UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

ALTERA SHUTTLE TANKERS L.L.C.

Interim report for the quarterly period ended September 30, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

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

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

As at September 30, 2022, our fleet was as follows:

	Number of Vessels		
	Owned Vessels	Chartered-in Vessels	Total
Shuttle Tankers	21 (i)	1	22

i. Includes one shuttle tanker, the *Nordic Rio,* in which our ownership interest is 50 percent. This vessel was held for sale as at September 30, 2022. All of our operating shuttle tankers provide transportation services to energy companies, predominately in the North Sea, Brazil and the East Coast of Canada. Our shuttle tankers occasionally service the conventional spot tanker market and we occasionally charter-in shuttle tankers in the spot market.

Global crude oil and gas prices have recovered from the uncertainty regarding demand created by the COVID-19 pandemic and have more recently increased in connection with the invasion of Ukraine by Russia. However, as the timing of the ongoing global immunization effort, including the effectiveness of the vaccines, and the severity of outbreaks of variants of the virus, as well as the duration and scope of conflict in Ukraine are still highly uncertain and cannot be predicted, the long-term impact of the pandemic and of Russia's invasion of Ukraine on our business, financial condition and operating results cannot be determined. Our business involves the ownership and operation of critical infrastructure assets in offshore oil regions and any significant decrease in demand for crude oil could adversely affect the demand for our vessels and the types of services we offer. Additionally, a continuation of the pandemic or the continuation or expansion of the conflict in Ukraine may result in reduced cash flow and financial condition, including potential liquidity constraints and potential reduced access to capital as a result of any credit tightening generally or due to declines in global financial markets. Our business model is to employ our vessels on fixed-rate contracts with oil companies, typically with terms between three and ten years, and therefore we do not expect any significant near-term impact of the pandemic or of Russia's invasion of Ukraine on our liquidity. Potential effects of the pandemic and the invasion include, among others, force majeure claims relating to existing contracts, increased counterparty risk and/or default, fewer contract extension opportunities, and in the worst case, contract terminations resulting from relevant early field abandonment programs. As at September 30, 2022, we have not experienced any material business disruptions or a direct material financial impact as a result of the pandemic or of Russia's invasion of Ukraine and we are actively pursuing additional steps to preserve liquidity and our financial flexibility. Our operational focus over the short-term is to focus on extending contracts and new opportunities for existing assets that are scheduled to come off charter over the next few years.

Significant Developments

Financing Activities

In August 2022, on maturity, we redeemed the remaining $69 million of bonds on our outstanding 7.125% senior unsecured bonds listed on the Oslo Stock Exchange. The bonds were repaid at 101% of par value.

In August 2022, we issued $15 million of class B common equity units to Altera Infrastructure Holdings LLC increasing the overall equity of the Company.

Altera Infrastructure L.P. Chapter 11 Filing

On August 12, 2022, Altera Infrastructure L.P. and certain of its affiliates and direct and indirect subsidiaries (the *Altera Chapter 11 Parties*), which excludes all entities within the unaudited interim condensed consolidated financial statements of Altera Shuttle Tankers LLC, filed prearranged voluntary petitions to commence proceedings (the *Chapter 11 Cases*) under Chapter 11 of Title 11 of the United States Code (the *Bankruptcy Code*) in the United States Bankruptcy Court for the Southern District of Texas (the *Bankruptcy Court*), triggering a stay on enforcement of remedies with respect to the debt obligations of the Altera Chapter 11 Parties. The Altera Chapter 11 Parties continue to operate their businesses and manage their properties as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. On November 4, 2022, the Altera Chapter 11 Parties obtained approval from the Bankruptcy Court of their plan for reorganization, which reflects a series of consensual transactions between the Altera Chapter 11 Parties, their bank lenders, Brookfield, and holders of certain unsecured bonds, and expect to emerge from Chapter 11 on or about December 10, 2022. Altera Shuttle Tankers LLC is not impacted nor affected by the Altera Chapter 11 Parties ongoing Chapter 11 proceedings.

Sales of Vessels

In October 2022, we entered into an agreement to sell the 50% owned vessel, the *Nordic Rio* shuttle tanker for continued use for approximately $27 million (100%). The vessel operates in the conventional tanker market. Delivery to buyer is expected in December 2022.

In July 2022, we entered into an agreement to sell the 50% owned vessel, the *Navion Gothenburg* shuttle tanker for continued use for approximately $26 million (100%). The vessel operated in the conventional tanker market. The vessel was delivered to its buyers in August 2022.

In July 2022, we entered into an agreement to sell the *Petronordic* shuttle tanker for recycling for approximately $7 million. The vessel was delivered to its buyer in September 2022.

COVID-19

During the three and nine months ended September 30, 2022, we did not experience any material business interruptions or direct material financial impact as a result of the COVID-19 pandemic. We continue to focus on the safety of our operations and have introduced a number of proactive measures to protect the health and safety of our crews on our vessels as well as at onshore locations. A majority of our revenues are secured under medium-to-long-term contracts that should not be materially affected by any short-term volatility in oil prices. We continue to closely monitor counterparty risk associated with our vessels under contract and will work to mitigate any potential impact on the business.

The extent to which COVID-19 may impact our results of operations and financial condition, including any possible impairments, will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the virus or its variants, vaccination rates and the effectiveness of vaccines, pandemic-related restrictions and other actions to contain or treat its impact, among others. Accordingly, an estimate of the future impact cannot be made at this time.

The Invasion of Ukraine by Russia

Following Russia's invasion of Ukraine in February 2022, the U.S., several European Union nations, and other countries have announced sanctions against Russia. While it is difficult to anticipate the potential for any indirect impact the sanctions announced to date may have on our business and us, any further sanctions imposed or actions taken by the U.S., EU nations or other countries, and any retaliatory measures by Russia in response, including restrictions on oil shipments from Russia, could lead to increased volatility in global oil demand, which could have a material adverse impact on our business, results of operations and financial condition. We have no operations or contracts with counterparties in Ukraine or Russia and did not experience any material impact from the invasion on our financial results as at September 30, 2022. We intend to continue to monitor the situation and review our critical estimates and judgments as circumstances evolve.

Results of Operations

The following table presents certain of the Company's consolidated operating results for the three and nine months ended September 30, 2022 and 2021:

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
IFRS:	$	$	$	$
Revenues	152,072	118,749	439,009	382,593
Direct operating costs	(77,933)	(58,311)	(219,121)	(182,192)
General and administrative expenses (1)	(6,114)	(7,414)	(19,196)	(21,006)
Depreciation and amortization	(36,836)	(44,572)	(120,434)	(133,673)
Interest expense	(28,121)	(20,782)	(75,258)	(60,292)
Interest income	485	1	659	11
Impairment expense, net	—	—	(4,960)	—
Gain (loss) on dispositions, net	(112)	1,397	(112)	3,645
Realized and unrealized gain (loss) on derivative instruments	(3,542)	(497)	(5,595)	(382)
Foreign currency exchange gain (loss)	(1,817)	(480)	(2,376)	(504)
Other income (expenses), net	(53)	50	80	144
Income (loss) before income tax (expense) benefit	(1,971)	(11,859)	(7,304)	(11,656)
Income tax (expense) benefit				
Current	—	(1,023)	(95)	(2,534)
Net income (loss)	(1,971)	(12,882)	(7,399)	(14,190)
Attributable to:				
Members	(2,936)	(11,569)	(6,397)	(8,730)
Non-controlling interests in subsidiaries	965	(1,313)	(1,002)	(5,460)
	(1,971)	(12,882)	(7,399)	(14,190)
Non-IFRS:				
Adjusted EBITDA (2)	67,218	53,835	200,302	178,691

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

(2) The company is regularly reviewed by our chief operating decision maker (*CODM*) for the purpose of allocating resources and to assess their respective performance. The key measure used by the CODM in assessing performance and in making resource allocation decisions is Adjusted EBITDA, which is defined in this report under the heading "Non-IFRS Measures." Adjusted EBITDA is also used by external users of our consolidated financial statements, such as investors and our controlling unitholder.

Revenues

Revenues increased to $152 million, from $119 million, for the three months ended September 30, 2022, compared to the same period last year, primarily due to:

- an increase of $21 million due to reimbursable bunker purchases (offset in direct operating costs below);
- an increase of $9 million due to a stronger conventional tanker spot market in which our vessels occasionally operate and the *Navion Gothenburg* shuttle tanker being in full operation during the three months ended September 30, 2022 (until sold August 2022); and
- an increase of $4 million due to *Altera Thule* shuttle tanker being on contract from May 2022;

partially offset by

- a decrease of $2 million due to the redelivery to us and recycling of the *Navion Stavanger* shuttle tanker in 2021.

Revenues increased to $439 million, from $383 million, for the nine months ended September 30, 2022, compared to the same period last year, primarily due to:

- an increase of $42 million due to reimbursable bunker purchases (offset in direct operating costs below);
- an increase of $24 million due to higher rates during 2022 in the conventional tanker spot market in which our vessels occasionally operate and the *Navion Gothenburg* shuttle tanker being in operation in 2022 (until sold August 2022);

- an increase of $7 million due to *Altera Thule* shuttle tanker being on contract from May 2022;
- an increase of $5 million due to the *Amundsen Spirit* shuttle tanker operating in the East Coast of Canada fleet during the first half of 2022;
- an increase of $3 million due to the *Altera Wind* and *Altera Wave* shuttle tankers entering the fleet in the second quarter of 2021; and
- an increase of $2 million due to reduced off hire days during 2022;

partially offset by

- a decrease of $15 million due to the termination of the *Petrojarl Foinaven* CoA contract in May 2021;
- a decrease of $8 million due to compensation for contractual dry-docking obligations not performed by the charterer upon redelivery of the *Navion Gothenburg* shuttle tanker in the first quarter of 2021; and
- a decrease of $5 million due to the redelivery to us of the *Navion Stavanger* shuttle tanker during 2021.

Direct Operating Cost

Direct operating costs increased to $78 million, from $58 million, for the three months ended September 30, 2022, compared to the same period last year, primarily due to:

- an increase of $20 million due to reimbursable bunker purchases during the three months ended September 30, 2022 (offset in revenue above);
- an increase of $3 million due to the *Navion Gothenburg* shuttle tanker being in full operation during the three months ended September 30, 2022 (until sold in August 2022); and
- an increase of $1 million due to the *Altera Thule* entering the fleet in May 2022;

partially offset by

- a decrease of $3 million due to various other operating expenditures during the three months ended September 30, 2022.

Direct operating costs increased to $219 million, from $182 million, for the nine months ended September 30, 2022, compared to the same period last year, primarily due to:

- an increase of $41 million due to reimbursable bunker purchases (offset in revenue above);
- an increase of $8 million due to the *Navion Gothenburg* shuttle tanker being in operation in the conventional tanker market in 2022 (until sold in August 2022); and
- an increase of $2 million due to the *Altera Wind* shuttle tanker entering the CoA fleet;

partially offset by

- a decrease of $4 million due to the redelivery to us of the *Navion Gothenburg* shuttle tanker in the first quarter of 2021;
- a decrease of $4 million due to *Stena Natalita, Navion Oslo, Navion Anglia* and *Navion Oceania* shuttle tankers leaving the fleet during the nine months ended September 30, 2021; and
- a decrease of $5 million due to various other operating expenditures during the nine months ended September 30, 2022.

Depreciation and Amortization

Depreciation and amortization expense decreased to $37 million, from $45 million, for the three months ended September 30, 2022, compared to the same period last year, primarily due to:

- a decrease of $6 million in relation to the *Navion Stavanger* shuttle tanker being sold in the fourth quarter of 2021; and
- a decrease of $3 million in relation to the *Petronordic* shuttle tanker being sold during the third quarter of 2022;

partially offset by

- an increase of $1 million due to the delivery of the *Altera Thule* in the second quarter of 2022.

Depreciation and amortization expense decreased to $120 million, from $134 million, for the nine months ended September 30, 2022, compared to the same period last year, primarily due to $14 million decrease due to vessels leaving and entering the fleet.

Interest Expense

Interest expense increased to $28 million and $75 million for the three and nine months ended September 30, 2022, compared to $21 million and $60 million, for the same periods last year, primarily due to increased interest rates on our outstanding borrowings and related party borrowings with Brookfield.

Impairment Expense, Net

Impairment expense, net was $nil and $5 million for the three and nine months ended September 30, 2022, compared to $nil and $nil for the same periods last year, due to an impairment of the *Petronordic* shuttle tanker in the second quarter of 2022 due to the expected sale of the vessel.

Gain (Loss) on Dispositions, Net

Gain (loss) on dispositions, net was $nil and $nil for the three and nine months ended September 30, 2022, compared to $1 million and $4 million for the same periods last year, primarily due to recognized gains on dispositions of $1 million relating to the *Navion Anglia* shuttle tanker and $3 million relating to the *Navion Oceania* shuttle tanker, sold during the three months ended September 30, 2021 and June 30, 2021, respectively.

Realized and Unrealized Gain (Loss) on Derivative Instruments

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Realized gain (loss) on derivative instruments				
Interest rate swap	39	(499)	(706)	(1,439)
Foreign currency forward contracts	(753)	410	(1,726)	4,841
	(714)	(89)	(2,432)	3,402
Unrealized gain (loss) on derivative instruments				
Interest rate swap	(39)	452	1,277	1,414
Foreign currency forward contracts	(2,789)	(860)	(4,440)	(5,198)
	(2,828)	(408)	(3,163)	(3,784)
Total realized and unrealized gain (loss) on derivative instruments	(3,542)	(497)	(5,595)	(382)

Net realized and unrealized gain (loss) on derivative instruments was $(4) million for the three months ended September 30, 2022, compared to $nil for the same periods last year. Realized gain (loss) and unrealized gain (loss) on our interest rate swaps for the three months ended September 30, 2022, were consistent with the same period last year. During the three months ended September 30, 2022 and 2021, we were committed to foreign exchange forward contracts to hedge portions of our forecasted expenditures in Norwegian Krone (*or NOK*), which resulted in realized gains (losses) of $(1) million and $nil during the three months ended September 30, 2022 and 2021, respectively. We also recognized unrealized losses on our foreign currency exchange forward contracts of $(3) million during the three months ended September 30, 2022, compared to unrealized losses of $(1) million for the same period last year, mainly due to unfavorable forward spreads as at September 30, 2022 and 2021.

Net realized and unrealized gain (loss) on derivative instruments was $(6) million for the nine months ended September 30, 2022, compared to $nil for the same period last year. Realized gain (loss) and unrealized gain (loss) on our interest rate swaps for the nine months ended September 30, 2022, were consistent with the same period last year. During the nine months ended September 30, 2022 and 2021, we were committed to foreign exchange forward contracts to hedge portions of our forecasted expenditures in Norwegian Krone *(or NOK)*, which resulted in realized gains (losses) of $(2) million and $5 million during the nine months ended September 30, 2022 and 2021, respectively. We also recognized unrealized losses on our foreign currency forward contracts of $(4) million during the nine months ended September 30, 2022, compared to $(5) million for the same period last year, mainly due to unfavorable forward spreads as at September 30, 2022 and 2021.

Adjusted EBITDA

Adjusted EBITDA increased to $67 million, for the three months ended September 30, 2022, compared to $54 million, for the same period last year. This increase was primarily due to $6 million due to a stronger conventional tanker spot market, $3 million due to the *Altera Thule* shuttle tanker being on contract from May 2022, and a decrease of $3 million in various other operating expenditures.

Adjusted EBITDA increased to $200 million, for the nine months ended September 30, 2022, compared to $179 million, for the same period last year. This increase was primarily due an increase $16 million due to a stronger conventional tanker spot market, $5 million due to the *Altera Thule* shuttle tanker commencing operations in May 2022, $5 million due to the *Amundsen Spirit* shuttle tanker operating in the East Coast of Canada fleet in the first half of 2022, $2 million due to vessels entering and leaving the fleet and $2 million due to reduced off hire days during the nine months ended September 31, 2022, a reduction in direct operating costs of $4 million due to the redelivery to us of the *Navion Gothenburg* shuttle tanker in the first quarter of 2021, and $5 million due to various other operating expenditures as well as a $2 million reduction in general and administrative costs. This was partially offset by a decrease in revenue of $15 million due to the termination of the *Petrojarl Foinaven* CoA contract and $8 million due to the absence of one-time compensation received from the client on the redelivery of the *Navion Gothenburg* shuttle tanker in 2021.

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

Non-IFRS Financial Measures

To supplement the unaudited interim condensed consolidated financial statements, we use Adjusted EBITDA, which is a non-IFRS financial measure, as a measure of the our performance. Adjusted EBITDA represents net income (loss) before interest expense, interest income,

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

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

The following table reconciles Adjusted EBITDA to net income (loss) for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2022	**2021**	**2022**	**2021**
(in thousands of U.S. Dollars)	**$**	**$**	$	$
Net income (loss)	(1,971)	(12,882)	(7,399)	(14,190)
Less:				
Depreciation and amortization	(36,836)	(44,572)	(120,434)	(133,673)
Interest expense	(28,121)	(20,782)	(75,258)	(60,292)
Interest income	485	1	659	11
Income tax (expense) recovery:				
Current	—	(1,023)	(95)	(2,534)
	62,501	53,494	187,729	182,298
Less:				
Impairment expense, net	—	—	(4,960)	—
Gain (loss) on dispositions, net	(112)	1,397	(112)	3,645
Realized and unrealized gain (loss) on derivative instruments	(3,542)	(497)	(5,595)	(382)
Foreign currency exchange gain (loss)	(1,817)	(480)	(2,376)	(504)
Other income (expenses), net	(53)	50	80	144
Adjusted EBITDA attributable to non-controlling interests[(1)]	807	(811)	390	704
Adjusted EBITDA	67,218	53,835	200,302	178,691

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2022	**2021**	**2022**	**2021**
(in thousands of U.S. Dollars)	**$**	**$**	$	$
Net income (loss) attributable to non-controlling interests in subsidiaries	965	(1,313)	(1,002)	(5,460)
Less:				
Depreciation and amortization	(93)	(388)	(1,596)	(5,666)
Interest expense, net of interest income	28	(107)	33	(368)
Other income / expense	243	—	234	(150)
EBITDA	787	(818)	327	724
Less:				
Foreign currency exchange gain (loss)	(20)	(7)	(63)	20
Adjusted EBITDA attributable to non-controlling interests	807	(811)	390	704

Liquidity and Capital Resources

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

The following table presents our liquidity as at September 30, 2022 and December 31, 2021:

(in thousands of U.S. Dollars)	September 30, 2022 $	December 31, 2021 $
Cash and cash equivalents	130,362	124,257
Total liquidity[(1)]	130,362	124,257
Working capital surplus (deficit)	(101,890)	(26,647)

(1) Defined as cash, cash equivalents and undrawn revolving credit facilities

The increase in the working capital deficit was primarily due to a $95 million increase in scheduled maturities and repayments of outstanding borrowings during the 12 months ending September 30, 2023, which were classified as current liabilities as at September 30, 2022, a $12 million net decrease in due from related parties, a $10 million decrease in accounts receivable and a $3 million increase in other financial liabilities, partially offset by a $15 million increase in vessels and equipment classified as held for sale, a $13 million decrease in accounts payable, a $7 million increase in inventory, a $6 million increase in Cash and cash equivalents, a $3 million increase in financial assets and a $1 million increase in other assets.

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

As at September 30, 2022, our interest-bearing obligations include bonds, commercial bank debt, an unsecured PIK note provided by Brookfield and obligations related to leases. The contractual payments relating to these obligations for the next twelve months are $272 million, and $1.4 billion thereafter. Refer to Financial Statements: Note 11 - Borrowings, Note 12 - Related Party Transactions and Note 10 - Other Financial Liabilities for terms upon which future interest payments are determined.

As at September 30, 2022, our other financial liabilities include foreign currency forward contracts only as our interest rate swaps have all been terminated. The contractual payments relating these obligations for the next twelve months are $43 million, and $nil thereafter. Refer to Financial Statements: Note 10 - Other Financial Liabilities for a summary of the terms of our derivative instruments.

As at September 30, 2022, our contractual obligation relating to lease liabilities consists of the undiscounted contractual maturities of our lease liabilities. The contractual payments relating to these obligations for the next twelve months are $2 million, and $nil thereafter.

Our estimated dry dock expenditures for the next twelve months are $21 million, and $238 million thereafter.

As at September 30, 2022, we had total borrowings outstanding of $1.4 billion compared to $1.5 billion as at December 31, 2021. The borrowings consisted of the following:

(in thousands of U.S. Dollars)	September 30, 2022 $	December 31, 2021 $
U.S. Dollar Revolving Credit Facilities	256,672	301,387
U.S. Dollar Term Loans	700,198	671,832
U.S. Dollar Bonds	380,000	449,342
U.S. Dollar Non-Public Bonds	72,618	77,286
Total principal	1,409,488	1,499,847

The table below outlines our consolidated net debt to total capitalization as at September 30, 2022 and December 31, 2021:

	September 30, 2022	December 31, 2021
(in thousands of U.S. Dollars)	$	$
Borrowings	1,393,010	1,477,772
Obligations relating to leases	190,849	199,107
Less:		
Cash and cash equivalents	130,362	124,257
Net debt	1,453,497	1,552,622
Total equity	430,906	420,837
Total capitalization [(1)]	2,014,765	2,097,716
Net debt to total capitalization ratio [(2)]	72.1 %	74.0 %

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

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

Cash Flows

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

	Nine Months Ended September 30,	
	2022	2021
(in thousands of U.S. Dollars)	$	$
Net operating cash flow	152,589	131,218
Net financing cash flow	(90,292)	(84,739)
Net investing cash flow	(54,587)	(86,203)

Operating Cash Flows

Net cash flow from operating activities increased to a cash inflow of $153 million for the nine months ended September 30, 2022, compared to an inflow of $131 million for the same period last year, primarily due to an increase in revenue, partially offset by increases in direct operating cost and interest expenses in the current period. Refer to "Consolidated Results of Operations" above.

Financing Cash Flows

Our proceeds from borrowings, net of financing costs, were $63 million for the nine months ended September 30, 2022 due to the drawdown of the *Altera Thule* shuttle tanker facility, and $11 million for the same period last year.

We actively manage the maturity profile of our outstanding financing arrangements. Our scheduled repayments of our borrowings were $154 million for the nine months ended September 30, 2022, compared to $114 million for the same period last year. The increase in repayments is mainly due to the repayment the 7.125% senior unsecured bonds during the third quarter of 2022.

Our proceeds from borrowings, net of financing costs and scheduled repayments, related to the sale and leaseback of vessels, were $(8) million and $62 million for the nine months ended September 30, 2022 and 2021, respectively. The gross proceeds received during the nine ended September 30, 2021 were used to fund installment payments on the *Altera Wave* and *Altera Wind* shuttle tanker newbuildings.

During the nine months ended September 30, 2021, we entered into an unsecured credit facility with Brookfield. As of September 30, 2021, the revolving credit facility provided for total borrowings of up to $70 million.

Lease payments on our vessel in-charter leases and office leases were $9 million and $8 million for the nine months ended September 30, 2022 and 2021, respectively.

Capital provided by member were $15 million and $11 million for the nine months ended September 30, 2022 and 2021, respectively.

Capital contribution by non-controlling interests were $3 million and $18 million for the nine months ended September 30, 2022 and 2021, respectively.

Cash distributions paid to the sole member Altera Infrastructure Holdings L.L.C were $nil and $125 million for the nine months ended September 30, 2022 and 2021, respectively.

Cash distributions paid to non-controlling interests were $nil and $9 million for the nine months ended September 30, 2022 and 2021, respectively.

Investing Cash Flows

During the nine months ended September 30, 2022, net cash flow used for investing activities was $55 million, primarily related to $85 million for additions to vessels and equipment, including installment payments for the delivery of the *Altera Thule* shuttle tanker newbuilding, partially offset by a $33 million, net proceeds on *Navion Gothenburg* and *Petronordic* and a $3 million increase in restricted cash.

During the nine months ended September 30, 2021, net cash flow used for investing activities was $86 million, primarily related to $190 million for additions to vessels and equipment, including installment payments for the delivery of the *Altera Wave* and *Altera Wind* shuttle tanker newbuildings, partially offset by a $75 million decrease in restricted cash and $28 million proceeds related to the sale of certain vessels.

Critical Accounting Estimates

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

For further information on the Company's material accounting policies, critical accounting judgments and estimates see Note 2v - Critical accounting judgments and key sources of estimation uncertainty in our Annual Report for the year ended December 31, 2021.

Board of Director's Responsibility Statement

We confirm, to the best of our knowledge, that the unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2022, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board, and give a true and fair view of the Company's consolidated assets, liabilities, financial position and results and that the MD&A includes a fair review of the development and performance and the position of the Company during the three and nine months ended September 30, 2022, together with a description of the principal risks and uncertainties that it faces under Norwegian Securities Trading Act sections 5-6 fourth paragraph and contains relevant information on major related party transactions.

ALTERA SHUTTLE TANKERS L.L.C.

Date: November 29, 2022

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

By:

Giles Mark Mitchell President and Director	William James Duthie Director and Secretary	William James Delday Director

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

	Notes	As at September 30, 2022 $	As at December 31, 2021 $
ASSETS			
Current assets			
Cash and cash equivalents	3	130,362	124,257
Financial assets	4	4,880	2,312
Accounts and other receivable, net		28,519	38,617
Vessels and equipment classified as held for sale	5	14,695	—
Inventory		20,139	12,902
Due from related parties	12	17,208	20,523
Other assets		23,053	21,718
Total current assets		238,856	220,329
Non-current assets			
Vessels and equipment	7	1,739,072	1,764,026
Advances on newbuilding contracts	8	—	51,918
Deferred tax assets		7,134	8,660
Other assets		50,556	68,239
Goodwill		127,113	127,113
Total non-current assets		1,923,875	2,019,956
Total assets		2,162,731	2,240,285
LIABILITIES			
Current liabilities			
Accounts payable and other	9	52,122	65,052
Other financial liabilities	10	15,867	12,939
Borrowings	11	259,161	164,313
Due to related parties	12	13,596	4,672
Total current liabilities		340,746	246,976
Non-current liabilities			
Accounts payable and other	9	157	507
Other financial liabilities	10	179,820	188,117
Borrowings	11	1,133,849	1,313,459
Due to related parties	12	77,253	70,389
Total non-current liabilities		1,391,079	1,572,472
Total liabilities		1,731,825	1,819,448
EQUITY			
Paid-in capital		526,459	511,459
Retained earnings		(117,866)	(111,469)
Accumulated other comprehensive income (loss)		670	1,202
Member's equity		409,263	401,192
Non-controlling interests in subsidiaries		21,643	19,645
Total equity		430,906	420,837
Total liabilities and total equity		2,162,731	2,240,285

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

ALTERA SHUTTLE TANKERS L.L.C.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(in thousands of U.S. dollars)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	**2021**	**2022**	**2021**
	Notes	**$**	**$**	**$**	**$**
Revenues	13	152,072	118,749	439,009	382,593
Direct operating costs	14	(77,933)	(58,311)	(219,121)	(182,192)
General and administrative expenses	12	(6,114)	(7,414)	(19,196)	(21,006)
Depreciation and amortization	7	(36,836)	(44,572)	(120,434)	(133,673)
Interest expense	11, 12	(28,121)	(20,782)	(75,258)	(60,292)
Interest income		485	1	659	11
Impairment expense, net	7	—	—	(4,960)	—
Gain (loss) on dispositions, net	6	(112)	1,397	(112)	3,645
Realized and unrealized gain (loss) on derivative instruments	10	(3,542)	(497)	(5,595)	(382)
Foreign currency exchange gain (loss)		(1,817)	(480)	(2,376)	(504)
Other income (expenses), net		(53)	50	80	144
Income (loss) before income tax (expense) benefit		(1,971)	(11,859)	(7,304)	(11,656)
Income tax (expense) benefit					
Current		—	(1,023)	(95)	(2,534)
Net income (loss)		(1,971)	(12,882)	(7,399)	(14,190)
Attributable to:					
Members		(2,936)	(11,569)	(6,397)	(8,730)
Non-controlling interests in subsidiaries		965	(1,313)	(1,002)	(5,460)
		(1,971)	(12,882)	(7,399)	(14,190)

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

ALTERA SHUTTLE TANKERS L.L.C.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands of U.S. dollars)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	**2021**	**2022**	**2021**
	Notes	**$**	**$**	**$**	**$**
Net income (loss)		(1,971)	(12,882)	(7,399)	(14,190)
Other comprehensive income (loss)					
Items that may be reclassified subsequently to profit or loss:					
To interest expense:					
Realized gain on qualifying cash flow hedging instruments	10	(172)	(182)	(532)	(568)
Total other comprehensive income (loss)		(172)	(182)	(532)	(568)
Comprehensive income (loss)		(2,143)	(13,064)	(7,931)	(14,758)
Attributable to:					
Members		(3,108)	(11,751)	(6,929)	(9,298)
Non-controlling interests in subsidiaries		965	(1,313)	(1,002)	(5,460)
		(2,143)	(13,064)	(7,931)	(14,758)

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

ALTERA SHUTTLE TANKERS L.L.C.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of U.S. dollars)

	Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Non-Controlling Interest	Total
	$	$	$	$	$
Balance as at January 1, 2022	511,459	(111,469)	1,202	19,645	420,837
Net income (loss)	—	(6,397)	—	(1,002)	(7,399)
Other comprehensive income (loss)	—	—	(532)	—	(532)
Contributions received:					
Contribution of capital from Altera Infrastructure Holdings L.L.C.	15,000	—	—	—	15,000
Contribution from non-controlling interests	—	—	—	3,000	3,000
Balance as at September 30, 2022	526,459	(117,866)	670	21,643	430,906
Balance as at January 1, 2021	499,880	31,769	1,952	17,647	551,248
Net income (loss)	—	(8,730)	—	(5,460)	(14,190)
Other comprehensive income (loss)	—	—	(568)	—	(568)
Distributions declared:					
Distribution to Altera Infrastructure Holdings L.L.C.	—	(125,000)			(125,000)
Distribution to non-controlling interests	—	—	—	(9,112)	(9,112)
Contributions received:					
Contribution of capital from Altera Infrastructure Holdings L.L.C.	11,000	—	—	—	11,000
Contribution of capital from Brookfield	579	—	—	—	579
Contributions from non-controlling interests	—	—	—	17,950	17,950
Balance as at September 30, 2021	511,459	(101,961)	1,384	21,025	431,907

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

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

	Notes	Nine Months Ended September 30, 2022 $	Nine Months Ended September 30, 2021 $
OPERATING ACTIVITIES			
Net income		(7,399)	(14,190)
Adjusted for the following items:			
Depreciation and amortization	7	120,434	133,673
Impairment expense, net	7	4,960	—
(Gain) loss on dispositions, net	6	112	(3,645)
Unrealized (gain) loss on derivative instruments	10	3,163	3,784
Provisions and other items	9	—	(5,644)
Other non-cash items		8,411	5,972
Changes in non-cash working capital, net		22,908	11,268
Net operating cash flow		152,589	131,218
FINANCING ACTIVITIES			
Proceeds from borrowings	11	63,195	10,560
Repayments of borrowings	11	(153,701)	(114,052)
Proceeds from borrowings related to sale and leaseback of vessels	8, 10	—	71,400
Repayments of borrowings related to sale and leaseback of vessels	8, 10	(8,454)	(8,518)
Financing costs related to borrowings from sale and leaseback of vessels	9	39	(584)
Proceeds from borrowings from related parties	12	—	70,000
Lease liability repayments		(9,371)	(8,382)
Capital provided by member		15,000	11,000
Capital contribution by non-controlling interests		3,000	17,950
Distributions to member		—	(125,000)
Distribution to non-controlling interests		—	(9,113)
Net financing cash flow		(90,292)	(84,739)
INVESTING ACTIVITIES			
Additions:			
Vessels and equipment	7, 8	(84,583)	(189,675)
Dispositions:			
Vessels and equipment	6	32,630	28,120
Change in restricted cash	3, 4	(2,842)	75,352
Acquisition of company (net of cash acquired of $0.2 million)		208	—
Net investing cash flow		(54,587)	(86,203)
Cash and cash equivalents			
Change during the period		7,710	(39,724)
Impact of foreign exchange on cash		(1,605)	315
Balance, beginning of the period		124,257	169,447
Balance, end of the period		130,362	130,038

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

1. Nature and Description of the Company

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

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

Altera Infrastructure is a subsidiary of Brookfield Business Partners L.P. (NYSE: BBU) (TSX: BBU.UN) (or with its affiliates, *Brookfield*), while Brookfield Asset Management Inc. (NYSE: BAM) (TSX: BAM.A), an entity incorporated in Ontario, Canada, is the ultimate parent of the Company.

2. Significant Accounting Policies

a. Basis of presentation

These unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (or *IAS 34*), as issued by the International Accounting Standards Board (or *IASB*). These interim condensed consolidated financial statements do not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements as at and for the year ended December 31, 2021, which are included in the Company's Annual Report for the year ended December 31, 2021. The unaudited interim condensed consolidated financial statements have been prepared under the assumption that the Company operates on a going concern basis and have been presented in U.S. dollars rounded to the nearest thousand unless otherwise indicated.

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements as at and for the year ended December 31, 2021, except for the adoption of new standards and changes in the Company's accounting policies effective as of January 1, 2022, as described below in Note 2c. There have been no significant changes to the method of determining significant estimates and judgments since December 31, 2021.

These unaudited interim condensed consolidated financial statements were approved by the board and authorized for issue on November 29, 2022.

b. Going Concern

As at September 30, 2022, the Company had a working capital deficit of $101.9 million. The Company's working capital deficit increased from $26.6 million as at December 31, 2021, primarily due to a $94.8 million increase in scheduled maturities and repayments of outstanding borrowings during the 12 months ending September 30, 2023, which were classified as current as at September 30, 2022.

Based on these factors, the Company will need to obtain additional sources of financing and/or refinancing, in addition to amounts generated from operations, to meet its obligations and commitments and the minimum liquidity requirements under its financial covenants. The Company's minimum liquidity requirements under its financial covenants include but are not limited to maintaining a minimum liquidity in an amount equal to the greater of $35 million and 5% of total debt and a net debt to total capitalization ratio of no greater than 75%.

During 2022, the Company injected $15 million of equity and completed the sale of certain vessels in order to enhance its liquidity and financial flexibility. The working capital deficit as at September 30, 2022, includes $153.3 million in current borrowings related to certain tranches of the Company's East Coast of Canada term loans classified as current. These term loans are secured by four vessels on contract until 2030. The Company expects to, and is working towards, refinancing these maturities in full and at terms in line with the existing financing.

The Company is actively pursuing the financing initiatives described above, which it considers probable of completion based on the Company’s history of being able to raise and refinance borrowings for similar types of vessels and based on the Company's assessment of current conditions and estimated future conditions. The Company is in various stages of progression on these matters. Additional potential sources of amounts generated from operations include the extensions and new opportunities for existing assets, higher utilization of the operating fleet, increased rates, and working capital optimizations.

Based on the Company’s liquidity at the date of these unaudited interim condensed consolidated financial statements, the liquidity it expects to generate from operations over the following year, and by incorporating the Company's plans to increase its liquidity that it considers probable of completion, the Company expects that it will have sufficient liquidity to enable the Company to continue as a going concern for at least the one-year period to September 30, 2023.

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

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

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

i. *Estimation uncertainty*

COVID-19

The Company has not identified any new significant developments related to the COVID-19 pandemic which would impact key critical judgments, estimates and assumptions that affect the reported and contingent amount of assets, liabilities, revenues and expenses, including whether any additional indicators of impairment were present for the three and nine months ended September 30, 2022. The Company will continue to monitor the COVID-19 situation and review its critical estimates and judgements as circumstances evolve.

Climate Change

The Company could be affected by an accelerated energy transition driven by climate change. The Company's strategy, capital allocation and selection of projects are guided by the vision to lead the industry to a sustainable future, and climate-related risks are key drivers for this transition. The effect of these risks on the Company's compliance costs, capital expenditures, cash flow from operations and other assumptions are inherently uncertain and may differ from actual amounts. The Company did not experience any direct impact from an accelerated energy transition driven by climate change on its financial results as at September 30, 2022. The risks will, however, remain key considerations for impairment testing, estimation of remaining useful lives of assets in the Company's fleet and provisions for future periods.

The Invasion of Ukraine by Russia

Following Russia's invasion of Ukraine in February 2022, the U.S., several European Union nations, and other countries have announced sanctions against Russia. While it is difficult to anticipate the potential for any indirect impact the sanctions announced to date may have on the Company's business and the Company, any further sanctions imposed or actions taken by the U.S., EU nations or other countries, and any retaliatory measures by Russia in response, including restrictions on oil shipments from Russia, could lead to increased volatility in global oil demand, which could have a material adverse impact on the Company's business, results of operations and financial condition. The Company has no operations or contracts with counterparties in Ukraine, Belarus or Russia and did not experience any material impact from the invasion on its financial results as at September 30, 2022. The Company intends to continue to monitor the situation and review its critical estimates and judgments as circumstances evolve.

3. Fair Value of Financial Instruments

The following tables provide the details of financial instruments and their associated classifications as at September 30, 2022 and December 31, 2021:

	September 30, 2022			December 31, 2021		
Measurement Basis	**FVTPL $**	**Amortized cost $**	**Total $**	**FVTPL $**	**Amortized cost $**	**Total $**
Financial assets						
Cash and cash equivalents	—	130,362	130,362	—	124,257	124,257
Financial assets (current and non-current)	—	4,880	4,880	274	2,038	2,312
Accounts and other receivable, net (current and non-current) (1)	—	28,307	28,307	—	38,193	38,193
Due from related parties (current and non-current)	—	17,208	17,208	—	20,523	20,523
Other assets (current and non-current) (2)	—	46,357	46,357	—	53,158	53,158
Total	—	227,114	227,114	274	238,169	238,443
Financial liabilities						
Accounts payable and other (3)	—	6,744	6,744	—	19,396	19,396
Other financial liabilities (current and non-current) (4)	4,838	190,849	195,687	1,949	199,107	201,056
Due to related parties (current and non-current)	—	90,849	90,849	—	75,061	75,061
Borrowings (current and non-current)	—	1,393,010	1,393,010	—	1,477,772	1,477,772
Total	4,838	1,681,452	1,686,290	1,949	1,771,336	1,773,285

(1) Excludes sales tax receivable of $0.2 million as at September 30, 2022 (December 31, 2021 - $0.4 million).

(2) Includes investments in finance leases.

(3) Includes accounts payable and lease liabilities. Refer to Note 9 below.

(4) Includes derivative instruments, obligations relating to leases and other financial liabilities. Refer to Note 10 below.

Included in cash and cash equivalents as at September 30, 2022 is $130.4 million of cash (December 31, 2021 - $124.3 million) and $nil of cash equivalents (December 31, 2021 - $nil).

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

The fair value of all financial assets and liabilities as at September 30, 2022 approximated their carrying values, with the exception of the borrowings, where fair value which was determined using Level 1 and Level 2 inputs resulted in a fair value of $1.4 billion (December 31, 2021: $1.5 billion) versus a carrying value of $1.4 billion (December 31, 2021: $1.5 billion). The fair value of the Company's fixed-rate and variable-rate long-term debt is either based on quoted market prices or estimated using discounted cash flow analysis based on rates currently available for debt with similar terms and remaining maturities and the current credit worthiness of the Company.

Fair value hierarchical levels - financial instruments

There were no transfers between levels during the three and nine months ended September 30, 2022, nor during the year ended December 31, 2021. Additionally, there were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the three and nine months ended September 30, 2022. The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities measured at fair value through profit or loss on a recurring basis as at September 30, 2022 and December 31, 2021:

	September 30, 2022			December 31, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	$	$	$	$	$	$
Financial assets						
Derivative instruments	—	—	—	—	274	—
Total	—	—	—	—	274	—
Financial liabilities						
Derivative instruments	—	4,838	—	—	1,949	—
Total	—	4,838	—	—	1,949	—

4. Financial Assets

	September 30, 2022	December 31, 2021
	$	$
Current		
Restricted cash [(1)]	4,880	2,038
Derivative instruments [(2)]	—	274
Total current	4,880	2,312

(1) Restricted cash as at September 30, 2022 consists of a guarantee for certain operating expenses and withholding taxes (December 31, 2021 - includes funds for a loan facility repayment and withholding taxes).

(2) See Note 10 for additional information.

5. Vessels and Equipment Classified as Held for Sale

	September 30, 2022	December 31, 2021
Vessel	$	$
Nordic Rio	14,695	—
	14,695	—

The fair value of vessels and equipment classified as held for sale measured on a non-recurring basis was $14.7 million and $nil as at September 30, 2022 and December 31, 2021, respectively.

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

6. Gain on Dispositions, Net

Period	Vessel	Net Proceeds	Gain (Loss) on
Q3-22	*Navion Gothenburg*	25,638	(120)
Q3-22	*Petronordic*	6,992	8
Gain (loss) on dispositions, net for the three and nine months ended September 30, 2022			(112)
Q3-21	*Navion Anglia*	6,144	1,397
Gain (loss) on dispositions, net for the three months ended September 30, 2021			1,397
Q2-21	*Navion Oceania*	10,618	2,576
Q2-21	*Navion Oslo*	3,160	(29)
Q2-21	*Stena Natalita*	8,198	(299)
Gain (loss) on dispositions, net for the nine months ended September 30, 2021			3,645

7. Vessels and Equipment

	September 30, 2022 $	December 31, 2021 $
Gross carrying amount:		
Opening balance at beginning of year	2,186,433	1,993,761
Additions (1)	14,424	24,787
Dispositions (2)	—	(48,916)
Transferred from advances on newbuilding contracts	123,669	253,301
Vessels and equipment reclassified as held for sale (3)	(136,159)	(36,500)
Closing balance at end of period	2,188,367	2,186,433
Accumulated Depreciation and Impairment:		
Opening balance at beginning of year	(422,407)	(321,028)
Depreciation and amortization (4)	(111,119)	(161,895)
Impairment expense, net (5)	(4,960)	—
Dispositions (2)	—	33,916
Transferred to deferred mobilization costs	(840)	—
Vessels and equipment reclassified as held for sale	90,031	26,600
Closing balance at end of period	(449,295)	(422,407)
Net book value	1,739,072	1,764,026

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

(2) Includes the sale of vessels and the disposal upon the replacement of certain components of vessels and equipment.

(3) See Note 5 for additional information.

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

(5) Excludes impairment expense on vessels and equipment classified as held for sale during the nine months ended September 30, 2022 and year ended December 31, 2021.

Impairment expense, net

Period	Vessel	Event	Fair Value Hierarchical Level	Valuation Techniques and Key Inputs	Impairment Expense $
Q2 2022 (1)	*Petronordic*	Sale of the vessel considered highly probable	Level 2	Fair value less cost to sell using an appraised valuation	4,960
Impairment expense, net for the nine months ended September 30, 2022					4,960

(1) Vessels and equipment were sold during the three and nine months ended September 30, 2022. See Note 6 for additional information.

(2) For the three and nine months ended September 30, 2021, impairment expense, net was $nil and $nil, respectively.

The fair value of vessels and equipment, classified as such, measured on a non-recurring basis was $nil and $nil as at September 30, 2022 and December 31, 2021, respectively.

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

8. Advances on Newbuilding Contracts

	September 30, 2022 $	December 31, 2021 $
Opening balance at beginning of year	51,918	127,335
Additions	67,160	176,964
Capitalized borrowing costs	4,591	920
Transferred to vessels and equipment	(123,669)	(253,301)
Closing balance at end of period	—	51,918

As at September 30, 2022, the Company has no commitments relating to newbuilding contracts, as the seventh and final shuttle tanker in its newbuilding program, the *Altera Thule,* was delivered in March 2022 with total gross payments made towards this vessel for an aggregate purchase price of $123.7 million. The Company secured $105.4 million of borrowings relating to this newbuilding, which was fully drawn as of September 30, 2022 (see Note 11 for additional information).

9. Accounts Payable and Other

	September 30, 2022 $	December 31, 2021 $
Current		
Accounts payable	4,597	7,879
Accrued liabilities	34,135	34,006
Deferred revenues	11,359	11,803
Lease liabilities	2,031	11,364
Total current	52,122	65,052
Non-current		
Accounts payable and other	(2)	(1)
Deferred revenues	42	354
Lease liabilities	117	154
Total non-current	157	507

Provisions

	September 30, 2022 $	December 31, 2021 $
Opening balance at beginning of year	—	5,644
Additional provisions recognized	—	—
Reduction arising from payments / derecognition	—	(5,644)
Closing balance at end of period	—	—

10. Other Financial Liabilities

	September 30, 2022 $	December 31, 2021 $
Current		
Derivative instruments	4,838	1,949
Obligations relating to leases	11,029	10,990
Total current	15,867	12,939
Non-current		
Obligations relating to leases	179,820	188,117
Total non-current	179,820	188,117

As at September 30, 2022, the undiscounted contractual maturities of the Company's obligations relating to the leases under the sale and leaseback transactions were as follows:

	Total	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter
	(in millions of U.S. Dollars)						
Obligations related to leases	193.2	11.3	11.3	11.3	11.3	11.3	136.7

The liability for the leases accrues interest at a variable rate of LIBOR plus a margin of 2.85%. As at September 30, 2022, the Company was in compliance with all covenant requirements of its leases.

Derivative Financial Instruments

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

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

	September 30, 2022		December 31, 2021	
	Financial Asset	Financial Liability	Financial Asset	Financial Liability
	$	$	$	$
Interest rate swaps	—	—	—	1,277
Foreign currency forward contracts	—	4,838	274	672
Total	—	4,838	274	1,949
Total current	—	4,838	274	1,949

Interest Rate Risk

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

The Company enters into interest rate swaps, which exchange a receipt of floating interest for a payment of fixed interest, to reduce the Company’s exposure to interest rate variability on its outstanding floating-rate debt. The Company has not designated, for accounting purposes, any of its interest rate swaps as hedges of variable rate debt during the three and nine months ended September 30, 2022 and year ended December 31, 2021, respectively. Certain of the Company's interest rate swaps have historically been secured by vessels. As at September 30, 2022, the Company is not part of any interest rate swaps, as the previously entered interest rate swaps have all been terminated.

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

Total realized and unrealized gain (loss) on the Company's derivative financial instruments that are not designated, for accounting purposes, as cash flow hedges are recognized in earnings and reported in realized and unrealized gain (loss) on derivative instruments in the unaudited interim condensed consolidated statements of income (loss) for the three and nine months ended September 30, 2022 and 2021 as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	$	$	$	$
Realized gain (loss) on derivative instruments				
Interest rate swap	39	(499)	(706)	(1,439)
Foreign currency forward contracts	(753)	410	(1,726)	4,841
	(714)	(89)	(2,432)	3,402
Unrealized gain (loss) on derivative instruments				
Interest rate swap	(39)	452	1,277	1,414
Foreign currency forward contracts	(2,789)	(860)	(4,440)	(5,198)
	(2,828)	(408)	(3,163)	(3,784)
Total realized and unrealized gain (loss) on derivative instruments	(3,542)	(497)	(5,595)	(382)

The following table presents the notional amounts underlying the Company's derivative financial instruments by term to maturity as at September 30, 2022:

	Total	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter
	(in millions of U.S. Dollars)						
Fair value through profit or loss							
Foreign currency forward contracts	43.4	43.4	—	—	—	—	—
Total	43.4	43.4	—	—	—	—	—

11. Borrowings

	September 30, 2022	December 31, 2021	Weighted average term		Weighted average rate	
			September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
	$	$	(years)	(years)	(%)	(%)
Revolving Credit Facilities	256,672	301,387	1.65	2.39	5.54	2.68
Term Loans	700,198	671,832	5.65	5.96	5.20	2.85
Public Bonds	380,000	449,342	2.60	2.93	9.36	7.85
Non-Public Bonds	72,618	77,286	1.25	2.00	4.96	4.96
Total	1,409,488	1,499,847	3.87	4.13	6.37	4.42
Less: deferred financing costs and other	(16,478)	(22,075)				
Total borrowings	1,393,010	1,477,772				
Less current portion	(259,161)	(164,313)				
Long-term portion	1,133,849	1,313,459				

Revolving Credit Facilities

As at September 30, 2022, the Company had one revolving credit facility (December 31, 2021 - one), which, as at such date, provided for total borrowings of up to $256.7 million (December 31, 2021 - $301.4 million), and was fully drawn (December 31, 2021 - fully drawn).

Term Loans

As at September 30, 2022, the Company had term loans which totaled $700.2 million (December 31, 2021 - $671.8 million). The term loans reduce over time with quarterly or semi-annual payments and have varying maturities through 2034. As at September 30, 2022, all of these terms loans were guaranteed by the Company, a subsidiary of the Company or the other owner in the Company's non-wholly owned subsidiaries.

Public and Non-Public Bonds

As at September 30, 2022, the Company had public bonds outstanding which totaled $380.0 million (December 31, 2021 - $449.3 million) and non-public bonds outstanding which totaled $72.6 million (December 31, 2021 - $77.3 million). The public bonds have varying maturities through 2025 and the non-public bonds reduce over time with semi-annual payments and varying maturities through 2023.

In August 2022, on maturity, the Company redeemed the remaining $68.8 million of bonds on its outstanding 7.125% senior unsecured bonds listed on the Oslo Stock Exchange. The bonds were repaid at 101% of par value. As at June 30, 2022, the carrying amount of the bonds was $69.5 million.

As at September 30, 2022, the contractual maturities of the Company's borrowings were as follows:

	Total	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter
	(in millions of U.S. Dollars)						
Borrowings:							
Public Bonds	380.0	—	—	200.0	180.0	—	—
Secured debt - scheduled repayments	450.6	106.9	80.4	42.9	36.0	33.8	150.6
Secured debt - repayments on maturity	578.9	153.3	227.9	—	197.7	—	—
Total borrowings	1,409.5	260.2	308.3	242.9	413.7	33.8	150.6

See Note 12 for information regarding the Company's borrowings due to related parties.

As at September 30, 2022, the Company was in compliance with all covenant requirements of its revolving credit facilities, term loans and bonds.

Interest paid during the three and nine months ended September 30, 2022 was $21.5 million and $60.1 million, respectively (three and nine months ended September 30, 2021 - $25.1 million and $61.1 million, respectively).

12. Related Party Transactions

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

The key management personal of the Company are as follows:

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

During the three and nine months ended September 30, 2022 and 2021 the total compensation expenses of these three key management personnel of the Company were as follows:

	Salary $	Bonus $	Pension Benefits $	Other Benefits $	Total Compensation $
Three months ended September 30, 2022	267	1,113	10	11	1,401
Three months ended September 30, 2021	261	—	12	16	289
Nine months ended September 30, 2022	988	4,015	37	45	5,085
Nine months ended September 30, 2021	1,038	1,838	40	66	2,982

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

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

a) On December 14, 2021, the Company entered into an agreement with Brookfield to issue $70.0 million aggregate principal amount of unsecured PIK notes (the *12.50% PIK Notes*), which contemporaneously discharged the then-existing $70.0 million unsecured revolving credit facility which was fully drawn, accrued interest at a rate equal to LIBOR plus a margin of 5.00% and was due to mature in February 2022. Interest under the 12.50% Notes is payable in kind, biannually, at a fixed rate of 12.50% and the facility matures in June 2026. The 12.50% PIK Notes are to be listed on The International Stock Exchange. Additional 12.50% PIK Notes may only be issued to satisfy the interest payable under the notes. As at September 30, 2022, the Partnership had recorded $7.3 million of PIK interest which was added to the outstanding principal amount of the 12.50% PIK Notes. Any outstanding principal balances are due on the maturity date.

b) During the nine months ended September 30, 2022, a common control transaction was undertaken, whereby the company acquired Navion Offshore Loading AS. The transaction was accounted for by book value accounting.

As at September 30, 2022, the contractual maturities of the Company's borrowings due to related parties were as follows:

	Total	1 Year	2 Years	3 Years	4 Years	5 Years	Thereafter
			(in millions of U.S. Dollars)				
Borrowings due to related parties:							
12.50% Unsecured PIK notes (1)	77.3	—	—	—	77.3	—	—
Total borrowings due to related parties	77.3	—	—	—	77.3	—	—

(1) Includes PIK interest of $7.3 million. See Note 12a for additional information.

As at September 30, 2022, the Company was in compliance with the covenant requirements of this facility

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	$	$	$	$
General and administrative (1)	(5,908)	(7,148)	(18,222)	(19,501)
Interest expense (2)(3)	(2,395)	(1,038)	(6,817)	(1,405)

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

(2) Includes interest expense of $2.4 million and $6.8 million incurred on the 12.50% PIK Notes for the three and nine months ended September 30, 2022 , respectively (three and nine months ended September 30, 2021 - $nil and $nil, respectively) See Notes 12a for additional information.

(3) Includes interest expense of $nil and $nil for the three and nine months ended September 30, 2022, respectively (three and nine months ended September 30, 2021 - $0.9 million and $1.2 million, respectively), and an accretion expense of $nil and $nil for the three and nine months ended September 30, 2022 (three and nine months ended September 30, 2021 - $0.1 million and $0.2 million, respectively) incurred on unsecured revolving credit facilities provided by Brookfield.

At September 30, 2022, the carrying value of amounts due from related parties totaled $17.2 million (December 31, 2021 - $20.5 million) and the carrying value of amounts due to related parties totaled $90.8 million (December 31, 2021 - $75.1 million) and consisted of the 12.50% PIK Notes issued to Brookfield (See Note 12a for additional information), and other related party payables.

13. Revenues

The Company's primary source of revenues is chartering its vessels and offshore units to its customers. The Company utilizes four primary forms of contracts, consisting of contract of affreightment (*CoAs*), time-charter contracts, bareboat charter contracts and voyage charter contracts. During the three and nine months ended September 30, 2022, the Company also generated revenues from the operation of volatile organic compound (*VOC*) systems on certain of the Company's vessels, and from the management of certain vessels on behalf of the disponent owners or charterers of those vessels.

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

The following table contains the Company’s revenues for the three and nine months ended September 30, 2022 and 2021, by contract type:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues from contracts with customers	$	$	$	$
CoAs	32,273	19,187	88,878	64,658
Time charters	26,832	23,398	81,451	69,332
Management fees and other	1,259	1,979	3,621	11,943
	60,364	44,564	173,950	145,933
Other revenues				
CoAs	20,743	25,718	79,623	92,478
Time charters	43,395	40,336	131,460	119,321
Bareboat charters	—	1,748	—	6,394
Voyage charters	27,570	6,383	53,976	18,467
	91,708	74,185	265,059	236,660
Total revenues	152,072	118,749	439,009	382,593

Revenues from External Customers

The following tables contain the Company's revenues for the three and nine months ended September 30, 2022 and 2021 by geography, based on the operating location of the Company's assets and by segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues from contracts with customers	$	$	$	$
Norway (1)	39,389	25,709	108,489	82,402
Brazil (1)	7,381	7,025	22,082	27,079
Canada	13,594	11,830	43,379	34,841
Other	—	—	—	1,611
Total revenues from contracts with customers	60,364	44,564	173,950	145,933
Other revenues				
Norway (1)	47,429	37,731	135,752	127,712
Brazil (1)	14,660	16,415	43,290	48,028
Canada	16,807	15,056	53,519	44,344
Other	12,812	4,983	32,498	16,576
Total other revenues	91,708	74,185	265,059	236,660
Total revenues	152,072	118,749	439,009	382,593

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

14. Direct Operating Costs

Direct operating costs include all attributable expenses except interest, depreciation and amortization, impairment expense, other expenses and taxes, and primarily relate to cost of revenues. The following table lists direct operating costs for the three and nine months ended September 30, 2022 and 2021 by nature:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	$	$	$	$
Voyage expenses (1)	44,088	22,877	116,074	69,096
Operating expenses	17,177	18,190	49,737	58,259
Charter hire	2,280	2,327	8,770	7,756
Compensation	14,388	14,917	44,540	47,081
Total	77,933	58,311	219,121	182,192

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