UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ALTERA SHUTTLE TANKERS L.L.C.

Interim report for the quarterly period ended December 31, 2023

INDEX TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF ALTERA SHUTTLE TANKERS L.L.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

Altera Shuttle Tankers L.L.C (*Altera Shuttle Tankers* or the *Company*), is an owner and operator of shuttle tankers and was formed in 2017 by Altera Infrastructure Holdings L.L.C. A shuttle tanker is a specialized ship designed to transport crude oil and condensates from offshore oil field installations to onshore terminals and refineries and is an integral part of an oil company's value chain. Shuttle tankers are equipped with sophisticated loading systems and dynamic positioning systems that allow the vessels to load cargo safely and reliably from oil field installations, even in harsh weather conditions. Shuttle tankers were developed in the North Sea as an alternative to pipelines.

Our customer base primarily consists of oil majors and producers and our vessels operate under long-term, fixed-rate contracts of affreightment (or *CoAs*), time-charter contracts and voyage charter contracts. Our business strategy is primarily focused on implementing existing growth projects, extending assets on long-term charters and pursuing additional strategic growth projects.

As at December 31, 2023, our fleet was as follows:

	Number of Vessels		
	Owned Vessels	**Chartered-in Vessels**	**Total**
Shuttle Tankers	18	1	19
Shuttle Tanker under conversion to FSO[1]	1	—	1
Total	**19**	**1**	**20**

(1) Floating storage and off-take (or *FSO*) unit

Significant Developments

<u>Financings</u>

In January 2024, we entered into three-year and five-year-year interest rate swap agreements, with an aggregate notional amount of $125 million and $225 million, respectively, which are payable quarterly over the term of the agreements. These interest rate swap agreements exchange the receipt of SOFR-based interest for the payment of a weighted average fixed rate of 4.2% and 4.0%, respectively. These interest rate swap agreements are not designated as qualifying cash flow hedging relationships for accounting purposes.

In November 2023, we repurchased $1.5 million of our $180.0 million four-year senior unsecured bonds that mature in December 2025, which were issued December 2021.

In October 2023, we closed a $340 million revolving credit facility secured by eight shuttle tankers. This facility refinanced a revolving credit facility dated May 2019, scheduled to mature in May 2024, and a US private placement dated September 2013, scheduled to mature in December 2023. Outstanding under these two facilities at refinancing was $256 million The new revolving credit facility bears interest at SOFR plus a margin of 2.75% and matures in October 2028. As at December 31, 2023, we have drawn $220 million of the available $340 million.

<u>Contract Updates</u>

In December 2023, we entered into an agreement with PetroChina to utilize the Sertanejo Spirit shuttle tanker on a 5-year firm time-charter contract in Brazil. The charter is estimated to commence in March 2024.

In November 2023, we entered into an agreement with TotalEnergies to utilize the Bossa Nova Spirit shuttle tanker on a 1-year firm time-charter contract with extension options for an additional one year. The charter is estimated to commence in March 2024.

In September 2023, a wholly-owned subsidiary of Altera Infrastructure entered into a 15-year firm contract which includes the deployment of the *Nordic Brasilia* to Eni on the Baleine field phase II in Côte d'Ivoire as an FSO unit. During September 2023, the *Nordic Brasilia* arrived in Drydocks World-Dubai where client-funded FSO conversion work has commenced. We consider it highly probable that a related party sale will be signed in the near-term future.

Results of Operations

The following table presents certain of the Company's consolidated operating results for the three months and year ended December 31, 2023 and 2022:

ALTERA SHUTTLE TANKERS L.L.C.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in thousands of U.S. dollars)

	Three Months Ended December 31,		Year Ended December 31,	
	2023	**2022**	**2023**	**2022**
IFRS:	**$**	**$**	**$**	**$**
Revenues	111,072	165,400	506,226	604,409
Direct operating costs	(57,214)	(86,408)	(261,238)	(305,529)
General and administrative expenses	(5,707)	(8,366)	(23,125)	(27,562)
Depreciation and amortization	(36,620)	(38,269)	(136,431)	(158,703)
Interest expense	(36,618)	(31,491)	(140,570)	(106,749)
Interest income	1,238	926	5,666	1,585
Impairment expense, net	—	—	—	(4,960)
Gain (loss) on dispositions, net	—	11,526	12,215	11,414
Realized and unrealized gain (loss) on derivative instruments	3,333	3,773	1,328	(1,822)
Foreign currency exchange gain (loss)	399	2,607	(3,775)	231
Gain (loss) on modification of financial liabilities, net	—	—	(2,595)	—
Other income (expenses), net	(34)	835	(104)	915
Income (loss) before income tax (expense) benefit	(20,151)	20,533	(42,403)	13,229
Income tax (expense) benefit				
Current	1,796	(31)	1,163	(126)
Deferred	(2,004)	7,839	(2,004)	7,839
Net income (loss)	(20,359)	28,341	(43,244)	20,942
Attributable to:				
Members	(20,703)	21,754	(43,757)	15,357
Non-controlling interests in subsidiaries	344	6,587	513	5,585
	(20,359)	28,341	(43,244)	20,942
Non-IFRS:				
Adjusted EBITDA	47,841	69,883	221,425	270,185

Revenues

Revenues decreased to $111 million, from $165 million, for the three months ended December 31, 2023, compared to the same period last year, primarily due to:

- a decrease of $15 million due to lower reimbursable bunker purchases (offset in direct operating costs below);
- a decrease of $12 million due to lower contribution from the *Samba Spirit, Lambada Spirit, Bossa Nova Spirit* and *Sertanejo Spirit* executing their mid-life dry docking and certain upgrades;
- a decrease of $8 million due to lower revenues in the CoA fleet, mainly due to fewer CoA days;
- a decrease of $6 million due to the sale of the *Nordic Rio,* that operated in the conventional tanker market, in December 2022;
- a decrease of $6 million due to the *Nordic Brasilia*, that operated in the conventional tanker market, being delivered for an FSO conversion project mid-August for the Baleine field development in Côte d'Ivoire; and
- a decrease of $6 million due to decreased time-charter fleet revenue;

partially offset by

- an increase of $3 million due to fewer repair off-hire days compared to the same period last year.

Revenues decreased to $506 million, from $604 million, for the year ended December 31, 2023, compared to the same period last year, primarily due to:

- a decrease of $33 million due to lower reimbursable bunker purchases (offset in direct operating costs below);
- a decrease of $26 million due to the sale of the *Navion Gothenburg* and *Nordic Rio*, that operated in the conventional tanker market, in August 2022 and December 2022, respectively;
- a decrease of $23 million due to the *Samba Spirit, Lambada Spirit, Bossa Nova Spirit* and *Sertanejo Spirit* executing their mid-life dry docking and certain upgrades;
- a decrease of $8 million due to lower revenues in the CoA fleet, mainly due to fewer CoA days;
- a decrease of $6 million due to the *Nordic Brasilia*, that operated in the conventional tanker market, being delivered for an FSO conversion project mid-August for the Baleine field development in Côte d'Ivoire; and
- a decrease of $3 million due to changes in conventional spot tanker market;

partially offset by

- an increase of $5 million due to reduction of repair off-hire days compared to the same period last year.

Direct Operating Cost

Direct operating costs decreased to $57 million, from $86 million, for the three months ended December 31, 2023, compared to the same period last year, primarily due to:

- a decrease of $15 million due to reimbursable bunker purchases (offset in revenue above);
- a decrease of $7 million due to *Navion Gothenburg, Nordic Rio, Petroatlantic* and *Nordic Brasilia* leaving the fleet; and
- a decrease of $6 million due to decreased time-charter fleet expense.

Direct operating costs decreased to $261 million, from $306 million, for the year ended December 31, 2023, compared to the same period last year, primarily due to:

- a decrease of $33 million due to reimbursable bunker purchases (offset in revenue above); and
- a decrease of $31 million due to *Navion Gothenburg, Nordic Rio, Petronordic* and *Petroatlantic* shuttle tankers leaving the fleet;

partially offset by

- an increase of $6 million due to the *Ingrid Knutsen* short-term in-charter from March 2023, whereas lease accounting was applied to the same vessel in prior year;
- an increase of $5 million due to short-term in-charter to meet CoA-demand;
- an increase of $5 million due to higher operating costs across the fleet; and
- an increase of $4 million due to the *Altera Thule* commencing operations in May 2022.

General and Administrative Expenses

General and administrative expenses was $6 million and $23 million for the three months and year ended December 31, 2023, compared to $8 million and $28 million, for the same periods last year.

Depreciation and Amortization

Depreciation and amortization expense was $37 million for the three months ended December 31, 2023, compared to $38 million, for the same period last year, primarily due to the *Ingrid Knutsen* accounted for as a long-term in charter-lease in 2022, where a portion of the lease was charged to depreciation, ending in early January 2023, and the sale of the *Petroatlantic.*

Depreciation and amortization expense was $136 million, for the year ended December 31, 2023, compared to $159 million, for the same period last year, primarily due to the *Ingrid Knutsen* accounted for as a long-term in-charter lease in 2022, where a portion of the lease was charged to depreciation, ending in early January 2023, and the sale of the *Petroatlantic, Petronordic, Navion Gothenburg* and *Nordic Rio*; partially offset by the *Altera Thule* entering the fleet during the second quarter of 2022.

Interest Expense

Interest expense was $37 million, for the three months ended December 31, 2023, compared to $31 million, for the same period last year, due to a general increase in interest rates.

Interest expense was $141 million, for the year ended December 31, 2023, compared to $107 million, for the same period last year, primarily due to a general increase in interest rates.

Interest Income

Interest income was $1 million, for the three months ended December 31, 2023, compared to $1 million, for the same period last year, which is generally consistent.

Interest income was $6 million, for the year ended December 31, 2023, compared to $2 million, for the same period last year, primarily due to higher interest rates.

Impairment Expense, Net

Impairment expense, net was $nil, for the three months ended December 31, 2023, in line with the same period last year.

Impairment expense, net was $nil, for the year ended December 31, 2023, compared to $5 million, for the same period last year, due to impairment of the *Petronordic* during the second quarter of 2022 due to the expected sale of the vessel.

Gain (Loss) on Dispositions, Net

Gain (loss) on dispositions, net was $nil, for the three months ended December 31, 2023, compared to $12 million, for the same period last year, primarily due to a recognized gain on the sale of the *Nordic Rio* during the fourth quarter of 2022.

Gain (loss) on dispositions, net was $12 million, for the year ended December 31, 2023, compared to $11 million, for the same period last year, primarily due to a recognized gain on sale of the *Petroatlantic* during the second quarter of 2023 and *Nordic Rio* during the fourth quarter of 2022.

Foreign Exchange Gain (Loss)

Foreign currency exchange gain (loss) was $nil and $(4) million, for the three months and year ended December 31, 2023, compared to a gain of $3 million and $nil, for the same periods last year. Our foreign currency exchange gain (loss) is due primarily to the relevant period-end revaluations of NOK-denominated monetary assets and liabilities for financial reporting purposes. Loss on NOK-denominated net monetary liabilities reflect a weaker U.S. Dollar against the NOK on the date of revaluation or settlement compared to the rate in effect at the beginning of the period. Gain on NOK-denominated net monetary liabilities reflect a stronger U.S. Dollar against the NOK on the date of revaluation or settlement compared to the rate in effect at the beginning of the period.

Gain (loss) on modification of financial liabilities, Net

Gain (loss) on modification of financial liabilities, net was $nil, for the three months ended December 31, 2023, in line with the same period last year.

Gain (loss) on modification of financial liabilities, net was $(3) million, for the year ended December 31, 2023, compared to $nil, for the same period last year, primarily due to a modification related to the Company's East Coast of Canada term loan refinancing.

Income Tax (Expense) Benefit

Income tax (expense) benefit was $nil and $nil for the three months and year ended December 31, 2023, compared to $8 million and $8 million for the same periods last year, primarily due to the prior year re-assessment of deferred tax assets following a re-organization which resulted in the movement of certain fleet activities to Norway.

Adjusted EBITDA

Adjusted EBITDA decreased to $48 million, for the three months ended December 31, 2023, compared to $70 million, for the same period last year. The decrease of $22 million was primarily due to lower contribution from the *Samba Spirit, Lambada Spirit, Bossa Nova Spirit* and S*ertanejo Spirit* due to the execution their mid-life dry docking and upgrade program, the *Nordic Brasilia* being delivered for an FSO conversion project, the sale of the *Nordic Rio* and *Petroatlantic,* as well as lower CoA revenue.

Adjusted EBITDA decreased to $221 million, for the year ended December 31, 2023, compared to $270 million, for the same period last year. The decrease of $49 million was primarily due to lower contribution from the *Samba Spirit, Lambada Spirit, Bossa Nova Spirit* and *Sertanejo Spirit* due to the execution of their mid-life dry docking and upgrade program, the *Nordic Brasilia* being delivered for an FSO conversion project, lower CoA revenue, offhire in June during a client's test period upon the arrival of the *Altera Thule* in the North Sea, and higher operating costs on the *Ingrid Knutsen* shuttle tanker short-term in-charter which commenced March 2023, whereas lease accounting was applied to the in-charter contract for the same vessel in prior year.

Non-IFRS Financial Measures

To supplement the unaudited interim condensed consolidated financial statements, we use Adjusted EBITDA, which is a non-IFRS financial measure, as a measure of our performance. Adjusted EBITDA represents net income (loss) before interest expense, interest income, income tax (expense) benefit, and depreciation and amortization, and is adjusted to exclude certain items whose timing or amount cannot be reasonably estimated in advance or that are not considered representative of core operating performance. Such adjustments include impairment expenses, gain (loss) on dispositions, net, unrealized gain (loss) on derivative instruments, foreign currency exchange gain (loss) and certain other income or expenses. Adjusted EBITDA also excludes: realized gain or loss on interest rate swaps (as we, in assessing our performance, view these gains or losses as an element of interest expense); realized gain or loss on derivative instruments resulting from amendments or terminations of the underlying instruments; realized gain or loss on foreign currency forward contracts and other income (expense), net. Adjusted EBITDA excludes the non-controlling interests' proportionate share of Adjusted EBITDA.

Adjusted EBITDA is intended to provide additional information and should not be considered as the sole measures of our performance or as a substitute for net income (loss) or other measures of performance prepared in accordance with IFRS. In addition, this measure does not have a standardized meaning and may not be comparable to similar measures presented by other companies. This non-IFRS measure is used by our management, and we believe that this supplementary metric assists investors and other users of our financial reports in comparing our financial and operating performance across reporting periods and with other companies.

The following table reconciles Adjusted EBITDA to net income (loss) for the three months and year ended December 31, 2023 and 2022:

	Three Months Ended December 31,		**Year Ended December 31,**	
	2023	**2022**	**2023**	**2022**
(in thousands of U.S. Dollars)	**$**	**$**	$	$
Net income (loss)	(20,359)	28,341	(43,244)	20,942
Less:				
Depreciation and amortization	(36,620)	(38,269)	(136,431)	(158,703)
Interest expense	(36,618)	(31,491)	(140,570)	(106,749)
Interest income	1,238	926	5,666	1,585
Income tax (expense) recovery:				
Current	1,796	(31)	1,163	(126)
Deferred	(2,004)	7,839	(2,004)	7,839
	51,849	89,367	228,932	277,096
Less:				
Impairment expense, net	—	—	—	(4,960)
Gain (loss) on dispositions, net	—	11,526	12,215	11,414
Realized and unrealized gain (loss) on derivative instruments	3,333	3,773	1,328	(1,822)
Foreign currency exchange gain (loss)	399	2,607	(3,775)	231
Gain (loss) on modification of financial liabilities, net	—	—	(2,595)	—
Other income (expenses), net	(34)	835	(104)	915
Adjusted EBITDA attributable to non-controlling interests[1]	310	743	438	1,133
Adjusted EBITDA	47,841	69,883	221,425	270,185

(1) Adjusted EBITDA attributable to non-controlling interests, which is a non-IFRS financial measure and should not be considered as an alternative to net income (loss) attributable to non-controlling interests in subsidiaries or any other measure of financial performance presented in accordance with IFRS, represents the non-controlling interests' proportionate share of Adjusted EBITDA (as defined above) from our consolidated joint ventures. This measure does not have a standardized meaning, and may not be comparable to similar measures presented by other companies. Adjusted EBITDA attributable to non-controlling interests is summarized in the table below:

(in thousands of U.S. Dollars)	Three Months Ended December 31, 2023 $	Three Months Ended December 31, 2022 $	Year Ended December 31, 2023 $	Year Ended December 31, 2022 $
Net income (loss) attributable to non-controlling interests in subsidiaries	344	6,587	513	5,585
Less:				
Depreciation and amortization	—	—	—	(1,596)
Interest expense, net of interest income	29	32	69	65
Other income / expense	(1)	5,803	7	6,037
EBITDA	316	752	437	1,079
Less:				
Foreign currency exchange gain (loss)	6	9	(1)	(54)
Adjusted EBITDA attributable to non-controlling interests	310	743	438	1,133

Liquidity and Capital Resources

Liquidity is managed primarily through cash flows from operations, use of credit facilities and refinancing existing debt. We aim to maintain sufficient financial liquidity to meet our ongoing operating requirements.

The following table presents our liquidity as at December 31, 2023 and December 31, 2022:

(in thousands of U.S. Dollars)	December 31, 2023 $	December 31, 2022 $
Cash and cash equivalents	98,424	128,900
Undrawn revolving credit facilities	120,000	—
Total liquidity[1]	218,424	128,900

(1) Defined as cash, cash equivalents and undrawn revolving credit facilities (excluding cash deposits with third-party restrictions).

As at December 31, 2023, our working capital deficit was $138 million as compared to $139 million as at December 31, 2022. As at December 31, 2022, our working capital deficit was primarily due to the East Coast Canada term loan coming due within one year which has subsequently been refinanced (see Note 2b for additional information). As at December 31, 2023, the working capital deficit was primarily due to $199 million in current borrowings related our $200.0 million five-year senior unsecured bonds that mature in October 2024. We plan to utilize cash on hand as well as the $120 million undrawn revolving credit facility to address our working capital deficit. Additionally, we are actively pursuing financing initiatives to repay and/or refinance these unsecured bonds and are at various stages of completion which we consider probable of completing based on our history of being able to raise and refinance similar borrowings. See Note 2b additional information.

In October 2023, we closed a $340 million revolving credit facility secured by eight shuttle tankers. The facility refinanced a revolving credit facility scheduled to mature in May 2024, and the US private placement scheduled to mature in December 2023. At the time of the refinancing, $256 million was outstanding under these two facilities. Please see Note 2b and 10 for additional information.

Our primary short-term liquidity needs for the next twelve months, are to repay or refinance scheduled debt obligations, to pay debt service costs, to pay operating expenses and dry-docking expenditures, to fund general working capital requirements, and to manage our working capital. Our long-term liquidity needs are to repay or refinance scheduled debt obligations and pursue additional growth projects.

As at December 31, 2023, our interest-bearing obligations include bonds, commercial bank debt, an unsecured PIK note provided by Brookfield and obligations related to leases. The contractual payments relating to these obligations for the next twelve months are $253.2 million, and $1.3 billion thereafter. Refer to Financial Statements: Note 9 - Other Financial Liabilities, Note 10 - Borrowings and Note 11 - Related Party Transactions for terms upon which future interest payments are determined.

As at December 31, 2023, our other financial liabilities consist of foreign currency forward contracts. The contractual payments relating these obligations for the next twelve months are $72 million, and $nil thereafter. Refer to Financial Statements: Note 9 - Other Financial Liabilities for a summary of the terms of our derivative instruments which economically hedge certain of our floating rate interest-bearing obligations.

Our estimated dry-dock expenditures for the next twelve months are $22 million, primarily related to our Samba class 10-year dry dockings, and $287 million thereafter.

As at December 31, 2023, we had total borrowings outstanding of $1.3 billion compared to $1.4 billion as at December 31, 2022. The borrowings consisted of the following:

(in thousands of U.S. Dollars)	December 31, 2023 $	December 31, 2022 $
U.S. Dollar Revolving Credit Facilities	220,000	244,201
U.S. Dollar Term Loans	653,526	696,473
U.S. Dollar Bonds	377,500	380,000
U.S. Dollar Non-Public Bonds	—	68,623
Total principal (1)	1,251,026	1,389,297

(1) Total principal includes deferred financing costs and other.

The table below outlines our consolidated net debt to total capitalization as at December 31, 2023 and December 31, 2022:

(in thousands of U.S. Dollars)	December 31, 2023 $	December 31, 2022 $
Borrowings (1)	1,237,517	1,374,613
Obligations relating to finance leases	177,032	188,086
Less:		
Cash and cash equivalents	98,424	128,900
Net debt	1,316,125	1,433,799
Total equity	390,220	439,187
Total capitalization (2)	1,804,769	2,001,886
Net debt to total capitalization ratio (3)	72.9 %	71.6 %

(1) Borrowings excludes deferred financing costs and other.

(2) Total capitalization is calculated as the sum of borrowings, obligations relating to finance leases and total equity.

(3) Defined as net debt divided by total capitalization. The metric is relevant to certain financial covenants for the Company.

Cash Flows

The following table summarizes the Company's sources and uses of cash for the periods presented:

	Year Ended December 31,	
	2023	2022
(in thousands of U.S. Dollars)	$	$
Net operating cash flow	150,970	177,309
Net financing cash flow	(159,893)	(135,400)
Net investing cash flow	(22,058)	(35,166)
Change during the period	(30,981)	6,743

Operating Cash Flows

Net cash flow from operating activities generated a cash inflow of $151 million for the year ended December 31, 2023, compared to a cash inflow of $177 million during the same period last year. The decrease is mainly due to lower revenue and increase in interest expenses, partially offset by decrease in direct operating cost. Refer to "Consolidated Results of Operations" above.

Financing Cash Flows

Net cash flow from financing activities generated a cash outflow of $160 million for the year ended December 31, 2023, compared to a cash outflow of $135 million during the same period last year.

Our proceeds from borrowings, net of financing costs, were $245 million for the year ended December 31, 2023, and $63 million for the same period last year. The increase in proceeds from borrowings is mainly due to the drawdown of $220 million of the new $340 million revolving credit facility which matures in October 2028.

Our scheduled repayments of our borrowings were $388 million for the year ended December 31, 2023, compared to $174 million for the same period last year. The increase in repayments is mainly due to the repayment of the revolving credit facility dated May 2019 and US private placement dated September 2013 during the fourth quarter of 2023.

Our scheduled repayments of our borrowings, related to the sale and leaseback of vessels, were $11 million and $11 million for the year ended December 31, 2023 and 2022, respectively.

Lease payments on our vessel in-charter leases and office leases were $nil and $11 million for the year ended December 31, 2023 and 2022, respectively.

Increased equity through capital provided by sole member Altera Infrastructure Holdings L.L.C. were $nil and $15 million for the year ended December 31, 2023 and 2022, respectively.

Capital contributions by non-controlling interests were $nil and $5 million for the year ended December 31, 2023 and 2022, respectively.

Cash distributions paid to non-controlling interests were (joint venture partner - Stena) were $6 million and $22 million for the year ended December 31, 2023 and 2022, respectively.

Investing Cash Flows

During the year ended December 31, 2023, net cash flow used for investing activities was $22 million, primarily related to $50 million in additions to vessels and equipment resulting from dry dockings conducted during the year ended December 31, 2023, partially offset by the sale of the *Petroatlantic* for net proceeds of $19 million and a $9 million decrease in restricted cash.

During the year ended December 31, 2022, net cash flow used for investing activities was $35 million, primarily related to $88 million in additions to vessels and equipment, including installment payments for the delivery of the *Altera Thule* newbuilding, and an $8 million increase in restricted cash; partially offset by $60 million net proceeds from the sales of the *Nordic Rio*, *Navion Gothenburg* and *Petronordic.*

Critical Accounting Estimates

The preparation of financial statements requires us to make critical judgments, estimates and assumptions in the application of the Company's accounting policies that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses that are not readily apparent from other sources, during the reporting period. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The Company's management reviews its accounting policies, critical judgments, estimates and assumptions on a regular basis. However, because future events and their effects cannot be determined with certainty, actual results could differ from the Company's assumptions and estimates and such differences could be material. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

For further information on the Company's material accounting policies, critical accounting judgments and estimates see Note 2 - Critical accounting judgments and key sources of estimation uncertainty in our Annual Report for the year ended December 31, 2022.

Board of Director's Responsibility Statement

We confirm, to the best of our knowledge, that the unaudited interim condensed consolidated financial statements for the three and year ended December 31, 2023, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board, and give a true and fair view of the Company's consolidated assets, liabilities, financial position and results and that the MD&A includes a fair review of the development and performance and the position of the Company during the three months and year ended December 31, 2023, together with a description of the principal risks and uncertainties that it faces under Norwegian Securities Trading Act sections 5-6 fourth paragraph and contains relevant information on major related party transactions.

ALTERA SHUTTLE TANKERS L.L.C.

Date: February 21, 2024

By: Altera Shuttle Tankers L.L.C. - the Group

By:

Giles Mark Mitchell President and Director	William James Duthie Secretary and Director	David Cannon Director

ALTERA SHUTTLE TANKERS L.L.C.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of U.S. dollars)

	Notes	As at December 31, 2023 $	As at December 31, 2022 $
ASSETS			
Current assets			
Cash and cash equivalents	3	98,424	128,900
Financial assets	4	4,859	10,686
Accounts and other receivable, net		29,106	39,544
Vessels and equipment classified as held for sale	5	9,620	—
Inventory		13,386	19,084
Due from related parties	11	5,195	22,999
Other assets		26,551	23,138
Total current assets		187,141	244,351
Non-current assets			
Vessels and equipment	7	1,607,534	1,706,616
Deferred tax assets	15	15,060	15,624
Other assets		32,822	46,203
Goodwill		127,113	127,113
Total non-current assets		1,782,529	1,895,556
Total assets		1,969,670	2,139,907
LIABILITIES			
Current liabilities			
Accounts payable and other	8	70,807	48,235
Other financial liabilities	9	11,045	11,366
Borrowings	10	240,855	314,032
Due to related parties	11	2,154	9,758
Total current liabilities		324,861	383,391
Non-current liabilities			
Accounts payable and other	8	82	113
Other financial liabilities	9	165,987	177,041
Borrowings	10	996,662	1,060,581
Due to related parties	11	89,854	79,594
Deferred tax liabilities	15	2,004	—
Total non-current liabilities		1,254,589	1,317,329
Total liabilities		1,579,450	1,700,720
EQUITY			
Paid-in capital		526,459	526,459
Retained earnings		(139,869)	(96,112)
Accumulated other comprehensive income (loss)		670	670
Member's equity		387,260	431,017
Non-controlling interests in subsidiaries		2,960	8,170
Total equity		390,220	439,187
Total liabilities and total equity		1,969,670	2,139,907

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

ALTERA SHUTTLE TANKERS L.L.C.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(in thousands of U.S. dollars)

		Three Months Ended December 31,		Year Ended December 31,	
		2023	2022	2023	2022
	Notes	$	$	$	$
Revenues	12	111,072	165,400	506,226	604,409
Direct operating costs	13	(57,214)	(86,408)	(261,238)	(305,529)
General and administrative expenses	11	(5,707)	(8,366)	(23,125)	(27,562)
Depreciation and amortization	7	(36,620)	(38,269)	(136,431)	(158,703)
Interest expense	10, 11	(36,618)	(31,491)	(140,570)	(106,749)
Interest income		1,238	926	5,666	1,585
Impairment expense, net	7	—	—	—	(4,960)
Gain (loss) on dispositions, net	6	—	11,526	12,215	11,414
Realized and unrealized gain (loss) on derivative instruments	9	3,333	3,773	1,328	(1,822)
Foreign currency exchange gain (loss)		399	2,607	(3,775)	231
Gain (loss) on modification of financial liabilities, net	14	—	—	(2,595)	—
Other income (expenses), net		(34)	835	(104)	915
Income (loss) before income tax (expense) benefit		(20,151)	20,533	(42,403)	13,229
Income tax (expense) benefit					
Current	15	1,796	(31)	1,163	(126)
Deferred	15	(2,004)	7,839	(2,004)	7,839
Net income (loss)		(20,359)	28,341	(43,244)	20,942
Attributable to:					
Members		(20,703)	21,754	(43,757)	15,357
Non-controlling interests in subsidiaries		344	6,587	513	5,585
		(20,359)	28,341	(43,244)	20,942

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

ALTERA SHUTTLE TANKERS L.L.C.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands of U.S. dollars)

	Notes	Three Months Ended December 31, 2023 $	Three Months Ended December 31, 2022 $	Year Ended December 31, 2023 $	Year Ended December 31, 2022 $
Net income (loss)		(20,359)	28,341	(43,244)	20,942
Other comprehensive income (loss)					
Items that may be reclassified subsequently to profit or loss:					
To interest expense:					
Realized gain on qualifying cash flow hedging instruments	9	—	—	—	(532)
Total other comprehensive income (loss)		—	—	—	(532)
Comprehensive income (loss)		(20,359)	28,341	(43,244)	20,410
Attributable to:					
Members		(20,703)	21,754	(43,757)	14,825
Non-controlling interests in subsidiaries		344	6,587	513	5,585
		(20,359)	28,341	(43,244)	20,410

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

ALTERA SHUTTLE TANKERS L.L.C.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of U.S. dollars)

	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total
	$	$	$	$	$
Balance as at January 1, 2023	526,459	(96,112)	670	8,170	439,187
Net income (loss)	—	(43,757)	—	513	(43,244)
Other comprehensive income (loss)	—	—	—	—	—
Distributions declared:					
Distribution to non-controlling interests	—	—	—	(5,723)	(5,723)
Balance as at December 31, 2023	526,459	(139,869)	670	2,960	390,220
Balance as at January 1, 2022	511,459	(111,469)	1,202	19,645	420,837
Net income (loss)	—	15,357	—	5,585	20,942
Other comprehensive income (loss)	—	—	(532)	—	(532)
Distributions declared:					
Distribution to non-controlling interests	—	—	—	(22,360)	(22,360)
Contributions received:					
Contribution of capital from Altera Infrastructure Holdings L.L.C.	15,000	—	—	—	15,000
Contribution from non-controlling interests	—	—	—	5,300	5,300
Balance as at December 31, 2022	526,459	(96,112)	670	8,170	439,187

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

ALTERA SHUTTLE TANKERS L.L.C.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of U.S. dollars)

		Year Ended December 31,	
		2023	**2022**
	Notes	**$**	**$**
OPERATING ACTIVITIES			
Net income		(43,244)	20,942
Adjusted for the following items:			
Depreciation and amortization	7	136,431	158,703
Impairment expense, net	7	—	4,960
(Gain) loss on dispositions, net	6	(12,215)	(11,414)
Unrealized (gain) loss on derivative instruments	9	(3,477)	(2,228)
Deferred income tax expense (recovery)	15	2,004	(7,839)
Other non-cash items		14,097	5,056
Changes in non-cash working capital, net		57,374	9,129
Net operating cash flow		150,970	177,309
FINANCING ACTIVITIES			
Proceeds from borrowings	10	250,000	63,195
Repayments of borrowings	10	(388,272)	(173,890)
Financing costs related to borrowings	10	(4,599)	—
Repayments of borrowings related to sale and leaseback of vessels	9	(11,270)	(11,272)
Lease liability repayments		(29)	(11,373)
Capital provided by member		—	15,000
Capital contribution by non-controlling interests		—	5,300
Distribution to others who have interests in subsidiaries		(5,723)	(22,360)
Net financing cash flow		(159,893)	(135,400)
INVESTING ACTIVITIES			
Additions:			
Vessels and equipment	6, 7	(50,459)	(87,540)
Dispositions:			
Vessels and equipment	6	19,418	59,939
Change in restricted cash	3, 4	8,983	(7,773)
Acquisition of company (net of cash acquired of $0.2 million)		—	208
Net investing cash flow		(22,058)	(35,166)
Cash and cash equivalents			
Change during the period		(30,981)	6,743
Impact of foreign exchange on cash		505	(2,100)
Balance, beginning of the period		128,900	124,257
Balance, end of the period		98,424	128,900

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

1. Nature and Description of the Company

Altera Shuttle Tankers L.L.C. and its wholly-owned or controlled subsidiaries (*Altera Shuttle Tankers* or the Company), a wholly-owned subsidiary of Altera Infrastructure L.P. (*Altera Infrastructure* or the *Partnership*) is an international midstream services provider of marine transportation to the offshore oil industry, focused on the ownership and operation of shuttle tankers in the North Sea, Brazil and the East Coast of Canada and expanding its operations in the shuttle tanker business.

The Company was formed in July 2017, under the laws of the Republic of the Marshall Islands, by Altera Infrastructure Holdings L.L.C., a 100% owned subsidiary of Altera Infrastructure. The registered head office of the Company is Altera House, Unit 3, Prospect Park, Arnhall Business Park, Westhill, Aberdeenshire, AB32 6FJ, United Kingdom.

Altera Infrastructure is a subsidiary of Brookfield Business Partners L.P. (NYSE: BBU) (TSX: BBU.UN) (or with its affiliates, *Brookfield*), while Brookfield Corporation (NYSE: BN WI and TSX: BN), previously known as Brookfield Asset Management Ltd, an entity incorporated in Ontario, Canada, is the ultimate parent of the Company.

2. Significant Accounting Policies

a. Basis of presentation

These unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (or *IAS 34*), as issued by the International Accounting Standards Board (or *IASB*). These interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2023, which are included in the Company's Annual Report for the year ended December 31, 2023. The unaudited interim condensed consolidated financial statements have been prepared under the assumption that the Company operates on a going concern basis and have been presented in U.S. dollars rounded to the nearest thousand unless otherwise indicated.

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements as at and for the year ended December 31, 2023, except for the adoption of new standards and changes in the Company's accounting policies effective as of 1 January 2024, as described below in Note 2c. There have been no significant changes to the method of determining significant estimates and judgments since December 31, 2023.

These unaudited interim condensed consolidated financial statements were approved by the board and authorized for issue on February 21, 2023.

b. Going Concern

As at December 31, 2023, the Company had a working capital deficit of $137.7 million as compared to $139.0 million as at December 31, 2022. As at December 31, 2022, the working capital deficit was primarily due to $153.3 million in current borrowings related to the East Coast Canada term loan coming due within one year which has subsequently been refinanced (see below for additional information). As at December 31, 2023, the working capital deficit was primarily due to $199.0 million in current borrowings related to the $200.0 million five-year senior unsecured bonds that mature in October 2024.

In March 2023, the Company refinanced certain tranches of its East Coast Canada term loans. These term loans are secured by four vessels on contract until 2030. The Company successfully completed an amendment and extension of this financing, which included a $30.0 million upsize to the commercial senior tranche to take out the junior financing related to the same vessels. Following the amendment, the outstanding amount of the commercial senior tranche is $153.3 million and matures in March 2026. The total amended financing amounts to $332.6 million, which reduces over time with semi-annual repayments and has varying maturities through March 2034. Please see Note 10 for additional information.

In October 2023, the Company closed a $340.0 million revolving credit facility secured by eight shuttle tankers. This facility refinanced a revolving credit facility dated May 2019, scheduled to mature in May 2024, and a US private placement dated September 2013, scheduled to mature in December 2023. The new revolving credit facility bears interest at SOFR plus a margin of 2.75% and matures in October 2028. The Company has drawn $220 million of the available $340 million. Please see Note 10 for additional information.

The Company's minimum liquidity requirements under its financial covenants include maintaining a minimum liquidity in an amount equal to the greater of $35 million and 5% of total debt and a net debt to total capitalization ratio of no greater than 75%. As at December 31, 2023 this was $71 million.

The Company plans to utilize cash on hand as well as its $120 million undrawn revolving credit facility to address its working capital deficit. The Company is actively pursuing further financing initiatives to repay and/or refinance the Company's $200.0 million five-year senior unsecured bonds that mature in October 2024 and are at various stages of completion which we consider probable of completing based on our history of being able to raise and refinance similar borrowings.

Based on the Company's liquidity at the date of these consolidated financial statements, undrawn lines under the revolving credit facility and the liquidity it expects to generate from operations and financing over the following year, the Company expects that it will have sufficient liquidity to enable the Company to continue as a going concern for at least the one-year period to December 31, 2024.

New standards, interpretations, amendments and policies adopted by the Company

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

i. Estimation uncertainty

Climate Change

The Company could be affected by an accelerated energy transition driven by climate change. The Company's strategy, capital allocation and selection of projects are guided by the vision to lead the industry to a sustainable future, and climate-related risks are key drivers for this transition. The effect of these risks on the Company's compliance costs, capital expenditures, cash flow from operations and other assumptions are inherently uncertain and may differ from actual amounts. The Company did not experience any direct impact from an accelerated energy transition driven by climate change on its financial results as at December 31, 2023. The risks will, however, remain key considerations for impairment testing, estimation of remaining useful lives of assets in the Company's fleet and provisions for future periods.

The Invasion of Ukraine by Russia

Following Russia’s invasion of Ukraine in February 2022, the U.S., several European Union nations, and other countries have announced sanctions against Russia. While it is difficult to anticipate the potential for any indirect impact the sanctions announced to date may have on the Company's business and the Company, any further sanctions imposed or actions taken by the U.S., EU nations or other countries, and any retaliatory measures by Russia in response, including restrictions on oil shipments from Russia, could lead to increased volatility in global oil demand, which could have a material adverse impact on the Company's business, results of operations and financial condition. The Company has no operations or contracts with counterparties in Ukraine, Belarus or Russia and did not experience any material impact from the invasion on its financial results as at December 31, 2023. The Company intends to continue to monitor the situation and review its critical estimates and judgments as circumstances evolve.

General economic conditions

Many industries, including the industry in which the Company operates, are impacted by adverse events in the broader economy and/or financial markets. A slowdown in the financial markets and/or the global economy or the local economies of the regions in which the Company operates, including, but not limited to, employment rates, business conditions, inflation, fuel and energy costs, commodity prices, lack of available credit, the state of the financial markets, government policies in the jurisdictions in which the Company operates, interest rates and tax rates may adversely affect the Company's growth and profitability. A worldwide recession, reduction in available skilled labor, a period of below-trend growth in developed countries, a slowdown in emerging markets or significant declines in commodity factors could have a material adverse effect on our business, financial condition and results of operations, if such increased levels of volatility and market turmoil were to persist for an extended duration. These and other unforeseen adverse events in the global economy could negatively impact the Company's operations. The Company intends to continue to monitor general economic conditions and review its critical estimates and judgments as circumstances evolve.

(all tabular amounts stated in thousands of U.S. Dollars)

3. Fair Value of Financial Instruments

The following tables provide the details of financial instruments and their associated classifications as at December 31, 2023 and December 31, 2022:

	December 31, 2023			December 31, 2022		
Measurement Basis	FVTPL(5) $	Amortized cost $	Total $	FVTPL(5) $	Amortized cost $	Total $
Financial assets						
Cash and cash equivalents	—	98,424	98,424	—	128,900	128,900
Financial assets (current and non-current)	4,031	828	4,859	875	9,811	10,686
Accounts and other receivable, net (current and non-current) (1)	—	28,740	28,740	—	39,373	39,373
Due from related parties (current and non-current)	—	5,195	5,195	—	22,999	22,999
Other assets (current and non-current) (2)	—	34,762	34,762	—	43,996	43,996
Total	4,031	167,949	171,980	875	245,079	245,954
Financial liabilities						
Accounts payable and other (3)	—	6,513	6,513	—	4,015	4,015
Other financial liabilities (current and non-current) (4)	—	177,032	177,032	321	188,086	188,407
Due to related parties (current and non-current)	—	92,008	92,008	—	89,352	89,352
Borrowings (current and non-current)	—	1,237,517	1,237,517	—	1,374,613	1,374,613
Total	—	1,513,070	1,513,070	321	1,656,066	1,656,387

(1) Excludes sales tax receivable of $0.4 million as at December 31, 2023 (December 31, 2022 - $0.2 million).

(2) Includes investments in finance leases.

(3) Includes accounts payable and lease liabilities. Refer to Note 8 below.

(4) Includes derivative instruments, obligations relating to finance leases and other financial liabilities. Refer to Note 9 below.

(5) Fair value through profit or loss (or *FVTPL*)

Included in cash and cash equivalents as at December 31, 2023 is $98.4 million of cash (December 31, 2022 - $128.9 million) and $nil of cash equivalents (December 31, 2022 - $nil).

The fair value of all financial assets and liabilities as at December 31, 2023 approximated their carrying values, with the exception of the borrowings, where fair value which was determined using Level 1 and Level 2 inputs resulted in a fair value of $1.3 billion (December 31, 2022 - $1.3 billion) versus a carrying value of $1.3 billion (December 31, 2022 - $1.4 billion). The fair value of the Company's fixed-rate and variable-rate long-term debt is either based on quoted market prices or estimated using discounted cash flow analysis based on rates currently available for debt with similar terms and remaining maturities and the current credit worthiness of the Company.

Fair value hierarchical levels - financial instruments

There were no transfers between levels during the three months and year ended December 31, 2023, nor during the three months and year ended December 31, 2022. Additionally, there were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the three months and year ended December 31, 2023. The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured at fair value through profit or loss on a recurring basis as at December 31, 2023 and December 31, 2022:

	December 31, 2023			December 31, 2022		
	Level 1 $	Level 2 $	Level 3 $	Level 1 $	Level 2 $	Level 3 $
Financial assets						
Derivative instruments	—	4,031	—	—	875	—
Total	—	4,031	—	—	875	—
Financial liabilities						
Derivative instruments	—	—	—	—	321	—
Total	—	—	—	—	321	—

(all tabular amounts stated in thousands of U.S. Dollars)

4. Financial Assets

	December 31, 2023 $	December 31, 2022 $
Current		
Restricted cash (1)	828	9,811
Derivative instruments (2)	4,031	875
Total current	4,859	10,686

(1) Restricted cash as at December 31, 2023 consists of a withholding taxes (December 31, 2022 - consists of a guarantee for certain operating expenses and withholding taxes).

(2) See Note 9 for additional information.

5. Vessels and Equipment Classified as Held for Sale

Period	Vessel	December 31, 2023 $	December 31, 2022 $
Q4-23	*Nordic Brasilia* (1)	9,620	—
		9,620	—

(1) Classification as a result of the highly probable sale of the vessel.

The fair value of vessels and equipment classified as held for sale measured on a non-recurring basis was $9.6 million and $nil as at December 31, 2023 and December 31, 2022, respectively.

6. Gain on Dispositions, Net

Period	Vessel	Net Proceeds	Gain (Loss) on Dispositions, Net
Q2-23	*Petroatlantic*	19,418	12,201
Q1-23	*Navion Gothenburg*	—	20
Q1-23	*Nordic Rio*	—	(6)
Gain (loss) on dispositions, net for the year ended December 31, 2023			12,215
Q4-22	*Nordic Rio*	27,309	11,680
Q4-22 (1)	*Navion Gothenburg*	—	(154)
Gain (loss) on dispositions, net for the three months ended December 31, 2022			11,526
Q3-22	*Navion Gothenburg*	25,638	(120)
Q3-22	*Petronordic*	6,992	8
Gain (loss) on dispositions, net for the year ended December 31, 2022			11,414

(1) The *Navion Gothenburg* was sold during the third quarter of 2022 and a loss of $0.2 million was recorded as at September 30, 2022. An additional loss was recorded in fourth quarter of 2022 and first quarter of 2023 after a minor correction of the gain (loss) on sale calculation.

(2) The *Nordic Rio* Shuttle Tanker was sold during the fourth quarter of 2022 and a loss of $11.7 million was recorded at at December 31, 2022. An additional loss was recorded during the first quarter of 2023 after a minor correction of the gain (loss) on sale calculation.

(all tabular amounts stated in thousands of U.S. Dollars)

7. Vessels and Equipment

	December 31, 2023 $	December 31, 2022 $
Gross carrying amount:		
Opening balance at beginning of year	2,191,569	2,186,433
Additions (1)	50,458	17,626
Transferred from advances on newbuilding contracts	—	123,669
Vessels and equipment reclassified as held for sale (2)	(76,267)	(136,159)
Closing balance at end of period	2,165,760	2,191,569
Accumulated Depreciation and Impairment:		
Opening balance at beginning of year	(484,953)	(422,407)
Depreciation and amortization (3)	(133,549)	(146,777)
Impairment expense, net (4)	—	(4,960)
Transferred to deferred mobilization costs	—	(840)
Vessels and equipment reclassified as held for sale (2)	60,276	90,031
Closing balance at end of period	(558,226)	(484,953)
Net book value	1,607,534	1,706,616

(1) Additions include dry docks, overhauls and capital modifications.

(2) See Note 5 for additional information.

(3) Excludes depreciation and amortization on the Company's right-of-use assets, office equipment and software.

(4) See below for additional information.

Impairment expense, net

Period	Vessel	Event	Fair Value Hierarchical Level	Valuation Techniques and Key Inputs	Impairment Expense $
Q2 2022 (1)	*Petronordic*	Sale of the vessel considered highly probable	Level 2	Fair value less cost to sell using an appraised valuation	4,960
Impairment expense, net for the year ended December 31, 2022					4,960

(1) Vessels and equipment were sold during the year ended December 31, 2022.

(2) For the three months and year ended December 31, 2023, impairment expense, net was $nil and $nil, respectively.

The fair value of vessels and equipment, classified as such, measured on a non-recurring basis was $nil and $nil as at December 31, 2023 and December 31, 2022, respectively.

As at December 31, 2023, the Company has no commitments relating to shipbuilding contracts.

8. Accounts Payable and Other

	December 31, 2023 $	December 31, 2022 $
Current		
Accounts payable	6,397	3,871
Accrued liabilities	55,856	37,772
Deferred revenues	8,520	6,561
Lease liabilities	34	31
Total current	70,807	48,235
Non-current		
Lease liabilities	82	113
Total non-current	82	113

9. Other Financial Liabilities

	December 31, 2023	December 31, 2022
	$	$
Current		
Derivative instruments	—	321
Obligations relating to leases	11,045	11,045
Total current	11,045	11,366
Non-current		
Obligations relating to leases	165,987	177,041
Total non-current	165,987	177,041

As at December 31, 2023, the undiscounted contractual maturities of the Company's obligations relating to the leases under the sale and leaseback transactions were as follows:

	Total	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter
	(in millions of U.S. Dollars)						
Obligations related to leases	179.1	11.3	11.3	11.3	11.3	11.3	122.6

The liability for the leases accrues interest at a variable rate of SOFR plus a margin of 2.85%. As at December 31, 2023, the Company was in compliance with all covenant requirements of its leases.

Derivative Financial Instruments

The Company’s activities expose it to a variety of financial risks, including liquidity risk, interest rate risk, foreign currency risk and credit risk. The Company selectively uses derivative financial instruments principally to manage certain of these risks.

The aggregate amount of the Company's derivative financial instrument positions is as follows:

	December 31, 2023		December 31, 2022	
	Financial Asset	Financial Liability	Financial Asset	Financial Liability
	$	$	$	$
Foreign currency forward contracts	4,031	—	875	321
Total current	4,031	—	875	321

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the impact of interest rate changes, primarily through its floating-rate borrowings that require it to make interest payments based on SOFR (historically LIBOR). Significant increases in interest rates could adversely affect operating margins, results of operations and the Company's ability to service its debt. The Company may use interest rate swaps to reduce its exposure to market risk from changes in interest rates. The principal objective of these contracts is to minimize the risks and costs associated with the Company's floating-rate debt.

As at December 31, 2023, the Company was not part of any interest rate swaps. The Company has not designated, for accounting purposes, any interest rate swaps as hedges of variable rate debt during the three months and year ended December 31, 2023 and December 31, 2022, respectively. Certain of the Company's interest rate swaps have historically been secured by vessels.

In January 2024, the Company entered into three-year and five-year interest rate swap agreements, with an aggregate notional amount of $125.0 million and $225.0 million, respectively, which are payable quarterly over the term of the agreements. These interest rate swap agreements exchange the receipt of SOFR-based interest for the payment of a weighted average fixed rate of 4.2% and 4.0%, respectively. These interest rate swap agreements are not designated as qualifying cash flow hedging relationships for accounting purposes.

In September 2022, the Company terminated, on maturity, one of its interest rate swaps, which as at September 30, 2022, had a notional amount of $100.0 million and a total fair value asset of $nil.

During the three months and year ended December 31, 2023, the effective portion of previously designated and qualifying cash flow hedges recorded in accumulated other comprehensive income during the term of the hedging relationship and reclassified to earnings and reported in interest expense was a gain (loss) of $nil and $nil, respectively (three months and year ended December 31, 2022 - gain (loss) of $nil and $0.5 million, respectively).

Total realized and unrealized gain (loss) on the Company's derivative financial instruments that are not designated, for accounting purposes, as cash flow hedges are recognized in earnings and reported in realized and unrealized gain (loss) on derivative instruments in the unaudited interim condensed consolidated statements of income (loss) for the three months and year ended December 31, 2023 and 2022 as follows:

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
	$	$	$	$
Realized gain (loss) on derivative instruments				
Interest rate swap	—	—	—	(706)
Foreign currency forward contracts	(791)	(1,618)	(2,148)	(3,344)
	(791)	(1,618)	(2,148)	(4,050)
Unrealized gain (loss) on derivative instruments				
Interest rate swap	—	—	—	1,277
Foreign currency forward contracts	4,124	5,391	3,476	951
	4,124	5,391	3,476	2,228
Total realized and unrealized gain (loss) on derivative instruments	3,333	3,773	1,328	(1,822)

The following table presents the notional amounts underlying the Company's derivative financial instruments by term to maturity as at December 31, 2023:

	Total	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter
			(in millions of U.S. Dollars)				
Fair value through profit or loss							
Foreign currency forward contracts	71.7	71.7	—	—	—	—	—
Total	71.7	71.7	—	—	—	—	—

10. Borrowings

			Weighted average term		Weighted average rate	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	$	$	(years)	(years)	(%)	(%)
Revolving Credit Facilities	220,000	244,201	4.84	1.39	8.14	7.24
Term Loans	653,526	696,473	4.94	5.39	7.34	5.94
Public Bonds	377,500	380,000	1.35	2.35	10.85	10.13
Non-Public Bonds	—	68,623	—	1.00	—	4.96
Total	1,251,026	1,389,297	3.84	3.64	8.54	7.27
Less: deferred financing costs and other	(13,509)	(14,684)				
Total borrowings	1,237,517	1,374,613				
Less current portion	(240,855)	(314,032)				
Long-term portion	996,662	1,060,581				

Revolving Credit Facilities

As at December 31, 2023, the Company had one revolving credit facility (December 31, 2022 - one), which, as at such date, provided for total borrowings of up to $220.0 million (December 31, 2022 - $244.2 million), and had an undrawn balance of $120.0 million (December 31, 2022 - fully drawn).

In October 2023, the Company closed a $340.0 million revolving credit facility secured by eight shuttle tankers, refinancing a revolving credit facility dated May 2019, which bore interest at SOFR plus a margin of 2.50% and was scheduled to mature in May 2024, and a US private placement dated September 2013, which bore fixed interest at 4.96% and was scheduled to mature in December 2023. The new revolving credit facility bears interest at SOFR plus a margin of 2.75% and matures in October 2028. The Company has drawn $220.0 million of the available $340 million.

Term Loans

As at December 31, 2023, the Company had term loans which totaled $653.5 million (December 31, 2022 - $696.5 million). The term loans reduce over time with quarterly or semi-annual payments and have varying maturities through 2034. As at December 31, 2023, all of these terms loans were guaranteed by the Company or a subsidiary of the Company.

As at December 31, 2022, certain tranches of the financing for the shuttle tankers operating on the East Coast of Canada had an outstanding balance of $153.3 million and matured in March 2023. In March 2023, the Company successfully completed an amendment and extension of this financing, which included a $30.0 million upsize to the commercial senior tranche to take-out the junior financing related to the same vessels. Following the amendment, the outstanding amount of the commercial senior tranche is $153.3 million and matures in March 2026. The total amended financing amounts to $332.6 million, which reduces over time with semi-annual repayments and has varying maturities through March 2034. The interest payments on the amended facility are based on SOFR (and includes credit adjustment spreads as a result of changing reference rate from LIBOR to SOFR) plus margins between 1.30% and 2.75% per annum.

Public and Non-Public Bonds

As at December 31, 2023, the Company had public bonds outstanding which totaled $377.5 million (December 31, 2022 - $380.0 million) and non-public bonds outstanding which totaled $nil (December 31, 2022 - $68.6 million). The public bonds have varying maturities through 2025.

In July 2023, the Company repurchased $1.0 million of its $200.0 million five-year senior unsecured bonds that mature in October 2024, which were issued in October 2019. In November 2023, the Company repurchased $1.5 million of its $180.0 million four-year senior unsecured bonds that mature in December 2025, which were issued December 2021.

As at December 31, 2023, the contractual maturities of the Company's borrowings were as follows:

	Total	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter
			(in millions of U.S. Dollars)				
Borrowings:							
Public Bonds	377.5	199.0	178.5	—	—	—	—
Secured debt - scheduled repayments	397.2	42.9	42.9	51.6	79.0	67.7	113.1
Secured debt - repayments on maturity	476.3	—	—	351.0	—	125.3	—
Total borrowings	1,251.0	241.9	221.4	402.6	79.0	193.0	113.1

See Note 11 for information regarding the Company's borrowings due to related parties.

The Company's minimum liquidity requirements under its financial covenants include but are not limited to maintaining a minimum liquidity in an amount equal to the greater of $35 million and 5% of total debt and a net debt to total capitalization ratio of no greater than 75%. The Company's ability to make cash distributions are, for the time being, not permitted in accordance with the terms of its $180.0 million senior unsecured bond. As at December 31, 2023, the Company was in compliance with all covenant requirements of its revolving credit facilities, term loans and bonds.

Interest paid during the three months and year ended December 31, 2023 was $27.8 million and $114.3 million, respectively (three and year ended December 31, 2022 - $31.8 million and $91.9 million, respectively).

11. Related Party Transactions

The Company has no key employees and does not remunerate key management personnel.

The key management personal of the Company are as follows:

Name	Position
Ingvild Sæther	President and Chief Executive Officer, Altera Infrastructure Group Ltd.
Jan Rune Steinsland	Chief Financial Officer, Altera Infrastructure Group Ltd.
Duncan Donaldson	General Counsel, Altera Infrastructure Group Ltd.

Altera Infrastructure and its wholly-owned subsidiaries provide a significant portion of the Company's commercial, technical, crew training, strategic, business development and/or administrative service needs.

The Company is a party to the following transactions with related parties:

a) On December 14, 2021, the Company entered into an agreement with Brookfield to issue $70.0 million aggregate principal amount unsecured PIK notes (or *the 12.50% PIK Notes*), which contemporaneously discharged the then-existing $70.0 million unsecured revolving credit facility which was fully drawn, accrued interest at a rate equal to LIBOR plus a margin of 5.00% and was due to mature in February 2022. Interest under the 12.50% Notes is payable in kind, semi-annually, at a fixed rate of 12.50% and the facility matures in June 2026. The 12.50% PIK Notes are listed on The International Stock Exchange. Additional 12.50% PIK Notes may only be issued to satisfy the interest payable under the notes. As at December 31, 2023, the Company had recorded $19.9 million of PIK interest which was added to the outstanding principal amount of the 12.50% PIK Notes. Any outstanding principal balances are due on the maturity date. As at December 31, 2023, the Company was in compliance with the covenant requirements of this facility.

As at December 31, 2023, the contractual maturities of the Company's borrowings due to related parties were as follows:

	Total	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter
	(in millions of U.S. Dollars)						
Borrowings due to related parties:							
12.50% Unsecured PIK notes (1)	89.9	—	—	89.9	—	—	—
Total borrowings due to related parties	89.9	—	—	89.9	—	—	—

(1) Includes PIK interest of $19.9 million. See Note 11a for additional information.

b) During the year ended December 31, 2022, a common control transaction was undertaken, whereby the Company acquired Altera Shuttle Loading AS (formerly Navion Offshore Loading AS) from Altera Infrastructure Holdings L.L.C.. The transaction was accounted for as a common control transaction by using the pooling of interest method.

c) A wholly-owned subsidiary of Altera Infrastructure has entered into a 15-year firm contract which includes the deployment of the *Nordic Brasilia* on the Baleine field as a floating storage and off-take (or *FSO*) unit. During September 2023, the *Nordic Brasilia,* arrived in Drydocks World-Dubai where FSO conversion work has commenced. The Company considers it highly probable that a related party sale will be signed in the near-term future and has therefore classified the vessel as held for sale as at December 31, 2023. Please see Note 5 for additional information.

The Company also reimburses its related parties for expenses incurred by the companies that are necessary or appropriate for the conduct of the Company's business. The Company's related party transactions recognized in the consolidated statements of income (loss) were as follows for the periods indicated:

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
	$	$	$	$
General and administrative (1)	(4,906)	(7,986)	(20,833)	(26,208)
Interest expense (2)	(2,657)	(2,343)	(10,260)	(9,095)

(1) Includes ship management and crew training services provided by Altera Infrastructure and its subsidiaries.

(2) Includes interest expense of $2.7 million and $10.3 million incurred on the 12.50% PIK Notes for the three months and year ended December 31, 2023, respectively (three months and year ended December 31, 2022 - $2.3 million and $9.1 million, respectively). See Note 11a for additional information.

At December 31, 2023, the carrying value of amounts due from related parties totaled $5.2 million (December 31, 2022 - $23.0 million) and the carrying value of amounts due to related parties totaled $92.0 million (December 31, 2022 - $89.4 million) and consisted of the 12.50% PIK Notes issued to Brookfield (See Note 11a for additional information), and other related party payables.

12. Revenues

The Company's primary source of revenues is chartering its vessels. The Company utilizes three primary forms of contracts, consisting of contracts of affreightment (*CoAs*), time-charter contracts and voyage charter contracts. During the three months and year ended December 31, 2023, the Company also generated revenues from the operation of volatile organic compound (*VOC*) recovery systems on certain of the Company's vessels.

The following table contains the Company's revenues for the three months and year ended December 31, 2023 and 2022, by contract type:

(all tabular amounts stated in thousands of U.S. Dollars)

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Revenues from contracts with customers	$	$	$	$
CoAs	24,139	37,431	107,528	126,309
Time charters	22,689	28,928	99,849	110,379
Management fees and other	2,159	2,501	5,346	6,122
	48,987	68,860	212,723	242,810
Other revenues				
CoAs	26,621	28,505	109,098	108,128
Time charters	34,371	46,232	155,419	177,692
Voyage charters	1,093	21,803	28,986	75,779
	62,085	96,540	293,503	361,599
Total revenues	111,072	165,400	506,226	604,409

Revenues from External Customers

The following tables contain the Company's revenues for the three months and year ended December 31, 2023 and 2022 by geography, based on the operating location of the Company's assets and by segment:

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Revenues from contracts with customers	$	$	$	$
Norway (1)	32,060	45,156	134,437	153,645
Brazil (1)	3,795	7,394	21,946	29,476
Canada	13,132	16,310	56,340	59,689
Total revenues from contracts with customers	48,987	68,860	212,723	242,810
Other revenues				
Norway (1)	38,444	48,877	179,705	184,629
Brazil (1)	7,383	14,647	44,726	57,937
Canada	16,258	20,705	69,072	74,224
Other	—	12,311	—	44,809
Total other revenues	62,085	96,540	293,503	361,599
Total revenues	111,072	165,400	506,226	604,409

(1) Reference to Norway and Brazil are to income from international shipping activities occurring on the Norwegian and Brazilian continental shelves, respectively.

13. Direct Operating Costs

Direct operating costs include all attributable expenses except interest, depreciation and amortization, impairment expense, other expenses and taxes, and primarily relate to cost of revenues. The following table lists direct operating costs for the three months and year ended December 31, 2023 and 2022 by nature:

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
	$	$	$	$
Voyage expenses (1)	25,490	46,338	110,502	162,412
Operating expenses	19,299	22,219	73,056	71,955
Charter hire	(1,943)	3,571	23,203	12,342
Compensation	14,368	14,280	54,477	58,820
Total	57,214	86,408	261,238	305,529

(1) Expenses unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions.

(all tabular amounts stated in thousands of U.S. Dollars)

14. Gain (loss) on modification of financial liabilities, net

The table below summarizes the Company's gain (loss) on modification of financial liabilities, net for the three months and year ended December 31, 2023 and 2022:

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
	$	$	$	$
Gain (loss) on modification of financial liabilities, net (1)	—	—	(2,595)	—
Total gain (loss) on modification of financial liabilities, net	—	—	(2,595)	—

(1) During the year ended December 31, 2023, the Company recognized a loss on modification of financial liabilities of $2.6 million due to a modification related to the Company's East Coast of Canada term loan refinancing.

15. Income taxes

Income tax (expense) benefit was $nil and $nil for the three months and year ended December 31, 2023.

Income tax (expense) benefit was $7.8 million and $7.8 million for the three months and year ended December 31, 2022, due to the prior year re-assessment of deferred tax assets following a re-organization which resulted in the movement of certain fleet activities to Norway.

16. Subsequent Events

In January 2024, the Company entered into three-year and five-year-year interest rate swap agreements, with an aggregate notional amount of $125.0 million and $225.0 million, respectively, which are payable quarterly over the term of the agreements. These interest rate swap agreements exchange the receipt of SOFR-based interest for the payment of a weighted average fixed rate of 4.2% and 4.0%, respectively. These interest rate swap agreements are not designated as qualifying cash flow hedging relationships for accounting purposes.