.59
Total common shares outstanding (000s)		34,712		34,712
Total assets	$	730,992	$	730,992
Net debt (1)	$	58,978	$	58,978

(1) Adjusted EBITDA, distributable cash flow and distributable cash flow per common share are non-GAAP measures. See the "Non-GAAP and Other Financial Measures" section of this MD&A for information on each non-GAAP measure.

RESULTS OF OPERATIONS

Financial Overview

(in thousands of Canadian dollars except per share information)	Three months ended December 31, 2021		For the period from date of incorporation, May 11, 2021, to December 31, 2021	
Revenue	$	**16,925**	$	**23,055**
Operating expenses	$	**6,280**	$	**7,374**
General and administrative	$	**647**	$	**853**
Share-based compensation	$	**425**	$	**680**
Depreciation	$	**4,592**	$	**6,707**
Finance costs and other	$	**759**	$	**1,476**
Realized gain on derivative contracts	$	**(637)**	$	**(1,137)**
Unrealized loss on derivative contracts	$	**4,322**	$	**1,552**
Transaction costs	$	**282**	$	**1,553**
Deferred income tax expense	$	**175**	$	**1,234**
Net income	$	**80**	$	**2,763**
Basic and diluted net income per share	$	**0.00**	$	**0.14**

The Corporation was incorporated on May 11, 2021 and issued one Common Share to Tidewater Midstream for a subscription price of $1.00. Between the date of its formation on May 11, 2021, through to closing of the Offering on August 18, 2021, and acquisition of the Acquired Assets (as defined below), the Corporation did not have any active operations.

Acquired Assets

In connection with the Offering, Tidewater Renewables acquired certain pre-existing operating assets as well as a number of growth projects from Tidewater Midstream that provided an initial platform for its renewable fuels, and renewable natural gas business (the “Acquired Assets”). As consideration for the Acquired Assets, Tidewater Renewables issued 23.9 million common shares valued at the Offering Price for total share consideration of $358.5 million and cash of $180 million for aggregate consideration of $538.5 million. Tidewater Renewables expects the Acquired Assets to generate operating cash flows primarily from take-or-pay contracts with Tidewater Midstream, as the primary counterparty, and from other non-take-or-pay activities. This is expected to provide Tidewater Renewables with stable, long-term, contracted cash flows.

The renewable fuels assets include a steam methane reformer, unifiner reactor, canola co-processing unit, certain utilities, storage tanks, and rail and truck racks, which are located at PGR.

The renewable natural gas assets are located at the BRC and is currently configured to inject, store, cycle and sell natural gas. The renewable natural gas assets currently include injection/withdrawal wells, a 1,480 horse-power compressor, and approximately 30 kilometers of pipelines. The gas storage facility generates revenue through fees to gas storage customers for injecting and withdrawing natural gas in the storage pool and charging an extraction fee for natural gas liquids. The difference between natural gas prices in the summer months versus the winter months, i.e. seasonal spreads, is one of the main drivers of fees that Tidewater Renewables can charge for its storage services.

Revenue

The Corporation generates revenue primarily through fixed rate processing and storage take-or-pay agreements with Tidewater Midstream as the main counterparty. These agreements are designed to recover operating costs and provide a return on capital. Fees are charged per unit processed or stored and through the recovery of operating costs for the facility.

During the fourth quarter of 2021, the operational deliverability at the BRC gas storage pool matched expectations resulting in approximately $2.5 million of extraction and transportation fee revenues. These revenues were received from Tidewater Midstream under the take-or-pay agreement and from other third parties for injecting and withdrawing natural gas in the storage pool. For the period from date of incorporation, May 11, 2021, to December 31, 2021, extraction and transportation fee revenues were approximately $3.6 million.

During the fourth quarter, and for the period from date of incorporation, May 11, 2021, to December 31, 2021, Tidewater Renewables recognized revenues of approximately $14.4 million and $19.5 million, respectively from Tidewater Midstream under the take-or-pay agreement related to the renewable fuels assets.

Operating Expenses

Operating expenses consist of the weighted average cost of renewable feedstocks, storage and transportation fees, truck and rail and various field operating expenses.

General and Administrative

General and administrative expenses consist primarily of salaries and benefits, legal fees, information systems, consultant costs, and audit and tax related fees. The Corporation and Tidewater Midstream entered into a shared services agreement pursuant to which Tidewater Midstream agreed to provide, or arrange for the provision of, certain management and administrative services required by the Corporation for an aggregate monthly fee initially set at cost plus 5%, and reimbursement of associated out-of-pocket costs and expenses.

Share-Based Compensation

During the fourth quarter and for the period from date of incorporation, May 11, 2021, to December 31, 2021, the Corporation issued Restricted Share Units (“RSUs”), Performance Share Units (“PSUs”), Stock Options (“Options”), and Deferred Share Units (“DSUs”) under its share-based incentive plan. Once vested, each RSU, Option and DSU entitles the holder thereof to one common share.

Depreciation

Depreciation for fourth quarter and for the period from date of incorporation, May 11, 2021, to December 31, 2021, relates to the Corporation’s property, plant and equipment, and right-of-use assets.

Finance Costs and Other

Finance costs and other includes interest on the Corporation’s bank debt as well as other non-cash interest charges. Non-cash interest expenses include unrealized foreign exchange losses on the Corporation’s USD denominated rail cars leases, as well as accretion expenses on the Corporation’s decommissioning obligations, lease liabilities and financing costs.

Realized and Unrealized Gains or Losses on Derivative Contracts

The Corporation uses financial forward contracts to protect operating income against volatility in commodity prices. During the fourth quarter and for the period from date of incorporation, May 11, 2021, to December 31, 2021, the Corporation entered into forward financial contracts for vegetable oils to manage the commodity price risk related to its canola co-processing operations.

The fair value of the net derivative contract asset or liability is the estimated value to settle the outstanding contracts at a point in time. Accordingly, the unrealized gains or losses on these financial instruments are recorded directly to the statement of net income and comprehensive income and can fluctuate materially quarter-over-quarter with price volatility. Unrealized gains and losses on derivative contracts do not impact net cash provided by operating activities or distributable cash flow. Actual gains or losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices as compared to the valuation assumptions.

Transaction Costs

The Corporation's transaction costs of approximately $1.6 million are associated with the Offering and acquisition of the acquired assets.

Deferred Income Tax Expense

For the three months ended December 31, 2021 and for the period from date of incorporation, May 11, 2021, to December 31, 2021, the Corporation recognized a deferred income tax expense of $0.2 million and $1.2 million, respectively.

Net Income

For the three months ended December 31, 2021 and for the period from date of incorporation, May 11, 2021, to December 31, 2021, the Corporation generated net income of $0.1 million and $2.8 million respectively.

Net Income Per Share

For the three months ended December 31, 2021 and for the period from date of incorporation, May 11, 2021, to December 31, 2021, the Corporation generated basic and diluted net income per share of $0.00 and $0.14, respectively.

OUTLOOK AND CAPITAL PROGRAM

Tidewater Renewables is pleased to deliver its first full quarter of operations, generating Adjusted EBITDA of $10.6 million and distributable cash flow of $7.9 million. The Corporation is expecting material growth as it develops markets for feedstocks and clean fuels and anticipates Adjusted EBITDA growth of over 20% into the end of 2022 as compared to the fourth quarter of 2021. Tidewater Renewables remains confident in its ability to deliver over 300% Adjusted EBITDA growth over the next 14-18 months with the commissioning of the HDRD Complex in the first quarter of 2023.

During the fourth quarter of 2021, Tidewater Renewables achieved several milestones on the 3,000 bbl/d HDRD Complex and continues to produce renewable diesel and renewable gasoline through its Canola Co-Processing Project. The HDRD Complex is Tidewater Renewables' flagship project and is expected to generate $90 - 100 million of annual Run Rate EBITDA once operational in the first quarter of 2023.

Tidewater Renewables continues to progress its feedstock business strategy and is in discussions with multiple counterparties on potential partnerships and long-term arrangements on discounted feedstock supply. The Corporation continues to make significant headway on its Renewable Natural Gas ("RNG") business unit with various partnership discussions aimed at both securing discounted long term feedstock supply and investment -grade offtake agreements. Tidewater Renewables continues to see material government support for various future renewable fuel initiatives.

Canola Co-processing and FCC Co-Processing Project

During the fourth quarter of 2021, the Canola Co-Processing Project successfully processed canola oil into renewable diesel and renewable gasoline. The Corporation has entered into vegetable oil based financial forward contracts to decrease commodity price exposure and protect the project's cash flows. Tidewater Renewables has also begun testing alternative low-cost feedstocks through its FCC Co-Processing Project with initial encouraging results.

Renewable Diesel & Renewable Hydrogen Complex ("HDRD Complex")

During the fourth quarter the following significant project milestones were achieved:

- achieved the second milestone under the executed Renewable Diesel Project Part 3 Agreement with the Government of British Columbia, resulting in the receipt of 31,418 BC LCFS Credits subsequent to December 31, 2021;
- received rezoning covenant sign off by the City of Prince George and submitted it to land titles;
- ordered medium lead items including compressors, pumps, heat exchangers and flare system;
- completed rough grade, access road and approximately 70% of site gravelling;
- finished three tank concrete foundations;
- commenced receiving materials for fabrication; and
- started on mechanical, process, and instrumentation documents.

Management expects to achieve the following construction project milestones within the next three to six months:

- start brownfield pipe rack construction to connect existing refinery utilities, tanks and loading infrastructure to the HDRD Complex;
- commence brownfield piling and start on rail loading rack fabrication;
- complete remaining concrete foundations in the tank farm and begin erecting storage tanks;
- award short lead items including instrumentation, structural steel, pipe, valves, and fittings;
- finish piping & instrumentation design and related construction packages; and
- complete consultations with First Nations and Indigenous organizations.

Tidewater Renewables expects gross capital costs to trend at the higher-end of its previously disclosed $215 - 235 million due to ongoing global supply chain and inflation factors, which the Corporation continues to manage through procurement of medium and long-lead equipment. As the global economic recovery continues, management is actively monitoring and managing supply-chain disruptions as well as general commodity related inflationary pressures. Proactive steps were taken by management in the third and fourth quarter of 2021 to order long and medium-lead equipment as well as to lock-in material costs where possible to help mitigate any potential supply-chain disruptions.

Feedstock Strategy and Supply

Tidewater Renewables continues to progress its feedstock strategy for both its HDRD Complex and its future RNG initiatives. In the fourth quarter, the Corporation acquired, and plans to aggressively grow, a local used cooking oil supplier to further integrate its value chain and supply volumes to the HDRD Complex. Tidewater Renewables is also in discussions with multiple feedstock suppliers on potential partnerships and synergies related to long-term feedstock supply for both renewable diesel production and RNG production. The Corporation continues to assess various alternative low-cost feedstock options and plans to run tests throughout 2022 which will be targeted at its co-processing operations.

SELECTED ANNUAL INFORMATION

The following table presents selected annual financial information for Tidewater Renewables:

(In thousands of Canadian dollars, except per share information)		For the period from date of incorporation, May 11, 2021, to December 31, 2021
Revenue	$	**23,055**
Net income		**2,763**
Net income per share– basic and diluted		**0.14**
Weighted average common shares outstanding - basic and diluted		**19,901**
Total assets		**730,992**
Total non-current liabilities		**208,081**

SUMMARY OF QUARTERLY RESULTS

The following table presents a summary of Tidewater Renewables' quarterly results since inception:

(In thousands of Canadian dollars, except per share information)		Q4 2021		Q3 2021		Q2 2021
Revenue	**$**	**16,925**	$	6,130	$	-
Net income (loss)		**80**		3,418		(735)
Net income per share – basic and diluted (1)		**0.00**		0.21		-
Adjusted EBITDA (1)	**$**	**10,635**	$	5,330	$	-

(1) During Q2 2021 only one common share was outstanding.
(2) Refer to "Non-GAAP and Other Financial Measures".

During 2021, Tidewater Renewables' results were impacted by the following factors and trends:

- significant one-time transaction costs relating to the issuance of the Corporation's Initial Public Offering and the acquisition of the acquired assets; and
- shorter comparable period due to 44 days of operations in the third quarter and 136 days of operations for the period from date of incorporation, May 11, 2021, to December 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Sources

The Corporation's primary liquidity and capital resource needs are to fund future growth opportunities, future interest payments and working capital.

The Corporation had the following contractual obligations as at December 31, 2021:

(in thousands of Canadian dollars)		December 31, 2021 Less than one year		Greater than one year
Accounts payable and accrued liabilities	$	1,780	$	-
Derivative contracts		-		2,095
Lease liabilities [(1)]		5,699		20,799
Bank debt [(2)]		-		60,000
	$	7,479	$	82,894

(1) Amounts represent the expected undiscounted cash payments related to leases.
(2) Amounts represent undiscounted principle only and exclude accrued interest.

Tidewater Midstream and Tidewater Renewables each have a revolving credit facility (each, a "Senior Credit Facility" and together, the "Senior Credit Facilities") with a syndicate of banks. Although the Senior Credit Facilities are not cross-collateralized, the agreements governing the Senior Credit Facilities provide that each lender's commitment thereunder will be equivalent to its proportionate commitment under both facilities, until the first unanimous extension. The Corporation's Senior Credit Facility is used to provide financing for working capital, to fund capital expenditures and acquisitions and for other general corporate purposes.

Total availability under Tidewater Renewables' Senior Credit Facility is $150 million and it matures on August 18, 2024. Advances may be made by way of direct advances, bankers' acceptances, or standby letters of credit/guarantees.

Tidewater Renewables is required to maintain certain financial covenants on a trailing-quarterly (annualized) basis including consolidated debt (being, Tidewater Renewables' senior debt) to adjusted EBITDA of less than or equal to 3.5:1; first lien senior debt (being, Tidewater Renewables' senior debt) to adjusted EBITDA of less than or equal to 2.5:1; and an adjusted EBITDA to interest coverage ratio greater than or equal to 2.5:1. The calculations for each of these ratios are based on specific definitions in the agreements governing the Senior Credit Facility, are not in accordance with GAAP, and cannot be easily calculated by referring to the Corporation's financial statements. At December 31, 2021, Tidewater Renewables was in compliance with its financial covenants, reporting consolidated debt to adjusted EBITDA ratio of 1.5:1, consolidated, first lien senior debt to adjusted EBITDA ratio of 1.5:1 and adjusted EBITDA to interest coverage ratio of 18.8:1.

The Corporation must also maintain contracts with investment grade entities representing no less than 80% of EBITDA having a term of no less than three years, provided that for purposes of this covenant, Tidewater Midstream shall be deemed to be investment grade.

The existing Acquired Assets operate mainly under long-term take-or-pay contracts primarily with Tidewater Midstream. Management expects the Acquired Assets to generate approximately $40 million of Run Rate EBITDA in total with a majority from take-or-pay contracts and from select other non-take-or-pay activities. These earnings will be used for general corporate purposes including financing ongoing working capital requirements.

The Government of BC is providing 275,750 BC LCFS credits to partially fund construction of the HDRD Complex, which management has begun monetizing through sale agreements with investment-grade companies. The combination of provincial government support, the proceeds available under the Senior Credit Facility, the anticipated cash generated by the business, and other financing sources as appropriate is anticipated to provide the required funding to execute the build of the HDRD Complex.

Since the Corporation derives a majority of its revenues from Tidewater Midstream, it is economically dependent on Tidewater Midstream. Through the take-or-pay agreements, the Corporation provides a significant amount of throughput capacity to Tidewater Midstream.

The most significant exposure faced by the renewable's energy business is related to a lack of operating history. Many of the technologies, processes and companies engaged in renewable energy production, transportation and marketing are new to the business and industry. With renewable energy being an emerging industry there is risk associated with forecasting the Corporation's future performance. To mitigate this risk, Tidewater Renewables has:

- engaged Tidewater Midstream to operate the Acquired Assets. Tidewater Midstream has extensive experience operating the Acquired Assets;
- signed long-term take-or-pay contracts for the Acquired Assets; and
- selected the Acquired Assets for their optionality to produce or store both conventional and renewable fuels.

Based on the above factors, net cash provided by operating activities is anticipated to remain stable and be sufficient to support operations and fund sustaining capital expenditures. The financial performance of Tidewater Renewables' refining operations will be impacted by refined product prices, BC LCFS and carbon credits, and the prices of renewable feedstock. Refining margins are subject to seasonal factors as production changes to match seasonal demand.

Due to the nature of the renewable energy industry, budgets are regularly reviewed with respect to the success of the expenditures and other opportunities that become available to the Corporation. Tidewater Renewables' actual expenditures may vary depending on a variety of factors, including the availability of equipment and personnel, unexpected expenses, delays in the receipt of necessary regulatory approvals, permits and licenses, and the success of Tidewater Renewables' business development activities, among other variables.

Tidewater Renewables anticipates that net cash provided by operating activities, cash flow generated from growth projects, cash available from its Senior Credit Facility and other sources of financing will be sufficient to meet its obligations, financial commitments and provide sufficient funding for anticipated capital expenditures. The current financial position of the Corporation provides sufficient financial flexibility and resources to manage its liquidity requirements. Accordingly, over the short-term, the Corporation expects to maintain sufficient liquidity sources to fund its ongoing operations, debt service requirements and working capital needs.

Cash Flow Summary

The following table summarizes the Corporation's sources and uses of funds for the three months ended December 31, 2021, and for the period from date of incorporation, May 11, 2021, to December 31, 2021 from continuing operations:

Cash flows provided by (used in) *(in thousands of Canadian dollars)*	**Three months ended December 31, 2021**	**For the period from date of incorporation, May 11, 2021, to December 31, 2021**
Operating activities	$ **9,963**	$ **8,187**
Financing activities	$ **16,131**	$ **205,981**
Investing activities	$ **(33,146)**	$ **(213,146)**

Net Cash Provided by Operating Activities

Net cash provided by operating activities was $10.0 million for the three months ended December 31, 2021, and $8.2 million for the period from date of incorporation, May 11, 2021, to December 31, 2021. This was primarily the result of strong operating income and realized hedge gains in the periods.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $16.1 million for the three months ended December 31, 2021, and $206.0 million for the period from date of incorporation, May 11, 2021, to December 31, 2021. The net cash provided by financing activities relates to net proceeds raised from the Offering of $150 million and advances of bank debt of $60 million, of which $18 million was advanced in the fourth quarter. These proceeds have been used to fund the acquisition of the Acquired Assets and the construction of the HDRD Complex.

Net Cash Used in Investing Activities

Net cash used in investing activities was $33.1 million for the three months ended December 31, 2021, and $213.1 million for the period from date of incorporation, May 11, 2021, to December 31, 2021. This primarily relates to the acquisition of the Acquired Assets and the construction of the HDRD Complex.

Capital Expenditures

The following table summarizes acquisitions, growth and maintenance capital expenditures for the three months ended December 31, 2021, and for the period from date of incorporation, May 11, 2021, to December 31, 2021:

(in thousands of Canadian dollars)		**Three months ended December 31, 2021**		**For the period from date of incorporation, May 11, 2021, to December 31, 2021**
Acquisitions	**$**	**2,172**	**$**	**182,172**
Growth capital (1)		**27,179**		**30,096**
Maintenance capital (1)		**421**		**878**
Total additions to property, plant and equipment as per statement of cash flows	**$**	**29,772**	**$**	**213,146**

I1) See the "Non-GAAP and Other Financial Measures" section of this MD&A.

Growth Capital

Growth capital expenditures for the three months ended December 31, 2021 were $27.2 million. For the period from date of incorporation, May 11, 2021, to December 31, 2021 growth capital expenditures were $30.1 million. Tidewater Renewables' 2021 growth capital has been focused on the engineering and construction of its HDRD Complex, which was accelerated where possible to mitigate potential supply chain and inflation pressures. Upon completion, the HDRD Complex is expected to be one of Canada's first stand-alone renewable diesel facilities and will be Tidewater Renewables' flagship asset.

The HDRD Complex is Tidewater Renewables' largest renewable initiative — a 3,000 bbl/d renewable diesel and renewable hydrogen facility located on-site at the PGR. The HDRD Complex will be a stand-alone renewables complex focused on 100% renewable feedstock and will include a pretreatment facility to provide Tidewater Renewables significant flexibility on running various renewable feedstocks.

Tidewater Renewables expects gross capital costs to trend at the higher end of its previously disclosed $215 - 235 million due to ongoing global supply chain and inflation factors which the Corporation continues to manage through procurement of medium and long-lead equipment. Proactive steps were taken by management in third and fourth quarter of 2021 to order long and medium-lead equipment as well as lock-in material costs where possible to help mitigate any potential supply-chain disruptions. Tidewater Renewables expects to fund the project using a combination of BC LCFS credits, the Senior Credit Facility, and cash flow from operations.

Pursuant to the Renewable Diesel Project Part 3 Agreement, an aggregate of 275,750 BC LCFS credits will be granted upon satisfaction of certain project milestones.

Maintenance Capital

Tidewater Renewables places a high priority on the maintenance and upgrading of its assets in order to provide safe operating conditions for its employees and reliable services to its customers. Maintenance capital expenditures for the three months ended December 31, 2021, were approximately $0.4 million and for the period from date of incorporation, May 11, 2021, to December 31, 2021 were $0.9 million. These maintenance capital expenditures are attributable to improvements to the utilities infrastructure and tank farm.

CONTRACTUAL LIABILITIES AND COMMITMENTS

At December 31, 2021, the Corporation had commitments related to leased (right-of-use) assets, and long-term debt. Lease liabilities relate to rail cars and equipment leases. The Corporation had the following contractual obligations and commitments, including those recognized as leases, as at December 31, 2021:

(in thousands of Canadian dollars)	Within one year	After one year but not more than five years	More than five years	Total
Lease liabilities	$ 5,699	$ 20,799	$ -	$ 26,498
Bank debt [1]	-	60,000	-	60,000
Total	**$ 5,699**	**$ 80,799**	**$ -**	**$ 86,498**

(1) The Corporation's Senior Credit Facility is due August 18, 2024.

Off Balance Sheet Arrangements

At December 31, 2021, the Corporation does not have any guarantees or off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Corporation's financial performance or condition, results of operations, liquidity or capital expenditures.

OUTSTANDING EQUITY

At March 9, 2022, Tidewater Renewables had the following number of outstanding common shares, RSUs, DSUs and options:

(In thousands)	
Common shares	34,712
RSUs	152
DSUs	15
Options	182

TRANSACTIONS WITH RELATED PARTY

On August 18, 2021, the Corporation acquired the Acquired Assets that provided an initial platform for its renewable diesel, renewable hydrogen, and renewable natural gas business. As consideration for the Acquired Assets, the Corporation issued 23.9 million common shares valued at $15.00 per common share for total share consideration of $358.5 million and cash of $180 million.

In connection with the acquisition of the Acquired Assets, the Corporation entered into take-or-pay agreements for a portion of the Acquired Assets capacity, providing processing capacity, services, and renewable products. As the majority of the Corporation's revenue is earned by providing services to Tidewater Midstream under the take-or-pay agreements it is economically dependent on Tidewater Midstream.

The transactions with Tidewater Midstream during the three months ended December 31, 2021, and for the period from date of incorporation, May 11, 2021, to December 31, 2021, are summarized in the following table:

(in thousands of Canadian dollars)		**Three months ended December 31, 2021**		**For the period from date of incorporation, May 11, 2021, to December 31, 2021**
Revenue	$	16,662	$	22,719
Operating expenses	$	6,274	$	7,368
General and administrative	$	320	$	526
Realized gain on derivative contracts	$	(637)	$	(1,137)
Unrealized loss (gain) on derivative contracts	$	4,322	$	1,552

Balances with Tidewater Midstream included in the statement of financial position as at December 31, 2021 are summarized in the following table:

	As at December 31, 2021			
(in thousands of Canadian dollars)		Accounts receivable		Accounts payable
Tidewater Midstream and Infrastructure Ltd.		6,971		88
Total	**$**	**6,971**	**$**	**88**

For the three months ended December 31, 2021, and for the period from date of incorporation, May 11, 2021, to December 31, 2021, Tidewater Renewables had no other transactions with related parties, except those pertaining to contributions to Tidewater Renewables' long-term incentive plans and remuneration of key management personnel in the ordinary course of their employment.

FINANCIAL INSTRUMENTS

Tidewater Renewables' financial instruments consist of cash, derivative contracts, accounts payable and accrued liabilities and bank debt. Tidewater Renewables employs risk management strategies and policies to ensure that any exposures to market risks are in compliance with the Corporation's business objectives and risk tolerance levels.

The majority of Tidewater Renewables' accounts receivable (and cash flow) are due from Tidewater Midstream. Revenue earned from Tidewater Midstream for the three months ended December 31, 2021, and for the period from date of incorporation, May 11, 2021, to December 31, 2021, was $16.7 million and $22.7 million, respectively. The Corporation believes the credit risk associated with Tidewater Midstream is minimal.

The Corporation enters into certain financial derivative contracts to manage commodity price risk and these instruments are not used for speculative purposes. The Corporation has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all commodity contracts to be effective economic hedges. Such financial derivative contracts are recorded on the statement of financial position at fair value, with changes in the fair value being recognized as an unrealized loss (gain) on the consolidated statement of net income and comprehensive income.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Tidewater Renewables provides the opportunity to invest in an energy transition vehicle focused on producing clean, renewable fuels for the North American markets utilizing existing and proven technologies. The Corporation will focus on low carbon fuels to deliver carbon intensity (CI) reduction alternatives including renewable diesel, renewable hydrogen and renewable natural gas. Tidewater Renewables strives to become one of the largest Canadian renewable fuel producers with ESG being a top priority. Some of the key ESG attributes are highlighted below:

1. Focused on renewable fuels that have significantly reduced CI relative to conventional fossil fuels by more than 80%, and over 100% in some cases where use of organic waste products, which would have otherwise escaped into the environment, are instead captured, processed and converted into energy, thus receiving a credit for having not been released into the environment.

2. Feedstock strategy will focus on inedible and waste-stream oils such as animal fats, used cooking oil, and distiller corn oil as well as wood waste products for its Renewable Natural Gas Anaerobic Digestor and Gasifier Projects.

3. Tidewater Renewables has an experienced and diverse Board of Directors, consisting of a majority of independent directors acting in the best interest of Tidewater Renewables, of which 25% are women.

4. Through the Shared Services Agreement, Tidewater Renewables has the benefit of the experience and knowledge of the Tidewater Midstream team with respect to health and safety practices and human capital management. This includes an ESG Committee that meets on a weekly basis to review ESG priorities and plans.

5. Some communities not connected to the electricity grid may rely on greenhouse gas (GHG) emitting diesel generated electricity. Tidewater Renewables is working with several First Nations groups across Canada to deliver clean fuels (including renewable diesel) to these communities to reduce their overall impact on the environment and decrease their CI.

6. Focused on socially conscious commerce, community engagement with all local stakeholders and deepening of community relations through various events and corporate sponsorships.

Governmental Regulation

Tidewater Renewables' assets and growth projects are subject to federal, provincial and local air quality, solid waste, and water quality regulations and permitting requirements. Specific permits the Corporation must, in the normal course of business, obtain when developing its projects include: construction permits, operating permits, air permits, zoning permits, non-hazardous waste management permits, pollutant discharge elimination permits, and beneficial use permits. The Corporation's assets and projects must also maintain compliance with relevant federal, provincial, and local environmental, health and safety requirements. Regulatory and legislative factors also influence the price of renewable diesel, renewable hydrogen and RNG and depend on the jurisdiction where the end product is sold. For greater clarity, Tidewater Renewables' assets and projects are in Canada (except for, potentially, its rail cars from time to time) and therefore subject to the Canadian regulatory and Clean Energy Regulatory Incentives. At certain times in the future, the Corporation may sell some of its end products in the United States, at which time U.S. Clean Energy Regulatory Incentives will be applicable. For further details, please see the Corporation's most recently filed annual information form (the "Annual Information Form"), an electronic copy of which is available on Tidewater Renewables' SEDAR profile at www.sedar.com.

Canadian Clean Fuels Standard ("CFS")

The CFS is an important part of Canada's approach to growing a cleaner and more competitive economy and one of the main regulations providing potential future incentives for the Corporation's business. The CFS is a proposed regulation, to be established under the *Canadian Environmental Protection Act, 1999*. The CFS will require fossil fuel suppliers to make the fuels that they supply cleaner and less polluting overall. In so doing, they will contribute to the reduction of greenhouse gas emissions ("GHG emissions"), mostly from the transportation sector, which accounted for 25% of Canada's total GHG emissions in 2018. The CFS is expected to build on current federal and provincial renewable fuel regulations by expanding its mandate to focus on emissions throughout the lifecycle of fuels. The Government of Canada is following similar regulatory approaches that already exist in British Columbia, California, Oregon, Washington, and other jurisdictions.

The CFS will mandate liquid fuel distributors to lower the carbon emission intensity of their products, with the aim of significantly reducing pollution and GHG emissions. In addition, the CFS will continue to have credit creation opportunities for low carbon gaseous fuels like hydrogen and renewable natural gas. To drive the production and consumption of clean fuels, the CFS intends to accelerate investment and growth in clean fuel projects through the use of incentives for the development and adoption of clean fuels and clean fuel technologies and processes.

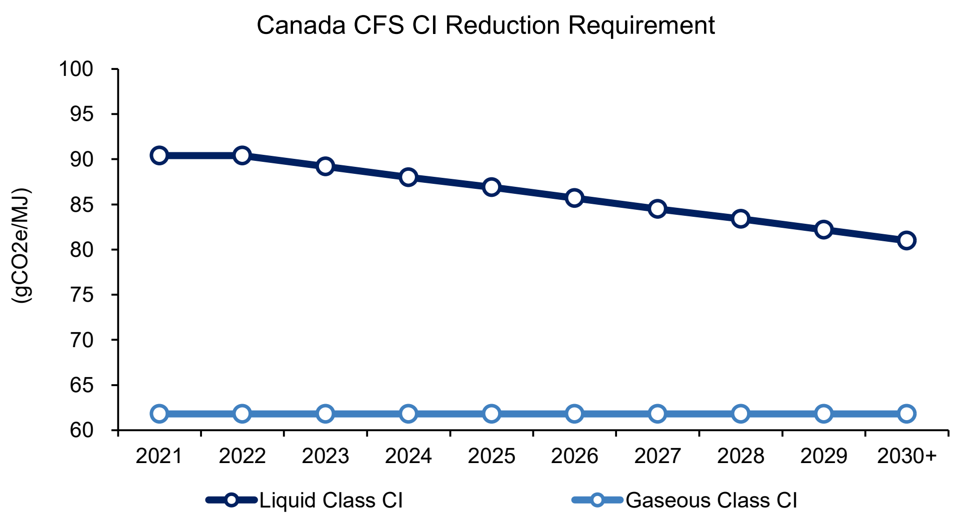
On December 18, 2020, Environment and Climate Change Canada issued the CFS, which is expected to come into effect on January 1, 2023, with certain renewable projects being able to accrue credits prior to the effective date. The proposed CFS intends to cut the rate of GHG emissions by reducing the lifecycle CI of liquid and gaseous fossil fuels used in Canada. Specifically, the CFS is anticipated to target a CI reduction of liquid fossil fuels by 12 grams of CO_2e per megajoule (gCO_2e/MJ) by 2030, which represents a decrease of approximately 13% in CI below 2016 levels. To achieve this, the CFS is expected to incentivize actions taken in three main compliance categories:

1. GHG reductions along the lifecycle of fossil fuels to reduce CI;
2. Supplying low carbon fuels; and
3. End-use fuel switching in transportation.

The CFS, as proposed, would establish a CFS credit market, where each credit would represent a lifecycle emission reduction of one tonne of CO_2e. For each compliance period, a primary supplier would demonstrate compliance with their reduction requirement by creating credits or acquiring credits from other creators and then using the required number of credits for compliance. CFS Credits are expected to be created by various low carbon fuel types, including but not limited to renewable diesel, renewable natural gas and renewable hydrogen.

Renewable diesel will generate CFS credits under the proposed CFS framework as a low carbon liquid fuel. RNG and renewable hydrogen will generate CFS credits under the proposed CFS framework as a low carbon fuel. Low CI fuels are fuels, other than the fossil fuels subject to the CI reduction requirements, that have a CI equal to or less than 90% of the credit reference CI value for the fuel. CFS Credit quantification methodology for low carbon liquid fuels increasingly awards credits for further reductions to the CI (gCO_2e) of fuels, beyond the 90% reduction benchmark criteria.

Tidewater Renewables can choose to capture the value of the CFS credits by selling the forecasted renewable diesel production, forecasted renewable natural gas production, and forecasted renewable hydrogen production to a consumer with the CFS credits embedded in the purchase price or through monetizing the credits separately in the open market.



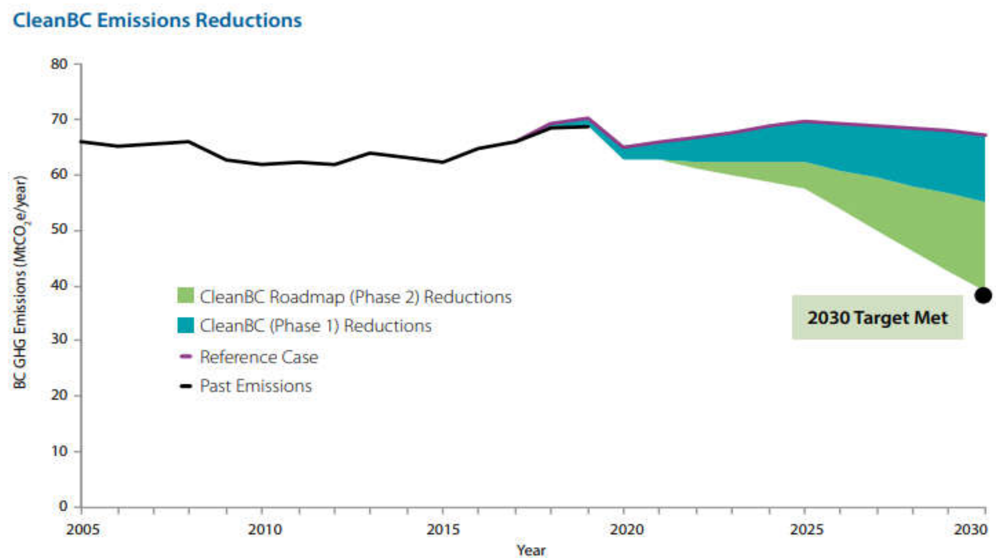
Source: Canada Gazette, Part I, Volume 154, Number 51: Clean Fuel Regulations (December 19, 2020).

British Columbia Low Carbon Fuel Standard ("BC LCFS")

In January 2010, the provincial government instituted the BC LCFS program. The BC LCFS requires reductions in the lifecycle CI of transportation fuels supplied in British Columbia, outlining that 5% of gasoline and 4% of diesel volumes must contain renewable fuel and annual BC LCFS compliance standard are met. Initially, fuel suppliers were required to progressively decrease the average CI of their fuels to achieve a 9% reduction in 2020 from a 2010 CI baseline. In December 2018, British Columbia's Ministry of Energy, Mines and Petroleum Resources released their CleanBC Plan, announcing an increase of the CI target to 20% by 2030 relative to 2010 CI levels. In July 2020, these amendments to the BC LCFS came into effect. To date, British Columbia is the only province with a low carbon fuel standard in Canada.

On October 25, 2021, the Government of British Columbia released its CleanBC Roadmap to 2030, which is part of British Columbia's plan to help it achieve its legislated targets for reducing its greenhouse gas emissions, including a targeted 40% reduction below 2007 levels by 2030.

The Roadmap to 2030 includes several initiatives that relate to renewable fuels and the province's Low Carbon Fuel Standard program, including:



1. An increase in the carbon intensity reduction targets for gasoline and diesel to 30% by 2030 (up from 20% by 2030 at present).
2. An increase in the provincial renewable fuels production target to 1.3 billion litres per year (equivalent to approximately 22,400 bbl/d) by 2030 (double the current target of 650 million litres per year by 2030).
3. An increase in the financial penalty for those failing to comply with regulations.
4. A contemplated expansion of BC LCFS to include marine and aviation fuels beginning in 2023 (currently, these fuels are excluded from the program).

The CleanBC Roadmap to 2030 also highlights other initiatives that could affect fuels use in the province, including:

1. An accelerated zero-emission vehicle ("ZEV") law (26% of new light-duty vehicles by 2026, 90% by 2030, 100% by 2035).
2. An initiative to reduce travel in light-duty vehicles by 25% by 2030 (relative to 2020).
3. New ZEV targets for medium- and heavy-duty vehicles aligned with California targets.
4. Complete B.C.'s Electric Highway by 2024 and setting a target of the province having 10,000 public EV charging stations by 2030.

While the Corporation awaits more details on the proposed implementation of items in the CleanBC Roadmap to 2030, the Corporation sees the broader messaging and specific initiatives as being supportive for the role of renewable fuels, BC LCFS credit demand and pricing (although the Corporation would expect the number of credits generated by the Corporation's facilities under the program to decrease, all else equal), and overall sentiment for Tidewater Renewables.

Fuel suppliers can comply with the BC LCFS by reducing the overall CI of the fuels they supply, blending renewable fuels into their existing fuel stream, acquiring credits from other fuel suppliers, or by entering into an agreement with the province that provides Part 3 credits for the construction of clean fuels projects.

The number of BC LCFS credits received for the use of a certain pathway is calculated by taking the difference between the pathway's CI score and BC annual CI compliance standard/benchmark for gasoline or diesel (depending on the end use of the fuel). Revenue from the BC LCFS program is based on the number of credits received for the use of a certain pathway as a low-carbon transportation fuel and the then-current BC LCFS trading price.

During 2021, BC LCFS credit prices averaged $447.60 per credit with the fourth quarter of 2021 averaging $483.25 per credit and having a maximum price per credit of $519.19. BC LCFS credit prices have averaged $486.17 year-to-date in 2022 remaining relatively consistent with the fourth quarter of 2021. The Corporation monitors the published BC Ministry of Energy, Mines and Low Carbon Innovation's posted LCFS transaction prices but notes that the average prices may include credits pre-sold under legacy agreements which could artificially lower the average transaction price.

The Corporation believes the recent increases in BC LCFS credit prices are attributable to, at least in part, the supply and demand dynamics for renewable diesel, demand for BC LCFS credits and the prices of Environmental Attributes and renewable diesel in competing LCFS markets (Oregon and California).

Monetization of BC LCFS Credits

Tidewater Renewables can choose to capture the value of the BC LCFS credits by selling the forecasted renewable diesel production to a fuel producer with the BC LCFS credits embedded in the purchase price or through monetizing the credits separately in the open market.

RISK FACTORS

Tidewater Renewables faces a number of risks in its normal course of business including; (i) risks relating to the Corporation's business, industry and operating environment including financial, legal, regulatory and strategic risks; and (ii) risks relating to the Corporation's relationship with Tidewater Midstream. For a more detailed description of the risk factors associated with the Corporation, refer to the section entitled "Risk Factors" in the Corporation's most recently filed annual information form, an electronic copy of which is available on Tidewater Renewables' SEDAR profile at www.sedar.com. The Corporation's financial risks are discussed in note 18 of the consolidated financial statements for the period from date of incorporation, May 11, 2021, to December 31, 2021.

The Corporation's specific focus on the renewable energy sector exposes the Corporation to risks related to the supply and demand of commodities, the cost of capital expenditures, government regulation, world and regional events and economic conditions, and the acceptance of alternative energy sources. The Corporation continually works to mitigate the impact of risks to its business by identifying all significant risks so that they can be appropriately managed.

The profitability of the Corporation's operations will be affected by changes in prices of BC LCFS Credits, which may be subject to volatility. BC LCFS Credit prices are determined primarily by the supply and demand of credits as well as any future expectations thereof. Such prices are affected by numerous factors beyond the Corporation's control, including a number of pathways that can generate BC LCFS Credits, supply of renewable products entering British Columbia, the number of competing projects currently operational or planned to enter service that will supply the BC LCFS market with renewable products, the demand for BC LCFS Credits by other Part 3 Fuel Suppliers and the supply of BC LCFS Credits by other Part 3 Fuel Suppliers. If BC LCFS Credit prices should decline and remain at low market levels for a sustained period, the Corporation could determine that it is not economically feasible to continue activities. Volatility or decrease in price may have a significant and negative impact on the value of the Corporation's assets, its financial condition, and its ability to execute on its capital projects.

In addition, a number of other factors related to the development and operation of individual renewable energy projects could adversely affect the Corporation's business, including:

- substantial construction risks, including the risk of cost overruns and delays, including those that may arise as a result of material pricing, inflation, supply chain, inclement weather, labor disruptions and/or extenuating events;

- changes in energy demand and commodity prices, including renewable diesel, which could have a significant effect on the Corporation's revenues; and

- a decrease in the feedstock availability, an increase in feedstock pricing, and/or timeliness of delivery of feedstocks and components, necessary for the projects to function.

Risks Relating Specifically to the Corporation's Relationship with Tidewater Midstream

As the majority of the Corporation's revenue is earned through providing processing and storage services to Tidewater Midstream under take-or-pay agreements (refer to "*Transactions with Related Party"* section), it is economically dependent on Tidewater Midstream. The payments to the Corporation are dependent on the financial strength of Tidewater Midstream. If Tidewater Midstream is not able to make the full payment of amounts owing, this could have a material adverse effect to the Corporation's business.

Run Rate EBITDA Outlook

The Run Rate EBITDA outlook contained in this MD&A was prepared using assumptions that reflect Management's intended course for the periods covered, based on the judgement of Management as to several factors, including, without limitation, estimates of volumes of feedstock and sales for the applicable period.

The Company's calculation of Run Rate EBITDA for Acquired Assets and the HDRD Complex is based on certain assumptions, some or all of which may not materialize and may differ from the assumptions underlying any forward-looking information relating to capital projects and assets that was prepared for other purposes. Unanticipated events may occur that could have a material adverse effect on the actual results achieved by the Corporation during the periods to which these estimates relate.

There can be no assurance that the assumptions reflected in the Run Rate EBITDA for Acquired Assets and the HDRD Complex will prove to be accurate. Actual results may vary from the amounts disclosed and those variations may be material.

Presentation of such Run Rate EBITDA excludes certain expense items, such as the impact of non-cash compensation, and such presentation is not intended to be a substitute for historical IFRS measures of operating performance or liquidity. The Run Rate EBITDA outlook for Acquired Assets and the Renewable Diesel & Renewable Hydrogen Complex is subject to material risks, uncertainties and contingencies. See "*Forward-looking Statements*".

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimates that differ materially from current estimates. The Corporation's use of estimates and judgments in preparing the Financial Statements is discussed in note 2 of the consolidated financial statements for the period from date of incorporation, May 11, 2021, to December 31, 2021.

The Corporation's business, financial condition and results of operations may continue to be affected by the COVID-19 pandemic with respect to the extent and duration of the pandemic including the resurgence of variants. The pandemic has contributed to significant volatility in the financial and commodity markets, disruptions in the global supply chain, and inflation and cost pressures. While the Corporation has taken proactive measures to protect its operations, given the ongoing and dynamic nature of the circumstances surrounding COVID-19, the impact of this pandemic on the Corporation's business remains uncertain. These uncertainties increase the complexity of estimates and judgements used to prepare the Financial Statements in areas such as: i) the identification of triggering events for impairment of property, plant and equipment; ii) fair value measurements of derivative contracts; and iii) analysis of external credit losses.

CONTROL ENVIRONMENT

Tidewater Renewable's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures ("DC&P"), as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"). They have, as at the financial year ended December 31, 2021, designed DC&P, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P"), as defined by National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), to provide reasonable assurance that material information relating to the Corporation is made known to them by others, particularly during the period in which the annual filings are being prepared, and information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Corporation's management, including the Chief Executive Officer and Chief Financial Officer, evaluate the effectiveness of the Corporation's DC&P annually.

Tidewater Renewables' Chief Executive Officer and Chief Financial Officer are also responsible for establishing and maintaining internal control over financial reporting ("ICFR") as defined by NI 52-109. They have as at the financial year end December 31, 2021, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used by the officers to design the Corporation's ICFR is the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations.

The Corporation's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Corporation's DC&P and ICFR. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as at December 31, 2021, the Corporation's DC&P and ICFR are effective. There were no changes in the Corporation's ICFR during the period beginning on October 1, 2021, and ending December 31, 2021, that have materially affected or are reasonably likely to materially affect, the Corporation's ICFR.

It should be noted that while the Chief Executive Officer and Chief Financial Officer believe that the Corporation's design of DC&P and ICFR provide a reasonable level of assurance that they are effective, they do not expect that the control system will prevent all errors and fraud. A control system, no matter how well conceived or operated, does not provide absolute assurance, but rather is designed to provide reasonable assurance that the objective of the control system is met. The Corporation's ICFR may not prevent or detect all misstatements because of inherent limitations. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Corporation's policies and procedures.

NON-GAAP AND OTHER FINANCIAL MEASURES

Throughout this MD&A and in other materials disclosed by the Corporation, Tidewater Renewables uses a number of financial measures when assessing its results and measuring overall performance. The intent of non-GAAP measures and ratios is to provide additional useful information to investors and analysts. Certain of these financial measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other entities. As such, these measures should not be considered in isolation or used as a substitute for measures of performance prepared in accordance with GAAP. Except as otherwise indicated, these financial measures will be calculated and disclosed on a consistent basis from period to period. Specific adjusting items may only be relevant in certain periods.

The following are the Corporation's non-GAAP financial measures, non-GAAP ratios, supplementary financial measures and capital management measures.

Non-GAAP Financial Measures

The non-GAAP financial measures used by the Corporation are Adjusted EBITDA and distributable cash flow.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure. Adjusted EBITDA is calculated as income (or loss) before finance costs, taxes, depreciation, share-based compensation, unrealized gains/losses on derivative contracts, non-cash items, transaction costs, lease payments under IFRS 16 *Leases* and other items considered non-recurring in nature.

Adjusted EBITDA is used by management to set objectives, make operating and capital investment decisions, monitor debt covenants and assess performance. In addition to its use by management, Tidewater Renewables also believes Adjusted EBITDA is a measure widely used by securities analysts, investors, lending institutions and others to evaluate the financial performance of the Corporation and other companies in the renewable industry. The Corporation issues guidance on this key measure. As a result, Adjusted EBITDA is presented as a relevant measure in the MD&A to assist analysts and readers in assessing the performance of the Corporation as seen from management's perspective. Investors should be cautioned that Adjusted EBITDA should not be construed as alternatives to net income, net cash provided by (used in) operating activities or other measures of financial results determined in accordance with GAAP as an indicator of the Corporation's performance and may not be comparable to companies with similar calculations.

The following table reconciles net income, the nearest GAAP measure, to Adjusted EBITDA:

(in thousands of Canadian dollars)	Three months ended December 31, 2021	For the period from date of incorporation, May 11, 2021, to December 31, 2021
Net income	$ 80	$ 2,763
Deferred income tax expense	175	1,234
Depreciation	4,592	6,707
Finance costs	759	1,476
Share-based compensation	425	680
Unrealized loss on derivative contracts	4,322	1,552
Transaction costs	282	1,553
Adjusted EBITDA	**$ 10,635**	**$ 15,965**

Distributable Cash Flow

Distributable cash flow is a non-GAAP measure. Management believes distributable cash flow is a useful metric for investors when assessing the amount of cash flow generated from normal operations. These cash flows are relevant to the Corporation's ability to internally fund growth projects, alter its capital structure, or distribute returns to shareholders. Distributable cash flow is calculated as net cash provided by operating activities before changes in non-cash working capital plus cash distributions from investments, transaction costs, non-recurring expenses, and after any expenditures that use cash from operations. Changes in non-cash working capital are excluded from the determination of distributable cash flow because they are primarily the result of seasonal fluctuations or other temporary changes and are generally funded with short-term debt or cash flows from operating activities. Deducted from distributable cash flow are maintenance capital expenditures, including turnarounds, as they are ongoing recurring expenditures which are funded from operating cash flows. Transaction costs are added back as they vary significantly quarter to quarter based on the Corporation's acquisition and disposition activity. It also excludes non-recurring transactions that do not reflect Tidewater Renewables' ongoing operations.

The following table reconciles net cash provided by operating activities, the nearest GAAP measure, to distributable cash flow:

(in thousands of Canadian dollars)	Three months ended December 31, 2021	For the period from date of incorporation, May 11, 2021, to December 31, 2021
Net cash provided by operating activities	$ 9,963	$ 8,187
Add (deduct):		
Changes in non-cash working capital	60	5,895
Transaction costs	282	1,553
Interest and financing charges	(569)	(790)
Payment of lease liabilities	(1,435)	(2,147)
Maintenance capital	(421)	(878)
Distributable cash flow	**$ 7,880**	**$ 11,820**

Growth capital expenditures will be funded from net cash provided by operating activities, along with proceeds from additional debt or equity, as required.

Non-GAAP Financial Ratios

The Corporation uses non-GAAP financial ratios to present aspects of its financial performance or financial position, including distributable cash flow per common share.

Distributable cash flow per common share

Distributable cash flow per common share is calculated as distributable cash flow over the weighted average number of common shares outstanding for the three months ended December 31, 2021, and for the period, from date of incorporation, May 11, 2021, to December 31, 2021.

Distributable cash flow is a non-GAAP financial measure. Management believes that distributable cash flow per common share provides investors an indicator of funds generated from the business that could be allocated to each shareholder's equity position.

(in thousands of Canadian dollars except per share information)		Three months ended December 31, 2021		For the period from date of incorporation, May 11, 2021, to December 31, 2021
Distributable cash flow	$	7,880	$	11,820
Distributable cash flow per common share – basic and diluted	**$**	**0.23**	**$**	**0.59**

Capital Management Measures

The Corporation has its own methods for managing capital and liquidity as further described in "*Liquidity, and Capital Resources*" section of this MD&A and within note 17 of the Financial Statements.

Net Debt

Net debt is used by the Corporation to monitor its capital structure and financing requirements. It is also used as a measure of the Corporation's overall financial strength. Net debt is defined as bank debt, less cash.

Net debt excludes working capital, lease liabilities and derivative contracts as the Corporation monitors its capital structure based on net debt to Adjusted EBITDA, consistent with its credit facility covenants as described in "*Liquidity and Capital Resources*".

The following table reconciles net debt:

(in thousands of Canadian dollars)		December 31, 2021
Senior Credit Facility	**$**	**60,000**
Cash		**(1,022)**
Net debt	**$**	**58,978**

Supplementary Financial Measures

Growth Capital

Growth capital expenditures are generally defined as expenditures which are recoverable, incrementally increase cash flow or earnings potential of assets, expand the capacity of current operations, or significantly extend the life of existing assets. This measure is used by the investment community to assess the extent of discretionary capital spending.

Maintenance Capital

Maintenance capital expenditures are generally defined as expenditures that support and/or maintain the current capacity/ cash flow or earnings potential of existing assets without the characteristic benefits associated with growth capital expenditures. These expenditures include major inspections and overhaul costs that are required on a periodic basis. This measure is used by the investment community to assess the extent of non-discretionary capital spending.

Run Rate EBITDA

Run Rate EBITDA is defined as the expected EBITDA to be generated by Tidewater Renewables' specific Acquired Assets, or specific growth project, that corresponds to a full year of operations at full capacity. Run Rate EBITDA excludes non-cash items including depreciation and share-based compensation. The calculation of Run Rate EBITDA is based on certain estimates and assumptions. It should not be regarded as a representation, by the Corporation or any other person, that Tidewater Renewables will achieve such operating results. Investors should not place undue reliance on the Run Rate EBITDA and should make their own independent assessment of the Corporation's future results or operations, cash flows and financial condition.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking statements and forward-looking information (collectively referred to herein as, "forward-looking statements") within the meaning of applicable Canadian securities laws. Such forward-looking statements relate to future events, conditions or future financial performance of Tidewater Renewables based on future economic conditions and courses of action. All statements other than statements of historical fact may be forward-looking statements. Such forward-looking statements are often, but not always, identified by the use of any words such as "seek", "anticipate", "budget", "plan", "continue", "forecast", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "will likely result", "are expected to", "will continue", "is anticipated", "believes", "estimated", "intends", "plans", "projection", "outlook" and similar expressions. These statements involve known and unknown risks, assumptions, 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 those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon.

In particular, this MD&A contains forward-looking statements pertaining to, but not limited to, the following:

- the expected financial performance of the Corporation's proposed capital projects and assets following the commencement of operations, including underlying assumptions;
- estimates of EBITDA and Run Rate EBITDA;

- guidance with respect to forecasted consolidated Adjusted EBITDA and expected growth related thereto;
- the Corporation's business plans and strategies, including the underlying existing assets and capital projects, and the success and timing of the projects;
- the Corporation's operational and financial performance, including expectations regarding generating revenue, revenues and operating expenses;
- the Corporation's objective to become one of the leading Canadian renewable fuel producers;
- the ability of proven technologies to be applied to generate clean fuels;
- the ability to leverage existing infrastructure and engineering expertise of Tidewater Midstream regarding development of the Corporation's projects and product offerings;
- the ability to leverage existing health and safety practices experience of Tidewater Midstream;
- ability to supply low carbon fuels to investment grade offtakers, existing customers, government entities, First Nations groups and others;
- changes in governmental programs, policymaking and requirements or encouraged use of biofuels, including renewable fuel policies in Canada and the United States and Europe, and government level programs, such as BC LCFS and Canada's CFS;
- expectations that the HDRD project will be in service in the first quarter of 2023;
- the aim of the Corporation's continuing evaluation of opportunities to develop its RNG business unit;
- the future pricing of BC LCFS Credits and CFS Credits;
- expectations around the Corporation's receipt of BC LCFS Credits and CFS Credits;
- the availability, future price and volatility of feedstocks and other inputs;
- the ability of the Corporation to progress its feedstock strategy;
- the future price and volatility of commodities;
- the Acquired Assets ability to generate operating cash flows;
- the expectation that the Corporation will be able to grow its revenue, actively maintain and manage its Acquired Assets and achieve external growth by selectively pursuing strategic business development opportunities;
- the amount and timing of anticipated payments of revenue to be received from Tidewater Midstream and other counterparties, and that revenues from the Acquired Assets will provide a significant portion of the Corporation's revenue;
- the performance and creditworthiness of the Corporation's counterparties;
- the anticipated operating costs, capital costs, environmental liabilities and reclamation obligations associated with owning and operating renewable energy production and infrastructure assets to be incurred by the Corporation;
- utilization rates and throughputs of the Acquired Assets;
- operational matters, including potential hazards inherent in the Corporation's operations and the effectiveness of third-party health, safety, environmental and integrity programs;
- decommissioning, abandonment and reclamation costs;
- the Corporation's ability to grow through capital projects;
- the long-term impact of COVID-19 on the Corporation's business, financial position, results of operations and/or cash flows;
- supply and demand for commodities and services;
- budgets, including future capital, operating or other expenditures and projected costs;
- the Corporation's continuing evaluation of opportunities to develop future low-carbon fuel and renewable energy projects and expansion and optimization opportunities at the PGR;
- timing, impact and capital requirements of the projects at PGR;
- the Corporation's focus on generating cash flow;

- the Corporation's ESG strategy, including the ability of renewable products to deliver CI reduction alternatives; and
- expectations that net cash provided by operating activities, cash flow generated from growth projects and cash available from Tidewater Renewables' Senior Credit Facility and other sources of financing will be sufficient to meet its obligations and financial commitments and will provide sufficient funding for anticipated capital expenditures.

Although the forward-looking statements contained in this MD&A 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. With respect to forward-looking statements contained in this MD&A, the Corporation has made assumptions regarding, but not limited to:

- Tidewater Renewables' ability to execute on its business plan;
- the timely receipt of all third party, governmental and regulatory approvals and consents sought by the Corporation including with respect to the Corporation's projects and applications;
- general economic and industry trends, including the duration and effect of the COVID-19 pandemic;
- operating assumptions relating to the Corporation's projects;
- the Corporation's projects may not generate expected levels of output, including those resulting from a reduced feedstock supply;
- expectations that the HDRD project will be in service in the first quarter of 2023;
- the ownership and operation of Tidewater Renewables' business;
- regulatory risks, including changes or delay to the BC LCFS Credits or CFS Credits;
- the expansion of production of renewable fuels by competitors;
- the future pricing of BC LCFS Credits and CFS Credits;
- future commodity prices;
- sustained or growing demand for renewable fuels;
- ability for the Corporation to successfully turn a wide variety of renewable feedstocks into low carbon fuels;
- that the HDRD project will remain on budget and on schedule;
- continuing government support for existing policy initiatives;
- processing and marketing margins;
- future capital expenditures to be made by the Corporation;
- foreign currency, exchange and interest rates;
- that there are no unforeseen events preventing the performance of contracts;
- that formal agreements with counterparties will be honored;
- the Corporation's ability to obtain and retain qualified staff and equipment in a timely and cost-effective manner;
- assumptions regarding amount of operating costs for the Corporation's projects;
- that there are no unforeseen material costs relating to the projects which are not recoverable;
- distributable cash flow and net cash provided by operating activities are consistent with expectations;
- the ability to obtain additional financing on satisfactory terms;
- the ability of Tidewater Renewables to successfully market its products;
- timely receipt of equipment and goods ordered by the Corporation to conduct its operations;
- impact of planned annual maintenance on the Corporation's facilities;
- forecasts with respect to future environmental and climate change compliance obligation costs, and success of same;
- satisfaction of covenants under the Corporation's Senior Credit Facility; and
- the Corporation's future debt levels and the ability of the Corporation to repay its debt when due.

The Corporation's actual results could differ materially from those anticipated in the forward-looking statements, as a result of numerous known and unknown risks and uncertainties and other factors including, but not limited to:

- changes in supply and demand for low carbon products;
- general economic, political, market and business conditions, including fluctuations in interest rates, foreign exchange rates, stock market volatility and supply/demand trends;
- risks of health epidemics, pandemics and similar outbreaks, including COVID-19, which may have sustained material adverse effects on the Corporation's business, financial position, results of operations and/or cash flows;
- risks and liabilities inherent in the operations related to renewable energy production and storage infrastructure assets, including the lack of operating history and risks associated with forecasting future performance;
- competition for, among other things, third-party capital and acquisitions of additional assets;
- risks related to the environment and changing environmental laws in relation to the operations conducted with the Acquired Assets;
- geological, technical, drilling, processing and handling issues associated with renewable energy production and storage development activities by third parties;
- risks arising from co-ownership of facilities including reliance on third-party operators;
- changes in the performance or creditworthiness of counterparties;
- risks and liabilities associated with the processing and handling of dangerous goods;
- risks relating to supply chain disruptions;
- inadvertent non-compliance with applicable regulations;
- climate change risks, including the effects of unusual weather and natural catastrophes, costs associated with regulatory and market compliance, and potential changes in climate change initiatives and policies or increased environmental regulation;
- reputational risks;
- technology and security risks, including cybersecurity;
- First Nations and landowner consultation requirements;
- disruptions in production, including work stoppages or other labour difficulties, or disruptions in the transportation network on which the Corporation is reliant;
- technical and processing problems, including the availability of equipment and access to properties;
- claims made or legal actions brought or realized against the Corporation or its properties or assets;
- a failure by the Corporation to obtain and retain key personnel, and reliance on key personnel;
- changes in tax or environmental laws or credit or incentive programs relating to the renewable oil and natural gas industry;
- general economic, political, market and business conditions, including fluctuations in interest rates, inflationary pressure, foreign exchange rates stock market volatility and supply/demand trends;
- activities of producers and customers and overall industry activity levels;
- failure to negotiate and conclude any required commercial agreements;
- non-performance of agreements in accordance with their terms;
- failure to execute formal agreements with counterparties in circumstances where letters of intent or similar agreements have been executed and announced by Tidewater Renewables;
- that the resolution of any particular legal proceedings could have an adverse effect on the Corporation's operating results or financial performance;
- competition for, among other things, business capital, acquisition opportunities, requests for proposals, materials, equipment, labour, and skilled personnel;
- the ability to secure land and water, including obtaining and maintaining land access rights;

- the ability to secure long term supply of feedstock and the variability of feedstock pricing;
- the sale value of diesel;
- operational matters, including potential hazards inherent in the Corporation's operations and the effectiveness of health, safety, environmental and integrity programs;
- actions by governmental authorities, including changes in government regulation, tariffs and taxation;
- changes in operating and capital costs, including fluctuations in input costs;
- legal, transportation and environmental risks and hazards, which may create liabilities to the Corporation in excess of the Corporation's insurance coverage, if any;
- actions by joint venture partners or other partners which hold interests in certain of the Corporation's assets;
- reliance on key relationships and agreements, including with Tidewater Midstream;
- construction and engineering variables associated with capital projects, including the availability of services, accuracy of estimates and schedules, and the performance of contractors;
- the availability of capital on acceptable terms;
- risks and liabilities resulting from derailments;
- changes in gas composition; and
- failure to realize the anticipated benefits of recently completed acquisitions.

The foregoing lists are not exhaustive. Additional information on these and other factors which could affect the Corporation's operations or financial results are included in the Corporation's most recent AIF and in other documents on file with the Canadian Securities regulatory authorities.

Management of the Corporation has included the above summary of assumptions and risks related to forward-looking statements provided in this MD&A in order to provide holders of common shares in the capital of the Corporation with a more complete perspective on the Corporation's current and future operations and such information may not be appropriate for other purposes. The Corporation's actual results' performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do occur, what benefits the Corporation will derive from them. Readers are therefore cautioned that the foregoing list of important factors is not exhaustive, and they should not unduly rely on the forward-looking statements included in this MD&A. Tidewater Renewables does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable securities law. All forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. 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 provincial securities commissions available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

Financial Outlook

This MD&A contains future-oriented financial information and financial outlook information (collectively, "FOFI") about expectations regarding financial results for 2022 and 2023, including Adjusted EBITDA, and annual Run Rate EBITDA, which are subject to the same assumptions, risk factors, limitations, and qualifications as set out under the heading "Forward-Looking Information". The actual financial results of the Corporation may vary from the amounts set out herein and such variation may be material. The Corporation and its management believe that the financial outlook has been prepared on a reasonable basis, reflecting management's best estimates and judgments and the FOFI contained in this MD&A was approved by management as of the date hereof. However, because this information is subjective and subject to numerous risks, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, the Corporation undertakes no obligation to update such FOFI. FOFI contained in this MD&A was made as of the date hereof and was provided for the purpose of providing further information about the Corporation's anticipated future business operations on an annual basis. Readers are cautioned that the FOFI contained in this MD&A should not be used for purposes other than for which it is disclosed herein.