



TRANS MOUNTAIN CORPORATION

**CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**
(unaudited)

For the three and nine month periods ended September 30, 2020

TRANS MOUNTAIN CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(In thousands of Canadian dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenues <i>(Note 2)</i>	105,113	106,583	316,899	308,372
Expenses				
Pipeline operating costs	29,998	33,930	92,856	84,908
Depreciation and amortization	24,586	25,103	73,411	75,270
Salaries and benefits	17,756	16,128	54,673	47,639
Taxes, other than income taxes	8,095	8,312	25,023	25,556
Administration	506	900	3,548	5,178
	80,941	84,373	249,511	238,551
Operating income	24,172	22,210	67,388	69,821
Equity allowance for funds used during construction	49,279	24,572	123,544	62,447
Interest expense, net of capitalized debt financing costs	(21,787)	(19,915)	(63,322)	(64,210)
Other, net	(65)	(144)	(1,566)	(434)
Foreign exchange gain (loss)	117	(226)	(1,396)	(325)
Income before income taxes	51,716	26,497	124,648	67,299
Income tax (expense) recovery <i>(Note 3)</i>	(12,341)	(6,340)	(30,239)	39,975
Net income	39,375	20,157	94,409	107,274

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

TRANS MOUNTAIN CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(In thousands of Canadian dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net income	39,375	20,157	94,409	107,274
Other comprehensive income (loss), net of tax				
Currency translation adjustment	(6,914)	3,554	8,106	(8,855)
Pension and post-employment benefits	61	229	184	23
	(6,853)	3,783	8,290	(8,832)
Comprehensive income	32,522	23,940	102,699	98,442

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

TRANS MOUNTAIN CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
(In thousands of Canadian dollars)
(Unaudited)

As of	September 30, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	358,182	423,899
Accounts receivable	46,469	62,801
Other current assets	23,934	19,511
	428,585	506,211
Property, plant and equipment	7,852,463	5,744,369
Right-of-use asset	65,167	67,659
Regulatory assets	65,815	40,853
Goodwill	888,098	888,098
Restricted investments	91,041	70,911
Restricted cash	76,323	63,015
Deferred amounts and other assets	197,398	60,619
Total Assets	9,664,890	7,441,735
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	455,371	305,868
Interest payable	50,661	-
Regulatory liabilities	170,517	196,888
Other current liabilities	24,653	23,180
	701,202	525,936
Loans from parent (Note 5)	4,332,350	3,257,100
Deferred income taxes	617,490	584,885
Regulatory liabilities	92,655	131,185
Pension and post-employment benefits	88,310	87,297
Lease liabilities	48,629	51,955
Other deferred credits	11,176	12,748
Total Liabilities	5,891,812	4,651,106
Equity	3,773,078	2,790,629
Total Liabilities and Equity	9,664,890	7,441,735

Litigation, commitments and contingencies (Note 8)

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

Approved on behalf of the Board of Directors

“signed”

William Downe
Director

“signed”

Brian Ferguson
Director

TRANS MOUNTAIN CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands of Canadian dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Operating activities				
Net income	39,375	20,157	94,409	107,274
Items not affecting cash				
Depreciation and amortization	24,586	25,103	73,411	75,270
Equity allowance for funds used during construction	(49,279)	(24,572)	(123,544)	(62,447)
Deferred income taxes (Note 3)	16,194	7,302	32,476	(41,797)
Changes in non-cash working capital items (Note 6)	5,919	(39,925)	(22,133)	(1,233)
Total Cash and cash equivalents and Restricted cash provided by (used in) operating activities	36,795	(11,935)	54,619	77,067
Investing activities				
Capital expenditures	(849,021)	(361,862)	(2,042,211)	(656,502)
Internal use software expenditures	(3,295)	-	(9,033)	-
Purchase of restricted investments	(2,799)	(3,473)	(11,729)	(10,861)
Working capital settlement on acquisition	-	-	-	37,020
Total Cash and cash equivalents and Restricted cash used in investing activities	(855,115)	(365,335)	(2,062,973)	(630,343)
Financing activities				
Issuances of loans from parent (Note 5)	456,500	176,000	1,075,250	286,000
Repayment of loans from parent (Note 5)	-	-	-	(500,000)
Capital contributions (Note 5)	373,500	144,000	879,750	234,000
Total Cash and cash equivalents and Restricted cash provided by financing activities	830,000	320,000	1,955,000	20,000
Effects of exchange rate changes on Cash and cash equivalents and Restricted cash	(1,170)	363	945	(543)
Net increase (decrease) in Cash and cash equivalents and Restricted cash	10,510	(56,907)	(52,409)	(533,819)
Cash and cash equivalents and Restricted cash, beginning of period	423,995	241,131	486,914	718,043
Cash and cash equivalents and Restricted cash, end of period	434,505	184,224	434,505	184,224
Cash and cash equivalents, beginning of period	363,094	190,229	423,899	169,200
Restricted cash, beginning of period	60,901	50,902	63,015	548,843
Cash and cash equivalents and Restricted cash, beginning of period	423,995	241,131	486,914	718,043
Cash and cash equivalents, end of period	358,182	123,146	358,182	123,146
Restricted cash, end of period	76,323	61,078	76,323	61,078
Cash and cash equivalents and Restricted cash, end of period	434,505	184,224	434,505	184,224
Supplemental Disclosures of Cash Flow Information				
Cash interest paid, net of amounts capitalized	49	43	44,050	47,439
Cash paid (refunded) for income taxes	(632)	1,527	(632)	2,409
Non-cash Investing and Financing				
Change in non-cash property, plant and equipment due to accruals and contractor advances and retainage	1,003	50,200	6,322	191,441
Increase (decrease) in property, plant and equipment due to foreign currency translation	(5,786)	3,215	7,213	(8,353)
Right-of-use assets obtained in exchange of lease obligations	7,093	7,286	11,414	68,259

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

TRANS MOUNTAIN CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF EQUITY
(In thousands of Canadian dollars)
(Unaudited)

	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Total Equity
Balance at December 31, 2019	2,064,150	600,750	140,393	(14,664)	2,790,629
Capital contributions	-	879,750	-	-	879,750
Net income	-	-	94,409	-	94,409
Other comprehensive income, net of tax	-	-	-	8,290	8,290
Balance at September 30, 2020	2,064,150	1,480,500	234,802	(6,374)	3,773,078
Balance at December 31, 2018	2,064,150	74,250	9,538	7,337	2,155,275
Capital contributions	-	234,000	-	-	234,000
Net income	-	-	107,274	-	107,274
Other comprehensive loss, net of tax	-	-	-	(8,832)	(8,832)
Balance at September 30, 2019	2,064,150	308,250	116,812	(1,495)	2,487,717

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

TRANS MOUNTAIN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General

Trans Mountain Corporation (“the Corporation” or “TMC”) is a Federal Crown corporation, incorporated under the *Canada Business Corporations Act* on May 28, 2018. TMC is a wholly owned subsidiary of Canada TMP Finance Ltd. (“TMP Finance”), which is a wholly owned subsidiary of Canada Development Investment Corporation (“CDEV”). CDEV is wholly owned by Her Majesty in Right of Canada and is an agent Crown corporation. TMC is subject to the provisions of Part X of the *Financial Administration Act* and the provisions of the *Income Tax Act*.

TMC conducts operations through four entities: Trans Mountain Pipeline Limited Partnership (“TMP LP”) and its wholly owned subsidiary Trans Mountain Pipeline (Puget Sound) LLC (“Puget”), Trans Mountain Pipeline ULC (“TMP ULC”), and Trans Mountain Canada Inc. (“TMCI”). Together these entities own and operate the Trans Mountain pipeline (“TMPL”) and the Puget Sound pipeline (“Puget Sound”). TMPL has operated since 1953, and in its current configuration transports approximately 300,000 barrels per day of crude oil and refined petroleum from Edmonton, Alberta to Burnaby, British Columbia. As part of the purchase of TMP LP, the Corporation also acquired certain rights, designs and construction contracts related to the expansion of the TMPL known as the Trans Mountain Expansion Project (“TMEP”). If completed as currently anticipated, the TMEP will increase the capacity of the TMPL to 890,000 barrels per day. Puget owns the Puget Sound, which interconnects with TMPL at the international border near Sumas, British Columbia, and transports products to refineries in Washington State. TMP ULC is the General Partner of TMP LP, and TMCI employs the workforce that manages and operates the pipelines and related assets. These condensed consolidated financial statements include operating results of TMC and the wholly owned Trans Mountain Entities, including the Trans Mountain Pipeline Reclamation Trust which is consolidated with the Corporation.

TMC’s mandate is to operate the existing TMPL and Puget Sound and to complete the TMEP in a timely and commercially viable manner.

Basis of Presentation

The accompanying condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”), as contained in the Financial Accounting Standards Board Accounting Standards Codification. TMC believes that U.S. GAAP provides better comparability with industry peers and better reflects the economic effects of the actions of regulatory bodies on its operations. In preparing these condensed consolidated financial statements in accordance with U.S. GAAP, all significant intercompany items have been eliminated on consolidation.

In management’s opinion, all adjustments considered necessary for a fair statement of the financial position and operating results have been included in the accompanying condensed consolidated financial statements. The Corporation’s interim results may not be indicative of annual results. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019. These condensed consolidated financial statements follow the same significant accounting policies as those included in the consolidated financial statements for the year ended December 31, 2019.

Amounts are stated in Canadian dollars, which is the functional currency of the Corporation’s operations, except for Puget which uses the U.S. dollar as its functional currency.

TMC operates in one operating segment, as the chief operating decision maker reviews operating results at this level to assess financial performance and make resource allocation decisions.

These condensed consolidated financial statements were authorized by the board of directors on November 4, 2020. Subsequent events have been evaluated from September 30, 2020 to the date the condensed consolidated financial statements were available for issue on November 4, 2020 and other than the amendment to the Funding Agreement described in Note 5, there are no subsequent events which would require adjustment to the condensed consolidated financial statements and related disclosures.

TRANS MOUNTAIN CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Revenues

Disaggregation of Revenues

The following table presents revenues disaggregated by revenue source and type of revenue for each revenue source:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
(In thousands of Canadian dollars)				
Transportation				
Fee-based services	83,068	98,920	265,110	269,537
Regulatory adjustment	5,676	(8,009)	2,812	(8,052)
	88,744	90,911	267,922	261,485
Leases	15,942	15,121	47,705	45,025
Other	427	551	1,272	1,862
	105,113	106,583	316,899	308,372

Contract Balances

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections. Contract assets are recognized in those instances where billing occurs subsequent to revenue recognition and the right to invoice the customer is conditioned on something other than the passage of time. For the three and nine month periods ended September 30, 2020 and September 30, 2019, there were no contract assets recognized. Contract liabilities are substantially related to capital improvements paid for in advance by certain customers, generally in the Corporation's non rate regulated businesses, which are subsequently recognized as revenue on a straight-line basis over the initial term of the related customer contracts.

The following table presents the activity in contract liabilities:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
(In thousands of Canadian dollars)				
Balance at beginning of period	4,718	4,926	4,628	4,840
Additions	-	-	392	385
Transfer to Revenues	(151)	(149)	(453)	(448)
Balance at end of period	4,567	4,777	4,567	4,777

The contract liabilities balance as of September 30, 2020 and December 31, 2019 is presented as:

	September 30, 2020	December 31, 2019
(In thousands of Canadian dollars)		
Other current liabilities	311	213
Other deferred credits	4,256	4,415
	4,567	4,628

TRANS MOUNTAIN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Revenues (continued)

Revenue Allocated to Remaining Performance Obligations

The following table presents the estimated revenue allocated to remaining performance obligations for contracted revenue that has not yet been recognized, representing the “contractually committed” revenue as of September 30, 2020 that will be invoiced or transferred from contract liabilities and recognized in future periods.

Year (In thousands of Canadian dollars)	Estimated Revenue
Remaining 2020	6,638
2021	26,341
2022	2,432
2023	213
2024	213
Thereafter	3,565
Total	39,402

The contractually committed revenue primarily consists of customer contracts for service, which have minimum volume commitment payment obligations. The actual revenue recognized on these customer contracts can vary depending on the service provided and the contractually committed revenue for purposes of the tabular presentation above is generally limited to the minimum revenue committed to under these customer contracts. The contractually committed revenue amounts generally exclude remaining performance obligations for: (i) contracts with index-based pricing or variable volume attributes in which such variable consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct service that forms part of a series of distinct services; (ii) contracts with an original expected duration of one year or less; and (iii) contracts for which revenue is recognized at the amount for which there is a right to invoice for services performed.

3. Income Taxes

Income tax expense included in the condensed consolidated financial statements is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
(In thousands of Canadian dollars)				
Current tax (expense) recovery	3,853	962	2,237	(1,822)
Deferred tax (expense) recovery	(16,194)	(7,302)	(32,476)	41,797
Total income tax (expense) recovery	(12,341)	(6,340)	(30,239)	39,975
Effective tax rate	23.86%	23.93%	24.26%	(59.40%)

As a result of an Alberta corporate tax rate reduction in June 2019 from 12% to 8% by 2022, the blended Federal and Provincial (Alberta and BC) deferred tax rate was reduced from 27% to 24.67%. This tax rate reduction resulted in a deferred income tax recovery for the nine month period ended September 30, 2019 of \$56.2 million on the revaluation of the deferred income tax liabilities.

The effective tax rates for the three and nine month periods ended September 30, 2020 was slightly lower than the deferred tax statutory rate primarily due to Puget being taxed at a lower statutory tax rate in the US.

TRANS MOUNTAIN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. Pension and Post-employment Benefits

The components of net benefit cost related to the pension and other post-employment benefit plans (“OPEB”) plans are as follows:

	Three months ended September 30,				Nine months ended September 30,			
	Pension		OPEB		Pension		OPEB	
	2020	2019	2020	2019	2020	2019	2020	2019
(In thousands of Canadian dollars)								
Service cost ^(a)	2,589	2,114	128	104	7,766	6,342	383	312
Other components on net benefit cost ^(b)								
Interest cost	2,152	2,255	138	152	6,456	6,765	416	455
Expected return on plan assets	(2,306)	(2,320)	-	-	(6,923)	(6,959)	-	-
Settlement loss recognized	-	-	-	-	1,373	-	-	-
Amortization of net actuarial loss	81	57	-	-	244	173	-	-
Total net benefit cost	2,516	2,106	266	256	8,916	6,321	799	767

(a) Amounts included within “Salaries and benefits” in the condensed consolidated statement of income.

(b) Amounts included within “Other, net” in the condensed consolidated statement of income.

5. Transactions with Related Parties

The Corporation is related in terms of common ownership to all Canadian federal government departments, agencies and Crown corporations. The Corporation may enter into transactions with some of these entities in the normal course of business.

Loans from Parent

TMC has a credit agreement with TMP Finance dated August 29, 2018 as amended July 30, 2019 (the “Credit Agreement”) which includes an “Acquisition Facility”, a non-revolving term loan facility, and a “Construction Facility”, a revolving construction credit facility, to be used primarily to finance the TMEP construction. The facilities have an interest rate of 5% on amounts drawn and a standby fee of 0.065% on the unadvanced portion. The facilities mature on the earlier of the maturity date, which is August 29, 2023 and August 28, 2023 for the Acquisition Facility and Construction Facility, respectively, and the in the event of certain changes in ownership.

TMC also has a funding agreement with TMP Finance dated August 30, 2018 as amended July 30, 2019 (the “Funding Agreement”) under which cash proceeds of each funding request are comprised of 55% debt funding in accordance with the Credit Agreement and 45% equity funding. Under the Funding Agreement, the Maximum Funding Amount in respect of construction funding increased from \$2.4 billion to \$3.8 billion on January 1, 2020. Under the Credit Agreement, no funding or advance requests under the Construction Facility can be made after December 31, 2020 (the “Drawdown Date”) (which may be extended at the discretion of TMP Finance).

Subsequent to period end, on October 1, 2020, an amendment to the Funding Agreement was executed which states a Maximum Funding Amount in respect of construction funding of \$4.7 billion up to December 30, 2020, and up to \$5.7 billion thereafter, which may be increased to \$6.1 billion at the discretion of TMP Finance. This amendment results in an increase to the available credit on the Construction Facility to \$2.6 billion on October 1, 2020 from \$2.1 billion previously. On October 27, 2020 the Drawdown Date under the Credit Agreement was extended from December 31, 2020 to March 31, 2021.

TMP LP also has a line of credit agreement with TMP Finance dated March 25, 2019 for \$500 million (the “Financial Capacity Line of Credit”) which is designed to meet the Canada Energy Regulator (“CER”) mandated financial capacity requirements. The Financial Capacity Line of Credit matures 5 years following the date of the advance or as otherwise extended in accordance with the agreement and has an interest rate of 5% on amounts drawn and a standby fee of 0.3% on the unadvanced portion.

TRANS MOUNTAIN CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Transactions with Related Parties (continued)

Loans from Parent (continued)

The total available credit as of September 30, 2020 and outstanding amounts presented as long-term loans from parents as of September 30, 2020 and December 31, 2019 are shown in the table below. There are no required payments on the borrowings until maturity. There are no financial covenants.

(In thousands of Canadian dollars)	September 30, 2020		December 31, 2019
	Total available credit	Outstanding amount	Outstanding amount
Acquisition Facility	2,506,350	2,506,350	2,506,350
Construction Facility	2,090,000	1,826,000	750,750
Financial Capacity Line of Credit	500,000	-	-
	5,096,350	4,332,350	3,257,100

The total interest and commitment fees incurred on loans from parent for the three and nine month periods ended September 30, 2020 were \$51.1 million and \$138.0 million, respectively. Total interest and commitment fees incurred for the three and nine month periods ended September 30, 2019 were \$36.0 million and \$107.6 million, respectively.

Equity Contributions

During the nine month period ended September 30, 2020, pursuant to the Funding Agreement and concurrent with the borrowings against the Construction Facility, TMP Finance contributed additional capital of \$879.8 million, which represents 45% of the total funds received.

6. Change of Operating Assets and Liabilities

The table below represents the changes in operating non-cash working capital.

(In thousands of Canadian dollars)	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	Decrease (Increase)			
Accounts receivable	(4)	(1,223)	16,398	50,439
Deferred amounts and other assets	1,225	(40,854)	(10,110)	(57,912)
Regulatory assets	(11,573)	(2,027)	(24,963)	(8,244)
Accounts payable and accrued liabilities	1,542	(24,436)	20,433	(34,037)
Interest payable	50,661	35,497	50,661	35,497
Pension and post-employment benefits	814	474	817	741
Regulatory liabilities	(26,837)	(6,756)	(73,302)	14,106
Lease liabilities	177	(3,899)	144	(11,476)
Other liabilities and deferred credits	(10,086)	3,299	(2,211)	9,653
	5,919	(39,925)	(22,133)	(1,233)

TRANS MOUNTAIN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Risk Management and Financial Instruments

Credit Risk

The Corporation is exposed to credit risk on cash and cash equivalents, restricted cash, and accounts receivable, which is the risk that a customer or other counterparty will fail to perform an obligation or settle a liability, resulting in a financial loss to the business. A majority of the Corporation's customers operate in the oil and gas exploration and development, or energy marketing or transportation industries. The reduction in global crude oil demand resulting from the COVID-19 pandemic and oversupply concerns has resulted in significant decreases in crude oil prices globally and in the Western Canadian Sedimentary Basin. There may be exposure to long-term downturns in energy commodity prices and economic instability from these events or other credit events impacting these industries and customers' ability to pay for services.

The exposure to credit risk is limited by requiring shippers who fail to maintain specified credit ratings or a suitable financial position to provide acceptable security, generally in the form of guarantees from credit worthy parties or letters of credit from well rated financial institutions. As of September 30, 2020 and December 31, 2019 there were no significant accounts receivable past due or impaired.

Cash and cash equivalents and restricted cash are held with major financial institutions, minimizing the risk of non-performance by counter parties.

Foreign Currency Transactions and Translation

The Corporation is exposed to foreign currency risk from foreign currency transaction gains or losses resulting from a change in exchange rates between the functional currency of an entity and the currency in which a transaction is denominated. Unrealized and realized gains and losses generated from these transactions are recorded in "Foreign exchange gain (loss)" in the accompanying condensed consolidated statement of income. Management does not believe that the exposure to foreign currency transactions is significant.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet financial obligations, including commitments, as they become due. The Corporation may be exposed to long-term downturns in the energy industry and economic volatility which is mitigated by the current regulatory frameworks governing the Corporation's operations and the competitive position of the Corporation's assets. Liquidity risk is managed by ensuring access to sufficient funds to meet obligations. Cash requirements are forecasted to ensure funding is available to settle financial liabilities when they become due. The primary sources of liquidity and capital resources are funds generated from operations and loans from parent. See Note 5. Given the significant expenditures expected in connection with the TMEP, TMC will require the continued availability of future financing from TMP Finance in order to service debt and complete the project.

Interest Rate Risk

The Corporation does not have significant exposure to interest rate risk as loans from its parent are at fixed interest rates and there were no floating interest rate instruments throughout the period or at the balance sheet date and as such exposure to interest rate risk would arise on refinancing.

Significant Shippers

For the three and nine month periods ended September 30, 2020, there were five customers that each individually represented between 10-17% of total revenue. For the three and nine month periods ended September 30, 2019, there were six customers that each individually represented between 11-17% of total revenue.

TRANS MOUNTAIN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. Litigation, Commitments and Contingencies

Legal Proceedings

The Corporation is subject to various legal and regulatory actions and proceedings which arise in the normal course of business. While the final outcome of such actions and proceedings cannot be predicted with certainty, management believes that the resolution of such actions and proceedings will not have a material impact on the Corporation's financial position or results of operations. Included in accounts payable and accrued liabilities were accruals of nil and \$0.3 million for outstanding legal proceedings as of September 30, 2020 and December 31, 2019, respectively.

TMEP Litigation

The TMEP has been subject to various legal actions to challenge the federal government's approval of the TMEP.

On August 30, 2018, the Federal Court of Appeal ("FCA" or "the Court") released its judgment in the matter of Tsleil-Waututh Nation et al. v. Attorney General of Canada et al. ("Tsleil-Waututh"). In its decision, the Court quashed the Order in Council approving the TMEP and remitted the matter to the Governor in Council ("GIC") to remedy two areas: the scope of the National Energy Board's ("NEB", now known as the CER) review, and Phase III consultations with Indigenous peoples. On the scope of the NEB's review, the Court decided that the NEB's review of the TMEP unjustifiably excluded TMEP related shipping from the TMEP's definition. The Court determined the GIC must require the NEB to reconsider its recommendation and related conditions. On Phase III consultations with Indigenous peoples, the Court determined that the Government of Canada must re-do its Phase III consultations before the TMEP could be submitted again to the GIC for approval.

On February 22, 2019, the NEB released its Reconsideration Report, in which the NEB concluded that the TMEP is in the Canadian public interest. The NEB recommended that the GIC approve the TMEP subject to 156 conditions, which are measures that the NEB can enforce upon TMPL and the TMEP under its authority as regulator. The NEB's report also contained 16 recommendations to the GIC, which relate to items outside the scope of the NEB's authority and beyond the control of TMPL or the TMEP, but within the authority of the GIC. Management believes the conditions are reasonable and has incorporated these conditions into the TMEP project execution plan.

On June 18, 2019, the GIC issued a new Order in Council approving the TMEP and directing the NEB to grant a Certificate of Public Convenience and Necessity ("CPCN") for the TMEP. The NEB issued the amended CPCN on June 21, 2019, subject to 156 conditions. Further, following consideration of public comments, on July 19, 2019, the NEB issued its decision that it would rely on decisions and orders with respect to the TMEP that were issued prior to the FCA's decision in Tsleil-Waututh.

Twelve parties/groups filed motions with the FCA for leave (the "Leave Motions") to judicially review the new Order in Council re-approving the TMEP. In general, the Leave Motions argue that the NEB, the Government of Canada, and/or the GIC failed to comply with the FCA's decision in Tsleil-Waututh in the NEB's Reconsideration hearing and the Phase III consultation process. On September 4, 2019, the FCA dismissed six of the Leave Motions and granted Leave to Appeal for the other six applications. Two of the six parties for whom Leave to Appeal was granted withdrew from further proceedings with the FCA. Final argument was heard on December 16-18, 2019. The FCA released its decision on February 4, 2020, dismissing the applications of all four remaining applicants.

On November 4, 2019, five of the six applicants for whom the Leave Motions were dismissed by the FCA had filed appeals to the Supreme Court of Canada ("SCC"). On March 5, 2020 the SCC released its decision dismissing all Leave applications with costs.

Following the February 4, 2020 Decision of the FCA above, the four unsuccessful FCA applicants filed Leave Motions with the SCC on April 6, 2020 and Trans Mountain filed a Response opposing the Leave applications. On July 2, 2020 the SCC issued its decision dismissing all applications for Leave. This matter is now concluded.

TRANS MOUNTAIN CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. Litigation, Commitments and Contingencies (*continued*)

TMEP Litigation (continued)

In addition to the judicial reviews of the NEB Recommendation Report and GIC's order at the FCA, two judicial review proceedings were commenced at the Supreme Court of B.C. by the Squamish Nation and the City of Vancouver. The petitions alleged a duty and failure to consult or accommodate First Nations, and generally, among other claims, that the Province did not conduct a proper provincial environmental assessment before issuing the provincial Environmental Assessment Certificate ("EAC"). The Squamish and Vancouver judicial review proceedings were heard in October and November 2017, respectively, and on May 24, 2018, the court dismissed both proceedings. Appeals to the B.C. Court of Appeal ("BCCA") were filed by Vancouver and Squamish and were heard together on May 6 to May 8, 2019. The BCCA released its decision on September 17, 2019. The BCCA dismissed the applications to quash the EAC but allowed both appeals for the limited extent of remitting the conditions to the respective provincial Ministers for reconsideration and consequent adjustment in light of the changes the NEB made to its original report in the reconsideration. The BCCA stated that provincial authority did not extend to "order[ing] assessments that the [NEB] expressly refused to order" and must be limited to conditions within the province's jurisdiction. The Court dismissed all other claims including those related to additional provincial assessment, public consultation, and Indigenous consultation and accommodation. In April 2020 the BC Environmental Assessment Office ("EAO") announced a process for the reconsideration of any consequential adjustments. The EAO is preparing a draft report for the Ministers and will release the draft for public comment following the B.C. general election. After the public comment period, the EAO will prepare a final report for submission to the Ministers for consideration.

Commitments

As of September 30, 2020, irrevocable commitments related to property, plant, and equipment were \$133.2 million, which consists primarily of commitments related to the TMEP.