



2023 ANNUAL REPORT

Dated: June 2, 2023

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Report from the CEO

The past year has been a period of significant changes and challenges for the energy industry both here in Alberta and across the globe. We have seen a shift in global demand for energy, increasing competition from other sources, and changes in regulatory frameworks. Faced with these challenges, the Alberta Petroleum Marketing Commission ("APMC") has remained committed to its mission of maximizing the value of Alberta's petroleum resources through marketing efforts, seeking new opportunities in the Alberta resource sector, and continuing to improve performance, revenues and operations at the Sturgeon Refinery, while maintaining a commitment to safety and environmental responsibility.

APMC is focused on maximizing the royalty value received for Albertans through strong relationships and fostering economic opportunities for Alberta's energy industry. The transparency and efficiency of the market continue to improve, and the market intelligence supports strategic and operational decision-making, leveraging Alberta's position in the markets by interacting directly with industry so the APMC can identify opportunities that are competitive in global markets and promote economic value for all Albertans.

The global economic recovery drove an increase in demand for crude oil and a rise in crude oil prices, resulting in increased royalty volumes marketed by the APMC. Royalty volumes in 2023 fiscal year increased by 66%, resulting in approximately \$3.3 billion in gross sales collected from 81,000 barrels per day from approximately 300 Alberta producers.

The Sturgeon Refinery continues to work to maximize operating cash flows while maintaining safe and reliable operations. During the 2023 fiscal year, the refinery underwent its first major turnaround focusing on major maintenance activities, replacements, and equipment repair in all refinery units, representing a major milestone for the refinery. In fiscal 2023, approximately 1 million tonnes of carbon dioxide were captured making APMC, through the Sturgeon Refinery and its integrated carbon capture technology, one of the largest CO₂ sequesters in Alberta, supporting the province's transition to a low-carbon future.

APMC filed the Notice of Arbitration for a claim of not less than \$1.3 billion under the legacy North American Free Trade Agreement over the revocation of the presidential permit for the Keystone XL pipeline border crossing. Disposition of the assets from Keystone XL Project is approaching completion and for the current fiscal year, APMC received approximately CAD \$64 million from the sale of the KXL assets, bringing the cumulative liquidation proceeds to approximately \$102 million.

Our support of the economic growth and development of Alberta's energy sector is unwavering, and we continue to play an important role in the energy landscape of Alberta, supporting the province's economy and creating value for Albertans. Looking ahead, the APMC remains committed to creating value for our stakeholders, while ensuring the sustainable development of Alberta's energy resources. We will continue to work closely with industry partners, government agencies, and other stakeholders to address the challenges and opportunities facing the energy industry.

Adrian Begley
Chief Executive Officer
June 2, 2023



MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended March 31, 2023

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (“MD&A”) reviews the financial condition and results of operations of Alberta Petroleum Marketing Commission (“the APMC” or the “Commission”) for the years ended March 31, 2023 and 2022. This MD&A was prepared as of June 2, 2023 and should be read in conjunction with the audited consolidated financial statements as at and for the years ended March 31, 2023 and 2022 and including the notes thereto.

The consolidated financial statements for the years ended March 31, 2023 and 2022 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and are presented in Canadian dollars.

The APMC is a corporation created under the *Petroleum Marketing Act (Alberta)* to act as agent for the Government of Alberta (“GOA” or “Crown”) in accepting delivery and dealing with the Crown’s royalty share of hydrocarbons; and engaging in other hydrocarbon-related activities in a manner that is in the public interests of Albertans. Under this mandate, the APMC performs commercial activities to receive and market crude oil royalty volumes on behalf of the Crown, and to transact or invest in energy projects which seek to expand access to global energy markets or otherwise maximize the long-term sustainable value of the Crown’s resources. The Commission is overseen by a majority-independent Board of Directors and operates at arm’s length from the GOA; however, it is accountable to and may receive policy and other direction from the Alberta Minister of Energy. The consolidated financial statements disclose the transactions the APMC incurs while marketing crude oil on behalf of the Crown, and the APMC’s investment in the North West Redwater Partnership (“NWRP” or the “Partnership”), the Sturgeon Refinery (“Refinery”), and the Keystone XL Expansion Pipeline (“KXL Expansion Project”).

The APMC operates a business development group to identify and analyze business proposals that provide strategic value to Alberta and are financially feasible. As an agent of the GOA, the APMC is not subject to Canadian federal or provincial corporate income taxes.

FORWARD-LOOKING INFORMATION

Certain statements relating to APMC in this document constitute forward-looking information. Forward-looking information typically contains statements with words such as “anticipate,” “believe,” “expect,” “target,” or similar words suggesting future outcomes. By their nature, such statements are subject to various risks and uncertainties that could cause the APMC’s actual results and experience to differ materially from the anticipated results. Disclosure related to expected future commodity pricing, forecast of anticipated royalty volumes, [and capital expenditures], and other targets provided in this Management’s Discussion and Analysis constitute forward-looking statements. Disclosure of plans related to and expected results from the Sturgeon refinery; the expectation of fair value and final costs to the GOA for the investment in the KXL Expansion project; assumptions used to estimate the Sturgeon Refinery Processing Agreement; construction by third parties of new, or expansion of existing, pipeline capacity or other means of transportation that the APMC may be reliant on, also constitute forward-looking statements. These forward-looking statements are based on current expectations, estimates and projections about APMC and the industry in which APMC operates, and are subject to known and unknown risks and uncertainties that could cause the actual results, performance or achievements of APMC to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risk and uncertainties include commodity pricing, fluctuation in currencies and interest rates, general economic and business conditions (including as a result of effects of the novel coronavirus (“COVID-19”) pandemic, the actions of OPEC+ and inflation) which may impact, among other things, demand and supply for and market prices of royalty volumes, or refined products, and the availability and cost of resources required by the Company’s operations; volatility of and assumptions regarding crude oil and other product prices including due to actions of OPEC+ taken in response to COVID-19 or otherwise; impact of competition; ability to secure adequate transportation for its products; access to appropriate bitumen feedstock volumes; unexpected disruptions or delays in upgrading bitumen products; the flexibility of APMC’s capital structure; and other circumstances affecting revenues and expenses. APMC’s operations have also been, and in the future may be, affected by provincial political developments, and by national, federal, provincial and local laws and regulations, such as environmental protection regulations. Should one or more of these risks or uncertainties materialize, or should any of APMC’s assumptions prove incorrect, actual results may vary in material respects from those projected in the forward-looking statements. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are dependent upon other factors, the APMC’s course of action would depend upon its assessment of the future considering all information then available.

MANAGEMENT DISCUSSION AND ANALYSIS

Readers are cautioned that the foregoing list of factors is not exhaustive. Unpredictable or unknown factors not discussed in this MD&A could also have adverse effects on forward-looking statements. Although APMC believes that the expectations conveyed by the forward-looking statements are reasonable based on information available to it on the date such forward-looking statements are made, no assurances can be given as to future results, levels of activity and achievements. All subsequent forward-looking statements, whether written or oral, attributable to APMC or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. APMC assumes no obligation to update forward-looking statements in this MD&A, whether as a result of new information, future events or other factors, or the foregoing factors affecting this information, should circumstances or APMC's estimates or opinions change.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

RESULTS OF OPERATIONS (\$000s), unless otherwise noted	Years ended March 31,			
	2023	2022	Change	Change %
Financial Highlights				
Net income (loss) and comprehensive income (loss)	(487,377)	2,059,485	(2,546,862)	(124)%
<i>Net income (loss) by business segment:</i>				
Conventional Crude Oil Marketing ("CORIK")	251	153	98	64 %
Sturgeon Refinery	(561,633)	2,055,209	(2,616,842)	(127)%
NWRP ^{1, 2}	89,941	(2,852)	92,793	n/a
KXL Expansion Project	(15,936)	6,975	(22,911)	(328)%

1. APMC accounts for its investment in NWRP as a joint venture under IFRS.

2. The change percent is not informative.

The APMC manages its daily operations based upon commercial activity as segmented between crude oil products refined and sold, marketing services and ownership structure. The APMC's mandate supports diverse operations in support of Alberta's crude oil and natural gas industry. To facilitate a transparent understanding of the operations, the APMC provides reporting by business segments. Accordingly, the APMC's operating segments consist of conventional crude oil marketing, the Sturgeon Refinery, the Investment in the NWRP and the KXL Expansion Project.

BUSINESS SEGMENT HIGHLIGHTS

As agent marketing the Crown's crude oil royalty in kind barrels, the APMC marketed 80,753 bbl/d of crude oil royalty volumes in the 2023 fiscal year, representing an increase of 66 percent from the prior fiscal year. The volumes marketed by the APMC provided the Crown with \$3.3 billion in gross crude oil royalty revenues for the 2023 fiscal year, while the marketing fees earned by APMC increased by 8 percent to \$12.1 million. Offsetting expenses relating to general and administration and depreciation reduced segmented net income to \$0.3 million.

The following business segment highlights for the Sturgeon Refinery segment represent APMC's 75 percent interest as a tollpayer in the Sturgeon Refinery. The Sturgeon Refinery generated a gross margin of \$848.9 million, an increase of 36 percent compared to the 2022 fiscal year, as a result of gross margin product price spreads improving by 59 percent offsetting the 14 percent reduction in sales volumes. After deducting operating tolls and general administrative expenses, the Refinery generated EBITDA¹ of \$388.6 million, an increase of 71 percent from the prior fiscal year.

The Sturgeon Refinery underwent its first scheduled major turnaround in the 2023 fiscal year and expensed \$164.3 million in turnaround capital expenditures, incurred finance costs and tolling expenses relating to non-operating activities for \$479.8² million. The increase in forecasted interest rates arising from current global economic uncertainty resulted in a non-cash onerous contract charge of \$289.3 million, combined with a credit loss provision of \$16.9 million, resulted in a business segment net loss of \$561.6 million. The main driver for the 2022 fiscal year segment net income was the reversal of the

¹ Refer to the "Non-GAAP & Other Financial Measures" section of this MD&A

² Other non-operating expenses include refining tolls - non-operating (includes debt principal repayment and debt service costs), finance costs, net of finance and other income.

MANAGEMENT DISCUSSION AND ANALYSIS

onerous contract provision for \$2.2 billion recognizing the forecasted future economic benefits to be derived from the Optimization Transaction executed in June 2021.

NWRP generated segment net income of \$89.9 million which was primarily a result of a \$117.6 million recovery to the future license fee provision offset by \$20.3 million equity loss from the investment in NWRP.

The KXL Expansion project segment net loss of \$15.9 million reflects the financing costs of \$30.3 million associated with the debt cancellation payment made in June 2021, offset by a fair value improvement in the remaining investment for \$9.1 million and a unrealized foreign exchange gain of \$5.7 million. In the current fiscal year, \$63.8 million was received as proceeds from asset dispositions, with the estimated fair value of the remaining investment being \$33.0 million as at March 31, 2023.

On April 27, 2023, the APMC, on behalf of the GOA, filed a Notice of Arbitration to initiate its arbitration claim against the United States of America under the Canada-United States-Mexico Agreement and the North American Free Trade Agreement. The Notice of Arbitration initiated an arbitration claim to seek recovery for approximately CAD \$1.3 billion of the Alberta government's investment in KXL.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW BY REPORTABLE SEGMENT

CONVENTIONAL CRUDE OIL MARKETING

FINANCIAL RESULTS <i>(\$000s), unless otherwise noted</i>	Years ended March 31,			
	2023	2022	Change	Change %
Marketing Activities as Agent for the Crown				
Conventional crude oil royalties in-kind revenue	3,251,165	1,596,227	1,654,938	104 %
Cost of selling oil	429,382	233,705	195,677	84 %
Net revenue from CORIK	2,821,783	1,362,522	1,459,261	107 %
CORIK gross sales volumes (bbls/d)	80,753	48,558	32,195	66 %
CORIK net sales volumes (bbls/d) ¹	73,868	43,501	30,367	70 %
Average realized price (CAD \$/bbl) ²	110.30	90.06	20.24	22 %
Average realized price on net revenue (CAD \$/bbl) ³	104.66	85.81	18.85	22 %
Crude Oil Benchmark Prices				
West Texas Intermediate ("WTI") (USD \$/bbl)	89.69	77.03	12.66	16 %
West Texas Intermediate ("WTI") (CAD \$/bbl)	118.66	96.52	22.14	23 %
Mixed Sweet Blend ("MSW") (CAD \$/bbl)	116.28	92.37	23.91	26 %
Western Canadian Select ("WCS") (CAD \$/bbl)	91.02	79.53	11.49	14 %
Peace Sour ("PSO") (CAD \$/bbl)	108.83	89.17	19.66	22 %
Central Alberta ("CAL") (CAD \$/bbl)	110.43	89.61	20.82	23 %
Condensate (CAD \$/bbl)	118.61	97.39	21.22	22 %
Alberta Light Crude Oil Par Price (CAD \$/bbl)	115.04	78.10	36.94	47 %
Exchange rate US \$/CAD \$	0.76	0.80	(0.04)	(5)%
APMC as Agent for the Crown				
Marketing fee income	12,050	11,201	849	8 %
General and administrative	10,735	10,079	656	7 %
Depreciation and other	1,064	969	95	10 %
Net income and comprehensive income	251	153	98	64 %

1. Net of purchased volumes of 6,885 bbls/d for the year ended March 31, 2023 (year ended March 31, 2022 - 5,057 bbls/d).

2. Based on gross sales volumes.

3. Based on net sales volumes.

MANAGEMENT DISCUSSION AND ANALYSIS

BENCHMARK PRICING

Substantially all of the Crown's royalty volumes are based on US dollar benchmark pricing. Accordingly, the Crown's realized prices are directly impacted by fluctuations in the US \$/CAD \$ exchange rate.

CORIK contracts are typically based on WTI benchmark pricing. WTI averaged CAD \$118.66/bbl for the 2023 fiscal year, an increase of 23 percent from CAD \$96.52/bbl for the prior fiscal year. The improvement in WTI pricing for the 2023 fiscal year primarily reflects the impact of the Russian invasion of Ukraine, the OPEC+ decision to adhere to the previously agreed upon production cuts, plus an increase in global demand for crude oil due to improved economic conditions as a result of exiting the COVID-19 restricted environment.

The MSW benchmark price averaged \$116.28/bbl for the 2023 fiscal year, an increase of 26 percent from \$92.37/bbl from the comparative 2022 fiscal year. The strengthening of the MSW differential reflected the increased demand for light barrels in North America as refined product demand strengthened.

The WCS benchmark price averaged \$91.02/bbl for the 2023 fiscal year, an increase of 14 percent from \$79.53/bbl the comparative 2022 fiscal year. The widening of the WCS heavy differential reflected unplanned refinery maintenance in the US Midwest reducing the demand for heavy oil and lower fuel oil pricing in the US Gulf Coast.

The PSO benchmark price averaged \$108.83/bbl for the 2023 fiscal year, an increase of 22 percent from \$89.17/bbl for the comparative 2022 fiscal year. The increase in PSO pricing primarily reflected the increase in WTI benchmark pricing.

The CAL benchmark price averaged \$110.43/bbl for the 2023 fiscal year, an increase of 23 percent from \$89.61/bbl for the comparative 2022 fiscal year. The increase in CAL pricing primarily reflected the increase in WTI benchmark pricing.

The Condensate benchmark price averaged \$118.61/bbl for the 2023 fiscal year, an increase of 22 percent from \$97.39/bbl for the comparative 2022 fiscal year. The increase in Condensate pricing primarily reflected the increase in WTI benchmark pricing.

Marketing Activities as Agent for the Crown

Under the Petroleum Marketing Act, the APMC is mandated to facilitate the collection and remittance of the Crown's royalty funds received from marketing the Crown's conventional crude oil royalty in-kind. Producers split out the royalty share to the APMC and on the 25th of each month, the APMC settles all contracts, validates the transactions, collects and remits the net monthly proceeds to the Government of Alberta. The APMC administers the Alberta crude oil par prices, which determines the royalty volumes to be delivered by the royalty producers to the Crown. With a rise in crude oil par prices, the royalty volume to be delivered is greater, and with a decrease in crude oil par prices, the royalty volume to be delivered is reduced. Par prices for the 2023 fiscal year averaged \$115.04/bbl, an increase of 47 percent compared to \$78.10/bbl as averaged in the 2022 fiscal year, as the demand for crude oil has increased concurrent with the global economic recovery, resulting in increased royalty volumes available for APMC's marketing portfolio.

For the year ended March 31, 2023, the Crown's CORIK gross revenue was \$3.3 billion, compared to \$1.6 billion for the 2022 fiscal year, as a result of improved crude oil pricing and increased royalty volumes received from producers. CORIK gross royalty sales volumes increased by 66 percent to 80,753 bbls/d for fiscal 2023, compared to 48,558 bbls/d in fiscal 2022, mainly attributable to higher par prices.

MANAGEMENT DISCUSSION AND ANALYSIS

For the current fiscal year, approximately 60 percent of CORIK sales were priced on MSW, 20 percent on WCS and the remaining 20 percent of other CORIK sales were primarily priced on the PSO, CAL and condensate benchmarks. The realized price received for CORIK volumes will reflect the sales volume composition. The average realized crude oil price on CORIK revenue was \$110.30/bbl, an increase of 22 percent, compared to \$90.06/bbl in the same period in 2022. The increase in the average realized CORIK sales price correlates to the increased benchmark WTI price for the fiscal year, arising from strong supply demand fundamentals. High inflation has led central banks to increase interest rates throughout the world leading to fears of a recession and demand destruction, a primary contributing factor to recent weakness in WTI crude oil pricing.

Cost of selling crude oil for CORIK activities was comprised of purchased volumes, pipeline tariffs, trucking costs and marketing fees. APMC's marketing of CORIK volumes often requires volumes to be purchased at spot prices, due to nomination shortfalls from producer forecasts. The amount by which crude oil royalty in-kind revenues exceeds the cost of selling crude oil represents the net revenues and benefit the Crown receives from CORIK activities. The net revenues from CORIK activities for the fiscal year 2023 was \$2.8 billion, an increase of 107 percent from \$1.4 billion for the comparative 2022 fiscal year, primarily attributable to higher prices and the higher royalty share of producer volumes.

APMC as Agent for the Crown

The APMC markets and trades CORIK barrels delivered from over 300 producers across the Alberta feeder pipeline systems. For the year ended March 31, 2023, APMC's marketing fee income was \$12.1 million, compared to \$11.2 million for the fiscal year 2022, representing a nominal marketing fee increase of 8 percent, compared to the 66 percent increase in gross sales volumes that were marketed.

General and administrative expenses encompass corporate head office costs as well as the Refinery and CORIK specific activities. For the year ended March 31, 2023, general and administrative expenses were \$10.7 million, compared to \$10.1 million for the 2022 fiscal year, representing an increase of \$0.6 million, or 7 percent, primarily due to \$0.5 million for software upgrades.

INVESTMENT IN NORTH WEST REDWATER PARTNERSHIP

Optimization Transaction

On June 30, 2021, the APMC closed on various agreements with CNR (Redwater) Limited, Canadian Natural Resources Limited ("CNRL"), NWU LP, an indirect wholly-owned subsidiary of North West Refining Inc., and NWRP to effect an optimization of NWRP (the "Optimization Transaction").

Pursuant to the agreement between the APMC and NWU LP, by its general partner, NW Phase One Inc. (collectively referred to as "NWU LP"), the APMC acquired a 50 percent interest in NWRP from NWU LP (the "Partnership Interest Purchase Agreement"). The acquisition enables the APMC to provide oversight and governance of the Refinery operations, maintenance, technical engineering, financial management, economic planning and scheduling, and optimization.

As per the Partnership Interest Purchase Agreement, the contractual purchase price for the transaction was one Canadian dollar payable upon closing.

In connection with the Optimization Transaction, NWRP entered into an agreement with NWU LP to utilize certain CO2 capture technology in exchange for an annual licensing fee based on CO2 captured from the Refinery. The licensing fee is payable at a rate of approximately \$7.00/tonne of CO2 captured and transported in the Alberta Carbon Trunk Line ("ACTL"). The annual licensing fee payable in future periods will be subject to reductions based on certain economic tests. APMC has recognized the fair value of its share of amounts expected to be payable in future periods for the licensing fee as contingent consideration of \$217.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The APMC has applied joint venture accounting, recognizing the rights to the net assets of an arrangement and uses the equity method wherein the Commission's initial investment was recognized at cost and subsequently adjusted for the APMC's share of the joint venture's income or loss, less distributions received.

The table below summarizes the change in the investment in NWRP joint venture:

<i>(\$000s)</i>	March 31, 2023	March 31, 2022
Balance, beginning of year	250,601	—
Initial investment	—	273,486
APMC's share of loss from the investment in NWRP	(20,277)	(22,885)
Balance, end of year	230,324	250,601

Under the Optimization Transaction, the original term of the Processing Agreements was extended by 10 years to 2058. NWRP retired higher cost subordinated debt, which carried interest rates of prime plus 6 percent, with lower cost senior secured bonds at an average rate of approximately 2.56 percent, reducing interest costs to NWRP and associated tolls to the Tollpayers. As such, on June 30, 2021, NWRP repaid APMC's and CNRL's subordinated debt advances, resulting in \$553.8 million of principal and interest repaid on the term loan receivable to APMC. In addition, \$840 million was distributed by NWRP to CNRL and NWU LP prior to the Optimization Transaction closing.

To facilitate the Optimization Transaction, NWRP issued \$2.6 billion of senior secured bonds with varying maturity tenors ranging from 2.5 years to thirty years and interest rates ranging from 1.20 percent to 3.75 percent. Additionally, NWRP's existing \$3.5 billion syndicated credit facility was amended. The \$2.0 billion revolving credit facility was extended by three years to June 2024, and the \$1.5 billion non-revolving credit facility was reduced by \$0.5 billion to \$1.0 billion and extended by two years to June 2023, as subsequently amended in July 2022.

As a result of the Optimization Transaction, the APMC is a 50 percent owner in NWRP, in addition to being a 75 percent Tollpayer in the Sturgeon Refinery. The Commission remains unconditionally obligated to pay to NWRP its 75 percent pro rata share of the debt component of the monthly fee-for-service toll over the 40-year tolling period.

The initial investment at June 30, 2021 was comprised of cash consideration of one dollar, license fee contingent consideration and transaction costs attributable to acquiring the partnership interest.

The table below presents the segmented net income (loss) from the NWRP joint venture.

<i>(\$000s)</i>	Years ended March 31,	
	2023	2022
Finance costs	(7,420)	(5,463)
APMC's share of loss from the investment in NWRP	(20,277)	(22,885)
Adjustments to NWRP license fee provision (note 18)	117,638	25,496
Gain from North West Redwater Partnership	97,361	2,611
Net income (loss) and comprehensive income (loss)	89,941	(2,852)

For the 2023 fiscal year, APMC recorded a \$20.3 million loss on the 50 percent investment in NWRP as compared to a loss of \$22.9 million for 2022 fiscal year. APMC recorded a \$117.6 million recovery to its license fee payable provision in the current year reflecting an upward revision in the discount rate and revisions to estimated timing and amounts of future license fee cash outflows. The comparative 2022 fiscal year experienced a recovery of \$25.5 million primarily due to a discount rate revision.

MANAGEMENT DISCUSSION AND ANALYSIS

STURGEON REFINERY - APMC AS TOLLPAYER

NWRP was formed on February 16, 2011, constructed and operates the Sturgeon Refinery. On February 16, 2011, with a subsequent amendment on June 30, 2021, APMC and Canadian Natural Resources Partnership (“CNR”), entered into tolling arrangements with NWRP (collectively, the “Processing Agreements”). The Processing Agreements were 30-year tolling arrangements which contract the APMC and CNR as Tollpayers (“Tollpayers”) for 75 percent and 25 percent of the Refinery capacity, respectively, and were in effect commencing June 1, 2018. The Refinery commenced commercial operation on June 1, 2020. In accordance with the Processing Agreements, NWRP will process annually 37,500 bbls/d of bitumen feedstock for the APMC. As required by the terms of the Processing Agreements, a trust account (the Initial Proceeds Trust Account or “IPTA”) has been established to facilitate the payments to and from the Tollpayers and NWRP.

As part of the Optimization Transaction, the Processing Agreements were amended on June 30, 2021, effective wherein the term of the Processing Agreements were extended by 10 years to 2058. The APMC has exercised judgment in determining that the Tollpayer arrangement is a joint operation in which it has a 75 percent interest in the assets, liabilities, revenue, and expenses, and records its 75 percent interest in the APMC financial statements. The Commission is unconditionally obligated to pay its 75 percent pro rata share of the debt component of the monthly fee-for-service toll over the 40-year tolling period. Sales of diesel and refined products and associated refining tolls are recognized in the Sturgeon Refinery segment.

The following table summarizes the operations of the Refinery for the fiscal years 2023 and 2022 under the Tollpayer agreement.

OPERATIONAL

Feedstock and production volumes disclosed in the following table represent 75 percent of the Refinery’s total volumes:

	Years ended March 31,			
	2023	2022	Change	Change %
Total feedstock volumes (bbls/d)	45,922	54,254	(8,332)	(15)%
Operational availability (%) ¹	91 %	91 %	–	–
Production volumes				
Ultra-low sulphur diesel (bbls/d)	23,685	28,231	(4,546)	(16)%
Diluent (bbls/d)	16,807	19,996	(3,189)	(16)%
Unconverted crude oil (bbls/d)	2,669	2,756	(87)	(3)%
Other (bbls/d)	3,121	3,910	(789)	(20)%
Total production (bbls/d)	46,282	54,893	(8,611)	(16)%

1. Operational availability is number of days the refinery is available to process feedstock divided by the number of operating days excluding turnaround downtime.

MANAGEMENT DISCUSSION AND ANALYSIS

Sales volumes disclosed in the table below represents APMC's 75 percent interest as a Tollpayer:

	Years ended March 31,			
	2023	2022	Change	Change %
Sales volumes (bbls/d)				
Ultra-low sulphur diesel (bbls/d)	23,979	28,120	(4,141)	(15)%
Diluent (bbls/d)	20,112	23,536	(3,424)	(15)%
Other (bbls/d)	7,739	8,905	(1,166)	(13)%
Total hydrocarbon sales volumes (bbls/d)	51,830	60,561	(8,731)	(14)%
Benchmark Prices				
West Texas Intermediate ("WTI") (CAD \$/bbl)	118.66	96.52	22.14	23 %
Western Canadian Select ("WCS") (CAD \$/bbl)	91.02	79.53	11.49	14 %
Western Canadian Select differential ("WCS/WTI") (CAD \$/bbl)	27.64	16.99	10.65	(63)%
Average realized prices				
Ultra-low sulphur diesel (\$/bbl)	176.32	121.56	54.76	45 %
Diluent (\$/bbl)	124.02	100.88	23.14	23 %
Other (\$/bbl)	90.34	74.66	15.68	21 %
Total realized sales price (\$/bbl) ¹	144.47	107.75	36.72	34 %

1. Total realized sales price (\$/bbl) is calculated as Refinery sales divided by total hydrocarbon sales volumes.

The average price realized for ultra-low sulphur diesel is benchmarked against WTI as the price for ultra-low sulphur diesel is generally priced at a premium to WTI. WTI experienced significant volatility during the year ended March 31, 2023, due to many contributing factors including balancing global supply/demand fundamentals, the Russian invasion of Ukraine, COVID 19 demand recovery, OPEC+ supply cuts and the risk of a global recession.

Ultra-low sulphur diesel strengthened in the first half of calendar 2022 due to the reduced global supply and low inventory levels which was driven by significant reductions in U.S. refining capacity, strong post COVID 19 demand, and Russia's ongoing war on Ukraine. Ultra-low sulphur weakened in the second half of calendar 2022 and into the first three months of 2023 mainly driven by global recessionary fears.

The average feedstock price is generally at a discount to the WCS benchmark. When differentials for WCS are widening, the cost of feedstock declines which provides a natural hedge to the Crown's bitumen royalties that are received across other government entities. The WCS benchmark experienced a widening trend throughout calendar 2022 as a reflection of lower Gulf Coast demand, inventory releases from the U.S. Petroleum Reserve, downtime at U.S. refineries, and the short-term shut down of pipeline capacity out of Western Canada. The WCS benchmark strengthened in the first three months of 2023 as the U.S. Petroleum Reserve releases ended, Western Canadian pipeline capacity resumed normal operations, and key U.S. refineries restarted operations.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial information below represents the APMC share of segmented results for the Sturgeon Refinery:

RESULTS OF OPERATIONS ¹ (\$000s)	Years ended March 31,			
	2023	2022	Change	Change %
Refinery sales ²	2,733,082	2,381,861	351,221	15 %
Refinery feedstock purchases	1,884,148	1,759,753	124,395	7 %
Gross margin	848,934	622,108	226,826	36 %
Refinery tolls - operating ³	459,983	393,471	66,512	17 %
General and administrative	374	1,529	(1,155)	(76)%
EBITDA¹	388,577	227,108	161,469	71 %
Other non-operating expenses ⁴	479,778	366,917	112,861	31 %
Turnaround expenditures	164,279	23,604	140,675	596 %
Change to loss provision for Sturgeon Refinery Processing Agreement	289,250	(2,218,355)	2,507,605	(113)%
Change to Sturgeon Refinery credit loss provision	16,903	(267)	17,170	n/a
Net (loss) income and comprehensive (loss) income	(561,633)	2,055,209	(2,616,842)	(127)%
(\$/bbl)⁵				
Refinery sales ²	144.47	107.75	36.72	34 %
Refinery feedstock purchases	99.60	79.61	19.99	25 %
Gross margin	44.87	28.14	16.73	59 %
Refinery tolls - operating ³	24.31	17.80	6.51	37 %
General and administrative	0.02	0.07	(0.05)	(71)%
EBITDA¹	20.54	10.27	10.27	100 %
Other non-operating expenses ⁴	25.37	16.59	8.78	53 %
Turnaround expenditures	8.68	1.07	7.61	711 %
Provision (Recovery) for Sturgeon Refinery - onerous contract	15.29	(100.36)	115.65	(115)%
Provision (Recovery) for Sturgeon Refinery - credit loss ⁶	0.89	(0.01)	0.90	n/a
Net (loss) income and comprehensive (loss) income	(29.69)	92.98	(122.67)	(132)%

1. Refer to the "Non-GAAP & Other Financial Measures" section of this MD&A and comparative numbers have been restated to be consistent with the current year's presentation.
2. Refinery sales includes CO₂ sales of \$9.1 million for the year ended March 31, 2023 (year ended March 31, 2022 - \$8.6 million) and sulphur sales of \$15.1 million for the year ended March 31, 2023 (year ended March 31, 2022 - \$16.4 million).
3. When evaluating the profitability of Refinery operations, management segregates the Refinery tolls into the respective cost drivers underlying the toll itself; namely the operating and sustaining capital component, the debt principal repayment component and an interest component. For financial statement presentation, the segregated Refinery tolls are consolidated for cumulative Refinery tolls of \$878.5 million for the year ended March 31, 2023 (year ended March 31, 2022 - \$780.5 million).
4. Other non-operating expenses include refining tolls - non-operating (includes debt principal repayment and debt service costs) ⁽³⁾, finance costs, net of finance and other income. During the year ended March 31, 2023, the APMC recognized \$nil million (March 31, 2022 - \$71.3 million) of other income related to a compensatory settlement received by NWRP.
5. Based on total hydrocarbon sales volumes.
6. The change percent is not informative.

Results from the Refinery

APMC continues to manage the GOA's commitment to the Refinery as a 50 percent owner in NWRP, in addition to being a 75 percent Tollpayer in the Refinery. The amounts shown in the following commentary represents APMC's 75 percent interest as Tollpayer in the Refinery.

For the 2023 fiscal year, the Refinery delivered sales of \$2.7 billion, compared to \$2.4 billion to the 2022 fiscal year representing an increase of 15 percent. Refinery product sales price was \$144.47/bbl or 34 percent higher in the 2023 fiscal

MANAGEMENT DISCUSSION AND ANALYSIS

year than the refined product prices realized in the prior year. In particular, realized diesel prices were \$176.32/bbl for the 2023 fiscal year representing an increase of 45 percent to realized diesel prices of \$121.56/bbl for the 2022 fiscal year. This increase is consistent with the 49 percent premium diesel experienced when compared to the WTI benchmark price for 2023 fiscal year. Sales volumes decreased by 14 percent to 51,830 bbls/d for the 2023 fiscal year compared to 60,561 bbls/d for 2022 fiscal year, offsetting the favorable impact of the current price environment. The decline in sales volumes was mainly attributable to the scheduled major maintenance turnaround downtime that occurred, primarily, in the second quarter of the 2023 fiscal year. Realized diesel pricing improvements year over year were a reflection of stronger ultra-low sulphur benchmark pricing.

Refinery feedstock requirements declined by 15 percent to 45,922 bbls/d for the 2023 fiscal year, compared to 54,254 bbls/d for the 2022 fiscal year, as a result of the planned turnaround activities and outage. Refinery feedstock purchases were \$1.9 billion for the 2023 fiscal year, up 7 percent from \$1.8 billion for the prior year primarily due to the higher feedstock prices. The Refinery's feedstock volumes primarily consist of bitumen, diluent and synthetic crude oil.

During the Refinery's first major turnaround, processing capacity was offline August 7, with operations restarting October 13. The scheduled turnaround was a major milestone for the Refinery with turnaround activities focusing on catalyst replacements and equipment repair in all refinery units. The scheduled turnaround resulted in 66 days of downtime during the 2023 fiscal year, decreasing production by 16 percent for total production of 46,282 bbls/d as compared to 54,893 bbls/d for the 2022 fiscal year.

The Commission uses operational availability as a measure of operating reliability. For the 2023 fiscal year, the Refinery operated at approximately 91 percent availability (excluding turnaround downtimes) compared to 91 percent for the prior period.

The Refinery's total gross margin for the 2023 fiscal year improved 36 percent to \$848.9 million, from \$622.1 million from the comparative 2022 fiscal year, due to the higher price spread between average refined product prices received and average feedstock prices. The gross margin per barrel improved by 59 percent to \$44.87/bbl for the 2023 fiscal year compared to \$28.14/bbl in the comparative fiscal year.

The operating toll was \$460.0 million for the 2023 fiscal year reflecting an increase of 17 percent from the \$393.5 million for the comparative year. This increase was primarily related to higher property taxes and utilities costs including electricity, natural gas and hydrogen, as compared to the prior year.

Despite the increase in the operating tolls for the 2023 fiscal year, EBITDA was \$388.6 million, an increase of 71 percent compared to \$227.1 million for EBITDA received in the comparative 2022 fiscal year. The improved price spread between average refined product prices and average feedstock prices provided significant profit margin to recover operating toll expenses and generate operating income for the refinery.

The other non-operating expenses were \$479.8 million in the 2023 fiscal year, a increase of 31 percent when compared to \$366.9 million in the 2022 fiscal year. The increase in the other non-operating expenses was driven by increased interest and financing costs associated with the current volatility in the global economy and resultant increase in interest rates, offset partially by the full fiscal year benefit derived from the NWRP debt restructuring which resulted from the Optimization Transaction on June 30, 2021.

During the 2023 fiscal year, there were \$164.3 million in turnaround costs incurred by the Refinery and as funded by the Tollpayers. Normally these costs would be deferred to the balance sheet and amortized into income over the benefit period derived from the turnaround capital expenditures. However, as the Commission has previously recognized and maintained an onerous contract provision during this fiscal year, as related to the Processing and Partnership Agreements, the expenditures were expensed within the current fiscal year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Commission incurred a non-cash charge of \$289.3 million to its onerous contract provision for the 2023 fiscal year. The Processing and Partnership Agreements form the basis of the onerous contract assessment. The increase in the onerous contract provision was driven by increases in forecast interest rates arising from inflationary global economic concerns. In the 2022 fiscal year, the Commission recognized a recovery of \$2.2 billion as a result of the estimated forecasted future economic benefits to be derived from the Optimization Transaction. In addition, the Commission recognized a \$16.9 million credit loss provision in the 2023 fiscal year.

The cumulative impact of the other non-operating expenses, combined with the expensing of turnaround capital costs, and the non-cash Sturgeon Refinery provisions have eliminated the operating income for the fiscal year and resulted in a cumulative net loss for the Sturgeon Refinery business segment of \$561.6 million.

The APMC has obligations to the Refinery as a 75 percent Tollpayer encompassing the purchase and supply of 75 percent of Refinery feedstock from third-party producers of bitumen and the obligation to pay 75 percent of Refinery tolls providing for the flow-through of costs related to senior debt obligations and operations of the Refinery.

Sturgeon Refinery Processing Agreement Provision

APMC assesses the onerous contract provision for the Sturgeon Refinery Processing and Partnership Agreements annually. APMC uses a cash flow model to assess if the unavoidable costs related to the agreements with NWRP exceed the economic benefits to be received. The contracts were determined to be onerous and APMC has recognized a provision calculated as the net present value of revenues from the sales of refined products less feedstock costs and the Refinery tolls charged by NWRP under the Processing Agreement, as well as the net present value of expected net benefit to be realized by APMC pursuant to the Partnership Agreement as a result of its 50 percent partnership interest in NWRP.

As at March 31, 2023, the Commission recognized a non-cash \$289.3 million charge to the onerous contract provision due to forecasted increases in interest rates and recorded related accretion expense of \$29.8 million (2022 - \$74.4 million) resulting in an ending provision of \$669.0 million. By comparison, as at March 31, 2022, the Commission recognized a recovery of \$2.2 billion as a result of the estimated forecasted future economic benefits to be derived from the Optimization Transaction, resulting in a net \$350.0 million provision.

The undiscounted future cash net inflows are estimated to be \$13.4 billion over the expected life of the project. The provision has been recognized by discounting these cash flows using a discount rate of 8.5 percent. The onerous contract provision is expected to be settled in periods up to May 2083.

APMC uses the GOA budgeted commodity price forecast for WTI, WCS, condensate and foreign exchange to estimate future cash flows. The most significant pricing variables that would impact the future cash flows of the contract are the forecasted WTI-WCS differential and foreign exchange rates. Due to the long-term nature of the contract, management has performed a sensitivity analysis on the forecasted WTI-WCS differential and the USD/CAD foreign exchange rates by decreasing them by 5 percent. The onerous contract provision would decrease by \$315 million if, with all other variables held constant, the forecasted WTI-WCS differential and USD/CAD foreign exchange rates decreased by 5 percent.

Changes to interest rates also impact the future cash flows under the contract. The onerous contract would increase by \$83 million if, with all other variables held constant, the forecasted interest rates increased by 50 basis points.

MANAGEMENT DISCUSSION AND ANALYSIS

KXL EXPANSION PROJECT

(\$000s)	Years ended March 31,	
	2023	2022
General and administrative	451	1,454
Gain on foreign exchange	(5,745)	(3,145)
Finance costs	30,284	5,187
Fair value gain on investment in KXL Expansion Project	(9,054)	(10,471)
Net (loss) income and comprehensive (loss) income	(15,936)	6,975

On June 9, 2021, the APMC, as directed by the GOA, entered into the Final KXL Agreement (“the Final KXL Agreement”) with TC Energy for an orderly exit from the KXL project and partnership. APMC provided total contributions of \$1.035 billion on behalf of the TCPL partnerships to fund debt guarantee cancellation payments to the lenders as part of the original investment agreement.

The debt guarantee cancellation payments were paid on June 16, 2021 and the APMC has no further obligations relating to the investment agreement and/or the debt guarantee. In exchange for APMC making the guarantee cancellation payments through its wholly owned Canadian and US subsidiaries, Class C Interests were received from the TCPL partnerships. The Final KXL Agreement also provides a mechanism for future distribution of proceeds from liquidated assets of the KXL project to APMC, for its Class C interests, and to TCPL. Upon the completion of the liquidation of the KXL assets and the distribution of the gross proceeds thereof, the Final KXL Agreement also provides that all Canadian and US Class C Interests held by APMC subsidiaries shall be redeemed for nominal consideration.

General and administrative for the year ended March 31, 2023 decreased \$1.0 million or 69 percent, to \$0.5 million from \$1.5 million for fiscal 2022. The decrease is due to reduced legal and consulting fees as a result of the January 20, 2021 revocation of the Presidential Permit for the cross-border portion of the Keystone XL Pipeline.

Gain on foreign exchange for the year ended March 31, 2023 of \$5.7 million (March 31, 2022 - \$3.1 million) was primarily due to adjustments related to the valuation of the US KXL assets underlying the KXL Expansion Project investment.

Finance costs relate to interest charges on the Commission's outstanding debt associated with the KXL Expansion Project. Finance costs increased to \$30.3 million for the 2023 fiscal year from \$5.2 million for 2022 fiscal year. The increase in finance costs is primarily due to higher outstanding debt as the Commission borrowed \$1.035 billion in June 2021 to fund the debt guarantee cancellation payments.

A reconciliation of the change in the KXL Expansion Project investment is as follows:

(\$000s)	March 31, 2023	March 31, 2022
Balance, beginning of year	82,000	106,000
Liquidation proceeds on Class C interests	(63,770)	(37,795)
Foreign exchange	5,716	3,324
Net change in fair value	9,054	10,471
Balance, end of year	33,000	82,000

The investment in KXL Expansion Project represents the fair value of the assets that will be liquidated by TC Energy due to the project being discontinued. As the liquidation process under the abandonment scenario continues, more information is likely to become available that will impact the determination of the estimated fair value of the KXL assets.

MANAGEMENT DISCUSSION AND ANALYSIS

On February 9, 2022, the APMC, on behalf of the GOA, filed a Notice of Intent as a formal step to initiate a legacy NAFTA claim over the cancellation of the presidential permit for the Keystone XL pipeline. On April 27, 2023, the APMC, on behalf of the GOA, filed a Notice of Arbitration to initiate its arbitration claim against the United States of America under the Canada-United States-Mexico Agreement and the North American Free Trade Agreement. The Notice of Arbitration initiated an arbitration claim to seek recovery for approximately CAD \$1.3 billion of the Alberta government's investment in KXL.

CAPITAL RESOURCES AND LIQUIDITY MANAGEMENT

The APMC as a Tollpayer in the Sturgeon Refinery, continues to provide an unconditional guarantee to cover 75 percent of the NWRP debt through the debt component of the monthly fee-for-service toll over the tolling period. Under the Optimization Transaction, the terms of Processing Agreements for the APMC and CNRL were extended by 10 years to 2058.

SHORT TERM DEBT

(\$000s)	TB&F borrowings		
	Sturgeon Refinery	KXL Expansion Project	Total
Balance, March 31, 2021	1,308,572	588,067	1,896,639
Draws	1,416,990	1,070,166	2,487,156
Exchanged short term debt for long term bond	—	(435,353)	(435,353)
Repayments	(1,671,030)	(245,985)	(1,917,015)
Balance, March 31, 2022	1,054,532	976,895	2,031,427
Draws	2,161,464	330,742	2,492,206
Exchanged short term debt for long term bond	(668,120)	(299,297)	(967,417)
Repayments	(1,955,644)	(359,913)	(2,315,557)
Balance, March 31, 2023	592,232	648,427	1,240,659

Treasury Board & Finance ("TB&F") short term borrowings

The Commission entered into a Lending and Borrowing Agreement ("Agreement") with the GOA effective April 1, 2014, and subsequently amended April 1, 2023. The Agreement provides the framework under which APMC may from time to time request the GOA lend money to the APMC. The GOA and APMC must obtain an Order in Council (approved by the Lieutenant Governor in Council) to authorize the lending and borrowing dollar limits. TB&F is the government unit responsible for lending on behalf of the GOA.

On November 14, 2022, the APMC converted \$368.8 million of the outstanding short term debt owing for the Sturgeon Refinery into a thirty year bond issued by the TB&F. The face value of the bond is \$500 million, a coupon rate of 2.95 percent and matures June 1, 2052. On July 5, 2022, the APMC converted \$299.3 million of the outstanding short term debt owing for each of the Sturgeon Refinery and KXL Expansion Project (\$600 million converted in total) into eleven year bonds issued by the TB&F. Each bond has a face value of \$300 million, a coupon rate of 4.15 percent and matures June 1, 2033. On July 16, 2021, the Commission exchanged \$435.4 million of short term debt related to the KXL Expansion Project with TB&F for a three year bond with a coupon rate of 3.1 percent maturing on June 1, 2024. The bond was issued at a premium with \$408.0 million due on maturity.

The Commission has an Order in Council that allows it to borrow up to \$1.8 billion for funding related to the Sturgeon Refinery. As at March 31, 2023, the Commission has \$592.2 million (March 31, 2022 - \$1,054.5 million) outstanding at various interest rates, with tranches of borrowing repayable over various terms not exceeding one year. In addition, at March 31, 2023, there was \$661.6 million of long term bonds outstanding on the Sturgeon Refinery. During the year ended

MANAGEMENT DISCUSSION AND ANALYSIS

March 31, 2023, the Commission borrowed \$28.7 million, related to the Sturgeon Refinery, primarily for new borrowings, with the remainder of the additions due to the rollover of short term notes. The Commission draws on its Sturgeon Order in Council monthly, to temporarily fund the Crown's purchase of feedstock. Cash received from the Sturgeon Refinery at the end of the month is used to repay borrowings. As of March 31, 2023, the undrawn amount on the Order in Council was \$407.8 million (March 31, 2022 - \$745.5 million).

The Commission has an Order in Council that allows it to borrow up to \$2.0 billion for the Investment of the KXL Expansion Project. As at March 31, 2023, \$648.4 million (March 31, 2022 - \$976.9 million) was outstanding at various interest rates, with tranches of borrowing repayable over various terms not exceeding one year. In addition, at March 31, 2023, there was \$716.8 million of long term bonds outstanding on the KXL Expansion Project. During the year ended March 31, 2023, the Commission incurred additional borrowings of \$14.0 million, which was primarily used to fund the KXL bond coupon payments, with the remainder of the borrowings resulting from the rollover of short-term notes. As of March 31, 2023, the undrawn amount on the Order in Council was \$643.6 million (March 31, 2022 - \$615.1 million).

The weighted average interest rate for the year ended March 31, 2023 was 3.5 percent (year ended March 31, 2022 - 0.3 percent).

LONG TERM DEBT

<i>(\$000s)</i>	Sturgeon Refinery	KXL Expansion Project	Total
Balance, March 31, 2021	—	—	—
Exchanged short term debt for long term bond	—	435,353	435,353
Amortization of premium on long term debt	—	(7,860)	(7,860)
Balance, March 31, 2022	—	427,493	427,493
Exchanged short term debt for long term bond	668,120	299,297	967,417
Amortization of net premium on long term debt	(6,496)	(10,022)	(16,518)
Balance, March 31, 2023	661,624	716,768	1,378,392

On November 14, 2022, the APMC converted \$368.8 million of the outstanding short term debt owing for the Sturgeon Refinery into a thirty year bond. The face value of the bond is \$500 million, a coupon rate of 2.95 percent and matures June 1, 2052. On July 5, 2022, the APMC converted \$299.3 million of the outstanding short term debt owing for each of the Sturgeon Refinery and KXL Expansion Project (\$600 million converted in total) into eleven year bonds. Each bond has a face value of \$300 million, a coupon rate of 4.15 percent and matures June 1, 2033. On July 16, 2021, the Commission exchanged \$435.4 million of short term debt related to the KXL Expansion Project with TB&F for a three year bond with a coupon rate of 3.1 percent maturing on June 1, 2024. The bond was issued at a premium with \$408.0 million due on maturity.

	Issue Date	Maturity Date	Coupon	Face value
Sturgeon Refinery				
	July 5, 2022	June 1, 2033	4.15 percent	\$300,000
	November 14, 2022	June 1, 2052	2.95 percent	\$500,000
KXL Expansion Project				
	July 5, 2022	June 1, 2033	4.15 percent	\$300,000
	July 16, 2021	June 1, 2024	3.10 percent	\$408,000

MANAGEMENT DISCUSSION AND ANALYSIS

ACCRUED INTEREST PAYABLE

<i>(\$000s)</i>	March 31, 2023	March 31, 2022
Accrued interest on TB&F short term debt	10,062	3,350
Accrued interest on TB&F long term debt	17,421	4,204
Balance, end of period	27,483	7,554

LIQUIDITY

Capital Management and Liquidity

The Commission's objective when managing capital is to maintain a flexible capital structure and sufficient liquidity to meet its financial obligations and to execute its business plans. The Commission considers its capital structure to include equity (deficit), the short and long term debt capacity available under outstanding debt agreements, and net working capital (deficit). The Commission's objectives when managing capital are to safeguard the Commission's ability to continue as a going concern and provide returns to the DOE through responsible marketing of conventional crude oil royalty volumes and its other business activities. The Commission does not have any externally imposed restrictions on its capital. The Commission monitors its current and forecasted capital structure in response to changes in economic conditions and the risk characteristics of its business activities. Adjustments are made on an ongoing basis in order to meet its capital management objectives. In light of the continued uncertainty in the macroeconomic environment, the Commission continues to monitor interest rate volatility given the current economic environment with increased inflationary pressures and has commenced the conversion of a portion of short term borrowings into longer maturities.

The APMC believes that its current financial obligations including current commitments and working capital deficit (defined as current assets, less current liabilities) will be adequately funded by the available borrowing capacity on the Order of Councils over the next twelve months.

COMMITMENTS

The estimated NWRP tolls under the Processing Agreement are as follows for future years ended:

<i>(In \$ millions)</i>	March 31, 2024	March 31, 2025	March 31, 2026	March 31, 2027	March 31, 2028	Beyond 2028	Total
NWRP Tolls	940	961	1,030	857	843	35,487	40,118

Under the Processing Agreement, after COD, the Commission is obligated to pay a monthly toll comprised of debt principal repayment, debt service costs and operating components. The processing agreement has a term of 40 years starting with the Toll Commencement Date (June 1, 2018). The Commission has very restricted rights to terminate the Processing Agreement, and is unconditionally obligated to pay its 75 percent pro rata share of the debt component of the monthly fee-for-service toll over the 40-year tolling period. The tolls, under the Processing Agreement, assuming market interest rates and a 2 percent operating cost inflation rate, are estimated above. The toll commitments above are undiscounted and are estimated up to the end of the Processing Agreement term (May 31, 2058). These undiscounted tolls do not take into account the net margin received on the sale of APMC's bitumen feedstock.

The estimated commitments for office lease and parking costs are as follows for future years ended:

<i>(In \$000s)</i>	March 31, 2024	March 31, 2025	March 31, 2026	March 31, 2027	March 31, 2028	Beyond 2028	Total
Office lease and parking ¹	473	473	462	435	429	1,145	3,417

1. Includes estimates for annual operating costs and property taxes.

MANAGEMENT DISCUSSION AND ANALYSIS

GOVERNMENT BUSINESS ENTERPRISE

Organizations that are controlled by the government are either government business enterprises or other government organizations. Government business enterprises are required to prepare financial statements on the same basis as a private sector business, and as such, APMC has prepared these financial statements on the basis of IFRS. The APMC has exercised judgment and determined that it is a government business enterprise because it is a separate legal entity and has been delegated financial and operational authority to carry on a business. In 2014, the APMC's mandate was expanded, and it is expected through its involvement with other strategic value added activities, such as the 50 percent ownership in NWRP, the Sturgeon Refinery and KXL Expansion Project, that it can provide services, maintain its operations, and meet liabilities from sources outside of the government reporting entity.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

The preparation of the consolidated financial statements in conformity with IFRS requires the APMC to make judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contingencies, if any, at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Estimates are subject to measurement uncertainty, and changes in such estimates in future years could require a material change in the consolidated financial statements. Estimates and judgements are continuously evaluated and based on the APMC's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Refer to notes 3 and 4 of the APMC's consolidated financial statements for the years ended March 31, 2023 and 2022 for a description of the significant accounting policies and critical accounting estimates and judgments.

The year ended March 31, 2022 reflects the Optimization Transaction, in which, effective June 30, 2021, the APMC acquired a 50 percent ownership in NWRP. The financial and operational results for the APMC prior to the Optimization Transaction reflects the APMC in a Tollpayer capacity in the Refinery operations and the financial and operational results for the Commission post the Optimization Transaction reflects the APMC as a 50 percent owner in NWRP, wherein its operations and financial information have been accounted for as a joint venture.

Refer to note 5 for new accounting policy changes implemented for the years ended March 31, 2023 and 2022.

RISK MANAGEMENT

The APMC recognizes that risk is present in its business activities and that risk management is critical in maximizing performance and helping the APMC achieve its strategic objectives.

Risk management is the culture, capabilities, and practices integrated within strategy setting and execution, influenced by the APMC's Board of Directors, executive management, and staff. It is a continuous process applied strategically across the APMC in its day-to-day operations, designed to identify, assess and prioritize potential events that could affect the APMC's performance and enable the APMC to respond to and monitor key risks.

NON-GAAP & OTHER FINANCIAL MEASURES

Throughout this MD&A and in other materials disclosed by the Commission, APMC employs certain measures to analyze financial performance, financial position and cash flow. These non-GAAP and other financial measures do not have any standardized meaning prescribed under GAAP and therefore may not be comparable to similar measures presented by other entities. The non-IFRS and other financial measures should not be considered to be more meaningful than GAAP measures which are determined in accordance with IFRS, such as net income (loss), and cash flow from operating activities. Management believes that the presentation of these non-GAAP measures provides useful information to its stakeholders as

MANAGEMENT DISCUSSION AND ANALYSIS

the measures provide increased transparency and the ability to better analyze performance against prior periods on a comparable basis.

Gross margin

Gross margin is a non-GAAP measure which is defined as total revenue less cost of goods sold including product purchases. Management believes that gross margin provides readers with a single measure to indicate the margin on sales before non-product operating expenses that is comparable between periods. Management utilizes gross margin to compare consecutive results.

Years ended March 31, 2023 and 2022

(\$000s)	Conventional Crude Oil Marketing		Sturgeon Refinery (Tollpayer)		NWRP Joint Venture (Refinery Owner)		KXL Expansion Project		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
REVENUES										
Refinery sales	—	—	2,733,082	2,381,861	—	—	—	—	2,733,082	2,381,861
Marketing fee income	12,050	11,201	—	—	—	—	—	—	12,050	11,201
	12,050	11,201	2,733,082	2,381,861	—	—	—	—	2,745,132	2,393,062
EXPENSES										
Refinery feedstock purchases	—	—	1,884,148	1,759,753	—	—	—	—	1,884,148	1,759,753
Gross margin	12,050	11,201	848,934	622,108	—	—	—	—	860,984	633,309

Earnings before interest, tax, depreciation and amortization ("EBITDA")

EBITDA is defined as revenues less cost of sales, including directly attributable costs such as refinery feedstock purchases, refinery operating tolls and general and administrative expenses. This measure excludes debt principal repayment and debt servicing tolls, turnaround expenditures, depreciation and amortization and other non-operating items.

Other non-operating expenses below includes refining tolls - non-operating (includes debt principal repayment and debt service costs) , finance costs, net of finance and other income.

MANAGEMENT DISCUSSION AND ANALYSIS
Years ended March 31, 2023 and 2022

(\$000s)	Conventional Crude Oil Marketing		Sturgeon Refinery (Tollpayer)		NWRP Joint Venture (Refinery Owner)		KXL Expansion Project		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
REVENUES										
Refinery sales	—	—	2,733,082	2,381,861	—	—	—	—	2,733,082	2,381,861
Marketing fee income	12,050	11,201	—	—	—	—	—	—	12,050	11,201
	12,050	11,201	2,733,082	2,381,861	—	—	—	—	2,745,132	2,393,062
EXPENSES										
Refinery feedstock purchases	—	—	1,884,148	1,759,753	—	—	—	—	1,884,148	1,759,753
Refinery tolls - operating	—	—	459,983	393,471	—	—	—	—	459,983	393,471
General and administrative	10,735	10,079	374	1,529	—	—	451	1,454	11,560	13,062
EBITDA	1,315	1,122	388,577	227,108	—	—	(451)	(1,454)	389,441	226,776
Other non-operating expenses	(123)	(74)	479,856	367,279	7,420	5,463	—	—	487,153	372,668
Turnaround expenditures	—	—	164,279	23,604	—	—	—	—	164,279	23,604
Depreciation and amortization	1,166	1,110	—	—	—	—	—	—	1,166	1,110
Loss (gain) on foreign exchange	21	(67)	(78)	(362)	—	—	(5,745)	(3,145)	(5,802)	(3,574)
Gain from North West Redwater Partnership	—	—	—	—	(97,361)	(2,611)	—	—	(97,361)	(2,611)
Provision (Recovery) for Sturgeon Refinery	—	—	306,153	(2,218,622)	—	—	—	—	306,153	(2,218,622)
Fair value gain investment in KXL Expansion Project	—	—	—	—	—	—	(9,054)	(10,471)	(9,054)	(10,471)
Net income (loss) and comprehensive income (loss)	251	153	(561,633)	2,055,209	89,941	(2,852)	(15,936)	6,975	(487,377)	2,059,485



CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Alberta Petroleum Marketing Commission ("APMC") have been prepared and presented by management, who is responsible for the integrity and fair presentation of the information.

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements necessarily include some amounts that are based on informed judgments and best estimates of management.

Management has developed and implemented appropriate systems of internal controls and supporting procedures which have been designed to provide reasonable assurance that assets are protected; transactions are properly authorized, executed and recorded; and the consolidated financial statements are free from material misstatements.

The Auditor General of Alberta, APMC's external auditor appointed under the *Auditor General Act*, performed an independent external audit of these consolidated financial statements in accordance with Canadian auditing standards, and has expressed his opinion in the accompanying Independent Auditor's Report.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors exercises this responsibility through the Audit Committee. The Board of Directors is comprised of Directors who are not employees of APMC.

The Audit Committee meets regularly with management and external auditors to review the scope and findings of audits and to satisfy itself that the committee's responsibility has been properly discharged. The Audit Committee has reviewed the consolidated financial statements and has recommended their approval by the Board.

[Original signed by Adrian Begley]

Adrian G. Begley, P. Eng.
Chief Executive Officer

[Original signed by Leanne Gress-Blue]

Leanne K. Gress-Blue, CPA, CA
Chief Financial Officer

June 2, 2023

Independent Auditor's Report

To the Board of Directors of the Alberta Petroleum Marketing Commission

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the Alberta Petroleum Marketing Commission (the Group), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of income (loss) and comprehensive income (loss), changes in deficit, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Group in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the consolidated financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing 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 an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards 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 consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated 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 my 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 Group's internal control.
- 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 Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]
Auditor General

June 2, 2023
Edmonton, Alberta

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in thousands of Canadian dollars)

<i>As at (\$000s)</i>	Note	March 31, 2023	March 31, 2022
ASSETS			
Cash and cash equivalents	6	45,337	26,701
Restricted cash	7	76,633	72,568
Accounts receivable	8	463,438	656,041
Inventory	9	70,607	95,704
Total current assets		656,015	851,014
Investment in KXL Expansion Project	10	33,000	82,000
Investment in North West Redwater Partnership	12	230,324	250,601
Corporate assets		606	599
Intangible assets	11	6,652	7,717
Inventory	9	6,877	6,877
Total assets		933,474	1,198,808
LIABILITIES			
Accounts payable and accrued liabilities	13	389,109	548,310
Due to the Department of Energy	14	211,359	218,949
Short term debt	15	1,240,659	2,031,427
Accrued interest payable	16	27,483	7,554
License fee provision	18	—	3,590
Lease liabilities		64	52
Sturgeon Refinery Processing Agreement provision	19	—	299,000
Total current liabilities		1,868,674	3,108,882
Long term debt	17	1,378,392	427,493
License fee provision	18	87,000	193,628
Lease liabilities		374	394
Sturgeon Refinery Processing Agreement provision	19	669,000	51,000
Total liabilities		4,003,440	3,781,397
SHAREHOLDERS' DEFICIT			
Deficit		(3,069,966)	(2,582,589)
Total liabilities and shareholders' deficit		933,474	1,198,808

Commitments note 21

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

CONSOLIDATED STATEMENT OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Expressed in thousands of Canadian dollars)

<i>(\$000s)</i>	Note	Years ended March 31,	
		2023	2022
REVENUES			
Refinery sales		2,733,082	2,381,861
Other income	23	—	71,250
Marketing fee income		12,050	11,201
		2,745,132	2,464,312
Finance income		2,580	26,538
Total revenue		2,747,712	2,490,850
EXPENSES			
Refinery feedstock purchases		1,884,148	1,759,753
Refinery tolls		878,508	780,451
Turnaround expenditures	24	164,279	23,604
General and administrative	25	11,560	13,062
Depreciation and amortization		1,166	1,110
Gain on foreign exchange		(5,802)	(3,574)
Finance costs	27	101,492	88,663
Gain from North West Redwater Partnership	12	(97,361)	(2,611)
Change to loss provision for Sturgeon Refinery Processing Agreement	19	289,250	(2,218,355)
Change to Sturgeon Refinery credit loss provision	20	16,903	(267)
Fair value gain on investment in KXL Expansion Project	10	(9,054)	(10,471)
Total expenses		3,235,089	431,365
Net income (loss) and comprehensive income (loss)		(487,377)	2,059,485

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

CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in thousands of Canadian dollars)

<i>(\$000s)</i>	Note	Years ended March 31,	
		2023	2022
OPERATING ACTIVITIES			
Net income (loss) and comprehensive income (loss)		(487,377)	2,059,485
Adjusted for items not involving cash:			
Amortization of premium on long term debt	17	(16,518)	(7,860)
Depreciation and amortization		1,166	1,110
Accretion expenses		37,170	79,818
Fair value gain on investment in KXL Expansion Project	10	(9,054)	(10,471)
Unrealized foreign exchange gain		(5,716)	(3,324)
Gain from North West Redwater Partnership	12	(97,361)	(2,611)
Change for credit loss provision	20	17,060	(63)
Change to loss provision for Sturgeon Refinery Processing Agreement	19	289,250	(2,218,355)
Interest received from term loan receivable		—	251,486
Accrued interest on term loan		—	(26,326)
Changes in accrued interest payable	16	19,929	4,553
Changes in non-cash working capital	29	29,784	(127,155)
Net cash (used in) provided by operating activities		(221,667)	287
FINANCING ACTIVITIES			
Payment of lease liabilities		(61)	(32)
Proceeds from short term and long term debt	15, 17	2,492,206	2,487,156
Repayment of short term debt	15	(2,315,557)	(1,917,015)
Net cash provided by financing activities		176,588	570,109
INVESTING ACTIVITIES			
Liquidation proceeds received on KXL investment		63,770	37,795
Debt guarantee payment for KXL Expansion Project		—	(1,035,002)
Transaction costs attributable to acquiring partnership interest		—	(56,235)
Funds from term loan receivable		—	314,734
Expenditures on property, plant, and equipment		(55)	(167)
Net cash provided by (used in) investing activities		63,715	(738,875)
Net change in cash and cash equivalents		18,636	(168,479)
Cash and cash equivalents, beginning of year		26,701	195,180
Cash and cash equivalents, end of year		45,337	26,701
Cash paid			
Interest received		2,580	251,698
Interest paid		(60,911)	(12,152)
Taxes		—	(4,327)

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

CONSOLIDATED STATEMENT OF CHANGES IN DEFICIT
(Expressed in thousands of Canadian dollars)

<i>(\$000s)</i>	
Deficit, March 31, 2021	(4,642,074)
Net income and comprehensive income	2,059,485
Deficit, March 31, 2022	(2,582,589)
Deficit, March 31, 2022	(2,582,589)
Net loss and comprehensive loss	(487,377)
Deficit, March 31, 2023	(3,069,966)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(Expressed in thousands of Canadian dollars, unless stated otherwise)

1. AUTHORITY AND STRUCTURE

The Alberta Petroleum Marketing Commission ("APMC" or the "Commission") is a corporation created under the *Petroleum Marketing Act* (Alberta) to act as agent for the Government of Alberta ("GOA" or "Crown") in accepting delivery and dealing with the Crown's royalty share of hydrocarbons; and engaging in other hydrocarbon-related activities in a manner that is in the public interests of Albertans. Under this mandate, the APMC performs commercial activities to receive and market crude oil royalty volumes on behalf of the Crown, and to transact or invest in energy projects which seek to expand access to global energy markets or otherwise maximize the long-term sustainable value of the Crown's resources. The Commission is overseen by a majority-independent Board of Directors and operates at arm's length from the GOA; however, it is accountable to and may receive policy and other direction from the Alberta Minister of Energy. The consolidated financial statements disclose the transactions the APMC incurs while marketing crude oil on behalf of the Crown, and the APMC's investment in the North West Redwater Partnership ("NWRP" or the "Partnership"), the Sturgeon Refinery ("Refinery"), and the KXL Expansion Pipeline ("KXL Expansion Project") through newly created subsidiaries in 2020.

The Commission operates a Business Development group to identify and analyze business ideas and proposals that provide strategic value to Alberta and are financially feasible.

As an agent of the GOA, the Commission is not subject to Canadian federal or provincial corporate income taxes.

The Commission is located at the following address: 1050, 250 – 5 Street S.W., Calgary, Alberta, T2P 0R4. These consolidated financial statements were authorized for issue by the Board of Directors on June 2, 2023.

The Commission conducts its principal business in four reportable operating segments (note 30).

2. BASIS OF PRESENTATION

(a) Statement of compliance

The consolidated annual financial statements (the "Annual Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB") and related interpretations as issued by the IFRS Interpretations Committee ("IFRIC").

(b) Basis of measurement

The Annual Financial Statements have been prepared on a historical cost basis except for the Investment in KXL Expansion Project that has been measured at fair value.

(c) Functional and presentation currency

The Annual Financial Statements are presented in Canadian dollars ("CAD"), which is also the APMC's functional and presentation currency.

(d) Use of estimates, assumptions and judgements

The preparation of the Annual Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant estimates and judgments used in the preparation of the Annual Financial Statements are described in note 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2023

(Expressed in thousands of Canadian dollars, unless stated otherwise)

(e) Comparative figures

Certain comparative figures on the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) have been restated to conform to the current period's presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the Annual Financial Statements.

(a) Basis of consolidation

The Annual Financial Statements include the accounts of the APMC and its wholly owned subsidiaries. Subsidiaries are consolidated from the date the Commission obtains control and continues to be consolidated until the date such control ceases. Control is achieved when the APMC 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. Some of the APMC's subsidiaries have a December 31 year end for statutory purposes, however, the results of the subsidiaries are prepared for the same reporting period as the APMC, using consistent accounting policies. All inter-entity transactions have been eliminated upon consolidation between the APMC and its subsidiaries in these Annual Financial Statements. The APMC's operations are viewed as four operating segments by the chief executive officer of the Commission for the purpose of resource allocation and assessing performance.

The following table details the APMC's subsidiaries:

Name	Principal activities	Country of Incorporation	% Equity Interest
2254737 Alberta Ltd. ¹	Facilitate APMC's financial support of the Canadian portion of the KXL Expansion Project and assist with various governance related matters	Canada	100%
2254755 Alberta Ltd. ¹	Facilitate APMC's financial support for the project costs related to the Canadian portion of the KXL Expansion Project	Canada	100%
2254753 Alberta Ltd. ¹	Facilitate APMC's financial support for the project costs related to the US portion of the KXL Expansion Project and assist with various governance related matters	Canada	100%
2254746 Alberta Ltd. ^{1,2}	Facilitate APMC's financial support for the project costs related to the US portion of the KXL Expansion Project	Canada	100%
2254746 Alberta Sub. Ltd. ¹	Facilitate APMC's financial support for the project costs related to the US portion of the KXL Expansion Project	USA	100%
APMC (Redwater) L.P.	Holds a 50% interest in the North West Redwater Partnership	Canada	100%
APMC (Redwater) Corp.	General partner in APMC (Redwater) L.P.	Canada	100%

1. Denotes subsidiaries with a December 31 year end.

2. 2254746 Alberta Ltd. is the sole shareholder of 2254746 Alberta Sub. Ltd.

(b) Joint arrangements

Joint arrangements represent arrangements in which two or more parties have joint control established by a contractual agreement. Joint control only exists when decisions about the activities that most significantly affect the returns of the investee are unanimous. Joint arrangements can be classified as either a joint operation or a joint venture. The classification of joint arrangements requires judgment. In determining the classification of its joint arrangements, the Commission reviews numerous criteria including the contractual rights and obligations of each investor, whether the legal structure of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(Expressed in thousands of Canadian dollars, unless stated otherwise)

the joint arrangement gives the entity direct rights to the assets and obligations for the liabilities, and whether substantially all of the economic output and benefit is to be received by the parties over the estimated economic life of the asset.

Where the APMC has rights to the assets and obligations for the liabilities of a joint arrangement, such arrangement is classified as a joint operation and the Commission's proportionate share of the joint operation's assets, liabilities, revenues and expenses are included in the consolidated financial statements, on a line-by-line basis.

Where the APMC has rights to the net assets of an arrangement, the arrangement is classified as a joint venture and accounted for using the equity method of accounting. Under the equity method, the Commission's initial investment is recognized at cost and subsequently adjusted for the APMC's share of the joint venture's income or loss, less distributions received. When the APMC transacts with a joint venture, profits and losses resulting from the transactions are recognized in the Commission's financial statements only to the extent of interests in the joint venture that are not related to the APMC. Should the Commission's share of losses of a joint venture exceed APMC's interest in that joint venture, the Commission discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the APMC has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the APMC obtains joint control in the investee. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the APMC's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the APMC's share of the net fair value of the identifiable assets and liabilities over the cost of the investment is recognized immediately in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) in the period in which the investment is acquired.

The APMC assesses whether there is objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any reversal of impairment losses are recognized to the extent that the recoverable amount of the investment subsequently increases.

(c) Foreign currencies

The Commission's Annual Financial Statements are presented in Canadian dollars, which is also the functional and presentation currency of its subsidiaries. Functional currencies of the Commission's individual entities are the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the appropriate functional currency at foreign exchange rates that approximate those on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the appropriate functional currency at foreign exchange rates as at the balance sheet date. Foreign exchange differences arising on translation are recognized in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). Non-monetary assets that are measured in a foreign currency at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

(d) Cash and cash equivalents

Cash and cash equivalents consist primarily of cash in banks, term deposits, certificates of deposit and all other highly liquid investments at the time of purchase.

(e) Prepaid expenses

Prepaid expenses relate to payments made in advance of receiving the related services and include tolls paid to NWRP in respect of turnaround costs under the Sturgeon Refinery Processing Agreement. The payments are expected to yield economic benefits over one or more future periods. Subsequent to initial recognition, prepaid expenses are recognized as

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(Expressed in thousands of Canadian dollars, unless stated otherwise)

expenses in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) as the services are received, or are de-recognized when it is determined there is no longer future economic benefit.

(f) Inventory

Inventory is maintained to support APMC's operations at the Sturgeon Refinery. Inventory is comprised of blended feedstock, intermediates and products. Product inventories are carried at the lower of cost and net realizable value. APMC contracts with third parties to directly deliver its share of feedstock supply to the Refinery. The cost of APMC's share of feedstock is the invoiced amount from those third parties. Net realizable value methodology for blended feedstock, intermediates and products uses a combination of weighted average index prices and actual sales prices. If the carrying amount exceeds net realizable value, a write-down is recognized.

As part of the marketing activities, oil inventory is managed on behalf of the Department of Energy ("DOE"). Inventory represents the royalty oil in feeder and trunk pipelines and consists of both purchased oil and royalty share oil. The Commission purchases oil to fulfill pipeline and quality requirements as part of the conventional crude oil marketing activities. As the Commission does not hold title to the oil and will not benefit from the ultimate sale as a principal, this inventory is not recognized.

(g) Office equipment and improvements

Office equipment and improvements are carried at cost less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price and costs directly attributable to bringing the asset to the location and condition necessary for its intended use.

The Commission is depreciating its office furniture and equipment and leasehold improvements over a period of five years.

Office equipment and improvements and right-of-use assets have been presented as corporate assets in the Consolidated Statement of Financial Position.

(h) Software development assets

The Commission has internally developed operations software to handle actualization and settlement of royalty and marketing transactions. In addition, APMC purchased accounting software for reporting and financial settlement of transactions.

These software related assets are amortized on a straight-line basis over the estimated useful life of the software. The software systems have an estimated useful life of 10 years.

(i) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. In addition, an annual review is performed. Assets are grouped at the lowest level where there are separately identifiable cash inflows for the purpose of assessing impairment.

If there is an indication of impairment, the asset's recoverable amount is estimated. The recoverable amount is the greater of an asset's fair value less cost to sell and its value in use, if the carrying amount of the asset exceeds the recoverable amount, an impairment loss is recognized. Impairment losses are recognized in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss).

If the circumstances leading to the impairment are no longer present, an impairment loss may be reversed related to the software development assets described as intangible assets in these financial statements. The extent of the impairment loss

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(Expressed in thousands of Canadian dollars, unless stated otherwise)

that can be reversed is determined by the carrying cost net of amortization that would have existed if the impairment had not occurred. Therefore, reversal of the loss cannot exceed the total carrying cost less amortization of the asset had the impairment not occurred. The impairment loss reversals are recognized in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss).

(j) *Right-of-use assets and liabilities*

At inception of a contract, an assessment is performed to assess whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, an assessment is performed to determine whether: the contract involves the use of an identified asset; has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and, has the right to direct the use of the asset.

A right-of-use asset and a lease liability is recognized at the commencement date of the lease contract, which is the date that the right-of-use asset is available. The right-of-use asset is initially measured at cost. The cost of a right-of-use asset includes the amount of the initial measurement of the lease liability, lease payments made prior to the commencement date, initial direct costs and estimates of the asset retirement obligation, if any. Subsequent to initial recognition, the right-of-use asset is depreciated using the straight-line method over the earlier of the end of the useful life of the right-of-use asset or the lease term.

Lease liabilities are initially measured at the present value of lease payments discounted at the rate implicit in the lease, or if not readily determinable, the Commission's incremental borrowing rate. Lease payments include fixed lease payments, variable lease payments based on indices or rates, residual value guarantees and purchase options expected to be exercised. Subsequent to initial recognition, the lease liability is measured at amortized cost using the effective interest method. Lease liabilities are re-measured if there are changes in the lease term or if the Commission changes its assessment of whether it is reasonably certain it will exercise a purchase, extension or termination option. Lease liabilities are also re-measured if there are changes in the estimate of the amounts payable under the lease due to changes in indices or rates, or residual value guarantees.

(k) *Revenue from contracts with customers*

Revenue from contracts with customers is recognized when or as APMC satisfies a performance obligation by transferring a promised good or service to a customer. For marketing activities, the Commission earns revenue through marketing fees charged to the DOE based on net volumes sold. Collection of revenue occurs on or about the 25th of the month following delivery. Marketing fees are recognized when earned which corresponds to the service period in which the conventional crude oil marketing activities take place.

The Sturgeon Refinery achieved the Commercial Operations Date ("COD") as of June 1, 2020. Revenue from product sales is recognized when performance obligations in the sales contracts are satisfied and it is probable that the Commission will collect the consideration to which it is entitled. Performance obligations are satisfied at the point in time when the product is lifted from the Refinery facility and control passes to the customer. The customers are assessed for creditworthiness before entering into contracts and throughout the revenue recognition process. The larger contracts for the sale of products generally have terms of greater than a year. There are also spot deals and contracts less than a year. Revenues are typically collected in the current month or the following month.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(Expressed in thousands of Canadian dollars, unless stated otherwise)

(I) Financial instruments

(i) Financial assets:

The Commission classifies its financial assets in the following categories: measured at amortized cost, fair value through other comprehensive income (“FVTOCI”) and fair value through profit or loss (“FVTPL”). The classification is made at initial recognition and depends on the Commission’s business model for managing financial assets and the contractual terms of the cash flows. In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Commission’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement of financial instruments is based on their initial classifications. The Commission does not currently have any financial assets classified or measured at FVTOCI.

Financial assets at amortized cost:

The Commission classifies cash and cash equivalents, cash held in trust and accounts receivable as financial assets at amortized cost. Amortized cost is defined as the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest rate (“EIR”) method of any difference between the initial amount and the maturity amount and, for financial assets, as adjusted for any loss allowance. Gains and losses are recognized in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) when the asset is derecognized, modified or impaired.

Financial assets at FVTPL:

The Commission has determined that it does not have control, joint control or significant influence over its Investment in the KXL Expansion Project Class A and C Interests and this investment does not meet the SPPI test, despite the Class A Interests earning a return in the form of accretion income (note 10). Therefore, the Commission measures the Investment in KXL Expansion Project at FVTPL. Financial assets at FVTPL are carried in the Consolidated Statement of Financial Position at fair value with net changes in fair value recognized in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss).

Impairment:

The Commission’s accounting policy for impairment of financial assets is as follows: at each reporting date, on a forward looking basis, the Commission assesses the expected losses associated with its financial assets carried at amortized cost. For trade accounts receivable, the simplified approach permitted by IFRS 9 is applied, which requires expected lifetime credit losses to be recognized from initial recognition of the receivable. To measure expected credit losses, accounts receivable are grouped based on the counterparty investment rating as reported by the credit rating agencies and an anticipated default rate is applied to each rating multiplied by the receivable balance outstanding at a reporting date. For counterparties not rated by the credit rating agencies, the simplified approach and a provision matrix will be used to calculate the impairment provision. The matrix would look at a different percentage applied against each aging category,

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including the current amounts. The internal and external credit rating of a counterparty will be considered as part of this overall process.

Credit risk for longer term receivables is assessed based on an external credit rating of the counterparty. For longer term receivables with credit risk that has not increased significantly since the date of recognition, the Commission measures the expected credit loss as the 12 month expected credit loss.

Changes in the provision for expected credit loss are recognized on the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss).

The Commission considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Commission may also consider a financial asset to be in default when internal or external information indicates that APMC is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities:

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Commission's financial liabilities include accounts payable, due to Department of Energy, short term and long term debt, and accrued interest payable.

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- financial liabilities at FVTPL; or
- financial liabilities at amortized cost.

All of the Commission's financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

(iii) Fair value measurement:

The Commission measures financial instruments such as the Investment in the KXL Expansion Project at fair value at each Consolidated Statement of Financial Position date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Commission. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Commission uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the Annual Financial Statements at fair value on a recurring basis, the Commission determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Commission determines the policies and procedures for fair value measurement. External valuation specialists may be utilized in the valuation of significant assets, such as the Investment in the KXL Expansion Project. Involvement of external valuation specialists is decided upon annually by senior management of APMC. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Commission decides, after discussions with the external valuation specialists, which valuation techniques and inputs to use in the measurement of fair value.

At each reporting date, senior management reviews the values of assets and liabilities that are required to be re-measured or re-assessed as per the Commission's accounting policies. When estimating the fair value, the Commission develops key assumptions based on objective observable data, to the extent possible, and agrees major inputs to contracts and other relevant documents.

The Commission compares the key assumptions and major input used in the determination of the fair value of each asset and liabilities to relevant external sources when available.

At each reporting period, the Commission presents the valuation results to the Board. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Commission has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

(iv) Financial guarantee contracts:

Financial guarantee contracts are contracts issued by APMC that contingently require the Commission to make specified payments to reimburse the holder for a loss it incurs because the specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The date the Commission becomes a party to the irrevocable commitment is the date of initial recognition. Financial guarantee contracts are initially recognized and measured at the fair value of the obligation undertaken in issuing the guarantee, which is generally equal to the guarantee fee received in advance (if any), adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the guarantee is

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recognized as a liability measured at the higher of (i) the amount initially recognized (if any) less amortization for the passage of time and (ii) the loss allowance measured using an expected credit loss (“ECL”) model.

ECLs with respect to financial guarantee contracts are calculated using a probability of default approach and are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Commission expects to receive in respect of entitlement to contractual recoveries or reimbursements (but excluding expected guarantee fees or premiums), discounted at an approximation of the current rate representing the risk of cash flows.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). Any changes in the recognized liability is included in income. In assessing whether there has been a significant increase in the credit risk since initial recognition, the Commission considers the changes in the risk that the specified debtor will default on the contract.

(m) Provisions and onerous contracts

Provisions

Provisions, including contingent consideration, are recognized when the Commission has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Onerous contracts

At each year-end, APMC performs an onerous contract assessment. A provision for an onerous contract is recorded when the unavoidable costs of meeting an obligation under a contract exceed the economic benefits expected to be received under it. APMC uses an incremental cost approach to determine the costs of fulfilling obligations under a contract. Where a provision is required, it is measured as the net present value of the unavoidable net cash flows, and is recorded as an expense on the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) and offsetting liability on the Consolidated Statement of Financial Position.

For each subsequent year-end, the Commission will perform an assessment to determine if the contract remains onerous, and if so, update the provision accordingly.

The balance sheet provision will be adjusted each year to the new net present value (either higher or lower) with the offset being recorded through the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss). If the contract is no longer onerous, then the provision is reversed in its entirety (i.e. the contract cannot become an asset).

(n) Finance income and finance expenses

Finance income generated from conventional crude oil marketing operations comprises interest income earned on cash and cash equivalents.

Finance income related to the Sturgeon Refinery is comprised of interest income earned on the term loan receivable and interest income earned daily on cash and cash equivalents.

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Finance expenses consist of interest expense on debt obligations, net of the unwinding of premiums recognized on the issuance of debt, and accretion expense on Surgeon Refinery Processing Agreement provision.

(o) Income taxes

As stated in Note 1 above, the Commission is exempted from Canadian federal and provincial corporate income taxes. However, 2254746 Alberta Sub Ltd., a Delaware incorporated company and 2254746 Alberta Ltd., an Alberta incorporated company have exposure to US federal and state corporate income taxes.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country in which the Commission generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is accounted for using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying value for financial reporting purposes as at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits, and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences, the carry forward of unused tax credits, or the unused tax losses can be utilized.

Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither the accounting nor taxable profit or loss;
- Taxable temporary differences arising on the initial recognition of goodwill; and
- Temporary differences related to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax liabilities are recorded for all temporary differences other than where the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these Annual Financial Statements in conformity with IFRS requires the Commission to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, and the disclosure of contractual obligations and contingencies, if any, at the date of the Annual Financial Statements and reported amounts of revenues and expenses during the period. Estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the Annual Financial Statements. Estimates and judgements are continuously evaluated and based on the Commission's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

The following are judgements, estimates and assumptions that the Commission has made in the process of applying APMC's accounting policies and that have the most significant effect on the amounts recognized in these Annual Financial Statements.

(a) Government business enterprise

Under public sector accounting standards, organizations which are controlled by the government are either government business enterprises or other government organizations. Government business enterprises are required to apply IFRS, whereas other government organizations are provided with a choice for basis of presentation. The Commission has exercised judgment and determined that it is a government business enterprise because it is a separate legal entity and has been delegated financial and operational authority to carry on a business. In 2013, the Commission's mandate was expanded, and it is expected through its involvement with other marketing activities, such as the Sturgeon Refinery that it can provide services, maintain its operations and meet liabilities from sources outside of the government reporting entity. Had the Commission not been determined to be a government business enterprise, the Commission would have continued to apply public sector accounting standards, and such an alternative basis of accounting could have a pervasive effect on the measurement and presentation of items in the Annual Financial Statements.

(b) Revenue recognition

The Commission has exercised judgment in determining whether it is acting as a principal or agent with respect to conventional crude oil marketing activities. The Commission is providing services to the Crown as delegated in the Petroleum Marketing Act that are "...in the public interest of Alberta". The Commission accepts delivery of and markets the Crown's royalty share of crude oil, and has the ability to determine which customers to transact with, and whether it should purchase additional product for blending activities to change the composition of crude oil sold. Under the *Petroleum Marketing Act*, the Commission has the responsibility for ensuring the crude oil meets the customers' specifications and for the establishment of prices. However, the Commission does not have the ability to direct the use of the crude oil, as the use is mandated by the Crown via the *Petroleum Marketing Act*. The Commission remits the net proceeds from the sale of product to the DOE, and therefore does not have the ability to obtain the benefits from the crude oil. As the APMC does not direct the use of the crude oil, nor obtain the economic benefits from it, management has determined that it does not have control and is therefore an agent with respect to the conventional crude oil marketing activities. Therefore, the gross inflows and economic benefits of conventional crude oil marketing activities are considered collected on behalf of the DOE and are not recognized as revenue.

APMC has used judgment in determining whether it is acting as a principal or agent with respect to crude-by-rail activities. APMC was directed, on May 24, 2019, "...take all steps possible to explore best options for assigning crude-by-rail program contracts entered into by the Commission to third parties, and to enter into assignment agreements as expeditiously as possible with third parties on commercial terms, provided that the final terms have been approved by the Government". While the Commission entered into the contracts, it was acting as agent on behalf of the Crown and all financial risk belongs to the Crown. Therefore, the gross inflows and economic benefits of the crude-by-rail program are considered collected on

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behalf of the Crown and are not recognized as revenue. All of the remaining crude-by-rail program contracts were successfully divested by APMC on behalf of the Crown as of March 31, 2022.

APMC has also exercised judgment in determining whether it is acting as a principal or agent with respect to Sturgeon Refinery Tollpayer activities. As part of the processing agreement, NWRP processes the feedstock provided by APMC and CNRL (collectively, the "Tollpayers") into refined products and will sell the refined products and by-products on behalf of APMC and CNRL. APMC and CNRL take the financial responsibility for the refined products and by-products meeting customer specifications, inventory risk, and establishing prices for the products. Therefore, APMC is acting as the principal in this arrangement and the gross inflows and economic benefits of the Sturgeon Refinery activities are recognized as revenue.

(c) Interests in Sturgeon Refinery

Prior to closing of the Optimization Transaction on June 30, 2021 (note 12), APMC's interest in the Sturgeon Refinery was as follows:

NWRP was a general partnership formed by CNR (Redwater) Limited (formerly Canadian Natural Upgrading Limited) ("CNR Redwater"), a wholly-owned subsidiary of CNRL and by NWU LP, an indirect wholly-owned subsidiary of North West Refining Inc. NWRP was formed under the Partnership Act (Alberta) pursuant to a partnership agreement dated February 15, 2011, as amended on November 7, 2012, March 11, 2013 and April 7, 2014. The partners each had a 50 percent partnership interest in NWRP.

NWRP had entered into various agreements to construct and operate the Sturgeon Refinery, a facility 45 kilometres north-east of Edmonton which has the capacity to process approximately 50,000 barrels per day (bbl/d) of bitumen at an incurred facility capital cost ("FCC") of \$10.0 billion. APMC is providing the Sturgeon Refinery with 37,500 bbl/d of bitumen feedstock and Canadian Natural Resources Partnership will provide the remaining 12,500 bbl/d of bitumen feedstock under a former 30 year cost-for-service tolling agreements (collectively, the Processing Agreements). The Sturgeon Refinery achieved its COD on June 1, 2020.

Effective with the completion of the Optimization Transaction for the Sturgeon Refinery, as disclosed in note 12, APMC now owns a 50 percent partnership interest in NWRP. APMC has exercised judgement in determining that it has joint control over NWRP and that the joint arrangement is a joint venture. This determination was based upon the assessment that APMC and CNRL, under the terms of the existing Processing Agreements, are currently not expected to purchase substantially all of the economic output of the Sturgeon Refinery (i.e. refinery services) as compared to the estimated life of the Sturgeon Refinery.

APMC had entered into a term loan with NWRP which earned interest at a rate of prime plus six percent, compounded monthly, and was to be repaid over 10 years starting one year after COD. While the loan to NWRP was outstanding, APMC was entitled to a 25 percent voting interest on the Executive Leadership Committee ("ELC"), which is charged with overseeing and making decisions on the operations of the Sturgeon Refinery. CNRL and North West Refining Inc. had 50 percent and 25 percent voting interests on the ELC, respectively.

Pursuant to the Processing Agreements, NWRP processes bitumen and sells the refined products on behalf of the Tollpayers. As required by the terms of the Processing Agreements, a trust account (the "Initial Proceeds Trust Account" or "IPTA") has been established to facilitate the payments to and from the Tollpayers and NWRP. APMC has exercised judgment in determining that IPTA, on behalf of the Tollpayers, is a joint operation in which the Commission has a 75 percent interest in the assets, liabilities, revenue and expenses.

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(d) NWRP - Monthly toll commitment

The Commission has used judgment to estimate its' toll commitments pursuant to the Processing Agreement included in note 21 Commitments. The toll has both a debt component and a monthly operating component. To estimate the future toll, management has used estimates for factors including future interest rates, operating costs, oil prices (West Texas Intermediate ("WTI")) and light/heavy differentials), refined product prices, gas prices and foreign exchange rates.

(e) Sturgeon Refinery Processing Agreement assessment

The Commission uses a cash flow model to determine if the unavoidable costs of meeting the obligations under the NWRP Processing Agreement exceed the economic benefits expected to be received. The model uses a number of variables to calculate the cash flows for APMC. Those variables include technical variables that arise from the design of the project such as pricing related variables including crude oil prices (WTI), heavy-light differentials, ultra-low sulphur diesel-WTI premiums, exchange rates, capital costs, operating costs, interest rates, and discount rates.

Technical inputs may be estimated with reasonable accuracy for a particular operating plan; however revenues and costs that depend upon market prices are challenging to estimate, particularly over long future time periods. The amended Processing Agreement has a term of 40 years and may be renewed for successive five year periods at APMC's option. In order to perform the onerous contract analysis, APMC management developed estimates for the key variables based primarily on GOA forecasts.

(f) Contingent consideration

In connection with the Optimization Transaction (note 12), NWRP entered into an agreement with NWU LP to utilize certain CO2 capture technology in exchange for an annual licensing fee based on CO2 captured from the Refinery, resulting in the recognition of a fair value provision for contingent consideration relating to APMC's acquisition of a partnership interest in NWRP.

The Commission uses a cash flow model to determine the fair value of the contingent consideration. The model uses a number of variables to calculate the cash outflows for APMC. Those variables include estimates and technical variables that arise from the design of the project such as the forecast of annual CO2 volumes to be captured by the Refinery over its life until the estimated date of reclamation of December 31, 2100, an assumption that the annual licensing fee will meet the economic tests in future periods and the calculation of a credit adjusted risk free discount rate.

Technical inputs for annual CO2 licensing fee may be adjusted in future periods based upon the operating performance of the Sturgeon Refinery.

(g) Interests in other entities

APMC applies judgement in determining the classification of its interest in other entities, such as: (i) the determination of the level of control or significant influence held by the Commission; (ii) the legal structure and contractual terms of the arrangement; (iii) concluding whether the Commission has rights to assets and liabilities or to net assets of the arrangement; and (iv) when relevant, other facts and circumstances. The Commission has determined that the Investment in the KXL Expansion Project is a financial asset measured at fair value through profit or loss as described in IFRS 9 *Financial Instruments*.

(h) Fair value measurement of financial instruments

When the fair values of financial assets recorded in the Consolidated Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques.

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The Commission has estimated the fair value of the KXL Investment at March 31, 2023 and 2022 using a probability-weighted valuation technique. The fair value of the KXL Investment is included in Level 3 of the fair value hierarchy (note 10 and 20) because it requires the use of significant unobservable assumptions in the valuation techniques used to determine the fair value estimate. The determination of the fair value of the KXL Investment is complex and relies on several critical judgements and estimates. These critical assumptions and estimates used in determining the fair value of the KXL Investment are: the identification of potential scenarios that would impact the amount and timing of cash flows relating to the KXL Investment, the expected probability of those outcomes, and the estimated cash inflows and outflows relating to potential outcomes. Fair value estimates may not necessarily be indicative of the amounts that could be realized or settled, and changes in assumptions could affect the reported fair value of the financial instrument. Assumptions used in the determination of the fair value of the KXL Investment will continue to be refined as outcomes become known and more information becomes available.

(i) Right-of-use assets

Purchase, extension and termination options are included in certain lease agreements to provide operational flexibility. To measure the lease liability, judgment is used to assess the likelihood of exercising these options. These assessments are reviewed when significant events or circumstances indicate that the likelihood of exercising these options may have changed. Estimates are also used to determine its incremental borrowing rate if the interest rate implicit in the contract is not readily determinable.

(j) Operating segments

The Commission has reviewed and determined its operating segments as disclosed in note 30.

5. NEW ACCOUNTING POLICIES

Amendments to IAS 16 Property, Plant and Equipment

On April 1, 2022, APMC adopted Property, Plant and Equipment - Proceeds before Intended Use issued by the IASB which made amendments to *IAS 16 Property, Plant and Equipment* ("IAS 16"). The amendments prohibit a company from deducting from the cost of property, plant, and equipment ("PP&E") amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. The adoption of the amendments to IAS 16 did not have a material impact to APMC's financial statements.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

On April 1, 2022, APMC adopted Onerous Contracts - Cost of Fulfilling a Contract issued by the IASB which made amendments to *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"). The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The adoption of the amendments to IAS 37 did not have a material impact to APMC's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current, depending on the existence of the substantive right at the end of the reporting period for an entity to defer settlement of the liability for at least twelve months after the reporting period.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and with early adoption permitted. These amendments must be applied retrospectively. The Commission is currently assessing the impact the amendments will have on current practice.

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Amendments to IAS 8: Definition of Accounting Estimates

In February 2021, the IASB published amendments to IAS 8 to help entities distinguish between accounting policies and accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early adoption is permitted. The Commission is currently assessing the impact the amendments will have on current practice.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at March 31, 2023 was \$45.3 million (March 31, 2022 - \$26.7 million). Cash and cash equivalents consist of deposits in the Consolidated Liquidity Solution (the "Fund") which is a cash pooling structure managed by Treasury Board & Finance ("TB&F") to provide competitive interest income while maintaining appropriate security and liquidity of depositors' capital. For the year ended March 31, 2023, the Commission earned \$0.6 million (year ended March 31, 2022 - \$0.2 million).

7. RESTRICTED CASH

Restricted cash, including cash and cash equivalents, as at March 31, 2023 was \$76.6 million (March 31, 2022 – \$72.6 million) and relates to the Sturgeon Refinery. It is restricted and held on behalf of the Sturgeon Refinery Tollpayers, namely APMC and CNRL. The amount reported is the 75 percent portion attributable to APMC as a Tollpayer. The Commission does not have immediate access to the cash held in the trust account. The cash is to be used for funding the Sturgeon Refinery processing operations and for paying all tolls. Any cash distributions will be in accordance with the Processing Agreement.

Excess trust account funds at the Sturgeon Refinery are invested in low-risk, liquid short-term investments, with no longer than a 90 day term to maturity. For the year ended March 31, 2023, the short-term investments earned \$1.2 million (year ended March 31, 2022 - \$nil).

8. ACCOUNTS RECEIVABLE

<i>(\$000s)</i>	Note	March 31, 2023	March 31, 2022
Accounts receivable		481,450	656,993
Credit loss provision	20	(18,012)	(952)
Balance, end of year		463,438	656,041

Accounts receivable is comprised of receivables from crude oil royalty marketing transaction activities on behalf of the Province and receivables from Sturgeon Refinery product sales.

As at March 31, 2023, there was \$183.9 million (March 31, 2022 – \$209.8 million) of accounts receivable for marketing transaction activities primarily for the March 2023 delivery month, which was settled in cash on April 25, 2023. In addition,

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there was \$279.5 million (March 31, 2022 – \$446.3 million) of account receivable related to the Sturgeon Refinery which consisted primarily of the sale of refined products delivered in March 2023. The terms related to the sale of refined products are not greater than net 21 days.

9. INVENTORY

<i>(\$000s)</i>	March 31, 2023	March 31, 2022
Current		
Balance, beginning of year	95,704	51,711
Additions	1,859,051	1,803,746
Cost of sales	(1,884,148)	(1,759,753)
Balance, end of year – current portion	70,607	95,704
Long term		
Balance, beginning of year	6,877	6,877
Additions	—	—
Balance, end of year – long-term portion	6,877	6,877

As at March 31, 2023 there was \$70.6 million (March 31, 2022 - \$95.7 million) of hydrocarbon inventory classified as current as the Commission expects to sell it within the next twelve months of the financial reporting period. Product inventory is comprised of synthetic crude oil, intermediate products, ultra-low sulphur diesel, unconverted oil, diluent and sulphur.

As at March 31, 2023 there was \$6.9 million (March 31, 2022 - \$6.9 million) of long term inventory consisting of line fill and tank bottoms. The Commission does not anticipate to sell these volumes within the next 12 months.

10. INVESTMENT IN KXL EXPANSION PROJECT

On June 9, 2021, the APMC, as directed by the Alberta Government entered into the Final KXL Agreement (“the Final KXL Agreement”) with TC Energy for an orderly exit from the KXL project and partnership. APMC provided total contributions of CAD\$1.035 billion on behalf of the TCPL partnerships to fund debt guarantee cancellation payments to the lenders as part of the original investment agreement.

The debt guarantee cancellation payments were paid on June 16, 2021 and the APMC has no further obligations relating to the Investment Agreement and/or the debt guarantee. In exchange for APMC making the guarantee cancellation payments through its wholly owned Canadian and US subsidiaries, Class C Interests were received from the TCPL partnerships. The Class C Interests received on June 16, 2021 do not have any put rights, voting rights or approval rights with respect to the business and affairs of the TCPL partnerships or carriers. Class A Interests were redeemed for a nominal amount on June 16, 2021. The Final KXL Agreement also provides a mechanism for future distribution of proceeds from liquidated assets of the KXL project to APMC, for its Class C interests, and to TCPL. Upon the completion of the liquidation of the KXL assets and the distribution of the gross proceeds thereof, the Final KXL Agreement also provides that all Canadian and US Class C Interests held by APMC subsidiaries shall be redeemed for nominal consideration. APMC has reflected the terms of the Final KXL Agreement in determining its fair value estimates for the Investment in the KXL Expansion Project and the KXL Expansion Project Debt Guarantee in the consolidated financial statements as at March 31, 2023 and March 31, 2022. For the year ended March 31, 2023, the Commission has incurred a gain of \$9.1 million (March 31, 2022: \$10.5 million gain) on the estimated fair value of its Investment in the KXL Expansion Project.

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A reconciliation of the change in the KXL Expansion Project investment is as follows:

<i>(\$000s)</i>	March 31, 2023	March 31, 2022
Balance, beginning of year	82,000	106,000
Liquidation proceeds on Class C interests	(63,770)	(37,795)
Foreign exchange	5,716	3,324
Net change in fair value	9,054	10,471
Balance, end of year	33,000	82,000

The fair value of the KXL Investment as at March 31, 2023 and 2022 was estimated using a market approach to value Keystone XL Phase 4 pipeline assets under an abandonment scenario incorporating inputs for the estimated realizable value of the assets.

The determination of the fair value estimate included significant unobservable inputs (fair value measurement hierarchy – level 3): estimated cash inflows and outflows relating to an abandonment scenario. If the estimated cash flows relating to the abandonment scenario increase (decrease), the fair value estimate increases (decreases).

As the liquidation process under the abandonment scenario continues, more information is likely to become available that will impact the significant unobservable inputs used in the determination of the estimated fair value of the KXL assets. As a result, the estimated fair value will be impacted by events after the reporting period.

On February 9, 2022, the APMC, on behalf of the GOA, filed a Notice of Intent as a formal step to initiate a legacy North American Free Trade Agreement ("NAFTA") claim over the cancellation of the presidential permit for the Keystone XL pipeline. On April 27, 2023, the APMC, on behalf of the GOA, filed a Notice of Arbitration to initiate its arbitration claim against the United States of America under the Canada-United States-Mexico Agreement and the NAFTA. The Notice of Arbitration initiated an arbitration claim to seek recovery for approximately CAD \$1.3 billion of the Alberta government's investment in KXL.

11. INTANGIBLE ASSETS

<i>(\$000s)</i>	March 31, 2023	March 31, 2022
<i>Cost:</i>		
Balance, beginning and end of year	10,644	10,644
<i>Accumulated depreciation and amortization:</i>		
Balance, beginning of year	(2,927)	(1,863)
Depreciation and amortization	(1,065)	(1,064)
Balance, end of year	(3,992)	(2,927)
Net book value, end of year	6,652	7,717

The Commission internally developed operations software to handle actualization and settlement of royalty and marketing transactions. In addition, APMC purchased accounting software for reporting and financial settlement of transactions. Both systems became operational in 2019. The intangible assets are amortized on a straight-line basis over the estimated useful life of the software of 10 years. The Commission has completed its review of intangible assets and determined there is no impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**For the year ended March 31, 2023**(Expressed in thousands of Canadian dollars, unless stated otherwise)

12. INVESTMENT IN NORTH WEST REDWATER PARTNERSHIP

On June 30, 2021, the Alberta Petroleum Marketing Commission and certain of its subsidiaries (collectively, “APMC”) negotiated a series of agreements (collectively, the “Agreements”) through which APMC would purchase a limited partnership interest in NWRP, (the “Optimization Transaction”). Pursuant to the Agreements, APMC purchased the limited partnership interest from NWU LP, a company owned by North West Refining Inc. (Alberta). To effect this purchase, APMC acquired two newly formed subsidiaries of NWU LP (as later renamed to APMC (Redwater) L.P., and its general partner APMC (Redwater) Corp.) holding the interest in NWRP. Following the purchase of the limited partnership interest, APMC holds a 50 percent interest in NWRP. The other 50 percent interest holder in NWRP is CNR Redwater.

The acquisition enables APMC to provide oversight and governance of the Refinery operations, maintenance, technical engineering, economic planning and scheduling, and optimization. To facilitate this oversight function, the APMC participates in the following committees: executive leadership, finance and insurance, commercial marketing, and audit. The CFO of APMC is the current chair of the audit committee.

As per the Partnership Interest Purchase Agreement, the contractual purchase price for the transaction was one Canadian dollar payable upon closing.

Also, in connection with the Optimization Transaction, NWRP entered into an agreement with NWU LP to utilize certain CO₂ capture technology in exchange for an annual licensing fee based on CO₂ captured from the Refinery. The licensing fee is payable at a rate of approximately \$7.00/tonne of CO₂ captured and transported in the Alberta Carbon Trunk Line (“ACTL”), with the first payment occurring in March 2022 for CO₂ captured during the calendar years of 2020 and 2021. The licensing fee structure includes annual contractual escalation adjustments. Subsequent to the first payment, the annual licensing fee payable in future periods will be subject to reductions based on certain economic tests. As at June 30, 2021, APMC recognized the fair value of its share of amounts expected to be payable in future periods for the licensing fee as contingent consideration of \$217.3 million.

The fair value estimate of the contingent consideration was calculated based upon the following: 1) management's forecast of annual CO₂ volumes to be captured by the Refinery over its life until the estimated date of reclamation of December 31, 2100; 2) an assumption that the annual licensing fee payable will meet the economic tests in future periods; and 3) the calculation of a net present value of the expected license fee payments as discounted using a credit adjusted risk free rate of 3.35 percent. As at June 30, 2021, management performed a sensitivity analysis on the forecast annual CO₂ volumes captured and the credit adjusted risk free discount rate estimates. If the forecast annual CO₂ volumes captured were decreased by 5 percent or the discount rate was increased by 50 basis points, the contingent consideration would decrease by \$10.7 million and \$31.8 million, respectively.

APMC assessed the acquisition of the partnership interest in NWRP to be a joint venture and has accounted for the arrangement using the equity method of accounting in accordance with *IAS 28 Investments in Associates and Joint Ventures*. The cost of the investment comprises the purchase price and any directly attributable expenditures to obtain it. Accordingly, APMC has capitalized \$56.3 million of transaction costs for legal and advisory consulting services to the cost of the investment. In addition, for the year ended March 31, 2022, \$1.2 million of advisory consulting services related to the Optimization Transactions, but determined not to be directly attributable to the purchase, has been recorded to consulting in general and administrative expenses.

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The table below summarizes the purchase equation and allocation of fair value of the investment in NWRP acquired on the closing date of June 30, 2021:

<i>(\$000s)</i>	Consideration
Cash consideration of one dollar	-
Contingent consideration – license fee	217,251
	217,251
Transaction costs attributable to acquiring partnership interest	56,235
	273,486

<i>(\$000s)</i>	Cost of Investment
Share of fair value of net identifiable assets and liabilities	(372,026)
Goodwill on investment in NWRP	645,512
Cost of investment in NWRP	273,486

The determination of the share of fair value of net identifiable assets and liabilities as made by management at the time of the preparation of these financial statements was based on information then available. External valuation specialists were engaged to assist in the valuation of the fair value of identifiable assets and liabilities of NWRP. APMC decides, after discussions with the external valuation specialists, which valuation techniques and inputs to use in the measurement of fair value.

Under the Optimization Transaction, the original term of the Processing Agreements was extended by 10 years from 2048 to 2058. NWRP retired higher cost subordinated debt, which carried interest rates of prime plus 6 percent, with lower cost senior secured bonds at an average rate of approximately 2.56 percent, reducing interest costs to NWRP and associated tolls to the Tollpayers. As such, on June 30, 2021, NWRP repaid APMC's and CNRL's subordinated debt advances, resulting in \$553.8 million of principal and interest repaid on the term loan receivable to APMC. In addition, \$840 million was distributed by NWRP to CNRL and NWU LP prior to the Optimization closing.

To facilitate the Optimization Transaction, NWRP issued \$500 million of 1.20 percent series L senior secured bonds due December 2023, \$500 million of 2.00 percent series M senior secured bonds due December 2026, \$1,000 million of 2.80 percent series N senior secured bonds due June 2031, and \$600 million of 3.75 percent series O bonds due June 2051. Additionally, NWRP's existing \$3.5 billion syndicated credit facility was amended. The \$2.0 billion revolving credit facility was extended by three years to June 2024, and the \$1.5 billion non-revolving credit facility was reduced by \$0.5 billion to \$1.0 billion and extended by two years to June 2023.

As a result of the Optimization Transaction, the APMC is a 50 percent owner in NWRP, in addition to being a 75 percent Tollpayer in the Sturgeon Refinery.

The Commission remains unconditionally obligated to pay to NWRP its 75 percent pro rata share of the debt component of the monthly fee-for-service toll over the 40-year tolling period. The Commission's estimated commitments for the monthly toll comprised of debt and operating components include the operating and financial commitments of NWRP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The gain from North West Redwater Partnership consists of the following:

(\$000s)	Years ended March 31,	
	2023	2022
APMC's share of loss from the investment in NWRP	(20,277)	(22,885)
Adjustments to NWRP license fee provision (note 18)	117,638	25,496
Gain from North West Redwater Partnership	97,361	2,611

Summarized financial information of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment is as follows:

(\$000s)	March 31, 2023	March 31, 2022
Current assets, including cash and cash equivalents of \$nil (March 31, 2022 - \$25,696)	292,718	229,974
Non-current assets	11,226,974	11,396,291
Short term borrowings	(64,366)	(24,000)
Other current liabilities ¹	(804,747)	(276,808)
Long term debt ²	(10,473,454)	(11,252,894)
Other non-current liabilities	(1,007,501)	(862,385)
Deficit - 100%	(830,376)	(789,822)
APMC's share - 50%	(415,188)	(394,911)
Goodwill	645,512	645,512
APMC's carrying amount of the investment	230,324	250,601

- As at March 31, 2023, other current liabilities including bank indebtedness of \$103 million (March 31, 2022 - \$nil). One of the senior secured notes Series L of \$500 million will mature on December 1, 2023 and \$60 million of credit facility is due June 25, 2023. These amounts have been included in other current liabilities.
- As at March 31, 2023, long term debt of NWRP consisted of senior secured notes of \$8.3 billion and \$2.2 billion outstanding under the credit facility (year ended March 31, 2022 - \$8.8 billion and \$2.4 billion, respectively). As at March 31, 2023, the weighted average interest rate on all senior secured notes amounts outstanding was 3.40 percent (year ended March 31, 2022 - 3.32 percent).

Summarized statement of income (loss) of NWRP:

(\$000s)	Years ended March 31,	
	2023	2022
Revenue from Tollpayers ¹	1,206,330	757,631
Net income and comprehensive income for the year ²	(40,554)	(45,769)
APMC's share of net income (loss) for the year	(20,277)	(22,885)

- Included in NWRP's revenue for the year ended March 31, 2023 is \$905 million paid by the Commission for its 75 percent share of the refining toll (year ended March 31, 2022 - \$568 million).
- Included in the net income (loss) for the year ended March 31, 2023 is the impact of depreciation and amortization expense of \$304.2 million (year ended March 31, 2022 - \$245.0 million), asset derecognition expense of \$35.9 million (year ended March 31, 2022 - \$nil) and finance costs of \$355.7 million (year ended March 31, 2022 - \$226 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. ACCOUNTS PAYABLE

<i>(\$000s)</i>	March 31, 2023	March 31, 2022
Trade payables	123,159	118,179
Accrued liabilities	265,950	430,131
Balance, end of year	389,109	548,310

Accounts payable and accrued liabilities are comprised of payables from marketing transactions and from Sturgeon Refinery activities.

As at March 31, 2023, there was \$26.4 million (March 31, 2022 – \$28.9 million) of payables for marketing activities primarily for the March 2023 delivery month, which were cash settled on April 25, 2023, as well as for general and administrative expenses.

In addition, there was \$362.7 million (March 31, 2022 – \$519.4 million) of account payable and accrued liabilities related to Sturgeon Refinery activities consisting of purchase of Refinery feedstock, and processor tolls for the March 2023 delivery month. The purchases of Refinery feedstock are settled on April 25, 2023. The processor tolls and Optimization Transactions are net settled against refined product sales proceeds on April 25, 2023.

14. DUE TO THE DEPARTMENT OF ENERGY

<i>(\$000s)</i>	March 31, 2023	March 31, 2022
Balance, beginning of year	218,949	58,642
Amount to be transferred	2,821,783	1,363,271
Amount remitted	(2,829,373)	(1,202,964)
Balance, end of year	211,359	218,949

The Commission acts as agent of the DOE of the GOA in accepting delivery and dealing with the Crown's royalty share of hydrocarbons. The Commission remits crude oil royalty-in-kind net revenue to the DOE on a monthly basis.

15. SHORT TERM DEBT

<i>(\$000s)</i>	TB&F borrowings		
	Sturgeon Refinery	KXL Expansion Project	Total
Balance, March 31, 2021	1,308,572	588,067	1,896,639
Draws	1,416,990	1,070,166	2,487,156
Exchanged short term debt for long term debt bond	—	(435,353)	(435,353)
Repayments	(1,671,030)	(245,985)	(1,917,015)
Balance, March 31, 2022	1,054,532	976,895	2,031,427
Draws	2,161,464	330,742	2,492,206
Exchanged short term debt for long term bond	(668,120)	(299,297)	(967,417)
Repayments	(1,955,644)	(359,913)	(2,315,557)
Balance, March 31, 2023	592,232	648,427	1,240,659

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Treasury Board & Finance ("TB&F") short term borrowings

The Commission entered into a Lending and Borrowing Agreement ("Agreement") with the GOA effective April 1, 2014, and subsequently amended April 1, 2023. The Agreement provides the framework under which APMC may from time to time request the GOA lend money to the APMC. The GOA and APMC must obtain an Order in Council (approved by the Lieutenant Governor in Council) to authorize the lending and borrowing dollar limits. TB&F is the government unit responsible for lending on behalf of the GOA.

On November 14, 2022, the APMC converted \$368.8 million of the outstanding short term debt owing for the Sturgeon Refinery into a 30 year bond. The face value of the bond is \$500 million, a coupon rate of 2.95 percent and matures June 1, 2052. On July 5, 2022, the APMC converted \$299.3 million of the outstanding short term debt owing for each of the Sturgeon Refinery and KXL Expansion Project (\$600 million converted in total) into 11 year bonds. Each bond has a face value of \$300 million, a coupon rate of 4.15 percent and matures June 1, 2033. On July 16, 2021, the Commission exchanged \$435.4 million of short term debt related to the KXL Expansion Project for a 3 year bond with a coupon rate of 3.1 percent maturing on June 1, 2024. The bond was issued at a premium with \$408.0 million due on maturity.

The Commission has an Order in Council that allows it to borrow up to \$1.8 billion for funding related to the Sturgeon Refinery. As at March 31, 2023, the Commission has \$592.2 million (March 31, 2022 - \$1,054.5 million) outstanding at various interest rates, with tranches of borrowing repayable over various terms not exceeding one year. In addition, at March 31, 2023, there is \$661.6 million of long term bonds outstanding on the Sturgeon Refinery. The Commission draws on its Sturgeon Order in Council monthly, to temporarily fund the Crown's purchase of feedstock. Cash received from the Sturgeon Refinery at the end of the month is used to repay borrowings. As of March 31, 2023, the undrawn amount on the Order in Council was \$407.8 million (March 31, 2022 - \$745.5 million).

The Commission has an Order in Council that allows it to borrow up to \$2.0 billion for the Investment of the KXL Expansion Project. As at March 31, 2023, \$648.4 million (March 31, 2022 - \$976.9 million) was outstanding at various interest rates, with tranches of borrowing repayable over various terms not exceeding one year. In addition, at March 31, 2023, there was \$716.8 million of long term bonds outstanding on the KXL Expansion Project. As of March 31, 2023, the undrawn amount on the Order in Council was \$643.6 million (March 31, 2022. - \$615.1 million).

The weighted average interest rate for the year ended March 31, 2023 was 3.5 percent (year ended March 31, 2022 - 0.3 percent).

16. ACCRUED INTEREST PAYABLE

<i>(\$000s)</i>	March 31, 2023	March 31, 2022
Accrued interest on TB&F short term debt	10,062	3,350
Accrued interest on TB&F long term debt	17,421	4,204
Balance, end of year	27,483	7,554

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17. LONG TERM DEBT

<i>(\$000s)</i>	Sturgeon Refinery	KXL Expansion Project	Total
Balance, March 31, 2021	—	—	—
Exchanged short term debt for long term debt bond	—	435,353	435,353
Amortization of premium on long term debt	—	(7,860)	(7,860)
Balance, March 31, 2022	—	427,493	427,493
Exchanged short term debt for long term debt bond	668,120	299,297	967,417
Amortization of premium on long term debt	(6,496)	(10,022)	(16,518)
Balance, March 31, 2023	661,624	716,768	1,378,392

On November 14, 2022, the APMC converted \$368.8 million of the outstanding short term debt owing for the Sturgeon Refinery into a 30 year bond issued. The face value of the bond is \$500 million, a coupon rate of 2.95 percent and matures June 1, 2052. On July 5, 2022, the APMC converted \$299.3 million of the outstanding short term debt owing for each of the Sturgeon Refinery and KXL Expansion Project (\$600 million converted in total) into 11 year bonds. Each bond has a face value of \$300 million, a coupon rate of 4.15 percent and matures June 1, 2033. On July 16, 2021, the Commission exchanged \$435.4 million of short term debt related to the KXL Expansion Project with TB&F for a 3 year bond with a coupon rate of 3.1 percent maturing on June 1, 2024. The bond was issued at a premium with \$408.0 million due on maturity.

	Issue Date	Maturity Date	Coupon	Face value (\$000s)
Sturgeon Refinery				
	July 5, 2022	June 1, 2033	4.15 percent	\$300,000
	November 14, 2022	June 1, 2052	2.95 percent	\$500,000
KXL Expansion Project				
	July 5, 2022	June 1, 2033	4.15 percent	\$300,000
	July 16, 2021	June 1, 2024	3.10 percent	\$408,000

18. LICENSE FEE PROVISION

<i>(\$000s)</i>	March 31, 2023	March 31, 2022
Balance, beginning of year	197,218	—
Contingent consideration for acquisition of partnership interest	—	217,251
Accretion expense	7,420	5,463
Change in estimate - share of license fee expense recognized in the Partnership	(1,286)	(2,069)
- discount rate and timing	(116,352)	(23,427)
	87,000	197,218
Less: current portion	—	(3,590)
Balance, end of year	87,000	193,628

In connection with the Optimization Transaction (note 12), NWRP entered into an agreement with NWU LP to utilize certain CO2 capture technology in exchange for an annual licensing fee based on CO2 captured from the Refinery, resulting in the recognition of a \$217.3 million provision for license fee contingent consideration relating to APMC's acquisition of a partnership interest in NWRP.

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The fair value estimate of the contingent consideration was calculated based upon the following: 1) management's forecast of annual CO₂ volumes to be captured by the Refinery over its life until the estimated date of reclamation of December 31, 2100; 2) an assumption that the annual licensing fee will meet the economic tests in certain future periods; and 3) the calculation of a net present value of the license fee payments are discounted using a credit adjusted risk free rate of 3.35 percent upon initial recognition of the provision and a credit adjusted risk free rate of 5.78 percent as at March 31, 2023 (March 31, 2022 – 3.75 percent).

19. STURGEON REFINERY PROCESSING AGREEMENT PROVISION

As at March 31, 2023, APMC assessed the Sturgeon Refinery Processing Agreement to determine if it represents an onerous contract. APMC uses a cash flow model to assess if the unavoidable costs related to the Processing Agreement with NWRP exceed the economic benefits to be received. The contract was determined to be onerous and APMC has recognized a provision which is calculated as the net present value of revenues from the sales of refined products less feedstock costs and the Refinery tolls charged by NWRP under the Processing Agreement, as well as the net present value of expected net benefit to be realized by APMC pursuant to the Processing Agreement as a result of its newly acquired 50 percent partnership interest in NWRP.

As a result of the Optimization Transaction on June 30, 2021, certain components of the Refinery tolls have been eliminated. In addition, the interest rate on NWRP's term debt was renegotiated, reducing the debt components of the Refinery toll. Commodity price forecasts have improved relative to March 31, 2021, increasing the net economic benefits expected to be received. The expected net economic benefits have also increased as result of the cash flows which APMC will realize from the Processing Agreement as a 50 percent joint venture owner in NWRP. As a result, a \$2.2 billion recovery adjustment in the loss provision was recorded in the year ended March 31, 2022.

The Commission recorded a \$289.3 million adjustment to the loss provision as at March 31, 2023. The increase in the onerous contract provision was primarily driven by increases in forecast interest rates arising from inflationary global economic concerns.

The undiscounted future cash net inflows are estimated to be \$13.4 billion over the expected life of the project. The provision has been recognized by discounting these cash flows using a discount rate of 8.5 percent. The onerous contract provision is expected to be settled in periods up to May 2083.

During the years ended March 31, 2023 and 2022, the movement in the Sturgeon Refinery Processing Agreement provision is as follows.

(\$000s)	March 31, 2023	March 31, 2022
Balance, beginning of year	350,000	2,494,000
Change in loss provision	289,250	(2,218,355)
Accretion expense (note 27)	29,750	74,355
	669,000	350,000
Less: current portion	—	(299,000)
Balance, end of year	669,000	51,000

APMC uses the GOA budgeted commodity price forecast for WTI, Western Canadian Select ("WCS"), condensate and foreign exchange to estimate future cash flows. The most significant pricing variables that would impact the future cash flows of the contract are the forecasted WTI-WCS differential and foreign exchange rates. Due to the long-term nature of the contract, management has performed a sensitivity analysis on the forecasted WTI-WCS differential and the USD/CAD foreign exchange rates by decreasing them by 5 percent. The onerous contract provision would decrease by \$315 million if, with all other variables held constant, the forecasted WTI-WCS differential and USD/CAD foreign exchange rates decreased by 5 percent.

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Changes to interest rates also impact the future cash flows under the contract. The onerous contract would increase by \$83 million if, with all other variables held constant, the forecasted interest rates increased by 50 basis points.

20. FINANCIAL INSTRUMENTS

The Commission's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, Investment in KXL Expansion Project, accounts payable and accrued liabilities, due to DOE, short term debt, accrued interest on short term debt, long term debt, license fee provision and lease obligations. Except for the Investment in KXL Expansion Project, long term debt, license fee provision, and lease obligations, the carrying values of these financial instruments approximate the fair value due to the short term nature of these instruments. Refer to note 3 of the Consolidated Financial Statements – significant accounting policies for further information related to the Commission's accounting policies related to *IFRS 9 – Financial Instruments*.

The Commission is exposed to a variety of financial risks: interest rate risk, credit risk, liquidity risk and commodity price risk. The nature of the risks faced by the Commission and its policies for managing such risks are detailed below.

(a) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Commission is exposed to interest rate risk from fluctuations in rates on its cash and cash equivalents balance and the interest charged on the short term debt and long term debt.

The Commission manages its exposure to interest rate risk through the use of long term fixed rate debt.

(b) Credit risk

Credit risk is the risk of financial loss to the Commission if a customer or party to a financial instrument fails to meet its contractual obligation and arises principally from the Commission's cash and cash equivalents, cash held in trust, accounts receivable and other financial instruments. The maximum amount of credit risk exposure of these instruments is limited to the carrying value of the balances disclosed in these Annual Financial Statements.

The Commission manages its exposure to credit risk on cash and cash equivalents by placing these financial instruments with the Consolidated Liquidity Solution cash pooling structure maintained by TB&F (note 6).

A substantial portion of the Commission's accounts receivable are with its customers in the oil and gas industry and are subject to normal industry credit risk. The Commission monitors the credit risk and credit rating of all customers on a regular basis. Aged receivable balances are monitored and a credit loss provision is provided in the period in accordance with IFRS 9. Any credit losses on accounts receivable would be costs of APMC that would be recoverable from the DOE through the marketing fee.

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Credit loss provision

<i>(\$000s)</i>	Years ended March 31,	
	2023	2022
Accounts receivable – trade		
Balance, beginning of year	452	248
Change to loss provision	157	204
Balance, end of year	609	452
Accounts receivable – Sturgeon Refinery		
Balance, beginning of year	500	226
Change to loss provision	16,903	274
Balance, end of year	17,403	500
Term loan receivable and accrued interest		
Balance, beginning of year	—	541
Change to loss provision	—	(541)
Balance, end of year	—	—
Total change to loss provision for the year	17,060	(63)

The loss provision for trade accounts receivable was recorded to General and Administrative Expenses in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss). The loss provisions for Sturgeon Refinery accounts receivable and term loan receivable have been recorded to Change in Sturgeon Refinery credit loss provision in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss).

On April 3, 2023, NWRP executed amendments to existing arrangements for the supply of the Refinery's CO₂, and the related product transportation systems. Pursuant to the amended agreements, APMC, through NWRP, agreed to forfeit receipt of its CO₂ revenue receivable from a counterparty, who is party to the amended agreements, in order for APMC to gain greater control of CO₂ transport and preserve incremental value for CO₂ in the future. As a result, APMC assessed its CO₂ revenue receivable for \$16.9 million from the counterparty and determined it to be uncollectible and recorded a credit loss provision as of March 31, 2023.

(c) Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they come due. The Commission actively manages its liquidity through cash, accounts receivables and debt management strategies. The APMC has the ability to obtain financing through external banking credit facilities or from TB&F.

As at March 31, 2023, excluding short term debt, the Commission's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) are summarized below.

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<i>(\$000s)</i>	Total	< 1 Year	1-3 Years	3-5 Years	More than 5 Years
Accounts payable and accrued liabilities	389,109	389,109	—	—	—
Due to the Department of Energy	211,359	211,359	—	—	—
Long term bonds - KXL Expansion Project ¹	708,000	—	408,000	—	300,000
Interest on KXL Expansion Project bonds	141,343	25,110	27,008	24,900	64,325
Long term bonds - Sturgeon Refinery ¹	800,000	—	—	—	800,000
Interest on Sturgeon Refinery bonds	556,783	27,200	54,400	54,400	420,783
Sturgeon Refinery Processing Agreement provision ²	669,000	—	219,000	3,000	447,000
Lease liabilities	438	64	124	109	141
License fee provision	87,000	—	7,000	8,000	72,000
	3,563,032	652,842	715,532	90,409	2,104,249

1. Represents the face value due at maturity.

2. The amount more than 5 years represents the present value of estimated net cash inflows from the Sturgeon Refinery in later years.

(d) Commodity price risk

Commodity price risk is the risk that future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted not only by the relationship between the Canadian and United States dollars but also worldwide economic events that influence supply and demand.

The Commission's operational results and financial condition are impacted by prices realized on sales of refined products, feedstock purchases and tolls at the Sturgeon Refinery. In addition, the Commission's financial position and results are also impacted by changes in estimates of future commodity prices used in the determination of the net cash flows of the Processing Agreement. As at March 31, 2023, the Commission does not have any commodity price risk management contracts. Movement in commodity prices could have a significant positive or negative impact on the Commission's net income (loss).

(e) Foreign exchange risk

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 Commission's exposure to the risk of changes in foreign exchange rates primarily relate to the Commission's KXL Investment. A portion of the KXL Investment is denominated in a foreign currency and this exposes the Commission to the risk that the fair value will fluctuate due to changes in the exchange rate.

The Commission mitigates foreign exchange risk by minimizing its US currency held.

Capital Management and Liquidity

The Commission's objective when managing capital is to maintain a flexible capital structure and sufficient liquidity to meet its financial obligations and to execute its business plans. The Commission considers its capital structure to include equity (deficit), the short and long term debt available borrowings under outstanding debt agreements, and net working capital (deficit). The Commission's objectives when managing capital are to safeguard the Commission's ability to continue as a going concern and provide returns to the DOE through responsible marketing of conventional crude oil royalty volumes and its other business activities. The Commission does not have any externally imposed restrictions on its capital. The Commission monitors its current and forecasted capital structure in response to changes in economic conditions and the risk characteristics of its business activities. Adjustments are made on an ongoing basis in order to meet its capital management objectives. In light of the continued uncertainty in the macroeconomic environment, the Commission continues to monitor interest rate volatility given the current economic environment with increased inflationary pressures and has converted a portion of short term borrowings into longer maturity borrowings (note 15).

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The APMC believes that its current financial obligations including current commitments and working capital deficit (as defined as current assets, less current liabilities) will be adequately funded by the available borrowing capacity on the Order of Councils over the next twelve months.

21. COMMITMENTS

The estimated NWRP tolls under the Processing Agreement are as follows for future years ended:

<i>(In \$ millions)</i>	March 31, 2024	March 31, 2025	March 31, 2026	March 31, 2027	March 31, 2028	Beyond 2028	Total
NWRP Toll	940	961	1,030	857	843	35,487	40,118

Under the Processing Agreement, after COD, the Commission is obligated to pay a monthly toll comprised of debt principal repayment, debt service costs and operating components. The processing agreement has a term of 40 years starting with the Toll Commencement Date (June 1, 2018). The Commission has very restricted rights to terminate the Processing Agreement, and is unconditionally obligated to pay its 75 percent pro rata share of the debt component of the monthly fee-for-service toll over the 40-year tolling period. The tolls, under the Processing Agreement, assuming market interest rates and a 2 percent operating cost inflation rate, are estimated above. The toll commitments above are undiscounted and are estimated up to the end of the Processing Agreement term (May 31, 2058). These undiscounted tolls do not take into account the net margin received on the sale of APMC's bitumen feedstock.

The estimated commitments for office lease and parking costs are as follows for future years ended:

<i>(In \$000s)</i>	March 31, 2024	March 31, 2025	March 31, 2026	March 31, 2027	March 31, 2028	Beyond 2028	Total
Office lease and parking ¹	473	473	462	435	429	1,145	3,417

1. Includes estimates for annual operating costs and property taxes.

The office lease has been capitalized as a right-of-use-asset and the sub-leased office space is with a related party as detailed in note 22.

22. RELATED PARTY TRANSACTIONS

The DOE pays the Commission a fee to market crude oil on its behalf under conventional crude oil marketing activities, reported as marketing fees within the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss). The amounts owing to the DOE have been disclosed in note 14.

The Commission enters into transactions with the DOE, a related party, in the normal course of business. For the year ended March 31, 2023, the DOE incurs costs for salaries on behalf of the Commission, as recognized under wages and benefits of \$1.3 million (year ended March 31, 2022 - \$2.0 million) within the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss).

Technology and Innovation (formerly Service Alberta), a related party provided the software and maintenance services totaling \$0.6 million for the year ended March 31, 2023 (year ended March 31, 2022 - \$0.3 million). These expenditures were recognized within the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss).

The Commission has a sublease agreement for office premises with the Alberta Energy Regulator (the "AER"), a related party. For the year ended March 31, 2023, the APMC paid \$0.4 million (year ended March 31, 2022 - \$0.3 million) to the AER for office rent and parking expenses, shared services, and leasehold improvements.

The Commission has outstanding short term debt and long term debt with TB&F (note 15 and 17).

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The Commission formerly had a Term Loan Receivable from NWRP that was settled on June 30, 2021. Information on the Term Loan Receivable settlement and summarized financial information for NWRP is found in note 12. Refer to note 4(c) for a description of the Sturgeon Refinery, note 4(d) for the NWRP monthly toll commitment and note 19 for the Sturgeon Refinery Processing Agreement Provision.

Information on the Commission's investment in the KXL Expansion Project Class A partnership interests is found in note 10.

The Board members of the Commission, executive management and their close family members are deemed related parties of the Commission. Compensation for Board members and executive management is disclosed in note 26.

23. OTHER INCOME

During the year ended March 31, 2023, APMC recognized nil (year ended March 31, 2022 - \$71.3 million) of other income related to a litigation settlement received by NWRP. The settlement was received for the benefit of the Tollpayers.

24. TURNAROUND EXPENDITURES

The Commission paid \$164.3 million (2022 - \$23.6 million) to NWRP for tolls related to turnaround costs. As the Commission had recognized an onerous contract provision at March 31, 2023 and March 31, 2022, the tolls related to turnaround costs were expensed as incurred and not recognized as a prepaid expense.

25. GENERAL AND ADMINISTRATIVE EXPENSES

(\$000s)	Years ended March 31,	
	2023	2022
Wages and benefits	6,607	5,884
Software and maintenance	1,195	861
Consulting	2,711	5,454
Dues and subscriptions	254	263
Director fees	106	119
Office rent and property taxes	344	158
Change in loss provision for accounts receivable	157	204
Other	186	119
Total general and administrative expenses	11,560	13,062

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26. KEY MANAGEMENT COMPENSATION

Key management personnel include the Commission's Board Members, Chief Executive Officer, Chief Financial Officer, Vice President, Operations and Vice President, Business Development and Marketing. The amounts relating to board members and key management compensation for the years ended March 31, 2023 and 2022 are as follows:

(\$000s)	Base Salary		Other Cash Benefits ²		Other Non-cash Benefits ³		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Board Members ¹	—	—	108	119	—	—	108	119
Chief Executive Officer	301	301	59	94	7	6	367	401
Chief Financial Officer	296	281	52	70	7	6	355	357
Vice President, Operations	277	267	81	52	6	5	364	324
Vice President, Business Development and Marketing	228	220	38	42	6	4	272	266
General Counsel ⁴	275	—	51	—	6	—	332	—
Director, Finance ⁵	—	117	—	208	—	2	—	327
	1,377	1,186	389	585	32	23	1,798	1,794

1. The Chair of the Board (Deputy Minister, DOE) and one director (Assistant Deputy Minister, DOE) are unpaid. There are five independent Board Members. The independent Board Members receive annual retainer and meeting fees.
2. As per their employment contracts, the key management personnel receive cash payments in lieu of benefits. No bonuses were paid during the year.
3. Included in Other Non-cash benefits is parking.
4. The General Counsel was hired effective April 4, 2022.
5. The Director, Finance effective end date was September 29, 2021. Other Cash Benefits also includes severance and unpaid earned vacation.

27. FINANCE COSTS

Finance costs consist of the following:

(\$000s)	March 31, 2023	March 31, 2022
Accretion Expense - license fee provision (note 18)	7,420	5,463
Amortization of premium on long term debt (note 17)	(10,022)	(6,496)
Accretion Expense - Sturgeon Refinery Processing Agreement Provision (note 19)	29,750	74,355
Interest Expense	74,344	15,341
Total Finance Costs	101,492	88,663

28. INCOME TAXES

The Commission is exempt from Canadian federal and provincial corporate income taxes. However, 2254746 Alberta Sub Ltd. (the "US subsidiary"), a Delaware incorporated company, and 2254746 Alberta Ltd. (the "Canadian holding company"), an Alberta incorporated company, have exposure to US federal and state corporate income taxes.

Through the tax year ended December 31, 2021, the US subsidiary has estimated US net operating losses for income tax purposes of US\$357 million, which carry forward indefinitely. US tax returns for the tax year ended December 31, 2021 are subject to examination by the IRS. The preparation and filing of the US tax return for the tax year ended December 31, 2022 is anticipated to occur later in 2023, at which time further net operating losses may be determined.

The Commission does not currently have any deferred income tax assets or liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Expressed in thousands of Canadian dollars, unless stated otherwise)

29. SUPPLEMENTAL CASH FLOW

Details of changes in non-cash working capital from operating activities include the following:

<i>(\$000s)</i>	Years ended March 31,	
	2023	2022
Restricted cash	(4,065)	(61,286)
Accounts receivable	175,543	(254,541)
Inventory	25,097	(43,993)
Accounts payable and accrued liabilities	(159,201)	72,358
Due to the Department of Energy	(7,590)	160,307
Changes in non-cash working capital from operating activities	29,784	(127,155)

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30. SEGMENT INFORMATION

These reportable segments of the APMC have been derived because they are the segments: (a) that engage in business activities from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the APMC's executive leadership team to make decisions about resources to be allocated to each segment and assess its performance; and (c) for which discrete financial information is available.

The Commission's reportable segments were determined based on differences in products and support services offered under its mandate as disclosed in note 1. The Commission has four reportable segments: conventional crude marketing operations, the Sturgeon Refinery, the Investment in NWRP and the KXL Expansion Project. The Sturgeon Refinery segment accounts for the APMC's 75 percent interest as a Tollpayer in the Sturgeon Refinery, or IPTA. As a result, the APMC provides financial information on revenues and expenses of each segment, but not total assets or liabilities by segment.

Years ended March 31, 2023 and 2022

(\$000s)	Conventional Crude Oil Marketing		Sturgeon Refinery (Tollpayer)		NWRP Joint Venture (Refinery Owner)		KXL Expansion Project		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
REVENUES										
Refinery sales	—	—	2,733,082	2,381,861	—	—	—	—	2,733,082	2,381,861
Other income	—	—	—	71,250	—	—	—	—	—	71,250
Marketing fee income	12,050	11,201	—	—	—	—	—	—	12,050	11,201
	12,050	11,201	2,733,082	2,453,111	—	—	—	—	2,745,132	2,464,312
Finance income	129	77	2,451	26,461	—	—	—	—	2,580	26,538
	12,179	11,278	2,735,533	2,479,572	—	—	—	—	2,747,712	2,490,850
EXPENSES										
Refinery feedstock purchases	—	—	1,884,148	1,759,753	—	—	—	—	1,884,148	1,759,753
Refinery tolls	—	—	878,508	780,451	—	—	—	—	878,508	780,451
Turnaround expenditures	—	—	164,279	23,604	—	—	—	—	164,279	23,604
General and administrative	10,735	10,079	374	1,529	—	—	451	1,454	11,560	13,062
Depreciation and amortization	1,166	1,110	—	—	—	—	—	—	1,166	1,110
Loss (gain) on foreign exchange	21	(67)	(78)	(362)	—	—	(5,745)	(3,145)	(5,802)	(3,574)
Finance costs	6	3	63,782	78,010	7,420	5,463	30,284	5,187	101,492	88,663
Gain from North West Redwater Partnership	—	—	—	—	(97,361)	(2,611)	—	—	(97,361)	(2,611)
Provision (Recovery) for Sturgeon Refinery	—	—	306,153	(2,218,622)	—	—	—	—	306,153	(2,218,622)
Fair value gain investment in KXL Expansion Project	—	—	—	—	—	—	(9,054)	(10,471)	(9,054)	(10,471)
Total expenses	11,928	11,125	3,297,166	424,363	(89,941)	2,852	15,936	(6,975)	3,235,089	431,365
Net income (loss) and comprehensive income (loss)	251	153	(561,633)	2,055,209	89,941	(2,852)	(15,936)	6,975	(487,377)	2,059,485