ALTERA SHUTTLE TANKERS L.L.C.

ANNUAL REPORT

2023

This Annual Report should be read in conjunction with the consolidated financial statements and accompanying notes included in this report.

In addition to historical information, this Annual Report contains certain forward-looking statements that involve risks and uncertainties. Such forward-looking statements relate to future events and our operations, objectives, expectations, performance, financial condition and intentions. When used in this Annual Report, the words "expect," "intend," "plan," "believe," "anticipate," "estimate" and variations of such words and similar expressions are intended to identify forward-looking statements. Forward-looking statements in this Annual Report include, in particular, statements regarding:

- our future growth prospects, business strategy and other plans and objectives for future operations;
- future capital expenditures and availability of capital resources to fund capital expenditures;
- our liquidity needs and meeting our going concern requirements, including our working capital deficit, anticipated funds and sources of financing for liquidity needs and the sufficiency of cash flows, and our estimation that we will have sufficient liquidity for at least the next one-year period;
- our ability to enter into new debt facilities, borrow additional amounts under existing facilities, refinance or extend existing debt obligations, to fund capital expenditures, to sell certain assets, to pursue growth projects and to negotiate extensions or redeployments of existing assets;
- measures taken to improve our debt maturity profile and enhance our liquidity and financial flexibility;
- our ability to maintain and expand long-term relationships with major oil companies, including our ability to service fields until they no longer produce, and the potential negative impact of low oil prices on the likelihood of certain contract extensions;
- the derivation of a substantial majority of revenue from a limited number of customers;
- our ability to leverage to our advantage the expertise, relationships and reputation of Altera Infrastructure L.P. and Brookfield Business Partners L.P. together with its institutional partners (Brookfield Business Partners L.P. and/or any one or more of its affiliates referred to herein as *Brookfield*) to pursue growth opportunities;
- the outcome of an investigation by Norwegian authorities of potential violations of Norwegian pollution and export laws in connection with the export of shuttle tankers in 2018 and subsequent recycling activities;
- our continued ability to enter into fixed-rate time charters;
- results of operations and revenues and expenses;
- shuttle tanker market fundamentals, including the balance of supply, demand and spot tanker charter rates;
- our competitive advantage in the shuttle tanker market;
- the expected lifespan and estimated sales price or recycling value of vessels;
- our expectations as to any impairment of our vessels;
- acquisitions from third parties and obtaining offshore projects that we or Altera Infrastructure Partners L.P. bid on or may be awarded;
- expected employment and trading of older shuttle tankers;
- expected redelivery dates of in-chartered vessels;
- the expectations as to the chartering of unchartered vessels;
- our expectations regarding competition in the markets we serve;
- our entering into joint ventures or partnerships with companies and any business or asset acquisitions or dispositions;
- our ability to maximize the use of our vessels, including the re-deployment or disposition of vessels no longer under long-term time charter contracts;
- the duration of dry dockings;
- the valuation of goodwill, future taxable income and potential impairment;
- our compliance or ability to comply with covenants under our credit facilities and leases;
- the ability of the counterparties for our derivative contracts to fulfill their contractual obligations;
- our hedging activities relating to foreign exchange and interest rate risks;
- our exposure to foreign currency fluctuations, particularly in Norwegian Krone, Brazilian Real, Canadian Dollar and Euro;
- increasing the efficiency of our business and redeploying vessels as charters expire or terminate;
- the adequacy of our insurance coverage;
- the expected impact of heightened environmental and quality concerns of insurance underwriters, regulators and charterers;

- our ability to comply with governmental regulations and maritime self-regulatory organization standards applicable to our business;
- the passage of climate control legislation or other regulatory initiatives that restrict emissions of greenhouse gases;
- unexpected changes in business conditions, governmental changes, health epidemics and other factors beyond our control that could have a material and adverse effect on our business, financial condition and operating results;
- anticipated taxation of us and our subsidiaries and the adequacy of our reserves to cover potential liability for additional taxes;
- our ability to avoid labour disruptions and attract and retain highly skilled personnel; and
- the extent of the disruption to and/or adverse impact on our business, operating results and financial condition as a result of the invasion of Ukraine by Russia.

Forward-looking statements are necessary estimates reflecting the judgment of senior management, involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond our control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially include, but are not limited to, those factors discussed below in Risk Factors.

We do not intend to revise any forward-looking statements in order to reflect any change in our expectations or events or circumstances that may subsequently arise. You should carefully review and consider the various disclosures included in this Annual Report and in our other filings that attempt to advise interested parties of the risks and factors that may affect our business, prospects and results of operations.

BOARD OF DIRECTORS REPORT 2023

Introduction

Altera Shuttle Tankers L.L.C. (*Altera Shuttle Tankers* or the *Company*), is a wholly-owned subsidiary of Altera Infrastructure Partners L.P. (*Altera Infrastructure* or the *Partnership*). Altera Shuttle Tankers and its wholly-owned or controlled subsidiaries (together with the Company, the *Group*) 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.

As at December 31, 2023, Brookfield Business Partners L.P., together with its institutional investors (NYSE: BBU) (TSX: BBU.UN) (collectively *Brookfield*), owned a 100% interest in Altera Infrastructure's general partner and 88% of Altera Infrastructure's outstanding common units. 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.

Altera Shuttle Tankers 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 together with expanding its operations in the shuttle tanker business. The Group's customer base primarily consists of oil majors and producers and the Group's vessels operate under long-term, fixed-rate contracts of affreightment (or CoA), time-charter contracts, and voyage charter contracts.

The registered head office of the Company and place of effective management is Altera House, Unit 3, Prospect Park, Arnhall Business Park, Westhill, Aberdeenshire, AB32 6FJ, United Kingdom.

Risk Factors

Risks Relating to the Group's business and industry

The Group operates in a market which is governed by regulatory regimes which may be subject to change.

The Group's operations are subject to a high degree of regulation, varying across the jurisdictions in which the Group operates. For instance, different requirements and regulations apply to anti-pollution requirements, working environment and liability for environmental events. In recent years there has also been an increased focus on CO2 emissions from the shipping industry and the landscape of regulations aimed at reducing the carbon intensity of the industry is continuously evolving, with IMO's CII Regulations and the contemplated inclusion of maritime transportation in the EU ETS being some of the most recent examples. In certain regulatory regimes where the Group operates, such requirements may also be subject to change without notice or with limited advance notice. If regulations applicable to the Group or its businesses change, or if the Group or its partners fail to abide by applicable regulations or meet applicable requirements in the jurisdictions in which the Group operates, then the Group may lose rights, suffer fines or other penalties or otherwise incur costs. Such regulatory violations could adversely affect the Group’s operations and business. Furthermore, any changes to tax legislation or practices in jurisdictions in which the Group entities are resident for tax purposes or otherwise are taxable, may have a material adverse effect on the operating results or financial position of the Group.

The Group depends on Altera Infrastructure and its subsidiaries to assist the Group in operating its businesses and competing in its markets.

Direct and indirect subsidiaries of Altera Infrastructure provide to the Group certain administrative and other services which the Group depends upon in order to operate its business. The Group’s business could be harmed if such direct and indirect subsidiaries of the Partnership fail to perform those services satisfactorily or if they stop providing those services.

The Group's revenue under its life-of-field contracts relies on the continuous operations of the field and the renewal or extensions on other charter contracts

The duration of some of the shuttle tanker contracts of the Group is equal to the life of the relevant oil field or is subject to extension by the field operator or vessel charterer. If the oil field no longer produces oil or is abandoned or the contract term is not extended, or the applicable contract is not renewed, the relevant Group entity will no longer generate revenue under the related contract and will need to seek to redeploy affected vessels. If the Group entity is unable to promptly redeploy any affected vessels at rates at least equal to those under the prior contracts, if at all, the Group’s operating results could be harmed. Fluctuations in the utilization of the Group’s vessels may adversely affect its results of operations and financial condition. Further, a portion of the Group’s vessels operate under contracts of affreightment. Payments under these contracts of affreightment are based upon the volume of oil transported, which in turn depends upon the level of oil production at the fields serviced under the contracts. Oil production levels are affected by several factors, all of which are beyond the Group’s control, including but not limited to fluctuations in the price of oil (which historically has experienced material declines), geological factors, including general declines in production that occur naturally over time; mechanical failure or operator error; the rate of technical developments in extracting oil and related infrastructure and implementation costs; the availability of necessary drilling and other governmental permits; the availability of qualified personnel and equipment; strikes, employee lockouts or other labour unrest; and regulatory changes. In addition, the volume of oil produced may be adversely affected by extended repairs to oil field installations or suspensions of field operations as a result of oil spills or otherwise.

The Group derives a majority of its revenues from a limited number of customers

The Group has an established customer base consisting of approximately 25 customers. The Group’s future growth depends on the ability to expand relationships with existing customers and obtain new customers, but it is likely that the Group will continue to derive a significant portion of its revenue from a relatively limited number of customers in the future. If a customer decides not to continue to use the Group’s services or to terminate an existing contract, or if there is a change of management or ownership of a customer or a material adverse change in the financial condition of a customer, it could have a material adverse effect on the Group’s business, results of operations, cash flows and financial condition.

The results of the Group’s shuttle tanker operations in the North Sea are subject to seasonal fluctuations

Marine transportation carry inherent risks, particularly in the harsh weather conditions in which many of the Group’s vessels operate. For instance, due to harsh winter weather conditions, oil field operators in the North Sea typically schedule oil platform and other infrastructure repairs and maintenance during the summer months. Because the North Sea is one of the Group’s primary existing offshore oil markets, this seasonal repair and maintenance activity contributes to quarter-to-quarter volatility in the Group’s results of operations, as oil production typically is lower in the second and third quarters in this region compared with production in the first and fourth quarters. Such volatility may cause fluctuations in the quarterly results of the Group which may have a negative effect on the ability of the Issuer to service its debt on a quarterly basis. Should the effect of such seasonal fluctuations exceed what is common or expected, for instance if fields experience longer maintenance shutdown times than expected, this may have an adverse effect on the Group's business, operating results or financial condition.

Because a portion of the Group’s North Sea shuttle tankers operate under contracts of affreightment (CoAs), under which revenue is based on the volume of oil transported, the results of these shuttle tanker operations in the North Sea under these contracts generally reflect this seasonal pattern of transport demand. Additionally, when the Group redeploys affected shuttle tankers as conventional oil tankers while platform maintenance and repairs are conducted, the overall financial results for the North Sea shuttle tanker operations may be negatively affected as the rates in the conventional oil tanker markets are usually lower than CoA rates. In addition, the Group seeks to coordinate some of the general dry-docking schedule of its fleet with this seasonality, which may result in lower revenues and increased dry-docking expenses during the summer months.

The offshore service industry has historically been highly cyclical and volatile, which may limit the Group's access to capital

The Group's revenue from its services is primarily affected by the Group's ability to sell its services and the rate/prices that the Group is able to charge its customers, including charter rates for its vessels. The rates for the Group's services, and consequently, the value of the Group's assets, are largely influenced by the supply of and demand in the offshore oil service industry, which historically is a highly cyclical and volatile industry. Rates for offshore services may fluctuate over time as a result of changes in the industry and the global demand for offshore oil vessels. Furthermore, depressed market conditions in the energy sector, primarily caused by lower oil prices, may significantly reduce the Group's access to capital, particularly equity and debt capital. Debt financing or refinancing may furthermore not be available on acceptable terms, if at all. Incurring additional debt may increase the Group’s leverage, susceptibility to market downturns or adversely affect its ability to pursue future growth opportunities. As the majority of the Group's vessels are partly debt financed, the lack of access to debt capital at reasonable rates could adversely affect the Group's ability to refinance debt and finance operations, which in turn could have a material adverse effect on the Group's revenues, profitability, liquidity, cash and financial position.

Risks related to third parties, including its partners, suppliers, etc.

The Group relies on partners, suppliers, and other third parties to supply certain services for the successful operations of its business. Specifically, the Group is dependent on Altera Infrastructure L.P (“Altera" or the "Partnership"), and its direct and indirect subsidiaries, for a range of managerial, operational, administrative, technical, and advisory services. Any delays, lack of prioritization, or failure to meet required quality standards in the services provided by the Partnership, its subsidiaries or other third parties, or the potential loss of key personnel providing such services under the service agreements, could lead to significant adverse impacts on the Group’s financial results, condition, cash flows, and prospects. Moreover, there is no guarantee that the Group will be able to establish or maintain satisfactory agreements with the Partnership or other third-party providers in the future.

The Group may experience operational problems with vessels that could reduce revenue and increase costs

The Group's shuttle tankers are vessels used for the transportation of crude oil from offshore oil fields to onshore terminals or export hubs. The shuttle tankers are inherently complex, and their operations are technically challenging and require substantial capital expenditures for both acquisition and ongoing maintenance. Operational problems, such as mechanical failures or accidents, can lead to disruptions in service, resulting in the loss of revenue or higher than anticipated operating expenses. Shuttle tankers are typically built to last for at least 25 years, but many customers restrict the operational life to 20 years. Additionally, an aging fleet may pose increased risks, as older vessels are more prone to mechanical issues and may require more frequent and costly maintenance, which could lead to loss of revenue or higher operating expenses than anticipated or require additional capital expenditures. The Group's fleet currently has an average age of approximately eight years, which means that the Group's vessels will eventually reach the end of their operational lifespan, necessitating replacements or extensive refurbishments. The timing and cost of such replacements or refurbishments are uncertain and could strain the Group's financial resources. Consequently, the technical complexity and capital-intensive nature of the shuttle tanker operations, coupled with the potential challenges posed by an aging fleet, expose the Group to operational and financial risks that could adversely affect its business, financial condition, and results of operations.

The Group's insurance coverage and indemnities may not adequately cover all risks, losses or expenses

The Group's operations are subject to hazards inherent in the offshore oil vessel business. Due to the nature of these risks, the Group is unable or deems it commercially unreasonable to fully insure against all risks. Further, the amount of the Group's insurance cover may be less than the related impact on enterprise value after a loss, and the Group's coverage also includes policy limits. As a result, the Group retains the risk through self-insurance for any losses in excess of these limits. The Group may decide to retain substantially more risk through self-insurance in the future. Additionally, as of the date of this Presentation, none of the Group's shuttle tankers are insured against loss of revenues resulting from vessel off-hire time, based on the cost of insurance compared to the Group's off-hire experience. The occurrence of a significant accident or adverse event, which is either not fully covered by the Group's insurance or not insured at all, could lead to substantial losses for the Group, materially affecting its business, operational results, cash flows, financial condition, and prospects. This exposes the Group to the possibility of significant losses in the event of an insured event, which could materially and adversely affect its business, operational results, and financial condition.

Competition and other factors may affect demand for the Group's services

The oil and gas services industry is highly competitive and fragmented. The industry includes several large competitors in the markets the Group serves, as well as numerous small competitors that compete with the Group on a local basis. For instance, the Group operates in Brazil, which is categorized as the largest shuttle tanker market with a large influx of international energy companies entering the market and creating increased competition for the Group. Moreover, subject to the terms of an omnibus agreement between the Issuer, the Partnership, its general partner and other former affiliates of the Partnership, including Teekay Corporation, and its affiliates may engage in competition with the Group, adding an additional layer to the dynamic competitive landscape in which the Group operates. Furthermore, the demand for the Group's services may be volatile and will be subject to variations for a number of reasons, including factors such as uncertainty in demand for the relevant products, declines in oil and natural gas markets, competition (including by other companies that may have greater resources than the Group), slowdowns in economic activities, or regulatory changes. Furthermore, the demand for shuttle tankers is invariably based on the developments of new oil fields in addition to the continuing production of fields on stream. Environmental protection of certain geographical areas, tax increases, and a decline in oil price are examples which could lead to a decline in new developments and as a result may decrease demand. Should the Group not be able to compete effectively, this could adversely affect the Group's revenues, profitability and financial condition.

The international nature of the Group's operations may make the outcome of any bankruptcy proceedings difficult to predict

The Company was formed under the laws of the Republic of the Marshall Islands and the Subsidiaries were formed or incorporated under the laws of the Marshall Islands, Norway, Singapore and certain other countries besides the United States, and the Group conducts operations in countries around the world. Consequently, in the event of any bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding involving the Group or any of our subsidiaries, bankruptcy laws other than those of the United States could apply. The Group does not have operations in the United States. If the Group were to become a debtor under U.S. bankruptcy law, bankruptcy courts in the United States may seek to assert jurisdiction over all of the Group's assets, wherever located, including property situated in other countries. There can be no assurance, however, that the Group would become a debtor in the United States, or that a U.S. bankruptcy court would be entitled to, or accept, jurisdiction over such a bankruptcy case, or that courts in other countries that have jurisdiction over the Group and the Group's operations would recognize a U.S. bankruptcy court's jurisdiction if any other bankruptcy court would determine it had jurisdiction.

Armed conflicts, piracy, increased hostilities and terrorist attacks could negatively affect the Group

War, military tension, revolutions, piracy and terrorist attacks, or increases in such events or activities, could create or increase instability in the world's financial and commercial markets. This may significantly increase political and economic instability in some of the geographic markets in which the Group operates or may operate in the future, and could contribute to high levels of volatility in charter rates or oil prices. In addition, oil facilities, shipyards, vessels, pipelines, oil fields or other infrastructure could be targets of future terrorist attacks or warlike operations and the Group's vessels could be targets of pirates, hijackers, terrorists or others. Armed conflicts, piracy, increased hostilities, terrorism and their effects on the Group or in the markets where the Group operates may materially and adversely affect the Group's business, financial position and operating results.

Following Russia's invasion of Ukraine in February 2022, the U.S., several European Union nations, and other countries have announced sanctions against Russia. The sanctions announced by the U.S. and other countries against Russia include, among others, restrictions on selling or importing goods, services or technology in or from affected regions, travel bans, asset freezes impacting connected individuals and political, military, business and financial organizations in Russia, the severing of large Russian banks from the U.S. and/or other financial systems, and barring select Russian enterprises from raising money in the U.S. market. The U.S., EU nations and other countries could impose wider sanctions and take other actions should the conflict further escalate.

Additionally, since December 2023, there have been multiple drone and missile attacks on commercial vessels transiting international waters in the southern Red Sea by groups believed to be affiliated with the Yemen-based Houthi rebel group purportedly in response to the ongoing military conflict between Israel and Hamas. The continued military actions by the U.S., Israel, Iran and their associated allies and/or rebel military groups continue to threaten the political stability of the Middle East and may lead to further military conflicts.

While it is difficult to anticipate the potential for any indirect impact of the sanctions announced to date or the severity or length of the current conflicts impacting international shipping trade routes on the Group and its business, any further sanctions or escalations could lead to increased volatility in global oil demand, resulting in a material adverse impact on the Group's business, results of operations and financial condition.

Our businesses is stable, but subject to general economic conditions and risks relating to the economy.

Many industries, including the industries in which we operate, 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 we operate, 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 our company operates, interest rates and tax rates may adversely affect our growth and profitability. For example, 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 our operations.

The demand for our services is, in part, dependent upon and correlated to general economic conditions and economic growth of the regions applicable to the relevant asset. Poor economic conditions or lower economic growth in a region or regions may, either directly or indirectly, reduce demand for our services. In particular, the sectors in which we operate are highly cyclical, and we are subject to cyclical fluctuations in global economic conditions and end-use markets. We are unable to predict the future course of industry variables or the strength, pace or sustainability of the global economic recovery and the effects of government intervention. Negative economic conditions, such as an economic downturn, a prolonged global inflationary period, a prolonged period of higher interest rates or a prolonged recovery period or disruptions in the financial markets, could have a material adverse effect on our businesses, financial condition or results or operations.

Our business is impacted by rising inflationary pressures. Inflation rates in jurisdictions that we operate or invest in have increased significantly in 2022 and 2023, rising above the target inflation rate ranges set by governing central banks. A significant portion of the upward pressure on prices has been attributed to the rising costs of labor, energy, food, motor vehicles and housing, as well as overall challenges involved in reopening and managing the economy throughout and post the COVID-19 pandemic and global supply chain disruptions. Inflation increases may or may not be transitory and future inflation may be impacted by labor market constraints reducing, supply-chain disruptions easing and commodity prices moderating. However, any sustained upward trajectory in the inflation rate would have an impact on our business and our investors. We continue to monitor inflationary pressures in the jurisdictions we operate in and assess any potential effects on our operations.

Risks Relating to the Group's financial risks

The Group is subject to financial restrictions and covenants

The operating and financial restrictions and covenants in the Company's or the Group’s financing arrangements, and any future financing agreements, may restrict or could have an adverse effect on the Group’s business activities. Such financial restrictions and covenants could adversely affect the Group's ability to finance future operations or capital needs, as well as hinder is capacity to engage, expand or pursue its business activities. Furthermore, such restrictions and covenants could also affect the ability of the Company’s subsidiaries to pay dividends and make distributions to the Company, thus adversely affecting its cash flow. The Company may be able to take on additional debt from related parties and such debt may not be counted as part of total debt in the financial covenants of the Bonds, regardless of the status of such liabilities. Consequently, the presence of financial restrictions and covenants does not guarantee that investors will not incur losses, either in whole or in part.

The Group may be exposed to fluctuations in currency exchange rates

The Group’s functional currency is the U.S. Dollar. However, the Group incurs certain vessel operating expenses, general and administrative expenses and a portion of its capital upgrade projects in foreign currencies, the most significant of which being the Norwegian Kroner and, to a lesser extent, the Australian Dollar, Brazilian Real, British Pound, Euro, and Singapore Dollar. The Group engages in currency fluctuation hedging and has committed to several currency forward contracts in order to mitigate this exposure, however; the Group is not fully hedged towards all currency exposure and no assurance can be made that future hedging arrangements will be effective. Consequently, fluctuations between U.S. Dollar, Norwegian Kroner, Australian Dollar, Brazilian Real, British Pound, Euro, Singapore Dollars and other currencies may have a material adverse effect on the Group's cash flow and financial condition.

The Group may be unable to realize expected benefits from any acquisitions of vessels

Any acquisition of a vessel may not be profitable at or after the time of acquisition and may not generate cash flow sufficient to justify the investment. Unlike newbuild vessels, existing vessels typically do not carry warranties as to their condition. While the Group will likely inspect any existing vessels prior to purchase, such inspection would normally not provide the Group with as much knowledge of the vessel's condition as it would possess if the vessel had been built for the Group and operated by it during its life. Repair and maintenance costs for existing vessels are difficult to predict and may be substantially higher than for vessels operated by the Group since they were built. These costs could decrease the Group's cash flow and reduce its liquidity, which in turn could materially and adversely affect the business of the Group.

The Group may not be able to generate sufficient cash to service all of its indebtedness and may be forced to take other actions to satisfy the obligations under its indebtedness, which may not be successful

Given volatility associated with the Group's business and industry, and in particular a decline in oil prices which in turn will negatively impact the demand for the Group’s services, or a general deterioration of the global economic environment, particularly in Brazil, Norway, United Kingdom and Canada (the "Primary Jurisdictions"), the Group's future cash flow may be insufficient to meet the Group's debt obligations and other commitments. Any insufficiency could negatively impact the Group's business. A range of economic, competitive, business and industry factors, including those beyond the Group's control, will affect future financial performance, and, as a result, the Group's ability to generate cash flow from operations and to pay the Group's debt obligations. If the Group's cash flows and capital resources are insufficient to fund the Group's debt service obligations and other commitments, the Group may be forced to reduce or delay planned investments and capital expenditures, or to sell assets, seek additional financing in the debt or equity markets or restructure or refinance the Group's indebtedness.

The Group's ability to restructure or refinance its indebtedness will depend on the condition of the capital markets and the Group's financial condition at such time. Any refinancing of the Group's indebtedness could be at higher interest rates and may require the Group to comply with more onerous covenants, which could further restrict the Group's business operations. There can be no assurance that any such sources of financing will be available to the Group on acceptable terms, if at all. In addition, any failure to make payments of interest and principal on the Group's outstanding indebtedness on a timely basis would likely result in a reduction of the Group's credit rating, which could harm the Group's ability to incur additional indebtedness. In the absence of sufficient cash flows and capital resources, the Group could face substantial liquidity problems and may be required to dispose of material assets or operations to meet the Group's debt service and other obligations. The Group may not be able to consummate those dispositions or to obtain the proceeds that the Group could have realized from them, and any proceeds may not be adequate to meet any debt service obligations then due. These alternative measures may not be successful and may not permit the Group to meet its debt service obligations.

Fluctuations in interest rates may materially affect the Group’s operating results

The Group is exposed to the impact of interest rate changes, primarily through the Group's floating-rate borrowings that require the Group to make interest payments based on SOFR. If interest rates increase, the Group’s debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and the Group's net income and cash available for servicing our indebtedness would decrease. As such, movements in interest rates could have a material adverse impact on the Group's cash flows as well as its financial condition.

Risks Relating to the Group's legal and regulatory risks

Because the Company is organized under the laws of the Marshall Islands, it may be difficult to serve the Company with legal process or enforce judgments against it, or its directors or management

The Company is organized under the laws of the Marshall Islands, and all of the Group’s assets are located outside of the United States. The Group’s business is operated primarily from its offices in Norway, Canada, the United Kingdom and Singapore. As a result, it may be difficult or impossible to bring an action against the Company or against these individuals in the United States. Even if successful in bringing an action of this kind, the laws of the Marshall Islands and of other jurisdictions may prevent or restrict the enforcement of a judgment against the Company’s assets.

As a Marshall Islands limited liability company, the Company’s operations may be subject to the economic substance requirements which could harm its business

Finance ministers of the EU rate jurisdictions for tax transparency, governance, real economic activity and corporate tax rate. Countries that do not adequately cooperate with the finance ministers are put on a “grey list” or a “blacklist”. EU member states have agreed upon a set of measures, which they can choose to apply against the listed countries, including increased monitoring and audits, withholding taxes, special documentation requirements and anti-abuse provisions. The European Commission has stated it will continue to support member states' efforts to develop a more coordinated approach to sanctions for the listed countries in 2019. EU legislation prohibits EU funds from being channeled or transited through entities in countries on the blacklist. The Company is a Marshall Islands limited liability company which is strategically managed at board level from the UK, and therefore also tax resident in the UK. A number of its subsidiaries are also organized in the Marshall Islands. The Marshall Islands is not currently on any EU blacklist (having been removed from the blacklist in 2019). Should The Marshall Islands in the future again be placed on the blacklist, this may impact the transfer of funds through the Group in an adverse manner.

The Group operates in a market which is governed by regulatory regimes which may be subject to change

The Group's operations are subject to a high degree of regulation, and the shuttle tank industry, in which the Group operates, is subject to various regulatory regimes, such as the Safety of Life at Sea (SOLAS), the International Convention for the Prevention of Pollution from Ships (MARPOL), the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW), the International Ship and Port Facility Security (ISPS) Code and the Maritime Labour Convention (MLC). These regulatory regimes impose numerous requirements and obligations for the Group's operations and business. Additionally, the Group is subject to varying regulations across the jurisdictions in which it operates, such as the Primary Jurisdictions. Different requirements and regulations apply to anti-pollution requirements, working environment and liability for environmental events. In certain regulatory regimes where the Group operates, legal requirements may also be subject to change without notice or with limited advance notice. If regulations applicable to the Group or its businesses change, or if the Group or its partners fail to abide by

applicable regulations or meet applicable requirements in the jurisdictions in which the Group operates, then the Group may lose rights, suffer fines or other penalties or otherwise incur costs. Such regulatory violations could adversely affect the Group's operations and business. Furthermore, any changes to tax legislation or practices in jurisdictions in which the Group entities are resident for tax purposes may have a material adverse effect on the operating results or financial position of the Group.

The nature of the Group's operations exposes it to a wide range of environmental regulations that could result in significant environmental liabilities

The Group's operations are subject to local, national and international environmental regulations. The costs of compliance associated with environmental regulations and changes thereto could require significant expenditures, and failure to comply with such regulations could result in the imposition of material fines and penalties or temporary or permanent suspension of operations. Examples of this includes necessary adherence to tightening regulations related to carbon intensity of operations putting a price on emissions from the Group's vessels and potentially requiring technical investments and/or switching to alternative fuel types. Another example would be fines and penalties related to potential oil spills and other environmental contamination.

An incident involving environmental contamination could also harm the Group's reputation and business. For instance, the Issuer's affiliate Altera Infrastructure Norway AS is subject to an ongoing investigation relating to suspected violations of Norwegian pollution and export laws. The investigations relate to shuttle tanker exports from the Norwegian Continental Shelf in 2018. Whilst the Norwegian authorities are understood to have reviewed seized materials and carried out certain witness interviews, they have not yet reverted with any conclusion on the outcome of their investigative process. The involved company has together with their advisors, reviewed all materials considered by them to be connected with the relevant exports and, having not identified that any such process breached any export laws, continues to deny the allegations brought. Although the involved company is a part of the Group, and the Group accordingly is not directly involved or directly affected by the current investigations or allegations, there is a risk that the overall perception in the market may cause reputational damage to the Group, which in turn may impact the overall financial performance of the Group. No assurance can be made with respect to the results or timing of the ongoing review and investigations, that have now been continuing for more than 4 years. Should the Norwegian authorities conclude that Altera Infrastructure Norway AS has breached relevant export restrictions, this may result in fines against the company as well as wider reputational damage to the Group. Consequently, this could have a material adverse effect on the Group's business and operations.

The Group may be subject to legal, governmental, regulatory or arbitration proceedings that may affect the Group's business and results of operations

The nature of the Group's operations implies a high degree of risk for material litigation, proceedings, claims and disputes, inter alia from customers, regulatory authorities and third parties. Such risk relates to (but is not limited to) claims for breach of or non-compliance with customer contracts, non-compliance with regulatory requirements (e.g. spillage, pollution etc.), and damage caused to third-party property. A substantial portion of the Group's assets and operations are located or conducted in the Primary Jurisdictions. If disputes arise in connection with the Group's assets or operations, the Group may be subject to the jurisdiction of the Primary Jurisdictions or other foreign courts or arbitration tribunals and may not be successful in subjecting foreign persons, especially foreign oil ministries and national oil companies, to the legal jurisdiction of the Primary Jurisdictions or other, desired legal jurisdictions. The uncertainties under the laws of the Primary Jurisdictions, or the laws of other relevant countries, may impede the Group's ability to enforce the terms of any agreements entered into with the Group's partners, service providers and suppliers that are governed by the laws of the Primary Jurisdictions or other relevant countries.

A cyber-attack could materially disrupt the Group's business

Rapid digitalization in the marine and offshore industry has significantly increased the Group's reliance on information technology systems and networks for its operations and business administration. According to the Group's threat analysis and security tools reports, cyber-attacks have increased in number and sophistication in recent years. Consequently, this has exposed the Group to the risk of cyber-crime in the form of, e.g., Trojan attacks, phishing and denial of service attacks. A successful cyber-attack could materially disrupt the Group's operations jeopardizing not only operational safety but also potentially resulting in the unauthorized release or alteration of critical data within the Group's systems. Such attacks, or any other breaches of the Group's information technology systems, could have a material adverse effect on the Group's business operations and overall financial results.

The Issuer's affiliate Altera Infrastructure Norway AS is subject to an ongoing investigation relating to suspected violations of Norwegian pollution and export laws.

The investigations are currently ongoing and relate to the export of shuttle tankers from the Norwegian Continental Shelf in 2018. Whilst the Norwegian authorities continue their review of seized materials, the involved company has together with their advisors, continued to review materials connected with such shuttle tanker export and, having not identified any breach of relevant export laws, continues to deny the allegations. Although the involved company is not in the Group, and the Group accordingly is not directly involved in the current investigations or allegations, there is a risk that the overall perception in the market may cause reputational damage to the Group, which in turn may impact overall financial performance. No assurance can be made with respect to the results or timing of the ongoing review and investigations. Should the Norwegian authorities conclude that Altera Infrastructure Norway AS has breached relevant export restrictions, this may result in fines against that company which sits outside the Group as well as cause wider reputational damage to the Group.

Risks related to tax legislation

The Group is and will be subject to prevailing tax legislation, treaties and regulations in the jurisdictions in which the Group companies are organized, own assets or operates, and the interpretation and enforcement thereof. The Group is currently subject to taxation in certain jurisdictions, being Brazil, Norway, Canada and the United Kingdom. If applicable laws, treaties or regulations change, or if the Group's interpretation of the tax laws is at variance with the interpretation of the same tax laws by tax authorities, this could have a material adverse effect on the Group's business, results of operations or financial condition. If any tax authority successfully challenges the Group's operational structure, and pricing policies or if taxing authorities do not agree with the Group's assessment of the effects of applicable laws, treaties and regulations, or the Group loses a material tax dispute in any country, or any tax challenge of the Group's tax payments is successful, the Group's effective tax rate on its earnings could increase substantially and the Group's business, earnings and cash flows from operations and financial condition could be materially and adversely affected.

Environmental Risks

Altera Infrastructure operates according to a series of internal governance controls, including a formal enterprise risk management process, to identify existing and emerging risks which may originate internally or externally. These risk inputs are used to assess and prioritise mitigation responses.

Risk arising from Altera Infrastructure's activities, including those that are climate-related, are identified and assessed through the Partnership's enterprise risk management (ERM) process. The ERM process is facilitated by the corporate Risk and Audit Services function. Business unit management teams identify and assess enterprise risks on a quarterly basis, scoring each risk for consequence and likelihood over the coming five years on a rating scale running from 1 to 5, where 5 is high. These two independent scores are then multiplied to give a value of inherent risk with a score of 25 signifying imminent, and catastrophic risk. The output of this assessment is a heatmap which indicates risk severity, and aids in risk prioritisation. Risks are then further categorised as low risk, moderate risk and high risk as defined below:

• Low risk: inherent risk score ≤ 5
• Moderate risk: inherent risk score of 6–12
• High risk: inherent risk score >12

The ERM process runs on a business unit basis. Business unit ERM assessments are presented to group management quarterly and are further consolidated to create a partnership-wide overview, and risks assigned an inherent risk score of 9 or above are included in quarterly group management reports to the board.

Emissions & Emissions Intensity
Altera Infrastructure reports on Scope 1 and a portion of Scope 2 and Scope 3 emissions from its business activities, calculated according to the GHG Protocol on an operational control basis. Absolute emissions are reported in tonnes of CO2 equivalent (tCO2e). The group have also set emissions intensity targets, and report on the emissions intensity performance for the shuttle tanker fleet. In 2023, the International Maritime Organization (IMO) increased and revised its target to reduce the carbon intensity of international shipping by 50% by 2030, compared to a calculated 2008 baseline; this is a 10% increase from a 40% reduction targeted in previous years. The group has already been working towards a 50% reduction target for the past three years and, as such, we are well-placed to meet or exceed the IMO's new guideline to reduce the average carbon intensity (CII) of our shuttle tanker fleet by 50% by 2030. The group's 2008 baseline, calculated according to recently updated IMO methodology, is 5.90 g CO2/dwt-nm. The group have set a 50% reduction pathway from this point. Please refer to 'Our actions and results' under the Sustainability section (below) for an overview of the 2023 shuttle tanker fleet Scope 1 emissions and emissions intensity.

The group measures the carbon intensity of FSOs by tracking carbon dioxide emissions from these vessels per barrel of oil stored on the vessel for offloading (kg CO2/bbl). This is a new carbon intensity metric established in early 2023 based on modelling conducted in 2022. Altera Infrastructure has set a target to reduce the fleet average carbon intensity of our operating FSOs 2% annually from our baseline 2020 performance.

Marine life
Altera Infrastructure uses tailored technology specific to our shuttle tankers to ensure compliance with the IMO Ballast Water Management Convention. 90% of the group's shuttle tanker fleet employs a ballast water treatment system to help prevent the spread of potentially harmful aquatic organisms, invasive species, and pathogens.

Altera Infrastructure monitors and evaluates environmental performance in all aspects of our operations, working continuously to reduce and mitigate our environmental footprint. Altera Infrastructure focuses on preventing spills and maintains detailed spill response and emergency preparedness procedures to minimise the potential consequences of any spills that may occur. Additionally, Altera Infrastructure works to reduce chemical use and, when possible, replace the chemicals that are used with less-harmful alternatives. In 2023, the group had no oil or chemical spills to sea.

Waste
Altera Infrastructure aims to minimize waste and ensures that disposal of all waste generated is done so in a responsible manner. To minimise waste, the Partnership buys in bulk, uses environmentally friendly packaging to avoid generating excess waste, and has a rigorous system for waste recycling in place to allow for re-use. Plastic shoe coverings are replaced with reusable covers, and plastic cups are removed and replaced with reusable cups both onboard our vessels and in our offices. In 2023, our shuttle tanker fleet generated 2,660.8 m3 of waste, a 12% increase compared to waste generated in 2022. The group's shuttle tankers, FSOs,

and UMSs hold Inventory of Hazardous Materials (IHM) certificates, which they follow to avoid bringing anything onboard that could later end up as hazardous waste; as such, the shuttle tanker fleet does not generate any hazardous waste.

Recycling
Altera Infrastructure has control over the recycling of our vessels and will only choose to recycle a vessel if we cannot identify a viable alternative use. The Partnership proactively ensures that all recycling activity is responsible and compliant with applicable law and our internal Global Asset Recycling Policy. Altera Infrastructure has a strict audit and inspection regime for approval of chosen ship recycling facilities (SRF) that goes beyond the standards set by the Hong Kong Convention. To actively promote responsible ship recycling, Altera Infrastructure is a member of the steering committee of the Ship Recycling Transparency Initiative. The group did not initiate any recycling projects in 2023, but did complete the recycling of one shuttle tanker which project was initiated in 2022.

Description of the Business

A shuttle tanker is a specialized ship designed to transport crude oil and condensates from offshore oil field installations to onshore terminals and refineries. Shuttle tankers are equipped with sophisticated loading systems and dynamic positioning systems that allow the vessels to load cargo safely and reliably even in harsh weather conditions. Shuttle tankers were developed in the North Sea as an alternative to pipelines. The first cargo from an offshore field in the North Sea was shipped in 1977, and the first dynamically-positioned shuttle tankers were introduced in the early 1980s. Shuttle tankers are often described as “floating pipelines” because these vessels typically shuttle oil from offshore installations to onshore facilities in much the same way a pipeline would transport oil along the ocean floor.

The Group's shuttle tankers are primarily subject to long-term, fixed-rate time-charter or contracts of affreightment for various fields. The number of voyages performed under the contracts of affreightment depends mainly upon the oil production of each field. Competition for charters is based primarily upon price, availability, the size, technical sophistication, age and condition of the vessel and the reputation of the vessel’s manager. Shuttle tanker demand may be affected by the possible substitution of sub-sea pipelines to transport oil from offshore production platforms. The shuttle tankers in our contract of affreightment fleet may operate in the conventional spot market during downtime or maintenance periods for oil field installations, which provides increased utilization for the fleet.

Operations and Fleet

The following table provides additional information about the Group's shuttle tankers as of December 31, 2023:

Vessel	Capacity (dwt)	Built	Ownership	Positioning System	Operating Region	Contract Type[1]	Charterer	Contract End Date
Tide Spirit	129,830	2020	100%	DP2	North Sea	CoA[2]	Aker BP, BP, ConocoPhillips, DNO, Eni, Enquest, Equinor, Ithaca, M Vest Energy, Neptune Energy, NEO Energy, OKEA, OMV, ONE Dyas, PGNiG, Repsol Sinopec, Shell, Taqa Bratani, Vår Energi, Waldorf Production, Wintershall Dea[3]	
Scott Spirit	109,300	2011	100%	DP2	North Sea	CoA		
Peary Spirit	109,300	2011	100%	DP2	North Sea	CoA		
Nansen Spirit	109,300	2010	100%	DP2	North Sea	CoA		
Amundsen Spirit	109,300	2010	100%	DP2	North Sea	CoA		
Ingrid Knutsen	111,600	2013	In-chartered (until March 2024)	DP2	North Sea	CoA		
Altera Wind	103,500	2021	100%	DP2	North Sea	CoA		
Altera Wave	103,500	2021	100%	DP2	North Sea	CoA		
Samba Spirit	154,100	2013	100%	DP2	Brazil	TC	TotalEnergies	August 2025
Lambada Spirit	154,000	2013	100%	DP2	Brazil	TC	Petrobras	November 2028
Bossa Nova Spirit	155,000	2013	100%	DP2	Brazil	TC	TotalEnergies	March 2025
Sertanejo Spirit	155,000	2013	100%	DP2	Brazil	TC	PetroChina	March 2029
Beothuk Spirit	148,200	2017	100%	DP2	Canada	TC	ExxonMobil, Canada Hibernia Holding Corporation, Cenovus, Chevron, Murphy, Nalcor, Equinor, Suncor[3]	May 2030[5]
Norse Spirit	148,200	2017	100%	DP2	Canada	TC		May 2030[5]
Dorset Spirit	148,200	2018	100%	DP2	Canada	TC		May 2030[5]
Altera Thule	148,200	2022	100%	DP2	Canada	TC		May 2030[5]/[6]
Nordic Brasilia	151,300	2004	100%	DP		Conversion[7]		
Aurora Spirit	129,830	2020	100%	DP2	North Sea	TC	Equinor[4]	March 2034
Rainbow Spirit	129,830	2020	100%	DP2	North Sea	TC	Equinor[4]	March 2030
Current Spirit	129,830	2020	100%	DP2	North Sea	TC	Equinor[4]	March 2028
Total capacity	2,637,320							

(1) "CoA" refers to contracts of affreightment and "TC" refers to time charters.

(2) The *Tide Spirit* to be chartered to Equinor under the master agreement from April 2025 to March 2027.

(3) The charter agreements specify which shuttle tankers may be employed under the contract and the actual usage depends on the transport demand.

(4) Under the terms of a master agreement with Equinor, the vessels are chartered under individual fixed-rate annually renewable time-charter contracts. The number of vessels Equinor is committed to in-charter may be adjusted annually based on the requirements of the fields serviced and the charter end date is based on the latest production forecast.

(5) The charterer may adjust the number of vessels servicing the East Coast of Canada contract by providing at least 24 months' notice.

(6) In November 2022, the Group entered into an agreement with Basin Wide Transportation and Transshipment System (or *BWTTS*) to in-charter the *Altera Thule* for 6-8 months each year from the third quarter 2023, until the fourth quarter 2025. The vessel is owned by the Group and will be utilized in the North Sea CoA pool, with a call option for winter operations in Canada.

(7) The *Nordic Brasilia* is undergoing conversion to an FSO for redeployment on the Baleine field offshore Côte d'Ivoire with Eni.

In February 2023, the Group entered a new agreement with Knutsen to in-charter the *Ingrid Knutsen* for 10 months from March 1, 2023 and later extended to be redelivered in March 2024.

The table below provides a breakdown of revenues for our shuttle tanker segment by region:

	Year Ended December 31,	
	2023	**2022**
(in thousands of U.S Dollars)	**$**	**$**
Norway[1]	314,142	338,274
Canada	125,412	133,913
Brazil[1]	66,672	87,413
Other	—	44,809
Total	**506,226**	**604,409**

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

Market

Shuttle tankers primarily operate in the North Sea, off the East Coast of Canada and Brazil. As of December 31, 2023, we owned 18 shuttle tankers, one shuttle tanker was under conversion to an FSO and we chartered-in an additional shuttle tanker. Other major shuttle tanker owners include Knutsen, AET Tankers and Tsakos. The Group believes that it has competitive advantages in the shuttle tanker market as a result of low-emission vessels combined with economies of scale in the North Sea and the East Coast of Canada, as well as through its CoA pool in the North Sea.

Historically, the utilization of shuttle tankers in the North Sea is higher in the winter months, as favorable weather conditions in the summer months provide opportunities for repairs and maintenance to the offshore oil platforms and FPSOs. Downtime for repairs and maintenance generally reduces oil production and, thus, transportation requirements.

Risk Management

The Group is exposed to the following risks: capital risk, liquidity risk, market risk (i.e. interest rate risk, foreign currency risk and commodity risk), credit risk and climate risk. Refer to the information contained in this annual report under Note 25 - Financial Risk Management in the Group's consolidated financial statements.

Based on the Group's working capital deficit as per year end 2023 of $138 million, the Group may need to refinance certain loan agreements and/or obtain additional sources of financing, in addition to amounts generated from operations, to meet its obligations and commitments and the minimum liquidity requirements under its financial covenants. These requirements 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 working capital deficit as at December 31, 2023, was primarily due to $199 million in current borrowings related to the $200 million five-year senior unsecured bonds that mature in October 2024. The Group plans to utilize cash on hand as well as the $120 million undrawn revolving credit facility to address our working capital deficit. Additionally, in March 2024, the Group issued $200 million in senior unsecured bonds in the Norwegian bond market that mature in March 2028. These bonds will be listed on the Oslo Stock Exchange. The interest payments on the bonds are fixed at a rate of 9.0% and are payable semi-annually. The proceeds plus cash on hand were used to repurchase $180 million of its $200 million five-year unsecured bonds that mature in October 2024, which were issued in October 2019 and $27 million of its $180 million four-year senior unsecured bonds that mature in December 2025, which were issued in December 2021. Refer to the information contained in this annual report under Note 18 - Borrowings in the Group's consolidated financial statements.

Additional potential sources of amounts generated from operations include the extensions and new opportunities for existing assets, higher utilization of the operating fleet, increased rates, and working capital optimizations, as well as proceeds from the contemplated related party sale of *Navion Brasilia* for FSO conversion.

The Group'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.

Based on the Group’s liquidity at the date of this Annual Report, it's undrawn lines under the revolving credit facility, the successful bond refinancing and the liquidity it expects to generate from operations and financing over the following year, the Group expects that it will have sufficient liquidity to enable the Group to continue as a going concern for at least the one-year period to December 31, 2024.

Review of 2023

Financing

In March 2024, we issued $200 million in senior unsecured bonds in the Norwegian bond market that mature in March 2028. These bonds will be listed on the Oslo Stock Exchange. The interest payments on the bonds are fixed at a rate of 9.0% and are payable semi-annually. The proceeds plus cash on hand were used to repurchase $180 million of its $200 million five-year unsecured bonds that mature in October 2024, which were issued in October 2019 and $27 million of its $180 million four-year senior unsecured bonds that mature in December 2025, which were issued in December 2021.

In March 2024, we entered into an agreement with Brookfield to amend and extend the 12.50% PIK Notes. Per the amendment terms, interest under the 12.50% PIK Notes is payable in kind at a fixed rate of 12.00% and the facility matures in September 2028.

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, 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. As at December 31, 2023, we have drawn $220 million of the available $340 million.

In July 2023, we repurchased $1 million of our $200 million five-year senior unsecured bonds that mature in October 2024.

In March 2023, we successfully completed an amendment and extension of the financing for the shuttle tankers operating on the East Coast of Canada, which included a $30 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 million and matures in March 2026. The total amended financing amounts to $333 million, which reduces over time with semi-annual repayments and has varying maturities through March 2034.

Sale of Vessels

In April 2023, we sold the 100% owned vessel, the *Petroatlantic* to a third party for conversion to an FSO for approximately $19 million. The vessel was delivered to its buyer in April 2023.

Fleet

In November 2023, we entered into an agreement with Knutsen to extend the in-charter of the *Ingrid Knutsen* until March 31, 2024.

In February 2023, we entered into an agreement with Knutsen to in-charter the *Ingrid Knutsen* for 10 months from March 1, 2023.

Contracts Updates

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 commenced 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 commenced 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 a floating storage and off-take (or *FSO*) unit. During September 2023, the *Nordic Brasilia,* sailed to Drydocks World-Dubai where client-funded FSO conversion work has commenced. We consider it highly probable that a related-party sale or lease contract will be signed in the near-term future.

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.

In June 2023, we signed a 5-year time-charter with Petrobras for *Lambada Spirit* for operation in Brazil.

In February 2023, we entered into an agreement with TotalEnergies to utilize the *Samba Spirit* on a 22-month firm time-charter contract with extension options for an additional two or four months.

Board of Directors

In March 2023, William James Delday resigned from the Board of Directors and David Cannon was appointed to the Board of Directors of the Group.

In February 2023, the sole member, Altera Infrastructure Holdings L.L.C., appointed the Audit Committee of the General Partner of the Partnership, to serve as the Group's Audit Committee and to undertake all related duties.

Financial Review

The consolidated financial statements and separate financial statements for the years ended December 31, 2023 and December 31, 2022 have been prepared in accordance with the International Financial Reporting Standards. Except where specifically identified, the financial information presented below has been prepared on a consolidated basis.

Operating Results

The following table presents certain of the Group's consolidated operating results for the years ended December 31, 2023 and 2022:

	Year Ended December 31,		
(in thousand of U.S. Dollars, except percentages)	2023	2022	Change
IFRS:	$	$	%
Revenues	506,226	604,409	(16.2)
Direct operating costs	(261,238)	(305,529)	(14.5)
General and administrative expenses(1)	(23,125)	(27,562)	(16.1)
Depreciation and amortization	(136,431)	(158,703)	(14.0)
Interest expense	(140,570)	(106,749)	31.7
Interest income	5,666	1,585	257.5
Impairment expense, net	—	(4,960)	(100.0)
Gain (loss) on dispositions, net	12,215	11,414	7.0
Realized and unrealized gain (loss) on derivative instruments	1,328	(1,822)	(172.9)
Foreign currency exchange gain (loss)	(3,775)	231	(1734.2)
Gain (loss) on modification of financial liabilities, net	(2,595)	—	100.0
Other income (expenses), net	(104)	915	(111.4)
Income before income tax (expense) benefit	(42,403)	13,229	(420.5)
Income tax (expense) benefit			
Current	1,163	(126)	(1023.0)
Deferred	(2,004)	7,839	(125.6)
Net income	(43,244)	20,942	(306.5)
Non-IFRS:			
EBITDA(2)	228,932	277,096	(17.4)
Adjusted EBITDA(2)	221,425	270,185	(18.0)

(1) Includes direct general and administrative expenses and indirect general and administrative expenses (allocated from corporate departments to the Group, based on estimated use of corporate resources).

(2) The Group is regularly reviewed by our chief operating decision maker (CODM) for the purpose of allocating resources and to assess their respective performance. The key measure used by the CODM in assessing performance and in making resource allocation decisions is Adjusted EBITDA, Adjusted EBITDA is also used by external users of our consolidated financial statements, such as investors and our controlling unitholder. EBITDA and Adjusted EBITDA are non-IFRS financial measures. Please refer to "Non-IFRS Financial Measures" below for definitions of these measures and for reconciliations of them with the most directly comparable financial measures calculated and presented in accordance with IFRS.

Revenues

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 during 2023;
- a decrease of $8 million due to lower revenues in the CoA fleet, mainly due to fewer CoA revenue 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 fewer repair related off-hire days compared to the same period last year.

Direct Operating Costs

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 and where a portion of the in-charter costs were charged to depreciation and financing costs;
- an increase of $5 million due to short-term in-charter costs 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* operating full year 2023 compared to commencing operations in May 2022.

General and Administrative Expenses

General and administrative expenses was $23 million for the year ended December 31, 2023, compared to $28 million, for the same period last year.

Depreciation and Amortization

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 $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 $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 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 $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 $(4) million, for the year ended December 31, 2023, compared to $nil, for the same period 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 $(3) million, for the year months ended December 31, 2023, compared to $nil, for the same period last year, primarily due to a modification related to the Group's East Coast of Canada term loan refinancing.

Income Tax (Expense) Benefit

Income tax (expense) benefit was $(1) million for the year ended December 31, 2023, compared to an income tax benefit of $8 million for the same period last year, which was 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 $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 S*ertanejo 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, *Altera Thule* offhire in June 2023 during a client's test period upon the arrival of the vessel 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.

Adjusted EBITDA is a non-IFRS financial measure. Please refer to "Non-IFRS Financial Measures" below for definitions of this measure and for the reconciliations of this measure with the most directly comparable financial measure calculated and presented in accordance with IFRS.

Non-IFRS Financial Measures

To supplement the 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 EBITDA and Adjusted EBITDA to net income (loss) for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	**2022**
(in thousands of U.S. Dollars)	**$**	**$**
Net income (loss)	(43,244)	20,942
Less:		
Depreciation and amortization	(136,431)	(158,703)
Interest expense	(140,570)	(106,749)
Interest income	5,666	1,585
Income tax (expense) benefit		
Current	1,163	(126)
Deferred	(2,004)	7,839
EBITDA	228,932	277,096
Less:		
Impairment expense, net	—	(4,960)
Gain (loss) on dispositions, net	12,215	11,414
Realized and unrealized gain (loss) on derivative instruments	1,328	(1,822)
Foreign currency exchange gain (loss)	(3,775)	231
Gain (loss) on modification of financial liabilities, net	(2,595)	—
Other income (expenses), net	(104)	915
Adjusted EBITDA attributable to non-controlling interests[(1)]	438	1,133
Adjusted EBITDA	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)	Year Ended December 31, 2023 $	2022 $
Net income (loss) attributable to non-controlling interests in subsidiaries	513	5,585
Less:		
Depreciation and amortization	—	(1,596)
Interest expense, net of interest income	69	65
Other income / expense	7	6,037
EBITDA	437	1,079
Less:		
Foreign currency exchange gain (loss)	(1)	(54)
Adjusted EBITDA attributable to non-controlling interests	438	1,133

Liquidity and Capital Resources

Liquidity and Cash Needs

Liquidity and capital requirements are managed through cash flows from operations, use of credit facilities and refinancing existing debt. The Group aims to maintain sufficient financial liquidity to meet its ongoing operating requirements.

The following table presents the Group's liquidity measures as at December 31, 2023 and December 31, 2022:

(in thousands of U.S. Dollars)	Year Ended December 31, 2023 $	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 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, in March 2024, we issued $200 million in senior unsecured bonds in the Norwegian bond market that mature in March 2028. These bonds will be listed on the Oslo Stock Exchange. The interest payments on the bonds are fixed at a rate of 9.0% and are payable semi-annually. The proceeds plus cash on hand were used to repurchase $180 million of its $200 million five-year unsecured bonds that mature in October 2024, which were issued in October 2019 and $27 million of its $180 million four-year senior unsecured bonds that mature in December 2025, which were issued in December 2021. Please see Note 2b and 18 for 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 18 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 million, and $1.3 billion thereafter. Refer to Financial Statements: Note 17 - Other Financial Liabilities, Note 18 - Borrowings and Note 20 - 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 17 - 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 $24 million, primarily related to the completion of our Samba class 10-year dry dockings and upgrades, and $370 million thereafter.

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

	Year Ended December 31,	
	2023	2022
(in thousands of U.S. Dollars)	$	$
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	1,251,026	1,389,297

The table below outlines the Group's consolidated net debt to capitalization as at December 31, 2023 and December 31, 2022:

	Year Ended December 31,	
	2023	2022
(in thousands of U.S. Dollars)	$	$
Borrowings (1)	1,237,517	1,374,613
Obligations relating to 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 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 Group..

Cash Flows

The following table summarizes our 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 $122 million for the year ended December 31, 2023, compared to $168 million for the same period last year. Prepayment of our borrowings were $266 million for the year ended December 31, 2023, compared to $6 million for the same period last year. The increase in prepayments 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 (joint venture partner - Stena) were $nil and $5 million for the year ended December 31, 2023 and 2022, respectively.

Cash distributions paid to non-controlling interests were 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 and upgrades 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.*

Off-Balance Sheet Arrangements

The Group has no off-balance sheet arrangements that have or are reasonably likely to have, a current or future material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Related Party Transactions

The Group entered into a number of related party transactions as described in Note 20 of the Group's consolidated financial statements.

Health, Safety and Environment

Safety and environmental compliance are the Group's top operational priorities. Operations of the Shuttle Tankers are managed by indirect subsidiaries of Altera Infrastructure (collectively, the *Fleet Manager*) in a manner intended to protect the safety and health of employees, the general public and the environment. The Group and Fleet Manager actively manage the risks inherent in the Group's business and are committed to eliminating incidents that would threaten the safety and integrity of the vessels and equipment. The Group is subjected to rigorous internal audits of its processes and seafarers are provided with training to improve the safety culture in the fleet. The Group is also committed to reducing emissions and waste generation.

The Fleet Manager is responsible for providing technical management services for all of the Group's vessels. The Fleet Manager provides expertise in various functions critical to the Group's operations, resulting in a safe, efficient and cost-effective operation. The Fleet Manager performs a thorough risk management program that includes, but is not limited to, computer aided risk analysis, maintenance and assessment review, seafarer competence training, seafarer workshops and maintains a membership in emergency response organizations.

The Group benefits from Altera Infrastructure's commitment to safety and environmental protection. Altera Infrastructure complies with the standards reflected in the International Management Code for the Safe Operation of Ships and for Pollution Prevention (or *ISM Code*), the International Standards Organization's (or *ISO*) 9001 for Quality Assurance, ISO 14001 for Environmental Management Systems, ISO 45001 for Occupational Health and Safety and the Maritime Labour Convention 2006 (or MLC 2006) and is certified by DNV. Compliance with these standards is confirmed on a yearly basis by auditing procedures that includes both internal audits as well as external verification audits by customers, DNV and applicable flag states.

Strategy and Outlook

The Group is expected to continue to generate solid cash flows during 2024. The Group's near-to-medium term business strategy is primarily to focus on extending contracts and recontracting existing assets on long-term charters, repaying or refinancing scheduled

debt obligations and pursuing additional growth projects. Over the long-term, the Group intends to continue its practice of primarily acquiring vessels as needed for approved projects only after the medium-to-long-term charters for the projects have been awarded, rather than ordering vessels on a speculative basis.

Based on the Group's liquidity at the date of this Annual Report, it's undrawn lines under the revolving credit facility, the successful bond refinancing and the liquidity it expects to generate from operations and financing over the following year, the Group expects that it will have sufficient liquidity to enable the Group to continue as a going concern for at least the one-year period to December 31, 2024.

GOVERNANCE

Administrative, management and supervisory bodies

The General Partner manages Altera Infrastructure, which indirectly owns the Group. Accordingly, the General Partner indirectly controls appointments to the board of the Group (Altera Shuttle Tankers L.L.C). The General Partner does not have any officers other than its Vice President and Company Secretary. The Board of Directors for the General Partner is the ultimate supervising board. Pursuant to services agreements, employees of certain subsidiaries of Altera Infrastructure provide various services to the Group, including substantially all managerial, operational and administrative services and other technical and advisory services.

Board of Directors

The following table presents certain information concerning our Board of Directors. Ages of the Directors and Officers are as of December 31, 2023:

Name	Age	Position
Giles Mark Mitchell	55	President & Director
William James Duthie	35	Secretary & Director
David Cannon	60	Director

Audit Committee

In February 2023, the sole member, Altera Infrastructure Holdings L.L.C., appointed the Audit Committee of the General Partner of the Partnership, to serve as the Altera Shuttle Tankers L.L.C. Audit Committee and to undertake all related duties.

The Audit Committee of the General Partner is composed of three or more directors, each of whom must meet the independence standards of the Oslo Børs and any other applicable laws and regulations governing independence from time to time. This committee is currently comprised of General Partner Directors Benedicte Bakke Agerup (Chair), William L. Transier, Nelson Silva and Ian Craig, all independent directors. Ralf Rank is an observer to the committee. All members of the committee are financially literate and the General Partner Board of directors has determined that Mrs. Agerup satisfies the specific competence requirements in auditing and accounting.

The Audit Committee assists the board of directors in fulfilling its responsibilities for general oversight of:

- the integrity of our financial statements;
- our compliance with legal and regulatory requirements;
- the qualifications and independence of our independent auditor; and
- the performance of our internal audit function and our independent auditor.

The Audit Committee of the General Partner's Board of Directors has the authority to pre-approve permissible audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees. Engagements for proposed services either may be separately pre-approved by the Audit Committee or entered into pursuant to detailed pre-approval policies and procedures established by the Audit Committee, as long as the Audit Committee is informed on a timely basis of any engagement entered into on that basis. The Audit Committee separately pre-approved all engagements and fees paid to our principal accountant in 2023.

Mr. Ralf Rank, who serves on the Audit Committee of the General Partner Board of Directors as an observer, is a Managing Partner in Brookfield's Private Equity Group. Affiliates of Brookfield are the largest common unitholder of Altera Infrastructure and the owner of a 100% interest in our General Partner. As an observer, Mr. Rank does not have voting rights on the Audit Committee. He is neither the chair of the Audit Committee nor an executive officer of Altera Infrastructure. We do not believe that Mr. Rank's affiliation with Brookfield materially adversely affects the ability of the Audit Committee to act independently.

General principles for Corporate Governance

The Group is a wholly-owned subsidiary of Altera Infrastructure L.P. (the *Partnership* and together with its subsidiaries, the *Altera Infrastructure Group*). The Altera Infrastructure Group has group-wide Corporate Governance Guidelines including our Code of Conduct. These guidelines, together with the charters of the General Partner Board Committees and applicable provisions of the

Partnership's partnership agreement, provide the framework for the Partnership's and the Altera Infrastructure Group’s corporate governance. The Guidelines regulate the General Partner’s Board and Committees' operations as well as all operations of entities controlled by the Partnership, including the Company and its subsidiaries, including employees, contractors and directors.

Our core values of trust and accountability reflect our belief in conducting business ethically and in compliance with all applicable requirements regarding anti-corruption, international trade controls, competition, privacy, and human and labour rights.

We communicate our Code of Conduct and supporting requirements extensively internally and require our board members and employees to confirm their commitment to the Code of Conduct in writing annually in connection with annual Code of Conduct training. As our vessels operate all over the world, we rely on a vast global network of suppliers to support our operations. Therefore, our Code of Conduct is made available to our stakeholders on our website and is incorporated by reference in our general terms and conditions.

We rely on a rigorous set of tools to integrate business ethics and compliance into our decision-making, including:

(i) Compliance risk assessments of ongoing operations and new undertakings to appraise the strength of our compliance program and inform our consideration of new business opportunities;
(ii) Risk-based due diligence process for potential suppliers, customers, and counterparties fully integrated with our master financial system;
(iii) Regular sanctions and restricted-party screenings of suppliers and customers;
(iv) Compliance review of proposed business transactions;
(v) Mandatory annual compliance training for governance board members, employees, and contract staff and additional targeted training for those with the higher exposure to compliance risks; and
(vi) Hospitality and conflict of interest disclosure and approval requirements.

Additionally, we have several group-wide policies:

Global Whistleblower Policy

Policy statement: *"Altera Infrastructure Group shall maintain procedures to allow for its Employees to anonymously report whistleblowing concerns and to ensure that such reports are properly received, retained, and handled."*

Global Anti-Corruption policy

Policy statement: *"Altera will comply with all applicable law prohibiting bribery and corruption and we strictly prohibit corruption of any kind. We do not engage in Bribery or Facilitation Payments (as defined herein) and you must never do so on our behalf."*

Global Competition Policy

Policy statement: *"Altera strictly prohibits activities that infringe applicable competition law. We do not engage in anti-competitive agreements such as price fixing, bid rigging, market allocation, improper sharing of competition-sensitive information, or collective boycotts, and you must never do so on our behalf. In situations where we are or may become dominant in a particular market, we do not engage in abusive market conduct such as predatory, discriminatory, or excessive pricing, loyalty rebates, or refusing to supply, and you must never do so on our behalf. We undertake all merger and acquisition (“M&A”) and joint venture activity according to specific protocols and only on approval of the Altera Legal and Compliance functions to ensure compliance with the requirements of applicable competition law."*

Global Conflict of Interest Policy

Policy statement: *"All Altera Employees must avoid potential, actual, and apparent conflicts of interest, and must disclose any activity, interest, or situation that may give rise to a conflict of interest according to the disclosure requirements established in this Policy. You must refrain from any activity, interest, or situation that may give rise to a conflict of interest unless you receive approval in accordance with this Policy and comply with any mitigation steps that may be required to resolve any identified conflict of interest, as determined by the Chief Compliance Officer."*

Global Privacy Policy

Policy statement: *"Altera will Process (the Personal Data of its Employees and other relevant Data Subjects (as defined herein) only for legitimate purposes in compliance with the principles that Personal Data shall be:*

- *Processed lawfully, fairly, and transparently;*
- *Processed for specified, explicit, and legitimate purposes;*
- *Adequate, relevant, and limited to what is necessary in relation to the purposes for which it is Processed;*
- *Accurate and kept up to date;*
- *Stored only so long as necessary to fulfil the specific purpose for which it was collected; and*
- *Protected by adequate safeguards.*

Our compliance with these principles will be demonstrable and documented. We will maintain clear and transparent mechanisms to allow our Employees and other Data Subjects to access and request rectification or erasure of their Personal Data Processed by Altera, and to object to Altera’s Processing of their Personal Data."

Global Trade Controls Policy

Policy statement: *"Altera will comply with all applicable laws and regulations regarding international trade, including economic sanctions and export control laws."*

Risk management and internal control

For Altera Infrastructure Group, management is responsible for establishing and maintaining adequate internal control over financial reporting. The internal controls were designed to provide a reasonable level of assurance as to the reliability of the Altera Infrastructure Group's financial reporting and the preparation and presentation of the financial statements for external purposes in accordance with IFRS. Our internal controls over financial reporting include those policies and procedures that: 1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; 2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS, and that our receipts and expenditures are being made in accordance with authorizations of management and our directors; and 3) provide a reasonable level of assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements even when determined to be effective and can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, 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 related to the degree of compliance with policies and procedures.

Board of Directors

Under the Company's Limited Liability Company Agreement, its member has full unilateral authority to appoint, by majority vote, individuals to be Directors at their sole discretion, to remove and replace any Director they appoint to the Board of Directors, with or with-out cause, at any time and for any reason, and to fill any positions created on the Board of Directors as a result of an increase in the size of the Board of Directors. Each Director shall be appointed to serve until his or her successor shall be appointed and shall qualify until his or her earlier resignation of removal.

The exact number of Directors may be fixed from time to time by resolution of the Board of Directors or the Member and such number may be increased or decreased from time to time by vote of a majority of the Directors then in office or by the Member.

The Board of Directors are covered by a Director and Officer (or *D&O*) insurance policy which is procured by Brookfield for all Brookfield affiliated entities. The D&O policy contains industry-standard terms for such policies. The Directors are also protected by standard indemnities from the Company when acting as Directors.

Repurchase or issue of the Company's units

Under the Company's Limited Liability Company Agreement, except for decisions or actions requiring the approval of the Member as provided in the Agreement or by non-waivable provisions of the Act or applicable law, the powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of the Board of Directors comprised of no less than one (1) Director. This includes the following authorizations as set forth in the Limited Liability Company Agreement:

The Company is authorized to issue an unlimited number of Series A or Series B Units.

The Company shall have the right at any time, and from time to time, to redeem any of the Units or series of Units, in whole or in part, from any source of funds legally available for such purpose. Any such redemption shall occur on a date set by the Board of Directors (the "Redemption Date"). Any Units that are redeemed or otherwise acquired by the Company shall be cancelled.

Working environment, equality and equal treatment

We encourage and promote diversity and equal opportunities across our global organization and are firmly committed to providing a working environment that is respectful, productive, supportive, and safe, in which everyone is treated, and treats others, with respect and fairness. Our Code of Conduct and Global Anti-Discrimination, Anti-Harassment, and Fraternisation Policy establishes our expectations and requirements regarding equal and respectful treatment – including our strict prohibition of discrimination and harassment – and applies to all Group entities and personnel, whether employees, directors, or contractors. We encourage and expect anyone with concerns about potential misconduct under this or other group policies to report them and we strictly prohibit retaliation against those who report concerns in good faith.

Although not relevant for Altera Shuttle Tankers L.L.C., Altera Norway Marine AS, a subsidiary of the group, is required to report in accordance with the Norwegian Equality and Anti-discrimination Act. As stipulated by the Norwegian Equality and Anti-discrimination Act, there must be at least five of each gender in each group to publish salary results. In 2023, Altera Norway Marine AS only had 3 female employees, and so no salary information has been reported. Since wage differences cannot be included, there is no gender difference related to wages; it is all tariff determined and seniority based. The levels outlined in the table below are defined as follows: Level 1 – Employees: remaining crew, and Level 2 – Senior Management: Captain, Chief Officer, Chief Engineer and 1st Engineer. These levels have been further broken down by gender, temporary employees, parental leave, actual and involuntary part-time employees, and wage growth.

	Permanent Employees						
	Gender Balance	Temporary Employees	Parental Leave	Actual Part-Time	Involuntary Part-Time	Wage Growth	Comment
Women	3	—	—	—	—	5.8%	*reference to 2023 DNMF agreement
Men	133	—	81	—	—	5.8%	*reference to 2023 DNMF agreement

	Gender Distribution at Different Position Levels/ Groups		Wage Differences					
	Women	Men	Cash Benefits					Benefits in Kind
			Total Cash Benefits	Base Salary	Irregular Additions	Bonuses	Overtime Allowances	Total Taxable Benefits in Kind
Employee	3	50	N/A	N/A	N/A	N/A	N/A	N/A
Senior Management	—	77	N/A	N/A	N/A	N/A	N/A	N/A

In 2023, absence due to sickness was 3.7 percent of the total hours worked by employees of Altera Norway Marine AS .

In addition, disclosure under the Norwegian Equality and Anti-Discrimination Act will also be made separately in entity specific statutory account filings, and a master statement will be available on our company website at alterainfra.com no later than 30 June 2024.

Similarly, the Group meets the criteria for disclosure under the Norwegian Transparency Act. Our statement will be published and made available on our company website at alterainfra.com no later than 30 June 2024.

The working environment and culture in the Altera Infrastructure Group are considered strong, and there is continuous focus on initiatives for improvement.

Altera Infrastructure empowers and expects employees and staff to raise compliance and ethics concerns if they have them, including about potential discrimination. The Partnership's Global Whistleblower Policy reflects our commitment to providing identifying and addressing potential compliance and ethics issues promptly and professionally. Retaliation against those who raise concerns in good faith is strictly prohibited.

Concerns about potential discrimination or harassment can be raised internally or via the Altera Infrastructure Reporting Hotline, a confidential and secure reporting tool administered by an independent third party that allows for anonymous reporting, where permitted by local law. The Reporting Hotline is accessible to the group's workforce as well as the general public at alterainfra.com.

Leaders have heightened responsibilities. Managers and direct team leaders who receive a complaint regarding alleged incidents of discrimination or harassment, or who otherwise become aware of such incidents are required to report the matter.

Reported concerns are handled and investigated, as necessary, by the Altera Infrastructure corporate compliance function, which is also generally available to offer guidance and answer questions about implementing and adhering to the Altera Infrastructure Code of Conduct and supporting global policies. In 2023, the Partnership registered twelve reports of compliance and ethics concerns under our Global Whistleblower Policy, either directly through our Reporting Hotline or via internal channels. All were handled in accordance with internal procedures.

Altera Infrastructure is aware of no confirmed instances of discrimination or harassment in violation of our policies in 2023.

SUSTAINABILITY

Introductory note

The Altera Infrastructure Group annually produces a consolidated sustainability report in which Altera Infrastructure Group's consolidated sustainability performance is described, analysed, and evaluated. Published Altera Infrastructure Group sustainability reports are available on the Altera Infrastructure website at alterainfra.com. The Group contributes to and is covered by these consolidated efforts and reporting, so some of the information in this document refers to such group efforts and information. Information and data specific to Altera Shuttle Tankers instead of the group is specified herein as such.

Policies and principles

The Altera Infrastructure Group has a group-wide Global Sustainability Policy, available at alterainfra.com, which is directly applicable to the Group. The Policy confirms that sustainability is directly linked to the long-term success of the Altera Infrastructure Group. It is our vision to lead the offshore energy industry to a sustainable future and we have a responsibility to drive the necessary change. In

support of this global Policy, the Group commits to continually seek out and create more sustainable solutions. Our policy is to anchor our strategy and daily decisions on the following principles:

Environment

- *Through innovation, operational excellence and continuous improvement we manage our environmental footprint towards the goal of a net-zero emissions industry in line with the Paris Agreement*
- *We seek to be at the forefront of the innovation of environmentally friendly technology;*
- *We minimize our emissions, discharges and waste, and make sure that we dispose of all waste that we generate in a responsible manner;*

Society

- *We support and respect human rights, the elimination of child and compulsory labour, freedom of association and the right to collective bargaining;*
- *Our people play a vital role in our business and are our most important asset. We trust in them, treat them with respect and dignity, and make sure they have a safe working environment free from harassment and discrimination;*
- *We invest in our employees and in the communities in which we operate, ensuring that our employees have the best possible opportunities to perform their work in a safe manner;*

Governance

- *We work against corruption in all its forms, including extortion and bribery; and*
- *Our business decisions and actions are ethical and in full compliance with legal requirements.*

The Altera Infrastructure Group also maintains a Code of Conduct which sets forth expectations of business conduct and ethics for Altera directors, employees, and staff, to which the Group is directly subject and adheres. We communicate our Code of Conduct and supporting requirements extensively internally and require our board members and employees to confirm their commitment to the Code of Conduct in writing annually in connection with annual Code of Conduct training. As our vessels operate all over the world, we rely on a vast global network of suppliers to support our operations. We also maintain a Supplier Code of Conduct, which sets forth our expectations of business conduct and ethics for our suppliers and mirrors the expectations of our Code of Conduct. Our Supplier Code of Conduct is further available to our stakeholders on our website and is incorporated by reference in our general terms and conditions.

In addition to the Global Sustainability Policy, the Altera Infrastructure Group has adopted several specific policies to support the Code, including the Global Anti-Discrimination, Anti-Harassment, and Fraternisation Policy, the Global HSEQ Policy, and the Global Anti-Corruption Policy.

Our framework

The European Sustainability Reporting Standards (ESRS) require identification of material sustainability aspects according to a mandatory double materiality assessment (DMA) conducted according to a standardised methodology. By standardising the assessment framework for all reporting organisations, the ESRS aims to promote consistency and alignment of disclosures across industries. The advent of the ESRS's standardised DMA effectively supplants other materiality and prioritisation methodologies, including the sustainability framework used by Altera in prior years. Going forward, we will conduct and rely on a CSRD and ESRS-aligned DMA as a tool to actively structure our sustainability actions and focus areas.

The Altera Infrastructure Group conducted an initial DMA in 2023 on a consolidated group basis, as a preliminary step in preparation for the forthcoming requirements of the CSRD and ESRS. For a complete description of the process and outcome of this initial DMA, including all material impacts, risks, and opportunities identified through this assessment, please see the Altera Infrastructure Group consolidated 2023 Sustainability Report available at alterainfra.com to be published within Q2 2024.

Our actions and results

Climate performance

In 2023, the International Maritime Organization (IMO) increased and revised its target to reduce the carbon intensity of international shipping by 50% by 2030, compared to a calculated 2008 baseline; this is a 10% increase from a 40% reduction targeted in previous years. Altera has already been working towards a 50% reduction target for the past three years and, as such, we are well-placed to meet or exceed the IMO's new guideline to reduce the average carbon intensity (CII) of our shuttle tanker fleet by 50% by 2030.

To drive emission reductions, we continually focus on improving operating efficiency, implementing technical enhancements where appropriate, and renewing our fleet with less carbon-intensive vessels as we approach 2030.

In 2023, our shuttle tanker fleet produced Scope 1 emissions of 494,034 tCO_2e. The Group reports Scope 1 emissions on the basis of operational control. The Group's Scope 1 emissions overwhelmingly result from stationary combustion of fuel onboard our vessels to fire onboard turbines. A minority of Scope 1 emissions are fugitive emissions from transported cargo.

Scope 1 emissions from our shuttle tanker fleet decreased 15% in 2023, as compared to 2022, due to increased consumption of liquid natural gas (LNG). Some of our shuttle tankers possess dual fuel capabilities and can run on either LNG or more carbon intense marine gasoil (MGO). Due to historically high LNG prices, some of our clients directed that these dual use vessels switch to MGO for a given period in 2022. In 2023, as prices stabilised, we were able to switch to cleaner LNG for many voyages.

Figure 1. Scope 1 GHG emissions from operation of shuttle tankers

	2023	2022	2021
Scope 1 emissions (tCO2e)	494,034	582,654	559,106

The Altera Infrastructure Group tracks and reports Scope 2 and Scope 3 emissions on a consolidated group-wide basis and therefore it is not possible for the Group to report on its share of these emissions here. Consolidated emissions disclosures for the Altera Infrastructure Group are available in our 2023 Sustainability Report, which will be published within Q2 2024 on Altera's company website at alterainfra.com.

The primary indicator of the carbon intensity of our fleet is the IMO's CII (Carbon Intensity Indicator), which measures how efficiently a vessel above 5,000 GT deadweight transports goods or passengers and is given in grams of CO_2 emitted per cargo-carrying capacity and nautical mile (g CO_2 / dwt-nm). A lower CII is indicative of a lower carbon intensity. Our 2023 CII value improved by 6.3%, compared to 2022.

In 2022, we reported the fleet average carbon intensity indicators (CII) for our shuttle tanker fleet on the basis of the maximum deadweight, instead of the average deadweight for the fleet, in line with industry standards. Historic CII values provided for the shuttle tanker fleet have been recalculated and restated accordingly.

Figure 2. Average carbon intensity of shuttle tanker fleet

	2023	2022	2021
CII (gCO2/dwt-nm)	3.00	3.20	3.27

The Group's E-shuttle tankers are some of the most advanced and energy efficient shuttle tankers on the market. They boast a unique future-proof design that can use liquid natural gas (LNG), recovered volatile organic compound (VOC) emissions, and even potential zero-emissions fuels, such as bio-LNG and synthetic methane, as fuel. A Green Bond was raised to part-finance the E-Shuttles, and all proceeds from this bond have been used for this purpose.The bond received a light green rating from Cicero.

The E-Shuttles were also designed to achieve GHG emissions savings compared to our Explorer class shuttle tankers.To assess the actual climate related performance of the E-shuttles, we compare the official CII figures reported to the IMO for our Explorer class vessels to those reported for the E-Shuttles. The data confirm that the E-shuttles are more efficient than the last series of vessels built for trade in the North Sea (or *the Explorer class vessels*) – the average CII for the E-Shuttles was 21% lower than that for the Explorer class in 2023, and 13% lower in 2022. Note that this figure only takes into account the emissions from fuel consumption onboard. This improvement is an increase from the 2022 figures, and largely stems from increased use of LNG instead of MGO which was predominantly used during the gas/energy crisis period in 2022.

Further, while the E-Shuttles were delivered in 2020, commissioning of many onboard systems was delayed due to the disruptive effects of the COVID-19 pandemic and technical equipment challenges. We expect the vessels to realize their full emissions reduction potential once the onboard VOC reduction plants are fully operational. We expected the E-Shuttles to be operating to their full design potential by 2023, however, the first full year during which all four E-Shuttles will realize their full emissions reduction potential and operate with fully commissioned onboard systems is projected to be 2025.

As a final note, the CII methodology does not address the effects of methane slip. We do however expect to see a CII improvement compared to the Explorer class in the range of 25–30%. Expected GHG savings, including the GHG effect of VOC emissions, will be realized once all key on-board systems are fully operational.

Power of our TEAM

The Group attracts and retains competent and committed people by offering an empowering and positive working environment. A key part of this is a clear framework for professional development. In line with our core value of Accountability, each person in Altera is accountable for their own deliveries and for living our TEAM values – trust, excellent, accountability, and momentum. We expect our people to work together to reach our vision and deliver on our promises. We attract, and invest in, people who share our TEAM values, are committed to our sustainable success, and are committed to learn and adapt to our changing environment. We encourage and promote diversity and equal opportunities across our global organisation. We drive sustainable results through clear expectations and responsibilities set within our accountability framework, strong TEAM-work and effective global systems and processes that facilitate collaboration between business units, project teams, and corporate functions.

As of 31 December 2023, the crew for our shuttle tanker fleet numbered 961 permanent and temporary seafarers, of which 14 are women. This means that 1.5% of our crew are women. Out of 75 onshore employees, 22 are women. The small share of women amongst our crew reflects that our industry, particularly offshore and aboard vessels, is heavily male-dominated.

Health and safety

The health and safety of our people is our license to operate and the goal of the Altera Infrastructure Group is always zero incidents. The Altera Infrastructure Group, including the Group, incorporates a strong risk and opportunity-based approach to safety in our strategic and daily decisions and meet or exceed all applicable legislation and regulatory requirements. Our shuttle tanker fleet

maintains a management system certified for ISO 9001 (quality management), ISO 14001 (environmental management), and ISO 45001 (occupational health and safety).

To protect our people and prevent incidents we:
- Systematically identify, assess, and control health and safety risks;
- Manage hazards to prevent major accidents;
- Extensively train onshore staff and crew;
- Anchor safety as a line responsibility and personal accountability;
- Empower everyone to stop work when safety is at risk;
- Actively engage with our employees and their representatives;
- Continuously improve our processes and performance; and
- Expect our business partners and suppliers to share our approach to health and safety.

In 2023, neither the Altera Infrastructure Group nor the Group had any serious safety incidents. We had two lost time incidents (or *LTIs*), resulting in an LTI rate of 0.5 LTIs per million man hours (using a 24-hour day). An LTI is a work-related injury to an employee or non-employee worker for which a physician or licensed health care professional recommends days away from work.

We had six total reportable cases (or *TRCs*) on our shuttle tankers, resulting in a TRC rate of 1.49 per million man hours (using a 24-hour day). TRC includes medical treatment injuries and lost time injuries, but does not include first aid cases.

Environmental impact

The Group monitors and evaluates environmental performance in all aspects of our operations, working continuously to reduce and mitigate our environmental footprint. The Group focuses on preventing spills and maintains up-to-date spill response and emergency preparedness procedures to minimise the potential consequences of any spills that may occur. We work to reduce chemical use and when possible replace the chemicals we do use with less-harmful alternatives.

We take active steps to minimise waste, to properly segregate and recycle our waste where possible, and to otherwise dispose of the waste we generate in a responsible manner. To minimize waste, we use environmentally friendly packing material to avoid generating waste and we have a rigorous system for waste recycling to allow for re-use.

The transfer of invasive marine species through ships' ballast water is of major ecological concern, which is why the IMO has implemented the strict Ballast Water Management Convention. We use tailored technology to ensure compliance with this treaty; 90% of our shuttle tanker fleet employs tailored ballast water treatment systems.

In 2023, the Group experienced no spills of oil or chemicals to sea.

Responsible business

The Altera Infrastructure Group's core values of trust and accountability reflect our belief in conducting business ethically and in compliance with all applicable requirements regarding anti-corruption, international trade controls, competition, privacy, and human and labour rights.

The Altera Infrastructure Group communicates the Code of Conduct and supporting requirements extensively internally, including to the Group, and requires our board members and employees to confirm their commitment to the Code of Conduct in writing annually in connection with annual Code of Conduct training. As our vessels operate all over the world, we rely on a vast global network of suppliers to support our operations. Therefore, our Code of Conduct is further available to our stakeholders on our website and is incorporated by reference in our general terms and conditions.

The 2023 Altera Infrastructure Group Code of Conduct training, in which the Group participated, covered anti-corruption, anti-fraud awareness, and management of conflicts of interest. The training was completed by 96% of onshore employees and 98% percent of assigned crew (as of the date of this statement), for the entire Altera Infrastructure Group.

Neither the Altera Infrastructure Group nor the Group have been the target of any legal or enforcement actions regarding anti-competitive or monopolistic practices in 2023. Nor did we receive any significant fines or non-monetary sanctions for non-compliance with laws or regulations.

Human rights and decent working conditions

The Altera Infrastructure Group believes that everyone is entitled to dignity and fundamental human and labour rights. We are guided in our business dealings by the United Nations' Guiding Principles on Business and Human Rights. We report annually on the steps we take to identify and address negative human and labour rights impacts in our business activities and supply chain, in accordance with the Norwegian Transparency Act and UK Modern Slavery Act. Our statements under the Norwegian Transparency Act and Modern Slavery Act for 2022 and prior reporting periods are available on our website at alterainfra.com. Similarly, our 2023 statements will be published on our company website at alterainfra.com, no later than 30 June 2024.

Managing cyber security

The marine and offshore industries have become increasingly exposed to cyber-attacks in recent years. Rapid digitalisation and increased systems integration improves operating efficiency but also provides a broader attack surface for bad actors. We view cybersecurity not only as a technology issue, but as a management and operational challenge.

The Altera Infrastructure Group's approach to cybersecurity, to which the Group also subscribes, is a combination of people, process, and technology. We actively work to manage these risks through continuous improvements in our competence, routines, and systems to safeguard our people, our assets, and our information. We maintain a full suite of IT infrastructure security measures, including multi-factor authentication (or *MFA*) and industry-leading anti-virus and anti-malware protection tools. Our information security processes are practiced and iterated, to prepare us for possible attacks and incidents.

As nearly all cybersecurity breaches are caused by human error, we focus on training and awareness campaigns for our employees about the risks and implications of cybersecurity threats. The Group, as part of the Altera Infrastructure Group, trains onshore employees and crew via videos and material distributed regularly, and we include cybersecurity on the agenda for management and operational meetings.

Responsible recycling

Our preferred option when one of our vessels reaches the end of its commercial life for the Group is to find alternate employment, primarily through a sale for further trade, or conversions. We will only choose to recycle a vessel if we cannot identify a viable alternative use, and we proactively ensure that all recycling activity is responsible and compliant with applicable law.

In 2023, we completed recycling for one shuttle tanker, which was initiated in 2022.

Principal Accountant Fees and Services

Our principal accountants for 2023 and 2022 were Ernst & Young AS. The following table shows the fees we incurred for services provided by our principal accountants for 2023 and 2022.

	2023	2022
(in thousands of U.S. Dollars)	$	$
Audit Fees [(1)]	226	205
Audit-Related Fees [(2)]	26	27
Total	252	232

(1) Audit fees represent fees for professional services provided in connection with the audits of our consolidated financial statements and effectiveness of internal control over financial reporting, review of our quarterly consolidated financial statements and audit services provided in connection with other statutory or regulatory filings.

(2) Audit-related fees relate to other accounting consultations.

The Audit Committee of our general partner’s board of directors has the authority to pre-approve permissible audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees. Engagements for proposed services either may be separately pre-approved by the Audit Committee or entered into pursuant to detailed pre-approval policies and procedures established by the Audit Committee, as long as the Audit Committee is informed on a timely basis of any engagement entered into on that basis. The Audit Committee separately pre-approved all engagements and fees paid to our principal accountant in 2023.

Board of Director's Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the year ended December 31, 2023, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and give a true and fair view of the assets, liabilities, financial position and results of the Company and the Group. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that the Group faces under Norwegian Securities Trading Act sections 5-6 fourth paragraph and contain relevant information on major related party transactions.

ALTERA SHUTTLE TANKERS L.L.C.

Date: April 18, 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

CONSOLIDATED FINANCIAL STATEMENTS

ALTERA SHUTTLE TANKERS L.L.C.

For the years ended December 31, 2023 and 2022

ALTERA SHUTTLE TANKERS L.L.C.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of U.S. dollars)

	Notes	As at December 31. 2023 $	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	5	29,106	39,544
Vessels and equipment classified as held for sale	11	9,620	—
Inventory		13,386	19,084
Due from related parties	20	5,195	22,999
Other assets	8	26,551	23,138
Total current assets		187,141	244,351
Non-current assets			
Vessels and equipment	10	1,607,534	1,706,616
Deferred tax assets	19	15,060	15,624
Other assets	8	32,822	46,203
Goodwill	12	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	13	70,807	48,235
Other financial liabilities	17	11,045	11,366
Borrowings	18	240,855	314,032
Due to related parties	20	2,154	9,758
Total current liabilities		324,861	383,391
Non-current liabilities			
Accounts payable and other	13	82	113
Other financial liabilities	17	165,987	177,041
Borrowings	18	996,662	1,060,581
Due to related parties	20	89,854	79,594
Deferred tax liabilities	19	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	21	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 consolidated financial statements.

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

		Year Ended December 31,	
		2023	2022
	Notes	$	$
Revenues	22	506,226	604,409
Direct operating costs	23	(261,238)	(305,529)
General and administrative expenses	20	(23,125)	(27,562)
Depreciation and amortization	9,10	(136,431)	(158,703)
Interest expense	18,20	(140,570)	(106,749)
Interest income		5,666	1,585
Impairment expense, net	10	—	(4,960)
Gain (loss) on dispositions, net	7	12,215	11,414
Realized and unrealized gain (loss) on derivative instruments	17	1,328	(1,822)
Foreign currency exchange gain (loss)		(3,775)	231
Gain (loss) on modification of financial liabilities, net	6	(2,595)	—
Other income (expenses), net		(104)	915
Income (loss) before income tax (expense) benefit		(42,403)	13,229
Income tax (expense) benefit			
Current	19	1,163	(126)
Deferred	19	(2,004)	7,839
Net income (loss)		(43,244)	20,942
Attributable to:			
Members		(43,757)	15,357
Non-controlling interests in subsidiaries	21	513	5,585
		(43,244)	20,942

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

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

		Year Ended December 31,	
		2023	2022
	Notes	$	$
Net income (loss)		(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	17	—	(532)
Total other comprehensive income (loss)		—	(532)
Comprehensive income (loss)		(43,244)	20,410
Attributable to:			
Members		(43,757)	14,825
Non-controlling interests in subsidiaries	21	513	5,585
		(43,244)	20,410

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

ALTERA SHUTTLE TANKERS L.L.C.
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 consolidated financial statements.

ALTERA SHUTTLE TANKERS L.L.C.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

	Notes	Year Ended December 31, 2023 $	2022 $
OPERATING ACTIVITIES			
Net income (loss)		(43,244)	20,942
Adjusted for the following items:			
Depreciation and amortization	9,10	136,431	158,703
Impairment expense, net	10	—	4,960
(Gain) loss on dispositions, net	7	(12,215)	(11,414)
Unrealized (gain) loss on derivative instruments	17	(3,477)	(2,228)
Deferred income tax expense (benefit)	19	2,004	(7,839)
Other non-cash items		14,097	5,056
Changes in non-cash working capital, net	24	57,374	9,129
Net operating cash flow		150,970	177,309
FINANCING ACTIVITIES			
Proceeds from borrowings	18	250,000	63,195
Repayments of borrowings	17,18	(388,272)	(173,890)
Financing costs related to borrowings	18	(4,599)	—
Repayments of borrowings related to sale and leaseback of vessels	17	(11,270)	(11,272)
Lease liability repayments	9	(29)	(11,373)
Capital provided by member		—	15,000
Capital provided by others who have interests in subsidiaries		—	5,300
Distribution to others who have interests in subsidiaries	21	(5,723)	(22,360)
Net financing cash flow		(159,893)	(135,400)
INVESTING ACTIVITIES			
Additions:			
Vessels and equipment	10	(50,459)	(87,540)
Dispositions:			
Vessels and equipment	7	19,418	59,939
Changes in restricted cash	3	8,983	(7,773)
Acquisition of company	20	—	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

Supplemental cash flow disclosure (note 24)

The accompanying notes are an integral part of the 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. Material Accounting Policy Information

a. Basis of presentation

These consolidated financial statements of the Company have been prepared in accordance with 'IFRS® Accounting Standards' as issued by the International Accounting Standards Board (or *IFRS*) and using the accounting policies described below. The 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.

These consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on April 18, 2024.

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. 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.

The Company plans to utilize cash on hand as well as the $120.0 million undrawn revolving credit facility to address its working capital deficit. Additionally, in March 2024, the Company issued $200.0 million in senior unsecured bonds in the Norwegian bond market that mature in March 2028. These bonds will be listed on the Oslo Stock Exchange. The interest payments on the bonds are fixed at a rate of 9.0% and are payable semi-annually. The proceeds plus cash on hand were used to repurchase $179.8 million of its $200.0 million five-year unsecured bonds that mature in October 2024, which were issued in October 2019 and $27.0 million of its $180.0 million four-year senior unsecured bonds that mature in December 2025, which were issued in December 2021. Please see Note 18 for additional information.

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 18 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 18 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 $71.0 million.

Based on the Company’s liquidity at the date of these consolidated financial statements, it's undrawn lines under the revolving credit facility, the successful bond refinancing 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.

c. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries, which are the entities over which the Company has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement

with the investee and has the ability to affect those returns through its power over the investee. Non-controlling interests in the equity of the Company's subsidiaries held by others and are shown separately in equity in the consolidated statements of financial position. All intercompany balances, transactions, revenues and expenses are eliminated in full in these consolidated financial statements.

d. Interests in other entities

(i) Subsidiaries

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtained control, and continue to be consolidated until the date when control is lost.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in the Company's capital in addition to changes in ownership interests. Total comprehensive income (loss) is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The following provides information about the Company's wholly-owned subsidiaries as at December 31, 2023:

Name of Subsidiary	State of Formation	Proportion of Ownership Interest
Altera (Atlantic) Chartering ULC	Canada	100%
Altera (Atlantic) Management ULC	Canada	100%
Altera Grand Banks AS	Norway	100%
Altera Grand Banks Shipping AS	Norway	100%
Altera Infrastructure Holdings Pte. Ltd.	Singapore	100%
Altera Norway Holdings AS	Norway	100%
Altera Norway Marine AS	Norway	100%
Altera Shuttle Loading AS	Norway	100%
Altera Shuttle Loading Pte. Ltd.	Singapore	100%
Altera Shuttle Tankers UK Limited	United Kingdom	100%
Altera Wave AS	Norway	100%
Altera Wind AS	Norway	100%
Amundsen Spirit AS	Norway	100%
Aurora Spirit AS	Norway	100%
Bossa Nova Spirit LLC	Marshall Islands	100%
Current Spirit AS	Norway	100%
Lambada Spirit LLC	Marshall Islands	100%
Nansen Spirit LLC	Marshall Islands	100%
Nordic Brasilia FSO LLC	Marshall Islands	100%
Nordic Brasilia LLC	Marshall Islands	100%
Peary Spirit LLC	Marshall Islands	100%
Rainbow Spirit AS	Norway	100%
Samba Spirit LLC	Marshall Islands	100%
Scott Spirit LLC	Marshall Islands	100%
Sertanejo Spirit LLC	Marshall Islands	100%
Tide Spirit AS	Norway	100%

The following table presents details of non-wholly owned subsidiaries of the Company as at December 31, 2023:

Name of Subsidiary	State of Formation	Proportion of Ownership Interest
Navion Gothenburg LLC	Marshall Islands	50%
Nordic Rio LLC	Marshall Islands	50%

For the 50% owned entities above the Company has determined that the entities are non-wholly owned subsidiaries of the Company based on its assessment of control. For non-wholly owned subsidiaries, the Company is exposed to variable returns from its involvement with the investee and has substantive decision making authority to affect the returns of its investment, as well as the power to direct the activities of the entities that can significantly impact the economic performance of the entity.

e. Foreign currency translation

The U.S. dollar is the functional and presentation currency of the Company. The Company's vessels operate in international shipping markets in which substantially all income and expenses are settled in U.S. dollars. In addition, the Company's most significant assets, its vessels and equipment, are bought and sold in in U.S. dollars and the Company's most significant liabilities, its commercial bank borrowings, are denominated in U.S. dollars. Foreign currency denominated monetary assets and liabilities are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities are measured at historic cost and are translated at the rate of exchange at the transaction date. Foreign currency denominated revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in foreign currency exchange gain (loss) in the consolidated statements of income (loss).

f. Cash and cash equivalents

Cash and cash equivalents include cash on hand, non-restricted deposits and short-term investments with original maturities of three months or less.

g. Accounts and other receivable, net

Accounts and other receivable, net includes trade receivables and other unbilled receivables. Accounts and other receivable, net, except for trade receivables, are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are recognized initially at their transaction price.

h. Inventory

Inventories are the materials or supplies consumed in the rendering of services. Inventory is valued at the lower of cost and net realizable value. Cost is determined using specific identification where possible and practicable or using the first-in, first-out method. Costs include direct and indirect expenditures incurred in bringing the inventory to its existing condition and location. Net realizable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The following table presents the details of the Company's inventory as at December 31, 2023 and 2021:

	December 31, 2023	December 31, 2022
	$	$
Fuel oil	11,484	17,201
Materials and consumables	1,902	1,883
Total inventory	13,386	19,084

i. Related party transactions

In the normal course of operations, the Company enters into various transactions with related parties, which have been measured at their fair value, which generally is the agreed upon exchange value and are recognized in the consolidated financial statements. Related party transactions are further described in Note 20.

j. Vessels and equipment

Vessels and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset including the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use. All pre-delivery costs incurred during the construction of vessels and equipment, including interest, supervision and technical costs, are capitalized. The acquisition cost and all costs incurred to restore used vessels and equipment purchased by the Company to the standard required to service the Company's customers are capitalized.

Depreciation of an asset commences when it is available for use. Vessels and equipment are depreciated for each component of the asset classes as follows:

Component	Estimated Useful Life
Dry docks	2.5 - 5 years
Capital Modifications [1]	3 - 20 years
Vessels and Equipment [2]	20 years

(1) Includes capital upgrades for the Company's shuttle tankers.

(2) For a newbuilding vessel, the Company uses an estimated useful life of 20 years.

Depreciation on vessels and equipment is calculated on a straight-line basis so as to write-off the net cost of each asset over its expected useful life to its estimated residual value. Residual value of the vessel hull is estimated as the lightweight tonnage of each vessel multiplied

by scrap value per ton. The estimated useful lives, residual values and depreciation methods are reviewed annually, with the effect of any changes recognized on a prospective basis.

Vessel capital modifications include the addition of new equipment or can encompass various modifications to the vessel which are aimed at improving or increasing the operational efficiency and functionality of the asset. This type of expenditure is amortized over the estimated useful life of the modification. Expenditures covering recurring routine repairs or maintenance are expensed as incurred.

Generally, the Company dry docks each shuttle tanker every five years and vessels older than 15 years are dry-docked every two and a half years, depending on the nature of work and external requirements, the vessels are required to undergo planned dry docking for replacement of certain components, major repairs and major maintenance of other components, which cannot be carried out while the vessels are operating. The Company capitalizes a portion of the costs incurred during dry docking and amortizes those costs on a straight-line basis from the completion of a dry docking over the estimated useful life of the dry dock, which is generally until the commencement of the subsequent dry dock. Included in capitalized dry docking are costs incurred as part of the dry docking to meet regulatory requirements, or expenditures that either add economic life to the vessel, increase the vessel's earning capacity or improve the vessel's operating efficiency. A portion of the cost of acquiring a new vessel is allocated to the components expected to be replaced or refurbished at the next dry-docking. The Company expenses costs related to routine repairs and maintenance performed during dry docking that do not improve operating efficiency or extend the useful lives of the assets.

Advances on newbuilding contracts consists of prepayments related to newbuilding contracts for vessels and equipment not yet delivered to the Company and include the share of borrowing costs that are directly attributable to the acquisition of the underlying vessel. When a vessel is delivered, the prepaid amount is reallocated to Vessels and equipment.

k. Right-of-use assets and lease obligations

The Company assesses whether a contract is, or contains, a lease component at inception of the contract. A right-of-use asset and corresponding lease liability is recognized at the lease commencement date for contracts that are, or contain, a lease component, except for short-term leases and leases of low value.

Agreements to charter in vessels and to lease land and buildings for which the Company substantially has the right to control for a period of time in exchange for consideration are recognized in the consolidated statements of financial position as right-of-use assets within other assets and initially measured at cost, which comprises the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses, if any. The right-of-use assets are depreciated on a straight-line basis over the lease term or remaining life of the underlying asset, depending on the lease terms.

The Company charters in vessels from other vessel owners on time-charter contracts, whereby the vessel owner will provide use of the vessel to the Company, as well as operate the vessel for the Company. A time-charter contract is typically for a fixed period of time, although in certain cases the Company may have the option to extend the charter. The Company will typically pay the owner a daily hire rate that is fixed over the duration of the charter. The Company is generally not required to pay the daily hire rate during periods the vessel is not able to operate.

The Company has determined that all of its time-charter-in contracts contain both a lease component (lease of the vessel) and a non-lease component (operation of the vessel). The Company has allocated the contract consideration between the lease component and non-lease component on a relative standalone selling price basis. Given that there are no observable standalone selling prices for either of these two components, judgment is required in determining the standalone selling price of each component. The standalone selling price of the non-lease component has been determined using a cost-plus approach, whereby the Company estimates the cost to operate the vessel using cost benchmarking studies prepared by a third party, when available, or internal estimates when not available, plus a profit margin. The standalone selling price of the lease component has been determined using an adjusted market approach, whereby the Company calculates a rate excluding the operating component based on a market time-charter rate from published broker estimates, when available, or internal estimates when not available. The discount rate of the lease is determined using the Company's incremental borrowing rate, which is based on the fixed interest rate the Company could obtain when entering into a secured loan facility of similar term.

The Company has elected to recognize the lease payments of short-term leases in profit or loss on a straight-line basis over the lease term and variable lease payments not dependent on a rate or index in the period in which the obligation for those payments is incurred, which is consistent with the recognition of payment for the non-lease component. Short-term leases are leases with an original term of one year or less, excluding those leases with an option to extend the lease for greater than one year or an option to purchase the underlying asset, that the lessee is reasonably certain to exercise.

The corresponding lease obligation is recognized as a liability in the consolidated statements of financial position under Accounts payable and other and initially measured at the present value of the outstanding lease payments at the commencement date.

The Company recognizes the lease payments for leases of low value as an operating expense on a straight-line basis over the term of the lease.

l. Asset impairment

At each reporting date the Company assesses whether there is any indication that assets or cash generating units, relating specifically to its vessels and equipment and right-of use-assets, are impaired. This assessment includes a review of internal and external factors which

includes, but is not limited to, changes in the technological, political, economic or legal environment in which the entity operates, structural changes in the industry, changes in the level of demand, physical damage and obsolescence due to technological changes. The Company has determined that, for impairment purposes, each individual vessel, except for the Company's contract of affreightment (or *CoA*) vessels, is a cash generating unit. This is due to the fact that the cash inflows from an individual vessel operating in the CoA fleet are not largely independent of the cash inflows from other vessels operating in the CoA fleet, i.e., the individual vessels are not the smallest identifiable group and therefore it is concluded that the CoA fleet is a single cash generating unit.

An impairment is recognized if the recoverable amount, determined as the higher of the estimated fair value less costs of disposal or the value in use, is less than the carrying value of the asset or cash generating unit. In cases where an active second-hand sale and purchase market does not exist, the Company uses a discounted cash flow approach to estimate the fair value of its vessel and equipment. In cases where an active second-hand sale and purchase market exists, an appraised value is used to estimate the fair value of the vessel and equipment. An appraised value is generally the amount the Company would expect to receive if it were to sell the vessel. Such appraisal is normally completed by the Company. The value in use is the present value of the future cash flows that the Company expects to derive from the asset or cash generating unit. The projections of future cash flows take into account the relevant operating plans and management’s best estimate of the most probable set of conditions anticipated to prevail.

At each reporting date the Company assesses whether there is any indication that an impairment loss may have decreased. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate.

m. Goodwill

Goodwill represents the excess of the price paid for the acquisition of a business over the fair value of the net tangible and intangible assets and liabilities acquired. Goodwill is allocated to the cash generating unit or units to which it relates. The Company identifies cash generating units as identifiable groups of assets whose cash inflows largely independent of the cash inflows from other assets or groups of assets. The Company has identified the Company itself as the group of cash generating units to which the Company's goodwill relates.

Goodwill is evaluated for impairment on an annual basis or more frequently if an event occurs or circumstances change that would indicate that the recoverable amount of a reporting unit was below its carrying value. Impairment is determined for goodwill by assessing if the carrying value of a cash generating unit, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs of disposal or the value in use. Impairment losses recognized in respect of a cash generating unit are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of assets in the cash generating unit. Any goodwill impairment is charged to Impairment expense, net on the consolidated statement of income (loss) in the period in which the impairment is identified. Impairment losses on goodwill are not subsequently reversed.

n. Revenues

Each vessel charter may, depending on its terms, contain a lease component, a non-lease component or both. Revenues that are fixed on or prior to the commencement of the contract are recognized by the Company on a straight-line basis daily over the term of the contract.

The Company’s primary source of revenues is chartering its vessels to its customers. The Company utilizes three primary forms of contracts, consisting of contracts of affreightment (or *CoAs*), time-charter contracts, and voyage charter contracts.

A highly probable criterion is required to be met with regards to recognizing revenue arising from variable consideration resulting from contract modifications and claims. For variable consideration, revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(i) CoAs

Voyages performed pursuant to a CoA for the Company’s shuttle tankers are priced based on the pre-agreed terms in the CoA. The obligations within a voyage performed pursuant to a CoA, which will typically include the lease of the vessel to the charterer as well as the operation of the vessel, are satisfied as services are rendered over the duration of the voyage, as measured using the time that has elapsed from commencement of the contract. In addition, any expenses that are unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions, are the responsibility of the vessel owner. Consideration for such voyages consists of a fixed daily hire rate for the duration of the voyage, the reimbursement of costs incurred from fuel consumed during the voyage, as well as a fixed lump sum intended to compensate for time necessary for the vessel to return to the field following completion of the voyage. While such consideration is generally fixed, certain sources of variability exist, including variability in the duration of the voyage and the actual quantity of fuel consumed during the voyage. Payment for the voyage is not due until the voyage is completed. The duration of a single voyage will typically be less than two weeks, and, as a result, the Company has applied the practical expedient in IFRS 15.121(a), which permits an entity, with a contract that has an original expected duration of one year or less, to not disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the period. The Company does not engage in any specific activities to minimize residual value risk due to the short-term nature of the contracts.

The Company has allocated the contract consideration between the lease component and non-lease component on a relative standalone selling price basis. Given that there are no observable standalone selling prices for either of these two components, judgment is required in determining the standalone selling price of each component. The standalone selling price of the non-lease component has been determined using a cost-plus approach, whereby the Company estimates the cost to operate the vessel using internal estimates, plus a

profit margin. The standalone selling price of the lease component has been determined using an adjusted market approach, whereby the Company calculates a rate excluding the operating component based on a market rate from published broker estimates, when available, or internal estimates when not available.

(ii) Time-Charter Contracts

Pursuant to a time-charter contract, the Company charters a vessel to a customer for a fixed period of time, generally one year or more. The obligations under a time-charter contract, which includes the lease of the vessel to the charterer as well as the operation of the vessel, are satisfied as services are rendered over the duration of such contract, as measured using the time that has elapsed from commencement. In addition, any expenses that are unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions, are the responsibility of the customer, as long as the vessel is not off-hire. Hire is typically invoiced monthly in advance for time-charter contracts, based on a fixed daily hire amount. In certain long-term time-charters, the fixed daily hire amount will increase on an annual basis by a fixed amount to offset expected increases in operating costs. Therefore, the Company has applied the practical expedient in IFRS 15.B16, which permits an entity to recognize revenue based on the amount it has a right to invoice.

As a result of the Company accounting for compensation from such charters on a straight-line basis over the duration of the charter, such fixed increases in rate will result in revenues being accrued in the first half of the charter and such amount drawn down in the last half of the charter. Some time-charters include variable consideration components in the form of expense adjustments or reimbursements, incentive compensation and penalties. For example, certain time-charters contain provisions that allow the Company to be compensated for increases in the Company's costs during the term of the charter. Such provisions may be in the form of annual hire rate adjustments for changes in inflation indices or in the form of cost reimbursements for vessel operating expenditures or dry-docking expenditures. During periods in which the vessels are off-hire or minimum speed and performance metrics are not met, penalties may be imposed. Variable consideration under the Company’s contracts is typically recognized as incurred as either such revenues are allocated and accounted for under lease accounting requirements or alternatively such consideration is allocated to the distinct period in which such variable consideration was earned. The Company does not engage in any specific activities to minimize residual value risk.

The Company has allocated the contract consideration between the lease component and non-lease component on a relative standalone selling price basis. Given that there are no observable standalone selling prices for either of these two components, judgment is required in determining the standalone selling price of each component. The standalone selling price of the non-lease component has been determined using a cost-plus approach, whereby the Company estimates the cost to operate the vessel using internal estimates, plus a profit margin. The standalone selling price of the lease component has been determined using an adjusted market approach, whereby the Company calculates a rate excluding the operating component based on a market rate from published broker estimates, when available, or internal estimates when not available.

(iii) Voyage Charters

Voyage charters are charters for a specific voyage. Voyage charters for the Company’s vessels are priced on a current or “spot” market rate. The performance obligations within a voyage charter contract, which will typically include the lease of the vessel to the charterer as well as the operation of the vessel, are satisfied as services are rendered over the duration of the voyage, as measured using the time that has elapsed from commencement of the contract. In addition, expenses that are unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions, are the responsibility of the vessel owner. The Company’s voyage charters normally contain a lease. Consideration for such contracts is generally fixed; however, certain sources of variability exist. Delays caused by the charterer result in additional consideration. Payment for the voyage is not due until the voyage is completed. The duration of a single voyage will typically be less than two weeks, as a result, the Company has applied the practical expedient in IFRS 15.121(a). The Company does not engage in any specific activities to minimize residual value risk due to the short-term nature of the contracts.

The consolidated statements of financial position reflect, in Other assets, the accrued portion of revenues for those voyages that commence prior to the consolidated statement of financial position date and complete after the consolidated statement of financial position date and reflect, in Accounts payable and other, the deferred portion of revenues which will be earned in subsequent periods.

(iv) Management Fees and Other

The Company also generates revenues from the operation of volatile organic compounds (or *VOC*) systems on certain of the Company’s vessels. The obligations are satisfied concurrently and consecutively rendered over the duration of the management contract, as measured using the time that has elapsed from commencement of the contract. Consideration for such contracts will generally consist of a fixed monthly management fee, plus the reimbursement of crewing costs for vessels being managed and all operational costs for the VOC systems. Management fees are typically invoiced monthly. Revenue is recognized in line with invoicing using the practical expedient in IFRS 15.B16.

o. Direct operating costs

Direct operating cost include the following expenses: voyage expenses; operating expenses; charter hire and compensation. Voyage expenses are all expenses unique to a particular voyage, including bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. Operating expenses include ship management services, repairs and maintenance, insurance, stores, lube oils and communication expenses. Charter hire expenses represent the cost to charter-in a vessel for a fixed period of time. Compensation includes the compensation costs for crewing and shore-based employees.

Voyage expenses and operating expenses are recognized when incurred except when the Company incurs pre-operational costs related to the repositioning of a vessel that relates directly to a specific customer contract, that generates or enhances resources of the Company that will be used in satisfying performance obligations in the future, and where such costs are expected to be recovered via the customer contract. In this case, such costs are capitalized as contract costs and amortized over the duration of the customer contract.

The Company recognizes operating leases from vessels chartered from other owners in charter hire expenses.

p. Financial instruments

Classification and measurement

The table below summarizes the Company's classification and measurement of financial assets and liabilities:

	Measurement Category	Consolidated Statement of Financial Position Account
Financial assets		
Cash and cash equivalents	Amortized cost	Cash and cash equivalents
Restricted cash	Amortized cost	Financial assets
Derivative instruments	FVTPL	Financial assets
Other financial assets	Amortized cost	Financial assets
Accounts receivable	Amortized cost	Accounts and other receivable, net
Due from related parties	Amortized cost	Due from related parties
Investment in finance leases	Amortized cost	Other assets
Financial liabilities		
Accounts payable and other	Amortized cost	Accounts payable and other
Derivative instruments	FVTPL	Other financial liabilities
Obligations relating to leases	Amortized cost	Other financial liabilities
Due to related parties	Amortized cost	Due to related parties
Borrowings	Amortized cost	Borrowings

The classification of financial assets depends on the specific business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

At initial recognition, the Company measures a financial asset or liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss (or *FVTPL*), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets and liabilities carried at FVTPL are expensed in Other income (expenses), net in the consolidated statements of income (loss).

Financial assets are measured at amortized cost dependent on their contractual cash flow characteristics and the business model for which they are held. Financial assets classified as amortized cost are recorded initially at fair value, then subsequently measured at amortized cost using the effective interest rate method, less any impairment.

Financial liabilities measured at amortized cost are initially recorded at fair value and in the case of borrowings, net of directly attributable transaction costs. Financial liabilities are then subsequently measured at amortized cost using the effective interest rate method. Gains or losses are recognized in the consolidated statements of income (loss) when a financial asset or liability is remeasured due to a modification of terms that does not result in derecognition or when derecognition occurs and the modified financial instrument is recorded at fair value.

Impairment

The Company recognizes a loss allowance for expected credit losses (or *ECL*) on financial assets measured subsequently at amortized cost, including trade receivables, amounts due from related parties, investments in finance leases and contract assets. The ECL is recognized upon inception of the financial asset and revised at each reporting date thereafter until maturity or disposal of the financial asset. The Company measures the loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on a financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly, the Company measures the loss allowance for that financial instrument at an amount equal to 12-months ECL. In making this assessment, the Company considers information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

The Company utilizes a simplified approach for measuring the loss allowance at an amount equal to the lifetime ECL for trade receivables, contract assets and investment in finance leases. The ECL on trade receivables are estimated using reference to past default experience of the debtor and an analysis of the debtor's current financial position, which also forms a basis for the Company's future expectations for potential defaults of the debtor.

The ECL is presented as a direct reduction to the carrying value of the financial asset it relates to. The initial recognition of an ECL and all changes to an ECL at each reporting date thereafter are reflected in Other income (expenses), net in the consolidated statements of income (loss). As at December 31, 2023, the Company recorded an ECL of $0.3 million (December 31, 2022 - $0.3 million).

Derivative instruments

The Company selectively utilizes derivative financial instruments primarily to manage financial risks, including foreign exchange risks and interest rate risks. All derivative instruments are initially recorded at fair value as either assets or liabilities in the accompanying consolidated statements of financial position and subsequently remeasured to fair value, regardless of the purpose or intent for holding the derivative instruments.

Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure and there is assurance that it will continue to be highly effective as a hedge based on an expectation of offsetting cash flows or fair value. Hedge accounting is not applied if the hedge is not effective or will no longer be effective, the derivative was sold or exercised, or the hedged item was sold, repaid or is no longer probable of occurring. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. Once discontinued, the cumulative change in fair value of a derivative that was previously recorded in Other comprehensive income by the application of hedge accounting will be recognized in the Company's profit or loss over the remaining term of the original hedging relationship as amounts related to the hedged item are recognized in profit or loss. The Company has not designated, for accounting purposes, any derivatives as hedges of a specific exposure for all periods presented in these consolidated financial statements.

For derivative financial instruments that are not designated as accounting hedges, the changes in the fair value of the derivative financial instruments are recognized in the profit or loss. Gains and losses from the Company’s non-designated foreign currency forward contracts and interest rate swaps are recorded in realized and unrealized gain (loss) on derivative instruments in the consolidated statements of income (loss). The assets or liabilities relating to unrealized mark-to-market gains and losses on derivative financial instruments are recorded in financial assets and other financial liabilities, respectively.

q. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value measurement is disaggregated into three hierarchical levels: Level 1, 2 or 3. Fair value hierarchical levels are based on the degree to which the inputs to the fair value measurement are observable. The levels are as follows:

Level 1 -	Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
Level 2 -	Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset’s or liability’s anticipated life.
Level 3 -	Inputs are unobservable and reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs in determining the estimate.

Further information on fair value measurements is described in Note 3.

r. Income taxes

The Company is subject to income taxes relating to its subsidiaries in Norway, Singapore, Canada, and the United Kingdom.

(i) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be paid to tax authorities, net of recoveries based on the tax rates and laws enacted or substantively enacted at the reporting date.

(ii) Deferred income tax

Deferred income tax liabilities are provided for using the liability method on temporary differences between the tax bases used in the computation of taxable income and carrying amounts of assets and liabilities in the consolidated financial statements.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that deductions, tax credits and tax losses can be utilized. Such deferred income tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income, other than in a business combination. The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that the income tax asset will be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority within a single taxable entity or the Company intends to settle its current tax assets and liabilities on a net basis in the case where there exist different taxable entities in the same taxation authority and when there is a legally enforceable right to set off current tax assets against current tax liabilities.

s. Provisions

Provisions are recognized when the Company has a present obligation either legal or constructive as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are recorded within Accounts payable and other in the consolidated statements of financial position.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

t. Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification subject to limited exceptions.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and are classified as current. Once classified as held for sale, vessels and equipment are no longer depreciated.

u. Deferred financing costs

Deferred financing costs related to a borrowing, including bank fees, commissions and legal expenses, are capitalized and amortized over the term of the relevant loan facility to interest expense using an effective interest rate method. Deferred financing costs are presented as a reduction from the carrying amount of the related financial liability, unless no amounts have been drawn under the debt liability or the debt issuance costs exceed the carrying value of the related debt liability, in which case the debt issuance costs are presented as Other non-current assets.

If a debt modification is considered substantial, fees paid to amend an arrangement pursuant to which a credit facility is extinguished are associated with the extinguishment of the old debt instrument and included in determining the debt extinguishment gain or loss to be recognized. Any unamortized deferred financing costs are written off. If a debt modification is not considered substantial, then the fees associated with the modification, along with any existing unamortized deferred financing costs and premium or discount, are included in the calculation of the gain or loss associated with the modification. The remeasurement of the financial instrument is recalculated by discounting the revised estimated future cash flows at the instrument’s original effective interest rate.

v. Segment

For the year ended December 31, 2023, the Company's operations were organized into one segment (year ended December 31, 2022: one segment).

w. Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated 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. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

Critical judgments and estimates made by management and utilized in the normal course of preparing the Company’s consolidated financial statements are outlined below.

Critical accounting judgments

(i) Determination of control

The Company consolidates an investee when it controls the investee, with control existing if, and only if, the Company has (a) power over the investee, (b) exposure, or rights, to variable returns from involvement with the investee and (c) the ability to use that power over the investee to affect the amount of the Company's returns.

In determining if the Company has power over an investee, judgments are made when identifying which activities of the investee are relevant in significantly affecting returns of the investee and the extent of existing rights that give the Company the current ability to direct the relevant activities of the investee. Judgments are required to assess the Company's control over its non-wholly owned subsidiaries. Judgments are made as to the amount of potential voting rights which provides voting powers, the existence of contractual relationships that provide voting power and the ability for the Company to appoint directors. The Company enters into voting agreements which provides it the ability to contractually direct the relevant activities of the investee. In assessing if the Company has exposure, or rights, to variable returns from involvement with the investee judgments are made concerning whether returns from an investee are variable and how variable those returns are on the basis of the substance of the arrangement, the size of those returns and the size of those returns relative to others, particularly in circumstances where the Company's voting interest differs from the ownership interest in an investee. In determining if the Company has the ability to use its power over the investee to affect the amount of its returns, judgments are made when the Company is an investor as to whether it is a principal or agent and whether another entity with decision making rights is acting as the Company's agent. If it is determined that the Company is acting as an agent, as opposed to a principal, the Company does not control the investee. See Note 2d(i) for additional information.

(ii) Lease classification and term

At the inception of the charter, the classification of the lease as an operating lease or a finance lease may involve the use of judgment as to the determination of the lease term. Such judgment is required as the duration of certain of the Company's charters is unknown at commencement of the charter. The charterer may have the option to extend the charter or terminate the charter early. In addition, certain charters impose penalties on the charterer if it terminates the charter early and such penalties can vary in size depending on when, during the term of the charter, the termination right is exercised. Such penalties could impact the determination of the lease term and requires the use of judgment.

(iii) Determination if a contract contains a lease

Each vessel charter may, depending on its terms, contain a lease component, a non-lease component or both. Judgment is required in determining the composition of the lease and non-lease components of the Company's charters. The Company has determined the following for its charters:

	CoA(2)	**Time Charter**	**Bareboat Charter**	**Voyage Charter (1)**
Lease component	Yes	Yes	Yes	Depends
Non-lease component	Yes	Yes	No	Depends

(1) The Company believes that the conclusion as to whether or not a voyage charter contains a lease component rests principally on whether the customer has the substantive right to select and change the load and discharge ports. If the customer does not have this substantive right then the charter would not contain a lease component. The Company has categorized the charters for its shuttle tankers that are priced on spot market rates, as voyage charters. Based on the conclusion above, the Company has determined that the contracts for its shuttle tankers classified as voyage charters normally contain a lease.

(2) The Company has determined that as the relevant decisions about how and for what purpose the vessel is used are not predetermined under a CoA, but the customer has the right to make those relevant decisions, then the customer directs the use of the vessel. Based on this conclusion, the customer has the substantive right to select and change the load and discharge ports under a CoA charter and therefore the Company believes that a CoA charter contains a lease component, in addition to a non-lease component.

The Company also generates revenues from the operation of VOC systems on certain of the Company's shuttle tankers. The Company has determined that as the leasing of its VOC equipment is classified as a finance lease, the finance income associated with these leases are recognized as lease income.

For charters which contain both, the Company has allocated the contract consideration between the lease component and non-lease component on a relative standalone selling price basis. Given that there are no observable standalone selling prices for either of these two components, judgment is required in determining the standalone selling price of each component. The standalone selling price of the non-lease component has been determined using a cost-plus approach, whereby the Company estimates the cost to operate the unit using internal estimates, plus a profit margin. The standalone selling price of the lease component has been determined using an adjusted market approach, whereby the Company calculates a rate excluding the operating component based on a market rate from published broker estimates, when available, or internal estimates when not available.

(iv) Impairment

Judgment is applied when determining whether indicators of impairment exist when assessing the carrying values of the Company's assets, the likelihood the Company will sell the vessel or equipment prior to the end of its useful life, the estimation of a cash generating unit's future revenues and direct costs, and the determination of discount rates. The Company has determined that, as the cash inflows of the individual vessels in its CoA fleet are not largely independent from each other, the CoA fleet is treated as a single cash generating unit for impairment purposes.

Estimation uncertainty

The following are key sources of estimation uncertainty at the end of the reporting period that could result in a material adjustment in the statement of financial position.

(i) Vessels and equipment - useful lives and residual value

The estimated useful life of the Company's vessels, including individual components, takes into account design life, commercial considerations and regulatory restrictions. The determination of the components, if any, of an asset and the estimated useful life of such asset or components involves judgment. See Note 2j for additional information.

(ii) Impairment

The key assumptions used for the impairment testing of our fleet are described in Note 10.

All impairment assessment calculations demand a high degree of estimation. The Company must make complex assessment of the expected cash flows arising from such assets and the selection of discount rates. Changes to these estimates could have significant impact on the impairments recognized and future changes may lead to reversals of recognized impairments. See Note 10 and 12 for additional information

(iii) Taxes

The future realization of deferred tax assets depends on the existence of sufficient taxable income to utilize tax losses. This analysis requires, among other things, the use of estimates and projections in determining future reversals of temporary differences, forecasts of future profitability and evaluating potential tax-planning strategies. See Note 19 for additional information.

(iv) 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 shipping industry will become incrementally subject to the EU Emission Trading System (EU ETS) in 2024 which will require the Company to purchase carbon-offset credits. As a consequence, the Company's voyage expenses will increase and could negatively impact the profitability and cash flows unless offset by an increase in revenue. As at December 31, 2023, the Company did not hold any material EU allowances.

(vi) *The Invasion of Ukraine by Russia and conflict in the Middle East*

The Company has no operations or contracts with counterparties in Ukraine, Belarus or Russia and did not experience any material impact from the invasion of Ukraine by Russia 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.

Additionally, since December 2023, there have been multiple drone and missile attacks on commercial vessels transiting international waters in the southern Red Sea by groups believed to be affiliated with the Yemen-based Houthi rebel group purportedly in response to the ongoing military conflict between Israel and Hamas. The continued military actions by the U.S., Israel, Iran and their associated allies and/or rebel military groups continue to threaten the political stability of the Middle East and may lead to further military conflicts. The Company cannot predict the severity or length of the current conditions impacting international shipping in this region and the continuing disruption of the trade routes in the region of the Red Sea. The Company has no operations or commitments to operate in the Red Sea region and did not experience any material impact from the conflict 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.

(v) *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.

x. 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. The Company has not disclosed below any standard, interpretation or amendment that is not expected to impact the Company.

i. Amendments to IAS 1 – Presentation of financial statements

The amendments clarify how to classify debt and other liabilities as current or non-current. The amendments to IAS 1 apply to annual reporting periods beginning on or after January 1, 2024. The Company is currently assessing the impact of these amendments on the consolidated financial statements. The Company does not expect a significant impact on the consolidated financial statements from this future adoption.

ii. Amendments to IAS 1 and IFRS Practice Statement 2

The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company adopted the amendments to IAS 1 and IFRS Practice Statement 2 on January 1, 2023. The adoption of the amendments did not have a significant impact on the Company's consolidated financial statements as at and for the year ended December 31, 2023.

iii. Amendments to IAS 12 – Income taxes

The amendments clarify that the initial recognition exception does not apply to the initial recognition of transactions that give rise to equal taxable and deductible temporary differences. The amendments to IAS 12 apply to annual reporting periods beginning on or after January 1, 2023. The Company adopted the amendments to IAS 12 on January 1, 2023. The adoption of the amendments did not have a significant impact on the Company's consolidated financial statements as at and for the year ended December 31, 2023.

iv. International Tax Reform – Pillar Two Model

In May 2023, IAS 12 was amended to clarify requirements relating to International Tax Reform - Pillar Two model rules. The amendments (i) introduce a temporary exception to the accounting for deferred taxes arising from the implementation of the Pillar Two model rules published by the Organization for Economic Co-operation and Development ("OECD") and (ii) require additional disclosures. The amendments became effective immediately upon their issue and retrospectively in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors except for some targeted disclosure requirements which become effective for annual reporting periods beginning on or after January 1, 2023. The Company operates in countries which have enacted new legislation to implement the global minimum top-up tax. The Company has applied a temporary mandatory relief from recognizing and disclosing information related to the top-up tax and will account for it as a current tax when it is incurred. The newly enacted legislation is effective from January 1, 2024 and there is no current tax impact for the year ended December 31, 2023. The global minimum top-up tax is not anticipated to have a significant impact on the financial position of the Company.

3. Fair Value of Financial Instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics and risk profiles, or internal or external valuation models, such as discounted cash flow analysis, maximizing observable market inputs.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, the Company looks primarily to external readily observable market inputs such as interest rate yield curves and price and rate volatilities as applicable. Financial instruments classified as fair value through profit or loss (or *FVTPL*) are carried at fair value in the consolidated statements of financial position and changes in fair values are recognized in profit or loss.

The following tables provide the details of financial instruments and their associated classifications as at December 31, 2023 and 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. See Note 8 for additional information.

(3) Includes accounts payable and lease liabilities. See Note 13 for additional information.

(4) Includes derivative instruments, obligations relating to leases and other financial liabilities. See Note 17 for additional information.

(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 $1.2 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 year ended December 31, 2023, nor during the 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 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	—

The following table summarizes the valuation techniques and key inputs used in the fair value measurement of Level 2 financial instruments:

Type of Asset / Liability	Carrying value December 31, 2023 $	Carrying value December 31, 2022 $	Valuation Techniques and Key Inputs
Derivative instruments	4,031	554	The fair value of derivative instruments incorporates observable forward exchange rates and forward interest rates from observable yield curves, respectively, at the end of the reporting period, and the current credit worthiness of both the Company and the derivative counterparties. The estimated amount is the present value of future cash flows.

4. Financial Assets

	Year Ended December 31, 2023 $	Year Ended 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 - includes funds for a guarantee for certain operating expenses and withholding taxes).

(2) See Note 17 for additional information.

5. Accounts and Other Receivable, Net

	Year Ended December 31, 2023 $	Year Ended December 31, 2022 $
Current		
Accounts receivable - trade	21,843	32,853
Other non-trade receivable	7,263	6,691
Total current	29,106	39,544

6. 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 year ended December 31, 2023 and 2022:

	Year ended December 31, 2023 $	Year ended December 31, 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.

7. Gain (Loss) on Dispositions, Net

Period	Vessel	Net Proceeds	Gain (Loss) on Dispositions, Net
		$	$
Q2-23	*Petroatlantic*	19,418	12,201
Q1-23[1]	*Navion Gothenburg*	—	20
Q1-23[2]	*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)
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 $0.1 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.

8. Other Assets

	Year Ended December 31,	
	2023	2022
	$	$
Current		
Prepayments	7,727	6,407
Investment in finance leases [1]	9,345	9,234
Contract assets [2]	9,479	7,497
Total current	**26,551**	**23,138**
Non-current		
Investment in finance leases [1]	25,416	34,762
Right-of-use assets [3]	107	138
Contract assets [2]	—	—
Other assets	7,299	11,303
Total non-current	**32,822**	**46,203**

(1) Includes the VOC systems on certain of the Company's shuttle tankers. See Note 22 for additional information.

(2) See Note 16 for additional information

(3) See Note 9 for additional information

9. Right-of-use Assets and Lease Liabilities

The following table presents the change in the balance of the Company's right-of-use assets for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	2022
	$	$
Gross Carrying Amount		
Opening balance at beginning of year	245	33,114
Dispositions	—	(32,869)
Closing balance at end of period	245	245
Accumulated Depreciation		
Opening balance at beginning of year	(107)	(21,988)
Depreciation expense	(31)	(9,866)
Dispositions	—	31,747
Closing balance at end of period	(138)	(107)
Net book value	**107**	**138**

As at December 31, 2023 and 2022, the Company's right-of-use assets were as follows:

			As at December 31, 2023	
	December 31, 2023	December 31, 2022	Weighted-average remaining lease	Weighted-average implicit interest rate
	$	$	(years)	(%)
Office leases	107	138	3.2	5.9 %
Total	**107**	**138**		

There were no indicators of impairment, nor were there any impairments recorded as at December 31, 2023 and 2022 on the Company's right of use assets.

Lease related items for which the Company was a lessee for the years ended December 31, 2023 and 2022, were as follows:

	Year Ended December 31,	
	2023	2022
	$	$
Amounts recognized in profit and loss		
Depreciation expense on right-of-use vessels and equipment	—	11,293
Depreciation expense on right-of-use office leases	31	34
Interest expense on lease liabilities	8	195
Short-term lease expense	13,959	4,109
	13,998	15,631

As at December 31, 2023, the undiscounted contractual maturities of the Company's lease liabilities were $0.1 million and $0.2 million as at December 31, 2022.

10. Vessels and Equipment

	Year Ended December 31,	
	2023	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 11 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.

As at December 31, 2023, the Company has no commitments relating to newbuilding contracts, as the seventh and final shuttle tanker in its newbuilding program, the *Altera Thule,* was delivered in March 2022 with total gross payments made towards this vessel for an aggregate purchase price of $123.7 million. The Company secured $105.4 million of borrowings relating to this newbuilding, which was fully drawn as of December 31, 2022 (see Note 18 for additional information).

As at December 31, 2023, the Company had no vessels in lay-up (December 31, 2022 - no vessels in lay-up).

Impairment expense, net

There were no indicators of impairment nor were there any impairments recorded as at December 31, 2023. The following tables contains a summary of the Company's impairment expense, net for the year ended December 31, 2022, by vessel:

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. See Note 7 for additional information.

As at December 31, 2022, due to short remaining contract lengths, the Company identified impairment triggers for four of its shuttle tankers. The tests of these assets did not result in a recoverable value lower than the carrying value and were therefore not impaired. When estimating the recoverable amount, the Company makes assumptions for the uncontracted cash flows over the useful life for each unit. These are estimated based on the Company's market knowledge, experience and return on invested capital. These assumptions are used to create scenarios with different cash flows for each unit. Based on the attractiveness of the various assets, the assumptions can include extensions on current contracts, new contracts, sale or a recycling option. The recoverable amount is a weighted average of all the scenarios.

The Company's impairment tests are sensitive to changes in key assumptions such as discount rate, assumed contract rates and the weight applied to the various scenarios. For the assets for-which the impairment tests as at December 31, 2022 did not result in an impairment:

- An increase of 0.5% for the discount rate would not result in any impairment.
- An additional one-year before redeployment of the units in the weighted scenarios would result in an impairment of $52.2 million.
- A 10% reduction in rate/sales proceeds from the weighted scenarios on the same units would result in an impairment of $33.1 million.

Non-current Assets

The tables below summarize the Company's non-current assets by geography as at December 31, 2023 and December 31, 2022:

	Year Ended December 31,	
	2023	2022
	$	$
Norway	1,063,429	1,149,276
Brazil	292,525	284,233
Canada	411,514	437,070
United Kingdom	—	9,353
Total non-current assets[(1)]	1,767,468	1,879,932

(1) Excludes financial instruments and deferred tax assets.

11. Vessels and Equipment Classified as Held for Sale

	Year Ended December 31,	
	2023	2022
Vessel	$	$
Nordic Brasilia [(1)]	9,620	—
	9,620	—

(1) Classification as a result of the highly probable sale of the vessel. The Company expects to complete the sale of the *Nordic Brasilia* within one-year of the reporting date.

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.

12. Goodwill

The carrying amount of goodwill for the Company was $127.1 million as at December 31, 2023 and 2022. The Company conducted its annual goodwill impairment evaluation during 2023 and 2022 and concluded that no impairment had occurred as the recoverable amount, based on the fair value less cost of disposal using a discounted cash flow model incorporating significant unobservable inputs, exceeded the carrying amount of goodwill. The estimates regarding the expected future cash flows and discount rates are Level 3 fair value inputs based on various assumptions including existing contracts, future vessel redeployment rates, financial forecasts and industry trends. The Company has not previously recorded any impairment expense related to the carrying amount of goodwill.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent the Company's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2023	2022
Discount rate	9.00%	8.76%
Exit multiple	8.0	8.0

Discount rate

The discount rate is a post-tax measure, with a possible debt leveraging of 70% for 2023 (2022 - 70%) estimated based on the observed leveraging within the industry and the long-term target leverage of the Company, at market interest rates of 7.1% for 2023 (2022 - 5.9%).

Exit Multiple

The cash flow projections include specific estimates for generally five years and a terminal value thereafter. The terminal value is estimated using an EBITDA multiple generally applied to the year-five EBITDA and discounted using the discount rates described above. The EBITDA multiple was determined based on an average of the EBITDA multiples used by the Company's industry peers and is therefore determined to be consistent with the assumptions that a market participant would make.

The Company has identified that a reasonably possible change in these key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	2023	2022
Discount rate	5.40%	4.97%
Exit multiple	(2.3)	(2.1)

13. Accounts Payable and Other

	Year Ended December 31,	
	2023	2022
	$	$
Current		
Accounts payable	6,397	3,871
Accrued liabilities [(1)]	55,856	37,772
Deferred revenues [(2)]	8,520	6,561
Lease liabilities [(3)]	34	31
Total current	70,807	48,235
Non-current		
Lease liabilities [(3)]	82	113
Total non-current	82	113

(1) See Note 14 for additional information.

(2) See Note 16 for additional information.

(3) See Note 9 for additional information.

14. Accrued Liabilities

	Year Ended December 31,	
	2023	2022
	$	$
Interest including interest rate swaps	24,503	16,018
Payroll and benefits	5,808	6,065
Audit, legal and other general expenses	342	875
Voyage and vessel expenses	25,203	14,814
	55,856	37,772

15. Provisions and Contingencies

As at December 31, 2023, the Company has provided for $nil provisions and contingencies (December 31, 2022 - $nil). Occasionally the Company has been, and expects to continue to be, subject to legal proceedings and claims in the ordinary course of its business, principally personal injury and property casualty claims. Certain of these claims have been assessed by the Company as having a remote possibility of any outflow from settlement and are therefore not provided for.

16. Contracts in Progress

Contract Assets and Liabilities

Certain customer contracts that the Company enters into will result in situations where the customer will pay consideration for performance to be provided in the following month or months. These receipts are a contract liability and are presented within accounts payable and other as deferred revenue until performance is provided. In other cases, the Company will provide performance in the month or months prior to it being entitled to invoice for such performance. This results in such receipts being reflected as a contract asset that is presented within other assets. In addition to these short-term timing differences between the timing of revenue recognition and when the entity’s right to consideration in exchange for goods or services is unconditional, the Company has long-term charter arrangements whereby it has received payments that are larger in the earlier periods of the arrangements and long-term charter arrangements whereby it will receive payments that are larger in the latter periods of the arrangements. The following table presents the contract assets and contract liabilities on the Company's consolidated statements of financial position associated with these long-term charter arrangements from contracts with customers.

	Year Ended December 31,	
	2023	2022
	$	$
Contract assets		
Current	9,479	7,497
	9,479	7,497
Contract liabilities		
Current	8,520	6,561
	8,520	6,561

During the year ended December 31, 2023, the Company recognized revenue of $6.6 million, which was included in contract liabilities on December 31, 2022.

Contract Costs

In certain cases, the Company incurs pre-operational costs that relate directly to a specific customer contract, that generate or enhance resources of the Company that will be used in satisfying performance obligations in the future, whereby such costs are expected to be recovered via the customer contract. These costs include costs incurred to reposition a vessel to a location where a charterer will take delivery of the vessel. In certain cases, the Company will need to make judgments about whether costs relate directly to a specific customer contract and whether costs were factored into the pricing of a customer contract and thus expected to be recovered. Such deferred costs are amortized into direct operating costs over the duration of the customer contract. Amortization of such costs for the Company for the year ended December 31, 2023 was $1.8 million (year ended December 31, 2022 $2.1 million).

At December 31, 2023 the balance of assets recognized from the costs to fulfill a contract with a customer, classified as other assets, split between current and non-current portions, on the Company's consolidated statements of financial position, totaled $7.3 million (December 31, 2022 - $11.3 million) and are categorized as vessel repositioning costs.

17. Other Financial Liabilities

	Year Ended December 31,	
	2023	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

As at December 31, 2023, the Company had leases secured by two vessels (December 31, 2022 - two vessels) with a combined carrying value of $215.9 million (December 31, 2022 - $227.8 million). 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	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 reduce 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 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 June 30, 2022, had a notional amount of $100.0 million and a total fair value asset of $nil.

During the 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 (year ended December 31, 2022 - gain of $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 year ended December 31, 2023 and 2022 as follows:

	Year Ended December 31,	
	2023	2022
	$	$
Realized gain (loss) on derivative instruments		
Interest rate swap	—	(706)
Foreign currency forward contracts	(2,148)	(3,344)
	(2,148)	(4,050)
Unrealized gain (loss) on derivative instruments		
Interest rate swap	—	1,277
Foreign currency forward contracts	3,476	951
	3,476	2,228
Total realized and unrealized gain (loss) on derivative instruments	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	—	—	—	—	—

18. Borrowings

	December 31, 2023	December 31, 2022	Weighted average term		Weighted average rate	
			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 outstanding, secured by eight vessels (December 31, 2022 - one credit facility outstanding secured by eight vessels), with a combined carrying value of $543.3 million (December 31, 2022 - $442.7 million) 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 secured by eight vessels (December 31, 2022 - secured by eight vessels) with a combined carrying value of $848.3 million (December 31, 2022 - $891.8 million), which, as at such date, provided for total borrowings of $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 March 2024, the Company issued $200.0 million in senior unsecured bonds in the Norwegian bond market that mature in March 2028. These bonds will be listed on the Oslo Stock Exchange. The interest payments on the bonds are fixed at a rate of 9.0% and are payable semi-annually. The proceeds plus cash on hand were used to repurchase $179.8 million of its $200.0 million five-year unsecured bonds that mature in October 2024, which were issued in October 2019 and $27.0 million of its $180.0 million four-year senior unsecured bonds that mature in December 2025, which were issued in December 2021.

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.

In August 2022, on maturity, the Company redeemed the remaining $68.8 million of bonds on its outstanding 7.125% senior unsecured bonds listed on the Oslo Stock Exchange. The bonds were repaid at 101% of par value as per the amended loan agreement.

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 Bond	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 20 for information regarding the Company's borrowings due to related parties.

In addition to the secured vessels discussed above, the Company's loan agreements typically include customary security provisions including assignment of insurance and earnings, pledged in favor of our lenders. As at December 31, 2023, the Company's pledged accounts consisted of $25.5 million in Cash and cash equivalents ($58.3 million - December 31, 2022), $nil in Financial assets (current and non-current) ($9.0 million - December 31, 2022), and $21.6 million in Accounts and other receivable, net (current and non-current) ($29.0 million - December 31, 2022). As at December 31, 2023, the Company has no guarantee coverage arrangements with financial institutions in the event of default ($8.8 million - December 31, 2022). As at December 31, 2023, the Company was in compliance with all covenant requirements of its revolving credit facilities, term loans and bonds.

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.

19. Income Taxes

Income taxes are recognized for the amount of taxes payable by the Company’s subsidiaries and for the impact of deferred income tax assets and liabilities related to such subsidiaries.

The significant components of the Company’s deferred tax assets and liabilities as at December 31, 2023 and 2022 are as follows:

	Year Ended December 31,	
	2023	2022
	$	$
Deferred tax assets:		
Tax losses carried forward	114,422	97,184
Other tax assets	27,861	12,756
Deferred tax assets gross	142,283	109,940
Deferred tax liabilities:		
Fixed assets and Goodwill, net	(63,600)	(67,957)
Other tax liabilities	(3,672)	(2,040)
Net deferred tax liabilities	(67,272)	(69,997)
Unrecognized tax assets	(61,955)	(24,319)
Net deferred tax assets (liabilities)	13,056	15,624
Reflected in the statement of financial position as follows:		
Deferred tax assets	15,060	15,624
Deferred tax liabilities	2,004	—
Net deferred tax assets (liabilities)	13,056	15,624

In December 2022, the commercial operation of the Company's North Sea shuttle business was transferred from a Singaporean to Norwegian tax regime. Assessment of future taxable results in Norway resulted in the recognition of an additional deferred tax asset, as shown in the table above. Expected realization of the recognized net $15.6 million deferred tax position is within 5 years. The tax assets are expected to be utilized based on anticipated future taxable profit in Norway which is pending future development in the Norwegian Krone exchange rate vs U.S. dollars. The Company also has tax loss carry forwards in Norway which are not recognized as it is not possible with reasonable certainty to forecast sufficient taxable profit in the future for which tax loss carry forwards can be utilized. The recognition of the deferred tax assets is based on the expectation that sufficient taxable income will be available through forecast

supported future taxable income.

The net deferred tax assets (liabilities) movements are as follows:

	Year Ended December 31,	
	2023	2022
	$	$
Opening net deferred tax assets (liabilities) balance at beginning of year	15,624	8,660
Deferred income tax (expense) benefit	(2,004)	7,839
Other	(564)	(875)
Closing net deferred tax assets (liabilities) balance at end of year	13,056	15,624

The following table details the expiry date, if applicable, of the unrecognized deferred tax assets:

	Year Ended December 31,	
	2023	2022
	$	$
One year from reporting date	—	—
Two years from reporting date	—	—
Three years from reporting date	—	—
After three years from reporting date	23,504	12,651
Do not expire	104,065	81,560
Total	127,569	94,211

The major components of income tax expense for the years ended December 31, 2023 and 2022 are as follows:

	Year Ended December 31,	
	2023	2022
	$	$
Current income tax (expense) benefit	1,163	(126)
Deferred income tax (expense) benefit	(2,004)	7,839
Income tax (expense) benefit	(841)	7,713

The company operates in countries that have differing tax laws and rates. Consequently, a consolidated weighted average tax rate will vary from year to year according to the source of earnings or losses by country and the change in applicable tax rates. The below reconciliation has been prepared using a composite statutory-rate for jurisdictions where the Company's subsidiaries operate:

	Year Ended December 31,	
	2023	2022
	$	$
Income (loss) before income tax (expense) benefit	(42,403)	13,229
Net income (loss) not subject to taxes	55,231	31,997
Net income (loss) subject to taxes	(97,634)	(18,768)
Applicable statutory tax rate	22%	12%
Net income (loss) subject to taxes at applicable statutory tax rates	(21,132)	(2,276)
Permanent differences	19,969	2,402
Adjustments related to currency differences	566	875
Derecognition of deferred tax assets and other	1,438	(8,714)
Tax expense (benefit) related to current year	841	(7,713)

The unrecognized tax benefits movements are as follows:

	Year Ended December 31,	
	2023	2022
	$	$
Opening unrecognized tax benefits balance at beginning of year	94,211	—
Increases (Decreases) for positions related to the current year	33,358	94,211
Closing unrecognized tax benefits balance at end of year	127,569	94,211

20. Related Party Transactions

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

The key management personnel 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.

For the years ended December 31, 2023 and 2022 the total compensation expenses of these three key management personnel of the Company are as follows:

	Salary $	Bonus $	Pension Benefits $	Other Benefits $	Total Compensation $
2023	1,373	3,823	57	41	5,294
2022	1,458	4,276	63	48	5,845

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.

   In March 2024, the Company entered into an agreement with Brookfield to amend and extend the 12.50% PIK Notes. Per the amendment terms, interest under the 12.50% PIK Notes is payable in kind at a fixed rate of 12.00% and the facility matures in September 2028.

   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 20a 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 11 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:

	Year Ended December 31,	
	2023	2022
	$	$
General and administrative (1)	(20,833)	(26,208)
Interest expense (2)	(10,260)	(9,095)

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

(2) Includes interest expense of $10.3 million incurred on the 12.50% PIK Notes for the year ended December 31, 2023 (year ended December 31, 2022 - $9.1 million). See Note 20a 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). The carrying value of amounts due to related parties totaled $92.0 million (December 31, 2022 - $89.4 million) and consisted partially of $89.9 million (December 31, 2022 - $79.6 million) 12.50% PIK Notes issued to Brookfield. The remaining amounts due to and from related parties are non-interest bearing and unsecured and relate to amounts due to and from Altera Infrastructure and certain of its subsidiaries.

21. Non-Wholly Owned Subsidiaries

The following tables present the assets and liabilities from the Company's investments in non-wholly owned subsidiaries as at December 31, 2023 and 2022, as well as of revenues, net income, other comprehensive income and distributions for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	2022
	$	$
Current assets	1,917	15,038
Current liabilities	—	2,018

	Year Ended December 31,	
	2023	2022
	$	$
Revenues	112	25,684
Net income (loss) and other comprehensive income (loss)	1,027	9,795
Distributions paid to non-controlling interests	(5,723)	(22,360)

22. Revenues

a) Revenues by type

The Company's primary source of revenues is chartering its shuttle tankers to its customers. The Company utilizes three primary forms of contracts, consisting of contracts of affreightment (*CoAs*), time-charter contracts and voyage charter contracts. During year ended December 31, 2023 and 2022, the Company also generated revenues from the operation of VOC recovery systems on certain of the Company's vessels.

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

	Year Ended December 31,	
	2023	2022
Revenues from contracts with customers	$	$
CoAs	107,528	126,309
Time-charters	99,849	110,379
Management fees and other	5,346	6,122
	212,723	242,810
Other revenues		
CoAs	107,047	108,128
Time-charters	155,419	177,692
Voyage charters	31,037	75,779
	293,503	361,599
Total revenues	506,226	604,409

b) Revenues from External Customers

The table below summarize the Company's revenues by geography based on the operating location of the Company's assets for revenues from contracts with customers for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	2022
	$	$
Revenues from contracts with customers		
Norway [(1)]	134,437	153,645
Brazil [(1)]	21,946	29,476
Canada	56,340	59,689
Total revenues from contracts with customers	212,723	242,810
Other revenues		
Norway [(1)]	179,705	184,629
Brazil [(1)]	44,726	57,937
Canada	69,072	74,224
Other	—	44,809
Total other revenues	293,503	361,599
Total revenues	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.

The following table presents revenues and percentage of consolidated revenues for customers that accounted for more than 10% of the Company’s consolidated revenues during the periods presented:

	Year Ended December 31,	
	2023	2022
	$	$
Equinor ASA	$78.6 or 15.5%	$79.1 or 13.1%
Royal Dutch Shell Plc	$70.9 or 14.0%	$101.4 or 16.8%
BP Plc	—[(1)]	$84.1 or 13.9%

(1) Percentage of consolidated revenue was less than 10%.

c) Finance leases

Leasing of certain vessels and equipment and VOC equipment are accounted for as finance leases.

During the year ended December 31, 2023, the Company recorded finance income of $3.1 million on its investment in finance leases (December 31, 2022 - $3.8 million).

As at December 31, 2023, the minimum lease payments receivable under the Company's finance leases approximated $38.5 million (December 31, 2022 - $50.6 million), including unearned income of $4.9 million (December 31, 2022 - $7.9 million). As at December 31, 2023, future scheduled payments under the finance leases to be received by the Company were as follows:

	Total	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter
	(in millions of U.S. Dollars)						
Finance leases	38.5	11.5	11.5	11.5	4.0	—	—

d) Operating Leases

As at December 31, 2023, the carrying amount of the Company's vessels and equipment subject to operating leases in which the Company is a lessor was $1.6 billion (December 31, 2022 - $1.7 billion).

As at December 31, 2023, the undiscounted contractual earnings receivable of the Company’s operating leases by expected period of receipt were as follows:

	Total	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter
	(in millions of U.S. Dollars)						
Operating leases[(1)]	1,300.3	232.8	201.3	190.1	183.1	186.3	306.7

(1) Excludes earnings from contractual non-firm arrangements.

23. Direct Operating Costs

Direct operating cost include the following expenses: voyage expenses; operating expenses; charter hire and compensation. Voyage expenses are all expenses unique to a particular voyage, including bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. Operating expenses include ship management services, repairs and maintenance, insurance, stores, lube oils and communication expenses. Charter hire expenses represent the cost to charter-in a vessel for a fixed period of time. Compensation includes the compensation costs for crewing and shore-based employees.

Voyage expenses and operating expenses are recognized when incurred except when the Company incurs pre-operational costs related to the repositioning of a vessel that relates directly to a specific customer contract, that generates or enhances resources of the Company that will be used in satisfying performance obligations in the future, and where such costs are expected to be recovered via the customer contract. In this case, such costs are capitalized as contract costs and amortized over the duration of the customer contract.

The Company recognizes operating leases from vessels chartered from other owners in charter hire expenses.

The following table lists direct operating costs for the years ended December 31, 2023 and 2022 by nature:

	Year ended December 31,	
	2023	2022
	$	$
Voyage expenses [(1)]	110,502	162,412
Operating expenses	73,056	71,955
Charter hire	23,203	12,342
Compensation	54,477	58,820
Total	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.

24. Supplemental Cash Flow Information

	Year Ended December 31,	
	2023	2022
	$	$
Interest paid	114,323	91,879
Interest received	5,637	1,586
Income taxes paid	1,556	614

Amounts paid and received for interest were reflected as operating cash flows in the consolidated statements of cash flow.

The changes in non-cash working capital items related to operating activities for the years ended December 31, 2023 and 2022 are as follows:

Changes in non-cash working capital, net	**Year ended December 31,**	
	2023	**2022**
	$	**$**
Accounts and other receivable, net	10,438	(926)
Other assets	6,361	(1,308)
Accounts payable and other	20,611	(495)
Due from (to) related parties	19,964	11,858
Changes in non-cash working capital, net	57,374	9,129

The following table presents the change in the balance of borrowings arising from financing activities as at December 31, 2023 and December 31, 2022:

	Year ended December 31,	
	2023	**2022**
	$	**$**
Opening balance at beginning of year	1,374,613	1,477,772
Cash flows	(142,871)	(110,695)
Non-cash changes:		
Deferred financing costs amortization	5,775	6,541
Other	—	995
Closing balance at end of period	1,237,517	1,374,613

The following table presents the change in the balance of obligations related to leases arising from financing activities as at December 31, 2023 and December 31, 2022:

	Year ended December 31,	
	2023	**2022**
	$	**$**
Opening balance of obligations relating to leases at beginning of year	188,086	199,108
Cash flows related to obligations relating to leases	(11,270)	(11,272)
Non-cash changes:		
Other	216	250
Closing balance of obligations relating to leases at end of year (1)	177,032	188,086

(1) See Note 17 for additional information.

The following table presents the change in the balance of lease liabilities arising from financing activities as at December 31, 2023 and December 31, 2022:

	Year ended December 31,	
	2023	**2022**
	$	**$**
Opening balance of lease liabilities at beginning of year	144	11,126
Cash flows related to lease liabilities	(29)	(11,272)
Non-cash changes:		
Other	1	290
Closing balance of lease liabilities at end of year (1)	116	144

(1) See Note 9 for additional information.

25. Financial Risk Management

The Company recognizes that risk management is an integral part of a strong management practice.

The Company is exposed to the following risks: capital risk, liquidity risk, market risk (i.e. interest rate risk, foreign currency risk and commodity risk), credit risk and climate risk. The following is a description of these risks and how they are managed:

a. Capital risk management

The capital structure of the Company consists of borrowings, offset by cash and equity.

	Year ended December 31,	
	2023	2022
	$	$
Borrowings [1]	1,237,517	1,374,613
Obligations relating to 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 capitalization ratio [3]	73 %	72 %

(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.

The Company manages its debt exposure by financing its operations with non-recourse borrowings in subsidiaries of the Company, ensuring a diversity of funding sources as well as managing its maturity profile. The Company also borrows in U.S. Dollars in order to mitigate its currency risk.

As disclosed in Note 18, the Company has various credit facilities in place. In certain cases, the facilities have financial covenants which are generally in the form of debt service coverage ratios, vessel values to drawn principal balance ratios and minimum liquidity requirements.

b. Liquidity risk management

The Company maintains sufficient financial liquidity to be able to meet its ongoing operating requirements. The Company's primary liquidity needs for the next twelve months are to pay scheduled debt repayments, to pay debt service costs, to pay direct operating costs and dry-docking expenditures, to fund general working capital requirements, to settle potential claims against the Company and to manage its working capital deficit.

For further information on the Company's contractual obligations, including a maturity analysis, please refer to Notes 9, 17 and 18. See Note 2b for the Company’s assessment of its ability to meet these obligations for at least the one-year period to December 31, 2024.

c. Market risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, foreign currency exchange rates and changes in market prices due to factors other than interest rates or foreign currency exchange rates, such as changes in commodity prices or credit spreads.

Financial instruments held or previously held by the Company that are subject to market risk include borrowings and derivative instruments, such as interest rate swaps and foreign currency forward contracts.

i. Interest rate risk management

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 is not part of any interest rate swaps, as the previously entered interest rate swaps have all been terminated. See Note 17 for additional information.

As announced by the Financial Conduct Authority (FCA), the panel bank submissions for US dollar LIBOR ceased in mid-2023. As at December 31, 2023, the Company had transitioned all of its LIBOR-linked contracts to risk-free rates through amendments to fallback clauses in its floating-rate credit facilities and debt instruments which changed the basis for determining the interest rate cash flows from LIBOR to SOFR. The result of the negotiations with external banks and the implementation of SOFR did not have a material impact on the Company’s financial results.

As at December 31, 2023, the Company had outstanding floating-rate debt balance of $1.0 billion (December 31, 2022 $1.0 billion) and an outstanding notional balance of $nil (December 31, 2022 $nil) of interest rate swaps. A 100 basis point decrease in the Company's interest rates is expected to increase future cash flows by $9.5 million (December 31, 2022 - $10.1 million).

The Company is exposed to credit loss in the event of non-performance by the counterparties, all of which are financial institutions, to its foreign currency forward contracts and interest rate swap agreements. In order to minimize counterparty risk, to the extent possible and practical, foreign currency forward contracts and interest rate swaps are entered into with different counterparties to reduce concentration risk.

For further information on the financial instruments held by the Company that are subject to interest rate risk, include borrowings and derivative instruments, please refer to Note 3, which includes the fair values of the interest rate risk sensitive financial instruments, and Notes 17 and 18, which includes the expected cash flows from the interest rate risk sensitive financial instruments.

ii. Foreign exchange risk management

Foreign exchange risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The net income impact to the Company of foreign currency risk associated with financial instruments is limited as its financial assets and liabilities are generally denominated in the Company's functional currency. However, the Company is exposed to foreign currency risk on the net assets of its foreign currency denominated operations. The following tables set out the Company's currency exposure of financial instruments as at December 31, 2023 and 2022:

	December 31, 2023							
(in thousands of U.S. Dollars)	USD	NOK	GBP	CAD	EUR	BRL	Other	Total
Financial assets								
Current assets	88,622	5,763	3,289	17,236	22,207	9,199	246	146,562
Non-current assets	25,418	—	—	—	—	—	—	25,418
Total	114,040	5,763	3,289	17,236	22,207	9,199	246	171,980
Financial liabilities								
Current liabilities	256,173	513	9	3,360	366	—	63	260,484
Non-current liabilities	1,252,504	82	—	—	—	—	—	1,252,586
Total	1,508,677	595	9	3,360	366	—	63	1,513,070

	December 31, 2022							
(in thousands of U.S. Dollars)	USD	NOK	GBP	CAD	EUR	BRL	Other	Total
Financial assets								
Current assets	159,775	3,963	1,223	14,170	22,325	9,201	535	211,192
Non-current assets	34,762	—	—	—	—	—	—	34,762
Total	194,537	3,963	1,223	14,170	22,325	9,201	535	245,954
Financial liabilities								
Current liabilities	415,627	314	7	2,219	433	—	51	418,651
Non-current liabilities	1,237,736	—	—	—	—	—	—	1,237,736
Total	1,653,363	314	7	2,219	433	—	51	1,656,387

The Company's exposures to foreign currencies of financial instruments and the sensitivity of net income and other comprehensive income, on a pre-tax basis, to a 10% change in the exchange rates is summarized below:

	December 31, 2023	
(in thousands of U.S. Dollars)	10% decrease	10% increase
Euros	(2,184)	2,184
Brazilian Real	(920)	920
Canadian Dollars	(1,388)	1,388
Other	(863)	863

	December 31, 2022	
(in thousands of U.S. Dollars)	10% decrease	10% increase
Euros	(2,189)	2,189
Brazilian Real	(920)	920
Canadian Dollars	(1,195)	1,195
Other	(535)	535

iii. Commodity price risk management

The Company could be exposed to changes in forecasted bunker fuel costs when vessels are idle or off hire. The Company may use bunker fuel swap contracts as economic hedges to protect against changes in bunker fuel costs, however, the Company has deemed the exposure to be limited, and therefore, as at December 31, 2023, the Company was not committed to any bunker fuel swap contracts.

d. Credit risk

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations.

The Company assesses the credit worthiness of each counterparty before entering into contracts and ensures that counterparties meet minimum credit quality requirements. The Company also evaluates and monitors counterparty credit risk for derivative financial instruments and endeavors to minimize counterparty credit risk through diversification.

All of the Company’s derivative financial instruments involve either counterparties that are banks or other financial institutions. The Company does not have any significant credit risk exposure to any single counterparty.

Based on no experience of past default of the Company's debtors and no expectations of future losses as a result of default, the Company has determined its credit risk to be low. For the purposes of credit risk, the Company has applied a definition to the term default as an assessment that a counterparty is unlikely to pay, as well as an amount outstanding from a counterparty which is 90 days past due. As at December 31, 2023, the Company recorded an ECL of $0.3 million (December 31, 2022 - $0.3 million).

e. Climate risk

The Company climate-related risks stem mostly from the transition to a decarbonised energy system, in the form of changing market conditions, shifting political and regulatory frameworks, and stigmatisation of the industry, which may increase the cost of financial capital, and make it more difficult to attract and retain talent. Increased pricing of emissions will increase the Company and its clients' costs, and the Company is monitoring proposed changes to emissions and carbon costs closely. The Company also faces some risks arising from the physical and political impacts of climate change. Severe weather events and geopolitical instability resulting from climate change may disrupt the Company's crewing schedules and supply chains and increase the costs of inputs to our business activities.

The Company’s primary revenue stream is owning, leasing and operating shuttle tankers to oil and gas operators. Reduced market demand for long-term, fixed-rate CoA's, time-charter contracts, bareboat contracts and voyage contracts in the long-term could prompt assets within the Company's fleet to become stranded. Climate change issues may cause a shift toward alternative sources of energy, lowering demand for our services, resulting in potential impairments impacting the book value of the Company's assets. The Company evaluates its assets with various considerations and sensitivities in this regard and has not identified any stranded assets as at December 31, 2023.

The Company supports the core objectives of the Paris Agreement on Climate Change and the global goal to achieve climate neutrality by 2050. Meeting this ambition within the infrastructure of offshore energy will require individual players to dramatically reduce their emissions from current activities and industry-wide action to develop a new climate-neutral model. The International Maritime Organization (IMO) has set a target to reduce the carbon intensity of international shipping by 40% by 2030, compared to a calculated 2008 baseline; the Company has set a reduction pathway in line with such endeavors.

During 2023, the Company sold one shuttle tankers, thus making the operations and fleet more resilient towards stringent environmental regulations and reduces residual value risk. The Company's E-shuttle tankers are some of the most advanced and energy efficient shuttle tankers on the market. They boast a unique future-proof design that can use liquid natural gas (LNG), recovered volatile organic compound emissions, and even potential zero-emissions fuels, such as bio-LNG and synthetic methane, as fuel. A Green Bond was raised to part-finance the E-Shuttles, and all proceeds from this bond have been used for this purpose. The bond received a light green rating from Cicero.

The Company expects reasonably steady operational conditions in the near to medium-term with the potential for more transformative changes to the energy sector in the long-term. The long-term impacts on the energy sector are still relatively unknown and hard to predict. To respond to this market risk, the Company is investigating new commercial models aligned with the energy transition.

26. Subsequent Events

In March 2024, the Company issued $200.0 million in senior unsecured bonds in the Norwegian bond market that mature in March 2028. These bonds will be listed on the Oslo Stock Exchange. The interest payments on the bonds are fixed at a rate of 9.0% and are payable semi-annually. The proceeds plus cash on hand were used to repurchase $179.8 million of its $200.0 million five-year unsecured bonds that mature in October 2024, which were issued in October 2019 and $27.0 million of its $180.0 million four-year senior unsecured bonds that mature in December 2025, which were issued in December 2021.

In March 2024, the Company entered into an agreement with Brookfield to amend and extend the 12.50% PIK Notes. Per the amendment terms, interest under the 12.50% PIK Notes is payable in kind at a fixed rate of 12.00% and the facility matures in September 2028.

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.

SEPARATE FINANCIAL STATEMENTS

ALTERA SHUTTLE TANKERS L.L.C.

For the years ended December 31, 2023 and 2022

The following supplemental separate financial statements of Altera Shuttle Tankers L.L.C. (the "Parent Company") have been prepared on a non-consolidated basis in order to comply with the Securities Trading Act and reporting obligations of the Oslo Stock Exchange.

ALTERA SHUTTLE TANKERS L.L.C.
SEPARATE STATEMENTS OF FINANCIAL POSITION
(in thousands of U.S. dollars)

		Year Ended December 31,	
		2023	**2022**
	Notes	**$**	**$**
ASSETS			
Current assets			
Cash and cash equivalents	3	58,078	39,801
Financial assets	4	4,031	875
Due from subsidiaries	5	463,050	579,044
Due from related parties	5	2,255	22,923
Total current assets		527,414	642,643
Non-current assets			
Investments in subsidiaries	5	834,437	707,911
Total non-current assets		834,437	707,911
Total assets		1,361,851	1,350,554
LIABILITIES			
Current liabilities			
Accounts payable and other	6,7	18,357	14,015
Other financial liabilities	8	—	321
Borrowings	9	220,961	72,685
Due to subsidiaries	5	30,147	48,696
Due to related parties	5	3,302	4,269
Total current liabilities		272,767	139,986
Borrowings	9	704,872	903,132
Due to related parties	5	89,854	79,594
Total non-current liabilities		794,726	982,726
Total liabilities		1,067,493	1,122,712
EQUITY			
Contributions		1,048,002	1,004,819
Accumulated deficit		(753,644)	(776,977)
Total equity		294,358	227,842
Total liabilities and total equity		1,361,851	1,350,554

The accompanying notes are an integral part of the separate financial statements.

ALTERA SHUTTLE TANKERS L.L.C.
SEPARATE STATEMENTS OF INCOME (LOSS)
(in thousands of U.S. dollars)

		Year Ended December 31,	
		2023	**2022**
	Notes	**$**	**$**
Dividend income		218,161	10,500
General and administrative expenses	5	(1,227)	(1,216)
Depreciation and amortization		(15)	—
Interest expense	5	(98,139)	(77,486)
Interest income	5	30,691	22,385
Impairment expense, net	5	(122,930)	(12,461)
Realized and unrealized gain (loss) on derivative instruments	8	1,328	(1,822)
Foreign currency exchange gain (loss)		(4,576)	(7,250)
Other income (expenses), net		40	(4)
Net income (loss)		23,333	(67,354)
Attributable to:			
Members		23,333	(67,354)

The accompanying notes are an integral part of the separate financial statements.

ALTERA SHUTTLE TANKERS L.L.C.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands of U.S. dollars)

		Year Ended December 31,	
		2023	**2022**
	Notes	**$**	**$**
Net income (loss)		23,333	(67,354)
Other comprehensive income (loss):			
Items that may be reclassified subsequently to net income (loss):			
To interest expense:			
Realized gain on qualifying cash flow hedging instruments	8	—	(534)
Total other comprehensive income (loss)		—	(534)
Comprehensive income (loss)		23,333	(67,888)
Attributable to:			
Members		23,333	(67,888)

The accompanying notes are an integral part of the separate financial statements.

ALTERA SHUTTLE TANKERS L.L.C.
SEPARATE STATEMENTS OF CHANGES IN TOTAL EQUITY
(in thousands of U.S. dollars)

	Notes	Accumulated deficit $	Accumulated Other Comprehensive Income $	Contributions $	Total $
Balance as at January 31, 2022		(709,623)	534	989,819	280,730
Net income (loss)		(67,354)	—	—	(67,354)
Contribution of capital from Altera Infrastructure Holdings L.L.C.		—	—	15,000	15,000
Other comprehensive income (loss)	8	—	(534)	—	(534)
Balance as at December 31, 2022		(776,977)	—	1,004,819	227,842
Net income (loss)		23,333	—	—	23,333
Return of capital from subsidiaries	5	—	—	43,183	43,183
Balance as at December 31, 2023		(753,644)	—	1,048,002	294,358

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

ALTERA SHUTTLE TANKERS L.L.C.

SEPARATE STATEMENTS OF CASH FLOWS

(in thousands of U.S. dollars)

	Notes	Year Ended December 31, 2023 $	2022 $
OPERATING ACTIVITIES			
Net income (loss)		23,333	(67,354)
Adjusted for the following items:			
Impairment expense, net	5	122,930	12,461
Unrealized (gain) loss on derivative instruments	8	(3,476)	(2,228)
Other non-cash items		(20)	2,166
Changes in non-cash working capital, net	10	131,748	159,012
Net operating cash flow		274,515	104,057
FINANCING ACTIVITIES			
Proceeds from borrowings	9	220,000	—
Repayments of borrowings	9	(269,687)	(148,044)
Capital provided by member		—	15,000
Net financing cash flow		(49,687)	(133,044)
INVESTING ACTIVITIES			
Net investment in cost-accounted subsidiaries	5	(249,456)	6,369
Return of capital from subsidiaries	5	43,183	—
Net investing cash flow		(206,273)	6,369
Cash and cash equivalents			
Change during the period		18,555	(22,618)
Impact of foreign exchange on cash		(278)	(33)
Balance, beginning of period		39,801	62,452
Balance, end of period		58,078	39,801

Supplemental cash flow information *(note 10)*

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

1. Nature and Description of the Company

Altera Shuttle Tankers L.L.C. (*Altera Shuttle Tankers* or the *Company*), a wholly-owned subsidiary of Altera Infrastructure Partners 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 main activity of the Company is a holding company of ship-owning subsidiaries.

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 and place of effective management 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. Material Accounting Policy Information

a. Basis of presentation

These separate financial statements of the Company have been prepared in accordance with 'IFRS(R) Accounting Standards' as issued by the International Accounting Standards Board (or *IFRS*) and using the accounting policies described below. The separate 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.

These financial statements are prepared on a non-consolidated basis in order to comply with the Securities Trading Act of the Oslo Stock Exchange.

These separate financial statements were approved by the Company's Board of Directors and authorized for issue on April 18, 2024.

b. Going concern

The working capital surplus of $254.6 million as at December 31, 2023 has decreased from a working capital surplus of $502.7 million as at December 31, 2022. This decrease of $248.0 million is primarily related to a decrease of $463.1 million in to due from subsidiaries and an increase in current borrowings of $148.3 million.

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%, both covenants calculated on the Altera Shuttle Tanker Group.

Based on the Company’s liquidity at the date of these consolidated financial statements, undrawn lines under the revolving credit facility, successful bond refinancing 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.

c. Foreign currency

The U.S. dollar is the functional and presentation currency of the Company. The Company’s vessels operate in international shipping markets, in which substantially all income and expenses are settled in U.S. dollars. In addition, the Company's most significant assets, its vessels and equipment, are bought and sold in in U.S. dollars and the Company's most significant liabilities, its commercial bank borrowings, are denominated in U.S. dollars. Foreign currency denominated monetary assets and liabilities are translated using the rate of exchange prevailing at the reporting date and non-monetary assets and liabilities are measured at historic cost and are translated at the rate of exchange at the transaction date. Foreign currency denominated revenues and expenses are measured at average rates during the period. Gains or losses on translation of these items are included in foreign currency exchange gain (loss) in the separate statements of income (loss).

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, non-restricted deposits and short-term investments with original maturities of three months or less.

e. Accounts and other receivable, net

Accounts and other receivable, net includes trade receivables and other unbilled receivables. Accounts and other receivable, net, except for trade receivables, are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are recognized initially at their transaction price.

f. Related party transactions

In the normal course of operations, the Company enters into various transactions with related parties, which have been measured at their fair value, which generally is the agreed upon exchange value and are recognized in the separate financial statements. Related party transactions are further described in Note 5.

g. Dividend income

Dividend income is recognized when the right to receive payment is established, which is when the dividend is approved by the general meeting of the subsidiary. Dividend income is recognized based on the accumulated earnings of the subsidiary and any excess distributions is recognized in the statement of income (loss).

h. Investment in subsidiaries

The Company accounts for investments in subsidiaries using the cost method of accounting. No income is recorded related to the investments in subsidiaries except for dividends received. At each reporting date the Company assesses if an event has occurred or circumstances have changed that would indicate that the recoverable amount of the investment in a subsidiary was below its carrying value. This assessment includes a review of internal and external factors which includes, but is not limited to, changes in the technological, political, economic or legal environment in which the subsidiary operates, structural changes in the industry, changes in the level of demand, physical damage and obsolescence due to technological changes. An impairment is recognized if the recoverable amount, determined as the higher of the estimated fair value less costs of disposal or the value in use, is less than the carrying value of the asset.

The following provides information about the Company's wholly-owned subsidiaries as at December 31, 2023:

Name of Subsidiary	State of Formation	Proportion of Ownership Interest
Altera (Atlantic) Chartering ULC	Canada	100%
Altera (Atlantic) Management ULC	Canada	100%
Altera Grand Banks AS	Norway	100%
Altera Grand Banks Shipping AS	Norway	100%
Altera Infrastructure Holdings Pte. Ltd.	Singapore	100%
Altera Norway Holdings AS	Norway	100%
Altera Norway Marine AS	Norway	100%
Altera Shuttle Loading AS	Norway	100%
Altera Shuttle Loading Pte. Ltd.	Singapore	100%
Altera Shuttle Tankers UK Limited	United Kingdom	100%
Altera Wave AS	Norway	100%
Altera Wind AS	Norway	100%
Amundsen Spirit AS	Norway	100%
Aurora Spirit AS	Norway	100%
Bossa Nova Spirit LLC	Marshall Islands	100%
Current Spirit AS	Norway	100%
Lambada Spirit LLC	Marshall Islands	100%
Nansen Spirit LLC	Marshall Islands	100%
Nordic Brasilia FSO LLC	Marshall Islands	100%
Nordic Brasilia LLC	Marshall Islands	100%
Peary Spirit LLC	Marshall Islands	100%
Rainbow Spirit AS	Norway	100%
Samba Spirit LLC	Marshall Islands	100%
Scott Spirit LLC	Marshall Islands	100%
Sertanejo Spirit LLC	Marshall Islands	100%
Tide Spirit AS	Norway	100%

The following table presents details of non-wholly owned subsidiaries of the Company as at December 31, 2023:

Name of Subsidiary	State of Formation	Proportion of Ownership Interest
Navion Gothenburg LLC	Marshall Islands	50%
Nordic Rio LLC	Marshall Islands	50%

For the 50% owned entities above the Company has determined that the entities are non-wholly owned subsidiaries of the Company based on its assessment of control. For non-wholly owned subsidiaries, the Company is exposed to variable returns from its involvement with the investee and has substantive decision making authority to affect the returns of its investment, as well as the power to direct the activities of the entities that can significantly impact the economic performance of the entity.

i. Financial instruments

Classification and measurement

The table below summarizes the Company's classification and measurement of financial assets and liabilities:

	Measurement Category	Separate Statement of Financial Position Account
Financial assets		
Cash and cash equivalents	Amortized cost	Cash and cash equivalents
Restricted cash	Amortized cost	Financial assets
Derivative instruments	FVTPL	Financial assets
Other financial assets	Amortized cost	Financial assets
Accounts receivable	Amortized cost	Accounts and other receivable, net
Due from related parties	Amortized cost	Due from related parties
Investment in finance leases	Amortized cost	Other assets
Financial liabilities		
Accounts payable and other	Amortized cost	Accounts payable and other
Derivative instruments	FVTPL	Other financial liabilities
Obligations relating to finance	Amortized cost	Other financial liabilities
Due to related parties	Amortized cost	Due to related parties
Borrowings	Amortized cost	Borrowings

The classification of financial assets depends on the specific business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

At initial recognition, the Company measures a financial asset or liability at its fair value plus, in the case of a financial asset not at fair value through profit or loss (or *FVTPL*), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets and liabilities carried at FVTPL are expensed in Other income (expenses), net in the separate statements of income (loss).

Financial assets measured at amortized cost are based on their contractual cash flow characteristics and the business model for which they are held. Financial assets classified as amortized cost are recorded initially at fair value, then subsequently measured at amortized cost using the effective interest rate method, less any impairment.

Financial liabilities measured at amortized cost are initially recorded at fair value and in the case of borrowings, net of directly attributable transaction costs. Financial liabilities are then subsequently measured at amortized cost using the effective interest rate method with gains or losses recognized in the separate statements of income (loss).

Impairment

The Company recognizes a loss allowance for expected credit losses (or *ECL*) on financial assets measured subsequently at amortized cost, including amounts due from subsidiaries and related parties. The ECL is recognized upon inception of the financial asset and revised at each reporting date thereafter until maturity or disposal of the financial asset. The Company measures the loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on a financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly, the Company measures the loss allowance for that financial instrument at an amount equal to 12-months ECL. In making this assessment, the Company considers information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

The Company utilizes a simplified approach for measuring the loss allowance at an amount equal to the lifetime ECL for trade receivables, contract assets and investment in finance leases. The ECL on trade receivables are estimated using reference to past default experience of the debtor and an analysis of the debtor's current financial position, which also forms a basis for the Company's future expectations for potential defaults of the debtor.

The ECL is presented as a direct reduction to the carrying value of the financial asset it relates to. The initial recognition of an ECL and all changes to an ECL at each reporting date thereafter are reflected in Other income (expenses), net in the separate statements of income (loss). The Company has not recorded an ECL for all periods presented in these separate financial statements.

Derivative instruments

The Company selectively utilizes derivative financial instruments primarily to manage financial risks, including foreign exchange risks and interest rate risks. All derivative instruments are initially recorded at fair value as either assets or liabilities in the accompanying separate statements of financial position and subsequently remeasured to fair value, regardless of the purpose or intent for holding the derivative instruments.

Hedge accounting is applied when the derivative is designated as a hedge of a specific exposure and there is assurance that it will continue to be highly effective as a hedge based on an expectation of offsetting cash flows or fair value. Hedge accounting is not applied if the hedge is not effective or will no longer be effective, the derivative was sold or exercised, or the hedged item was sold, repaid or is no longer probable of occurring. Hedge accounting is discontinued prospectively when the derivative no longer qualifies as a hedge or the hedging relationship is terminated. Once discontinued, the cumulative change in fair value of a derivative that was previously recorded in other comprehensive income by the application of hedge accounting will be recognized in the Company's profit or loss over the remaining term of the original hedging relationship as amounts related to the hedged item are recognized in profit or loss. The Company has not designated, for accounting purposes, any derivatives as hedges of a specific exposure for all periods presented in these separate financial statements.

For derivative financial instruments that are not designated as accounting hedges, the changes in the fair value of the derivative financial instruments are recognized in the profit or loss. Gains and losses from the Company's non-designated foreign currency forward contracts and interest rate swaps are recorded in realized and unrealized gain (loss) on derivative instruments in the separate statements of income (loss). The assets or liabilities relating to unrealized mark-to-market gains and losses on derivative financial instruments are recorded in financial assets and other financial liabilities, respectively.

j. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value measurement is disaggregated into three hierarchical levels: Level 1, 2 or 3. Fair value hierarchical levels are based on the degree to which the inputs to the fair value measurement are observable. The levels are as follows:

Level 1 -	Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
Level 2 -	Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the asset's or liability's anticipated life.
Level 3 -	Inputs are unobservable and reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs in determining the estimate.

Further information on fair value measurements is described in Note 3.

k. Deferred financing costs

Deferred financing costs related to a borrowing, including bank fees, commissions and legal expenses, are capitalized and amortized over the term of the relevant loan facility to interest expense using an effective interest rate method. Deferred financing costs are presented as a reduction from the carrying amount of the related financial liability, unless no amounts have been drawn under the debt liability or the debt issuance costs exceed the carrying value of the related debt liability, in which case the debt issuance costs are presented as Other non-current assets.

If a debt modification is considered substantial, fees paid to amend an arrangement pursuant to which a credit facility is extinguished are associated with the extinguishment of the old debt instrument and included in determining the debt extinguishment gain or loss to be recognized. Any unamortized deferred financing costs are written off. If a debt modification is not considered substantial, then the fees associated with the modification, along with any existing unamortized deferred financing costs and premium or discount, are included in the calculation of the gain or loss associated with the modification. The remeasurement of the financial instrument is recalculated by discounting the revised estimated future cash flows at the instrument's original effective interest rate.

l. Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the separate 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. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. 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.

Critical judgments and estimates made by management and utilized in the normal course of preparing the Company's separate financial statements are outlined below.

(i) Impairment

Judgement is required to determine whether any indication of impairment exists at the end of each reporting period, which includes assessing observable indications that the asset's value has declined during the period. Management assesses whether there are indicators of impairment, such as significant changes in commodity prices or declining conditions of future operations.

(ii) 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. See Note 11e) for additional information.

The shipping industry will become incrementally subject to the EU Emission Trading System (EU ETS) in 2024 which will require the Company to purchase carbon-offset credits. As a consequence, the Company's voyage expenses will increase and could negatively impact the profitability and cash flows unless offset by an increase in revenue. As at December 31, 2023, the Company did not hold any material EU allowances.

(iii) *The Invasion of Ukraine by Russia*

The Company has no operations or contracts with counterparties in Ukraine, Belarus or Russia and did not experience any material impact from the invasion of Ukraine by Russia 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.

Additionally, since December 2023, there have been multiple drone and missile attacks on commercial vessels transiting international waters in the southern Red Sea by groups believed to be affiliated with the Yemen-based Houthi rebel group purportedly in response to the ongoing military conflict between Israel and Hamas. The continued military actions by the U.S., Israel, Iran and their associated allies and/or rebel military groups continue to threaten the political stability of the Middle East and may lead to further military conflicts. The Company cannot predict the severity or length of the current conditions impacting international shipping in this region and the continuing disruption of the trade routes in the region of the Red Sea. The Company has no operations or commitments to operate in the Red Sea region and did not experience any material impact from the conflict 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.

(iv) *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.

m. 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. Amendments to IAS 1 – Presentation of financial statements

The amendments clarify how to classify debt and other liabilities as current or non-current. The amendments to IAS 1 apply to annual reporting periods beginning on or after January 1, 2024. The Company is currently assessing the impact of these amendments on the separate financial statements. The Company does not expect a significant impact on the separate financial statements from this future adoption.

ii. Amendments to IAS 1 and IFRS Practice Statement 2

The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company adopted the amendments to IAS 1 and IFRS Practice Statement 2 on January 1, 2023. The adoption of the amendments did not have a significant impact on the Company's separate financial statements as at and for the year ended December 31, 2023.

3. Fair Value of Financial Instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics and risk profiles, or internal or external valuation models, such as discounted cash flow analysis, maximizing observable market inputs.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, the Company looks primarily to external readily observable market inputs such as interest rate yield curves and price and rate volatilizes as applicable. Financial instruments classified as fair value through profit or loss (or *FVTPL*) are carried at fair value in the separate statements of financial position and changes in fair values are recognized in profit or loss.

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

	December 31, 2023			December 31, 2022		
Measurement Basis	**FVTPL $**	**Amortized cost $**	**Total $**	**FVTPL $**	**Amortized cost $**	**Total $**
Financial assets						
Cash and cash equivalents	—	58,078	58,078	—	39,801	39,801
Financial assets[(1)]	4,031	—	4,031	875	—	875
Due from subsidiaries	—	463,050	463,050	—	579,044	579,044
Due from related parties	—	2,255	2,255	—	22,923	22,923
Total	4,031	523,383	527,414	875	641,768	642,643
Financial liabilities						
Accounts payable and other	—	18,357	18,357	—	14,015	14,015
Other financial liabilities (current and non-current)[(1)]	—	—	—	321	—	321
Due to subsidiaries	—	30,147	30,147	—	48,696	48,696
Due to related parties (current and non-currrent)	—	93,156	93,156	—	83,863	83,863
Borrowings (current and non-current)	—	925,833	925,833	—	975,817	975,817
Total	—	1,067,493	1,067,493	321	1,122,391	1,122,712

(1) Refer to Derivative financial instruments in Note 8 for additional information.

Included in cash and cash equivalents as at December 31, 2023 is $58.1 million of cash (December 31, 2020 - $39.8 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 $0.9 billion (December 31, 2022: $0.9 billion) versus a carrying value of $0.9 billion (December 31, 2022: $1.0 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 years ended December 31, 2023 and December 31, 2022. The following table categorizes financial assets and liabilities, which are carried at fair value on a recurring basis, based upon the level of input as at December 31, 2023 and 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	—

The following table summarizes the valuation techniques and key inputs used in the fair value measurement of Level 2 financial instruments:

Type of Asset / Liability	Carrying value December 31, 2023 $	Carrying value December 31, 2022 $	Valuation Techniques and Key Inputs
Derivative instruments	4,031	553	The fair value of derivative instruments incorporates observable forward exchange rates and forward interest rates from observable yield curves, respectively, at the end of the reporting period, and the current credit worthiness of both the Company and the derivative counterparties. The estimated amount is the present value of future cash flows.

4. Financial Assets

	Year Ended December 31,	
	2023	2022
	$	$
Current		
Derivative instruments [1]	4,031	875
Total current	4,031	875

(1) Refer to derivative financial instruments in Note 8 for additional information.

5. Investment in Subsidiaries and Related Parties Transactions

The following table presents the change in Investment in subsidiaries as at December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	2022
	$	$
Gross carrying amount:		
Opening balance at beginning of year	1,085,356	1,091,725
Additions	321,241	3,107
Dispositions	71,785	9,476
Closing balance at end of year	1,334,812	1,085,356
Accumulated Impairment:		
Opening balance at beginning of year	377,445	364,984
Impairment expense, net	122,930	12,461
Closing balance at end of period	500,375	377,445
Net book value	834,437	707,911

Additions & Dispositions

Additions for the year ended December 31, 2023 was $321.2 million, primarily related to a $182.2 million capital increase in Altera Norway Holdings AS and a $139.1 million addition of investments in Bossa Nova Spirit L.L.C. and Sertanejo Spirit L.L.C after a common control transaction was undertaken, whereby the Company's subsidiary, Altera Shuttle Tanker Finance L.L.C. was dissolved by way of merger into the Company. The investments in subsidiaries was accounted for by recognizing the historical cost of the investments acquired. The disposition of $71.8 million relates to the derecognition of ownership in the Altera Shuttle Tanker Finance L.L.C..

During the year ended December 31, 2023, a common control transaction was undertaken, whereby the Company's subsidiary Navion Bergen AS was sold to Altera Infrastructure Production Holdings Limited, and changed it's name to Altera Infrastructure Voyageur AS. The were no investment values in the Company at the date of transition.

Additions for the year ended December 31, 2022 was $3.1 million and mainly related to paid in capital to Navion Gothenburg LLC of $3.0 million. Dispositions for the year ended December 31, 2022 was $9.5 million and mainly related to payment of capital from Nordic Rio LLC.

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, increasing the Company's investment in subsidiaries by $0.1 million.

Impairment expense, net

During the year ended December 31, 2023, the carrying value of the Company's investment in Altera Infrastructure Holdings Pte. Ltd., Navion Gothenburg L.L.C. and Nordic Rio L.L.C. was written down by $119.9 million, $1.9 million and $1.0 million respectively, to their estimated recoverable amount using an appraised value approach. The Company's separate statement of income (loss) for the year ended December 31, 2023 includes an impairment charge of $122.9 million relating to the decrease in fair value.

During the year ended December 31, 2022, the carrying value of the Company's investment in Navion Gothenburg L.L.C. and Stena Ugland Shuttle Tankers DA III was written down by $12.1 million and $0.3 million, respectively, to their estimated recoverable amounts using an appraised value approach. The Company's separate statement of income (loss) for the year ended December 31, 2022 includes an impairment charge of $12.4 million relating to the decrease in fair value.

Balances with subsidiaries

The Company provides and receives financing to and from certain of its subsidiaries through short-term loans. Except for the balances described below, the amounts are non-interest bearing and have no fixed repayment terms. The fair values of the Company's balances due to / from subsidiaries approximate their carrying amounts reported in the accompanying separate statements of financial position.

	Balances with subsidiaries as at December 31, 2023		Balances with subsidiaries as at December 31, 2022	
	Short-term receivables	Short-term payables	Short-term receivables	Short-term payables
Company name	$	$	$	$
Altera (Atlantic) Management ULC	—	—	114	—
Altera Shuttle Tanker Finance L.L.C. (5)(6)	—	—	—	15,599
Altera Grand Banks Shipping AS (3)(5)	18,861	1,112	19,273	1,112
Altera Infrastructure Holdings Pte Ltd	3	—	9	—
Altera Norway Holdings AS (4)	42,869	—	46,076	—
Altera Norway Marine AS	—	49	—	996
Altera Shuttle Loading AS (7)	121,750	—	1,992	—
Altera Shuttle Loading Pte. Ltd (1)	—	495	13,598	—
Altera Wave AS (5)	3,629	1,297	15,719	1,297
Altera Wind AS (5)	3,778	912	19,147	912
Amundsen Spirit AS	—	—	—	1,614
Amundsen Spirit L.L.C.	—	—	—	—
Aurora Spirit AS (2)(5)	55,967	557	102,682	557
Bossa Nova Spirit L.L.C. (5)	—	2,902	—	1,899
Current Spirit AS (2)(5)	62,299	293	113,472	293
Lambada Spirit L.L.C. (5)	13,639	—	9,660	—
Nansen Spirit L.L.C. (5)	—	7,008	2,997	173
Navion Gothenburg L.L.C.	—	—	1,000	—
Nordic Brasilia L.L.C	1	212	940	212
Nordic Rio L.L.C.	—	—	1	—
Peary Spirit L.L.C. (5)	—	2,931	—	9,190
Rainbow Spirit (2)(5)	58,914	511	105,812	511
Samba Spirit L.L.C. (5)	17,803	—	11,776	—
Scott Spirit L.L.C. (5)	—	2,882	—	13,893
Sertanejo Spirit L.L.C. (5)	—	8,548	1,547	—
Tide Spirit AS (2)(5)	63,537	438	113,229	438
Balance with subsidiaries	463,050	30,147	579,044	48,696

(1) The Company has a revolving credit facility provided by Altera Shuttle Loading Pte Ltd. which incurs interest at SOFR plus a margin of 6% and is due on demand within 30 business days. As at December 31, 2023, the balance under the revolving credit facility is $nil (December 31, 2022 - $nil). As at December 31, 2023, the Company incurred $1.6 million (December 31, 2022 - $0.1 million) of interest expense related to this facility.

(2) The Company has term loans provided to Aurora Spirit AS, Rainbow Spirit AS, Tide Spirit AS and Current Spirit AS which incur interest at SOFR plus a margin of 6.50% and mature on October 18, 2024. As at December 31, 2023, the balance of such term loans due from subsidiaries is $200.0 million (December 31, 2022 - $202.5 million), of which $23.9 million relates to accrued interest income (December 31, 2022 - $16.9 million).

(3) The Company has a demand loan provided to Altera Grand Banks Shipping AS which incurs interest at EURIBOR plus margin of 8.0% and is due on demand within 30 business days. As at December 31, 2023, the balance under the loan is $18.9 million (December 31, 2022 - $19.3 million), of which $2.1 million relates to accrued interest income (December 31, 2022 - $1.8 million).

(4) The Company has a demand loan provided to Altera Norway Holdings AS which incurs interest at 7.70% and is due on demand within 30 business days. As at December 31, 2023, the balance under the loan is $42.9 million (December 31, 2022 - $46.1 million), of which $2.8 million relates to accrued interest income (December 31, 2022 - $3.1 million).

(5) As at December 31, 2023, $945.4 million of equity within the following investments in subsidiaries was pledged for various debt agreements (December 31, 2022 - $766.3 million)

(6) During the year ended December 31, 2023, Altera Shuttle Tanker Finance L.L.C. was dissolved by way of merger into the Company.

(7) The Company has a demand loan provided to Altera Shuttle Loading AS which incurs interest at 12% and is due on demand within 30 business days. As at December 31, 2023, the balance under the loan is $119.3 million (December 31, 2022 - $nil), of which $nil relates to accrued interest income (December 31, 2022 - $nil).

Balances with related parties

The Company provides and receives advances to and from its related parties through short-term loans. The amounts are non-interest bearing and have no fixed repayment terms. The fair values of the Company's balances due to / from related parties approximate their carrying amounts reported in the accompanying separate statements of financial position.

	Balances with ultimate parent company and related parties as at December 31, 2023		Balances with ultimate parent company and related parties as at December 31, 2022	
	Short-term due from related parties	Short-term due to related parties (2)	Short-term due from related parties	Short-term due to related parties
Company name	$	$	$	$
Altera Infrastructure L.P.	438	5	6,962	—
Altera Infrastructure Norway AS	—	68	—	832
Altera Infrastructure Holdings L.L.C.	1,782	3,229	13,522	3,228
Altera Infrastructure Production (Singapore) Pte. Ltd.	—	—	177	—
Altera Infrastructure Services Pte. Ltd.	29	—	—	209
Altera Production UK Limited	6	—	13	—
ALP Maritime Services B.V.	—	—	2,249	—
Balance with related parties	2,255	3,302	22,923	4,269

(1) The Company had a demand promissory note provided to Altera Infrastructure Holdings L.L.C. which incurred interest at LIBOR plus a margin of 0.80% and was due on demand within 30 business days or matured on September 30, 2026. As at December 31, 2023, the balance under promissory note was $nil million (December 31, 2022 - $11.0 million).

(2) Trade related in the course of ordinary business.

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.

In March 2024, the Company entered into an agreement with Brookfield to amend and extend the 12.50% PIK Notes. Per the amendment terms, interest under the 12.50% PIK Notes is payable in kind at a fixed rate of 12.00% and the facility matures in September 2028.

Transactions with related parties

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

The Company's related party transactions recognized in the separate statements of income (loss) were as follows for the periods indicated:

	Year Ended December 31,	
	2023	2022
	$	$
General and administrative (1)	(77)	(589)
Interest expense (2)	(10,260)	(9,095)

(1) Includes commercial, technical, strategic, business development and administrative management fees charged by Altera Infrastructure and its wholly-owned subsidiaries.

(2) Includes interest expense of $10.3 million incurred on the 12.50% PIK Notes for the year ended December 31, 2023 (year ended December 31, 2022 - $9.1 million). See Note 20a for additional information.

6. Accounts Payable and Other

	Year Ended December 31,	
	2023	2022
	$	$
Current		
Accrued liabilities (1)	18,357	14,015
Total current	18,357	14,015

(1) See Note 7 for additional information.

7. Accrued Liabilities

	Year Ended December 31,	
	2023	2022
	$	$
Interest including interest rate swaps	18,152	14,005
Audit, legal and other general expenses	205	10
	18,357	14,015

8. Other Financial Liabilities

	Year Ended December 31,	
	2023	2022
	$	$
Current		
Foreign currency forward contracts	4,031	321
Total current	4,031	321

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	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 reduce 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 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 June 30, 2022, had a notional amount of $100.0 million and a total fair value asset of $nil.

During the 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 (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 separate statements of income (loss) for the years ended December 31, 2023 and 2022 as follows:

	Year Ended 2023 $	December 31, 2022 $
Realized gain (loss) on derivative instruments		
Interest rate swap	—	(706)
Foreign currency forward contracts	(2,148)	(3,344)
	(2,148)	(4,050)
Unrealized gain (loss) on derivative instruments		
Interest rate swap	—	1,277
Foreign currency forward contracts	3,476	951
	3,476	2,228
Total realized and unrealized gain (loss) on derivative instruments	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	—	—	—	—	—

9. Borrowings

	December 31, 2023 $	December 31, 2022 $	Weighted average term December 31, 2023 (years)	Weighted average term December 31, 2022 (years)	Weighted average rate December 31, 2023 (%)	Weighted average rate December 31, 2022 (%)
Revolving Credit Facilities	220,000	244,201	4.84	1.39	8.14	7.24
Term Loans	339,039	362,026	4.50	5.59	6.86	5.26
Public Bonds	377,500	380,000	1.35	2.35	10.85	10.13
Total	936,539	986,227	3.10	3.30	8.77	7.62
Less: deferred financing costs and other	(10,706)	(10,410)				
Total borrowings	925,833	975,817				
Less current portion	(220,961)	(72,685)				
Long-term portion	704,872	903,132				

Revolving Credit Facilities

As at December 31, 2023, the Company had one revolving credit facility outstanding, secured by eight vessels (December 31, 2022- one credit facility outstanding secured by eight vessels), with a combined carrying value of $543.3 million (December 31, 2022 - $442.7 million), which, as at such date, provided for total borrowings of up to $220.0 million (December 31, 2022 - $244.2 million), and was fully drawn (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 outstanding secured by four vessels (December 31, 2022 - secured by four vessels) with a combined carrying value of $450.3 million (December 31, 2022 - $471.7 million), which, as at such date, provided

for total borrowings of $339.0 million (December 31, 2022 - $362.0 million). The term loans reduce over time with quarterly or semi-annual payments and have varying maturities through 2032.

Public Bonds

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

In March 2024, the Company issued $200.0 million in senior unsecured bonds in the Norwegian bond market that mature in March 2028. These bonds will be listed on the Oslo Stock Exchange. The interest payments on the bonds are fixed at a rate of 9.0% and are payable semi-annually. The proceeds plus cash on hand were used to repurchase $179.8 million of its $200.0 million five-year unsecured bonds that mature in October 2024, which were issued in October 2019 and $27.0 million of its $180.0 million four-year senior unsecured bonds that mature in December 2025, which were issued in December 2021.

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:							
Secured debt - scheduled repayments	141.3	23.0	23.0	16.1	13.8	13.8	51.6
Secured debt - repayments on maturity	417.7	—	—	213.3	45.2	159.2	—
Bond repayments	377.5	199.0	178.5	—	—	—	—
Total borrowings	936.5	222.0	201.5	229.4	59.0	173.0	51.6

See Note 5 for information regarding the Company's borrowings due to related parties.

In addition to the secured vessels discussed above, the Company's loan agreements typically includes customary security provisions including assignment of insurance and earnings, pledged in favor of our lenders. As at December 31, 2023, the Company's pledged accounts consisted of $0.9 million in Cash and cash equivalents ($34.5 million - December 31, 2022), $nil in Financial assets (current and non-current) ($nil - December 31, 2022), and $nil in Accounts and other receivable, net (current and non-current) ($nil - December 31, 2022). As at December 31, 2023, the Company has no guarantee coverage arrangements with financial institutions in the event of default ($8.8 million - December 31, 2022). As at December 31, 2023, the Company was in compliance with all covenant requirements of its revolving credit facilities, term loans and bonds.

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.

10. Supplemental Cash Flow Information

	Year Ended December 31,	
	2023	2022
	$	$
Interest paid	76,966	65,505

Amounts paid and received for interest were reflected as operating cash flows in the separate statements of cash flow.

The changes in non-cash working capital items related to operating activities for the years ended December 31, 2023 and 2022 are as follows:

	Year Ended December 31,	
	2023	2022
	$	$
Accounts and other receivable, net	—	3,889
Accounts payable and other	4,342	(392)
Due from (to) related parties	29,961	6,676
Due from (to) subsidiaries	97,445	148,839
Changes in non-cash working capital, net	131,748	159,012

11. Financial Risk Management

The Company recognizes that risk management is an integral part of a strong management practice.

The Company is exposed to the following risks: capital risk, liquidity risk, market risk (i.e. interest rate risk, foreign currency risk and commodity risk), credit risk and climate risk. The following is a description of these risks and how they are managed:

a. Capital risk management

The Company's capital is composed of member's equity, long-term borrowings and cash and cash equivalents. The Company maintains a capital level that enables it to acquire, operate and sell shuttle tankers and meet financial covenants under the secured credit facility.

In order to maintain or adjust its capital structure, the Company may issue new debt, borrow additional amounts under existing facilities, refinance existing debt, acquire of dispose of assets or adjust the amount of cash and cash equivalent balances.

The Company's credit facility, 12.50% PIK notes and U.S. Dollar bonds have financial covenants with which the Company must comply. Non-compliance with such covenants could result in accelerated payment of the related credit facility and reclassification of the amounts to current liabilities. The Company monitors its covenants on an ongoing basis and reports on its compliance to its lender on a quarterly basis. As at December 31, 2023, the Company was in compliance with all its covenants in respect of both the credit facility and the U.S. Dollar bonds. The Company is not subject to any externally imposed capital restrictions.

b. Liquidity Risk Management

The Company maintains sufficient financial liquidity to be able to meet its ongoing operating requirements. The Company's primary liquidity needs for the next twelve months are to pay scheduled debt repayments, to pay debt service costs, to pay direct operating costs and dry-docking expenditures, to fund general working capital requirements, to settle potential claims against the Company and to manage its working capital deficit.

For further information on the Company's contractual obligations, including a maturity analysis, please refer to Notes 9, 11, 17 and 18. See Note 2b for the Company's assessment of its ability to meet these obligations for at least the one-year period to December 31, 2023.

The following are the remaining contractual maturities of financial liabilities at the reporting date:

		Contractual cash flows						
December 31, 2023	**Carrying amount**	**Total**	**1 Year**	**2 Years**	**3 Years**	**4 Years**	**5 Years**	**Thereafter**
Revolving credit facility[1]	220,000	300,846	17,908	17,908	32,873	59,998	172,159	—
Term loan[1]	339,039	405,327	45,570	44,194	225,832	17,086	16,458	56,187
Public bonds	178,500	212,415	16,958	195,457	—		—	—
Green Bond[1]	199,000	222,995	222,995	—	—	—	—	—
Accrued Liabilities	18,357	18,357	18,357	—	—	—	—	—
Due to subsidiaries	30,147	30,147	30,147	—	—	—	—	—
Due to related parties	3,302	3,302	3,302	—	—	—	—	—
12.50% Unsecured PIK notes[2]	89,854	89,854	—	—	89,854	—	—	—
Foreign currency forward contracts[3]	71,700	71,700	71,700	—	—	—	—	—
Total	1,149,899	1,354,943	426,937	257,559	348,559	77,084	188,617	56,187

(1) Contractual cash flows are inclusive of projected interest payments based on the SOFR curve at December 31, 2023. See Note 9 for additional information.

(2) See Note 5 for additional information.

(3) See Note 8 for a summary of the terms of our derivative instruments which economically hedge certain of our floating rate interest-bearing obligations.

c. Market risk

Market risk is defined for these purposes as the risk that the fair value or future cash flows of a financial instrument held by the Company will fluctuate because of changes in market prices. Market risk includes the risk of changes in interest rates, foreign currency exchange rates and changes in market prices due to factors other than interest rates or foreign currency exchange rates, such as changes in commodity prices or credit spreads.

Financial instruments held or previously held by the Company that are subject to market risk include borrowings and derivative instruments, such as interest rate swaps and foreign currency forward contracts.

i. Interest rate risk management

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 is not part of any interest rate swaps, as the previously entered interest rate swaps have all been terminated. See Note 8 for additional information.

As announced by the Financial Conduct Authority (FCA), the panel bank submissions for US dollar LIBOR ceased in mid-2023. As at December 31, 2023, the Company had transitioned all of its LIBOR-linked contracts to risk-free rates through amendments to fallback clauses in its floating-rate credit facilities and debt instruments which changed the basis for determining the interest rate cash flows from LIBOR to SOFR. The result of the negotiations with external banks and the implementation of SOFR did not have a material impact on the Company's financial results.

As at December 31, 2023, the Company had outstanding floating-rate debt balance of $0.6 billion (December 31, 2022 - $0.7 billion) and an outstanding notional balance of $nil of interest rate swaps (December 31, 2022 - $nil). A 100 basis point decrease in the Company's interest rates is expected to increase future cash flows by $6.4 million (December 31, 2022 - $6.7 million).

The Company is exposed to credit loss in the event of non-performance by the counterparties, all of which are financial institutions, to its foreign currency forward contracts and interest rate swap agreements. In order to minimize counterparty risk, to the extent possible and practical, foreign currency forward contracts and interest rate swaps are entered into with different counterparties to reduce concentration risk.

For further information on the financial instruments held by the Company that are subject to interest rate risk, include borrowings and derivative instruments, please refer to Note 3, which includes the fair values of the interest rate risk sensitive financial instruments, and Notes 8 and 9, which includes the expected cash flows from the interest rate risk sensitive financial instruments.

ii. Foreign currency risk management

The Company's functional currency is U.S. Dollars. The Company's primary economic environment is the international shipping market. Transactions in this market generally utilize U.S. Dollars. Consequently, virtually all of the Company's revenues and the expenses are in U.S. Dollars. However, the Company incurs certain vessel operating expenses, general and administrative expenses and a portion of capital upgrade projects in foreign currencies. Therefore, there is a risk that currency fluctuations will have a negative effect on the value of the Company's cash flows. The Company periodically enters into foreign currency forward contracts to economically hedge portions of these forecasted expenditures. As at December 31, 2023, the Company was committed to foreign currency forward contracts to hedge portions of our forecasted expenditures in NOK.

d. Credit risk

Credit risk is the risk of loss due to the failure of a borrower or counterparty to fulfill its contractual obligations.

The Company assesses the credit worthiness of each counterparty before entering into contracts and ensures that counterparties meet minimum credit quality requirements. The Company also evaluates and monitors counterparty credit risk for derivative financial instruments and endeavors to minimize counterparty credit risk through diversification.

All of the Company's derivative financial instruments involve either counterparties that are banks or other financial institutions. The Company does not have any significant credit risk exposure to any single counterparty.

Based on no experience of past default of the Company's debtors and no expectations of future losses as a result of default, the Company has determined its credit risk to be low. For the purposes of credit risk, the Company has applied a definition to the term default as an assessment that a counterparty is unlikely to pay, as well as an amount outstanding from a counterparty which is 90 days past due.

e. Climate risk

The Company climate-related risks stem mostly from the transition to a decarbonised energy system, in the form of changing market conditions, shifting political and regulatory frameworks, and stigmatisation of the industry, which may increase the cost of financial capital, and make it more difficult to attract and retain talent. Increased pricing of emissions will increase the Company and its clients' costs, and the Company is monitoring proposed changes to emissions and carbon costs closely. The Company also faces some risks arising from the physical and political impacts of climate change. Severe weather events and geopolitical instability resulting from climate change may disrupt the Company's crewing schedules and supply chains and increase the costs of inputs to our business activities.

The Company’s primary revenue stream is owning, leasing and operating shuttle tankers to oil and gas operators. Reduced market demand for long-term, fixed-rate CoA's, time-charter contracts, bareboat contracts and voyage contracts in the long-term could prompt assets within the Company's fleet to become stranded. Climate change issues may cause a shift toward alternative sources of energy, lowering demand for our services, resulting in potential impairments impacting the book value of the Company's assets. The Company evaluates its assets with various considerations and sensitivities in this regard and has not identified any stranded assets as at December 31, 2023.

The Company supports the core objectives of the Paris Agreement on Climate Change and the global goal to achieve climate neutrality by 2050. Meeting this ambition within the infrastructure of offshore energy will require individual players to dramatically reduce their emissions from current activities and industry-wide action to develop a new climate-neutral model. The International Maritime Organization (IMO) has set a target to reduce the carbon intensity of international shipping by 40% by 2030, compared to a calculated 2008 baseline; the Company has set a reduction pathway in line with such endeavors.

During 2023, the Company sold one shuttle tankers, thus making the operations and fleet more resilient towards stringent environmental regulations and reduces residual value risk. The Company's E-shuttle tankers are some of the most advanced and energy efficient shuttle tankers on the market. They boast a unique future-proof design that can use liquid natural gas (LNG), recovered volatile organic compound emissions, and even potential zero-emissions fuels, such as bio-LNG and synthetic methane, as fuel. A Green Bond was raised to part-finance the E-Shuttles, and all proceeds from this bond have been used for this purpose. The bond received a light green rating from Cicero.

The Company expects reasonably steady operational conditions in the near to medium-term with the potential for more transformative changes to the energy sector in the long-term. The long-term impacts on the energy sector are still relatively unknown and hard to predict. To respond to this market risk, the Company is investigating new commercial models aligned with the energy transition.

12. Subsequent Events

In March 2024, the Company issued $200.0 million in senior unsecured bonds in the Norwegian bond market that mature in March 2028. These bonds will be listed on the Oslo Stock Exchange. The interest payments on the bonds are fixed at a rate of 9.0% and are payable semi-annually. The proceeds plus cash on hand were used to repurchase $179.8 million of its $200.0 million five-year unsecured bonds that mature in October 2024, which were issued in October 2019 and $27.0 million of its $180.0 million four-year senior unsecured bonds that mature in December 2025, which were issued in December 2021.

In March 2024, the Company entered into an agreement with Brookfield to amend and extend the 12.50% PIK Notes. Per the amendment terms, interest under the 12.50% PIK Notes is payable in kind at a fixed rate of 12.00% and the facility matures in September 2028.

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.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Altera Shuttle Tankers L.L.C.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Altera Shuttle Tankers L.L.C. (the Company), which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company and the Group comprise the statements of financial position as at 31 December 2023, the statements of income (loss), statements of comprehensive income (loss), statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company and the Group as at 31 December 2023 and their financial performance and cash flows for the year then ended in accordance with 'IFRS® Accounting Standards' as issued by the International Accounting Standards Board.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for four years from the election by the general meeting of the shareholders on 20 October 2020 for the accounting year 2020.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment assessment of goodwill

Basis for the key audit matter

At 31 December 2023, the carrying value of goodwill was $127.1 million. The Group has identified the shuttle tanker segment as the group of cash generating units to which the goodwill relates. Goodwill is evaluated for impairment at least annually at the reporting unit level. Auditing management's annual goodwill impairment test was determined to be a key audit matter because it was complex and highly judgmental due to the significant estimation required to determine the recoverable amount of the shuttle tanker reporting unit. In particular, the recoverable amount estimate was sensitive to significant assumptions in the cash flow forecast, such as the discount rate, revenue rates, vessel utilization levels for the shuttle tanker fleet, expenses and maintenance capex and the exit multiple applied for the determination of the terminal value.

Our audit response

As part of our audit procedures, we obtained an understanding of controls over the Group's goodwill impairment assessment process. We tested controls over management's review of the significant assumptions used to develop the prospective financial information. Furthermore, to test the estimated recoverable amount of the shuttle tanker cash generating unit, we performed audit procedures that included, among others, assessing the fair value methodologies utilized and testing the significant assumptions discussed above, as well as the underlying data used by the management in its analysis. We involved our valuations specialists to assist in our evaluation of the Group's model, method, and the discount rate and exit multiple. We compared the significant assumptions used by management to current industry and economic trends, changes to the Group's business model, customers or contracts and other relevant factors. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the recoverable amount of the reporting units that would result from changes in the assumptions. We refer to disclosures in Notes 2m and 12 to the consolidated financial statements.

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Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the Board of Directors and the President (management)) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the Board of Directors' report and the statement on corporate social responsibility contain the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that the other information is materially inconsistent with the financial statements, there is a material misstatement in this other information or that the information required by applicable legal requirements is not included in the Board of Directors' report or the statement on corporate social responsibility, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the Board of Directors' report and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with 'IFRS® Accounting Standards' as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Altera Shuttle Tankers L.L.C. we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name astl-2023-12-31-en.zip, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF Regulation.

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Management's responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation. We conduct our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we perform procedures to obtain an understanding of the Company's processes for preparing the financial statements in accordance with the ESEF Regulation. We test whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Stavanger, 18 April 2024
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The auditor's report is signed electronically

Jan Kvalvik
State Authorized Public Accountant (Norway)

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