

MANAGEMENT DISCUSSION AND ANALYSIS

The APMC believes that its current financial obligations including current commitments and working capital deficit (defined as current assets, less current liabilities) will be adequately funded by the available borrowing capacity on the Order of Councils. Combined with its value-creating mandate initiatives, the Commission anticipates to be in a position that it will be able to meet its commitment requirements in the next twelve months.

COMMITMENTS

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

<i>(In \$ millions)</i>	3/31/2023	3/31/2024	3/31/2025	3/31/2026	3/31/2027	Beyond 2027	Total
NWRP Tolls	921	814	850	804	779	30,494	34,662

Under the Processing Agreement, after COD, the Commission is obligated to pay a monthly toll comprised of debt and operating components. The processing agreement has a term of 40 years starting with the Toll Commencement Date (June 1, 2018). The Commission has very restricted rights to terminate the Processing Agreement, and is unconditionally obligated to pay its 75 percent pro rata share of the debt component of the monthly fee-for-service toll over the 40-year tolling period. The tolls, under the Processing Agreement, assuming market interest rates and a 2 percent operating cost inflation rate, are estimated above. The toll commitments above are undiscounted and are estimated up to the end of the Processing Agreement term (May 31, 2058). The increase in expected tolls compared to 2021 is primarily related to the addition of 10 years to the agreement term pursuant to the Optimization Transaction. These undiscounted tolls do not take into account the net margin received on the sale of APMC's bitumen feedstock.

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

<i>(In \$000s)</i>	3/31/2023	3/31/2024	3/31/2025	3/31/2026	3/31/2027	Total
Office lease and parking ¹	340	340	340	150	—	1,170

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

CRUDE BY RAIL (“CBR”)

The Crude by Rail program implemented by the Government of Alberta under the previous government in 2018 was intended to ship an additional 120,000 bbls/d of oil from the province. The program was developed to ease market access issues associated with rising production volumes and a lack of pipeline takeaway capacity. The APMC was engaged to facilitate this program on behalf of the Government of Alberta. The financial benefits or costs of this program are recognized within the financial statements of the government.

In 2019, the APMC was directed to exit the CBR program by the Government of Alberta. The program exit timing was negatively impacted and delayed due to adverse market conditions; however, as at March 31, 2022, terminations have been negotiated, approved and executed for all remaining contracts, resulting in approximately CAD \$150 million in savings.

GOVERNMENT BUSINESS ENTERPRISE

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

MANAGEMENT DISCUSSION AND ANALYSIS

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

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

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

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

No new accounting policy changes were implemented in the year ended March 31, 2022.

RISK MANAGEMENT

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

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

CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Years Ended March 31, 2022 and 2021

Dated: June 3, 2022

Management's Responsibility for Financial Reporting

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

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

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

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

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

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

[Original signed by Adrian Begley]
Chief Executive Officer

[Original signed by Leanne Gress-Blue]
Chief Financial Officer

June 3, 2022

Independent Auditor's Report

To the Board of Directors of the Alberta Petroleum Marketing Commission

Report on the Consolidated Financial Statements

Opinion

I have audited the consolidated financial statements of the Alberta Petroleum Marketing Commission (the Group), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of income (loss) and comprehensive income (loss), changes in deficit, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

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

Emphasis of matter – corresponding information

I draw attention to Note 2(b) of the consolidated financial statements, which describes the change in fiscal year end. My opinion is not modified in respect to this matter.

Other information

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit

- evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

June 3, 2022
Edmonton, Alberta

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

<i>As at (\$000s)</i>	Note	March 31, 2022	March 31, 2021
			Note 2(b)
ASSETS			
Cash and cash equivalents	7	26,701	195,180
Restricted cash	8	72,568	11,282
Accounts receivable	9	656,041	401,978
Inventory	10	95,704	51,711
Term loan receivable	12	—	39,776
Total current assets		851,014	699,927
Investment in North West Redwater Partnership	6	250,601	—
Corporate assets	11	599	—
Software development	13	7,717	8,781
Investment in KXL Expansion Project	14	82,000	106,000
Inventory	10	6,877	6,877
Term loan receivable	12	—	499,577
Total assets		1,198,808	1,321,162
LIABILITIES			
Accounts payable and accrued liabilities	15	548,310	475,952
Due to the Department of Energy	16	218,949	58,642
Short term debt	17	2,031,427	1,896,639
Accrued interest payable	18	7,554	3,001
Contingent consideration	19	3,590	—
Lease liabilities	11	52	—
KXL Expansion Project Debt Guarantee	21	—	1,035,002
Sturgeon Refinery Processing Agreement provision	23	299,000	550,000
Total current liabilities		3,108,882	4,019,236
Long term debt	20	427,493	—
Contingent consideration	19	193,628	—
Lease liabilities	11	394	—
Sturgeon Refinery Processing Agreement provision	23	51,000	1,944,000
Total liabilities		3,781,397	5,963,236
SHAREHOLDERS' DEFICIT			
Deficit		(2,582,589)	(4,642,074)
Total liabilities and shareholders' deficit		1,198,808	1,321,162
Commitments note 25			
Subsequent event note 32			

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

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

<i>(\$000s)</i>	Note	Twelve Months ended March 31, 2022	Fifteen Months ended March 31, 2021
			Note 2(b), 2(f)
REVENUES			
Refinery sales		2,381,861	999,251
Other revenue	22	71,250	—
Marketing fee revenue		11,201	5,256
		2,464,312	1,004,507
Finance income		26,538	55,703
		2,490,850	1,060,210
EXPENSES			
Refinery feedstock purchases		1,759,753	777,111
Refinery tolls		804,055	837,150
General and administrative	28	13,062	18,940
Depreciation and amortization	11, 13	1,110	1,331
(Gain) loss on foreign exchange		(3,574)	36,825
Finance costs		88,663	179,983
Income from North West Redwater Partnership	6	(2,611)	—
Provisions for Sturgeon Refinery	23, 24	(2,218,622)	603,916
KXL Expansion Project Debt Guarantee loss allowance	21	—	1,035,002
Fair value (gain) loss on investment in KXL Expansion Project	14	(10,471)	255,831
Total expenses		431,365	3,746,089
Net income (loss) and comprehensive income (loss) before income taxes		2,059,485	(2,685,879)
Income taxes	26	—	(5,199)
Net income (loss) and comprehensive income (loss) after income taxes		2,059,485	(2,691,078)

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

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

<i>(\$000s)</i>	Note	Twelve Months ended March 31, 2022	Fifteen Months ended March 31, 2021
			Note 2(b), 2(f)
OPERATING ACTIVITIES			
Net income (loss) and comprehensive income (loss)		2,059,485	(2,691,078)
Adjusted for items not involving cash			
Accrued interest on term loan receivable	12	(26,326)	(55,275)
Amortization of premium on long term debt	20	(7,860)	—
Depreciation and amortization		1,110	1,331
Accretion expense	19, 23	79,818	163,590
Fair value (gain) loss on investment in KXL Expansion Project	14	(10,471)	255,831
Unrealized foreign exchange (gain) loss		(3,324)	42,512
Income from North West Redwater Partnership	6	(2,611)	—
Change to loss provision for accounts receivables	24	(63)	534
Change in loss allowance for KXL Expansion Project Debt Guarantee	21	—	1,035,002
Change to loss provision for Sturgeon Refinery Processing Agreement	23	(2,218,355)	603,410
Change to long term inventory		—	(6,877)
Interest received from term loan receivable	12	251,486	43,772
Changes in accrued interest payable	18	4,553	(4,914)
Changes in non-cash working capital	31	(127,155)	32,595
Net cash provided by (used in) operating activities		287	(579,567)
FINANCING ACTIVITIES			
Payment of lease liabilities	11	(32)	—
Proceeds from short term debt	17	2,487,156	1,703,236
Repayment of short term debt	17	(1,917,015)	(661,640)
Net cash provided by financing activities		570,109	1,041,596
INVESTING ACTIVITIES			
Transaction costs attributable to acquiring partnership interest	6	(56,235)	—
Funds from term loan receivable	12	314,734	124,079
Liquidation proceeds received on KXL investment	14	37,795	—
Divestment of KXL Expansion Project - US Class A Interests	14	—	631,781
Debt guarantee payment for KXL Expansion Project	21	(1,035,002)	—
Expenditures on office equipment and improvements	11	(167)	—
Investment in KXL Expansion Project		—	(1,036,124)
Net cash used in investing activities		(738,875)	(280,264)
Net change in cash and cash equivalents		(168,479)	181,765
Cash and cash equivalents, beginning of period		195,180	13,415
Cash and cash equivalents, end of period		26,701	195,180
Cash paid:			
Interest received		251,698	44,200
Interest paid		(12,152)	(21,307)
Taxes		(4,327)	(825)

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

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

<i>(\$000s)</i>	Twelve Months ended March 31, 2022	Fifteen Months ended March 31, 2021
		Note 2(b)
Deficit, beginning of period	(4,642,074)	(1,950,996)
Net income (loss) and comprehensive income (loss)	2,059,485	(2,691,078)
Deficit, end of period	(2,582,589)	(4,642,074)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Twelve Months ended March 31, 2022 and the Fifteen Months ended March, 31, 2021

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

1. AUTHORITY AND STRUCTURE

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

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

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

The Commission is located at the following address: 1050, 250 – 5 Street S.W., Calgary, Alberta, T2P 0R4. These consolidated financial statements were authorized for issue by the Board of Directors on June 3, 2022.

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

2. BASIS OF PRESENTATION

(a) Statement of compliance

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

(b) Change in reporting period

The Lieutenant Governor in Council prescribed a change in year end for the Commission from December 31 to March 31 under an Order in Council (O.C. 052/2021). The previous Annual Financial Statements presented the Commission’s financial position as at March 31, 2021 and the results of its operations and changes in its financial position for the fifteen month period then ended. As such, amounts in the annual consolidated financial statements for the year ended March 31, 2022 will not be entirely comparable to those for the fifteen months period ended March 31, 2021. The comparative periods presented in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) include the respective periods for the new fiscal year end adopted.

(c) Basis of measurement

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

(d) Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Twelve Months ended March 31, 2022 and the Fifteen Months ended March, 31, 2021

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

(e) Use of estimates, assumptions and judgements

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

(f) Comparative figures

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

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

The following table details the APMC's subsidiaries:

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

1. Denotes subsidiaries with a December 31 year end.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Twelve Months ended March 31, 2022 and the Fifteen Months ended March, 31, 2021

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

(b) Joint arrangements

Joint arrangements represent arrangements in which two or more parties have joint control established by a contractual agreement. Joint control only exists when decisions about the activities that most significantly affect the returns of the investee are unanimous. Joint arrangements can be classified as either a joint operation or a joint venture. The classification of joint arrangements requires judgment. In determining the classification of its joint arrangements, the Commission reviews numerous criteria including the contractual rights and obligations of each investor, whether the legal structure of the joint arrangement gives the entity direct rights to the assets and obligations for the liabilities, and whether substantially all of the economic output and benefit is to be received by the parties over the estimated economic life of the asset.

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

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

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

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

(c) Foreign currencies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Twelve Months ended March 31, 2022 and the Fifteen Months ended March, 31, 2021

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

(d) Cash and cash equivalents

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

(e) Inventory

Inventory is maintained to support APMC's operations at the Sturgeon Refinery. Inventory is comprised of blended feedstock, intermediates and products. Products include synthetic crude oil, intermediate products, ultra-low sulphur diesel, unconverted oil, liquefied petroleum gas, diluent and sulphur, including pipeline linefill and tank heels. Product inventories are carried at the lower of cost and net realizable value. APMC contracts with third parties to directly deliver its share of feedstock supply to the Refinery. The cost of APMC's share of feedstock is the invoiced amount from those third parties. Net realizable value methodology for blended feedstock, intermediates and products uses a combination of weighted average index prices and actual sales prices. If the carrying amount exceeds net realizable value, a write-down is recognized.

As part of the marketing activities, inventory of \$5.2 million (March 31, 2021 - \$0.6 million) is being held in a fiduciary capacity on behalf of the Department of Energy ("DOE"). Inventory represents the royalty oil in feeder and trunk pipelines and consists of both purchased oil and royalty share oil. The Commission purchases oil to fulfill pipeline and quality requirements as part of the conventional crude oil marketing activities. As the Commission does not hold title to the oil and will not benefit from the ultimate sale as a principal, this inventory is not recognized.

(f) Office equipment and improvements

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

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

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

(g) Software development assets

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

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

(h) Impairment of long-lived assets

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

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

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If the circumstances leading to the impairment are no longer present, an impairment loss may be reversed related to the software development assets. The extent of the impairment loss that can be reversed is determined by the carrying cost net of amortization that would have existed if the impairment had not occurred. Therefore, reversal of the loss cannot exceed the total carrying cost less amortization of the asset had the impairment not occurred. The impairment loss reversals are recognized in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

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

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

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

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

(j) *Revenue from contracts with customers*

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

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

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(k) Financial instruments

(i) Financial assets:

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

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

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

Financial assets at amortized cost:

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

Financial assets at FVTPL:

The Commission has determined that it does not have control, joint control or significant influence over its Investment in the KXL Expansion Project Class A and C Interests and this investment does not meet the SPPI test, despite the Class A Interests earning a return in the form of accretion income (note 14). Therefore, the Commission measures the Investment in KXL Expansion Project at FVTPL. Financial assets at FVTPL are carried in the Consolidated Statement of Financial Position at fair value with net changes in fair value recognized in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

Impairment:

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

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

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

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

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

(ii) Financial liabilities:

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

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

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

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

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

(iii) Fair value measurement:

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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

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

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

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

(iv) Financial guarantee contracts:

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

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

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

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

(l) Provisions and onerous contracts

Provisions

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

Onerous contracts

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

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

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

(m) Finance income and finance expenses

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

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

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

(n) Income taxes

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

Current income tax

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

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

Deferred tax

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

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

Deferred tax is not recognized for:

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

For the year ended March 31, 2022, COVID-19 continued to have an impact on the global economy, including the oil and gas industry. Business conditions in the past year continued to reflect the market uncertainty associated with COVID-19. The Commission has taken into account the impacts of COVID-19 and the unique circumstances it has created in making estimates, assumptions and judgements in the preparation of these consolidated financial statements, and continues to monitor the developments in the business environment and commodity market. Estimates and judgements made by the Commission in the preparation of the Annual Financial Statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

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

(a) Government business enterprise

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

(b) Revenue recognition

The Commission has exercised judgment in determining whether it is acting as a principal or agent with respect to conventional crude oil marketing activities. The Commission is providing services to the Crown as delegated in the Petroleum Marketing Act that are “...in the public interest of Alberta”. The Commission accepts delivery of and markets the Crown’s royalty share of crude oil, and has the ability to determine which customers to transact with, and whether it should purchase additional product for blending activities to change the composition of crude oil sold. Under the *Petroleum Marketing Act*, the Commission has the responsibility for ensuring the crude oil meets the customers’ specifications and for the establishment of prices. However, the Commission does not have the ability to direct the use of the crude oil, as the use is mandated by the Crown via the *Petroleum Marketing Act*. The Commission remits the net proceeds from the sale of product to the DOE, and therefore does not have the ability to obtain the benefits from the crude oil. As the APMC does not

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direct the use of the crude oil, nor obtain the economic benefits from it, management has determined that it does not have control and is therefore an agent with respect to the conventional crude oil marketing activities. Therefore, the gross

inflows and economic benefits of conventional crude oil marketing activities are considered collected on behalf of the DOE and are not recognized as revenue.

APMC has used judgment in determining whether it is acting as a principal or agent with respect to crude-by-rail activities. APMC was directed, on May 24, 2019, "...take all steps possible to explore best options for assigning crude-by-rail program contracts entered into by the Commission to third parties, and to enter into assignment agreements as expeditiously as possible with third parties on commercial terms, provided that the final terms have been approved by the Government". While the Commission entered into the contracts, it was acting as agent on behalf of the Crown and all financial risk belongs to the Crown. Therefore, the gross inflows and economic benefits of the crude-by-rail program are considered collected on behalf of the Crown and are not recognized as revenue.

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

(c) Interests in Sturgeon Refinery

Prior to closing of the optimization transaction on June 30, 2021 (note 6), APMC's interest in the Sturgeon Refinery was as follows:

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

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

Effective the completion of the optimization transactions for the Sturgeon Refinery, as disclosed in note 6, APMC now owns a 50 percent partnership interest in NWRP. APMC has exercised judgement in determining that it has joint control over NWRP and that the joint arrangement is a joint venture. This determination was based upon the assessment that APMC and CNRL, under the terms of the existing Processing Agreements, are currently not expected to purchase substantially all of the economic output of the Sturgeon Refinery (i.e. Refinery services) as compared to the estimated life of the Sturgeon Refinery.

APMC had entered into a term loan with NWRP which earned interest at a rate of prime plus six percent, compounded monthly, and was to be repaid over 10 years starting one year after COD. While the loan to NWRP was outstanding, APMC was entitled to a 25 percent voting interest on the Executive Leadership Committee ("ELC"), which is charged with

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overseeing and making decisions on the operations of the Sturgeon Refinery. CNRL and North West Refining Inc. had 50 percent and 25 percent voting interests on the ELC, respectively.

The Commission had exercised judgment in determining that it had significant influence over NWRP. As the Commission had no equity ownership interest in NWRP, it did not apply equity accounting for NWRP in the prior period.

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

(d) NWRP - Monthly toll commitment

The Commission has used judgment to estimate its' toll commitments pursuant to the Processing Agreement included in note 25 Commitments. The toll has both a debt component and a monthly operating component. To estimate the future toll, management has used estimates for factors including future interest rates, operating costs, oil prices (WTI and light/heavy differentials), refined product prices, gas prices and foreign exchange rates.

(e) Sturgeon Refinery Processing Agreement assessment

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

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

(f) Contingent consideration

In connection with the Optimization Transaction (note 6), NWRP entered into an agreement with NWU LP to utilize certain CO2 capture technology in exchange for an annual licensing fee based on CO2 captured from the Refinery, resulting in the recognition of a fair value provision for contingent consideration relating to APMC's acquisition of a partnership interest in NWRP.

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

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

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(g) *Interests in other entities*

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

(h) *Fair value measurement of financial instruments*

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

The Commission has estimated the fair value of the KXL Investment at March 31, 2022 and 2021 using a probability-weighted valuation technique. The fair value of the KXL Investment is included in Level 3 of the fair value hierarchy (note 14) because it requires the use of significant unobservable assumptions in the valuation techniques used to determine the fair value estimate. The determination of the fair value of the KXL Investment is complex and relies on several critical judgements and estimates. These critical assumptions and estimates used in determining the fair value of the KXL Investment are: the identification of potential scenarios that would impact the amount and timing of cash flows relating to the KXL Investment, the expected probability of those outcomes, and the estimated cash inflows and outflows relating to potential outcomes. Fair value estimates may not necessarily be indicative of the amounts that could be realized or settled, and changes in assumptions could affect the reported fair value of the financial instrument. Assumptions used in the determination of the fair value of the KXL Investment will continue to be refined as outcomes become known and more information becomes available.

(i) *Right-of-use assets*

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

(j) *Operating segments*

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

5. NEW IFRS STANDARDS

(a) *Accounting Standards Issued But Not Yet Adopted*

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Commission will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The Commission does not currently anticipate any significant impact from these amendments on the consolidated financial statements as a result of the initial application.

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

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

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

Amendments to IAS 8: Definition of Accounting Estimates

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. INVESTMENT IN NORTH WEST REDWATER PARTNERSHIP

On June 30, 2021, the APMC negotiated a series of agreements (collectively, the “Agreements”) through which APMC would purchase a limited partnership interest in NWRP), (the “Optimization Transaction”). Pursuant to the Agreements, APMC purchased the limited partnership interest from NWU LP, a company owned by North West Refining Inc. (Alberta). To effect this purchase, APMC acquired two newly formed subsidiaries of NWU LP (as later renamed to APMC (Redwater) L.P., and its general partner APMC (Redwater) Corp.) holding the interest in NWRP. Following the purchase of the limited partnership interest, APMC holds a 50 percent interest in NWRP. The other 50 percent interest holder in NWRP is CNR Redwater. The acquisition enables APMC to provide oversight and governance of the Refinery operations, maintenance, technical engineering, economic planning and scheduling, and optimization. To facilitate this oversight function, the APMC participates in the following committees: executive leadership, finance and insurance, commercial marketing, and audit. The CFO of APMC is the current chair of the audit committee.

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

Also, in connection with the Optimization Transaction, NWRP entered into an agreement with NWU LP to utilize certain CO2 capture technology in exchange for an annual licensing fee based on CO2 captured from the Refinery. The licensing fee is payable at a rate of approximately \$7.00/tonne of CO2 captured and transported in the Alberta Carbon Trunk Line (“ACTL”), with the first payment occurring in March 2022 for CO2 captured during the calendar years of 2020 and 2021. The licensing fee structure includes annual contractual escalation adjustments. Subsequent to the first payment, the annual licensing fee payable in future periods will be subject to reductions based on certain economic tests. APMC has recognized the fair value of its share of amounts expected to be payable in future periods for the licensing fee as contingent consideration of \$217.3 million. The fair value estimate of the contingent consideration was calculated based upon the following: 1) management’s forecast of annual CO2 volumes to be captured by the Refinery over its life until the estimated date of reclamation of December 31, 2100; 2) an assumption that the annual licensing fee payable will meet the economic tests in future periods; and 3) the calculation of a net present value of the expected license fee payments as discounted using a credit adjusted risk free rate of 3.35 percent. Management has performed a sensitivity analysis on the forecast annual CO2 volumes captured and the credit adjusted risk free discount rate estimates. If the forecast annual CO2 volumes captured were decreased by 5 percent or the discount rate was increased by 50 basis points, the contingent consideration would decrease by \$10.7 million and \$31.8 million, respectively.

APMC assessed the acquisition of the partnership interest in NWRP to be a joint venture and has accounted for the arrangement using the equity method of accounting in accordance with IAS 28 “Investments in Associates and Joint Ventures”. The cost of the investment comprises the purchase price and any directly attributable expenditures to obtain it. Accordingly, APMC has capitalized \$56.3 million of transaction costs for legal and advisory consulting services to the cost of the investment. In addition, for the year ended March 31, 2022, \$1.2 million (2021 - \$6.0 million) of advisory consulting services related to the optimization transactions, but determined not to be directly attributable to the purchase, has been recorded to consulting in general and administrative expenses.

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

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

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

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

Under the Optimization Transaction, the original term of the Processing Agreements was extended by 10 years from 2048 to 2058. NWRP retired higher cost subordinated debt, which carried interest rates of prime plus 6 percent, with lower cost senior secured bonds at an average rate of approximately 2.56 percent, reducing interest costs to NWRP and associated tolls to the Tollpayers. As such, on June 30, 2021, NWRP repaid APMC’s and CNRL’s subordinated debt advances, resulting in \$553.8 million of principal and interest repaid on the term loan receivable to APMC (note 12). In addition, \$840 million was distributed by NWRP to CNRL and NWU LP prior to the Optimization closing.

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

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

The Commission remains unconditionally obligated to pay to NWRP its 75 percent pro rata share of the debt component of the monthly fee-for-service toll over the 40-year tolling period. The Commission’s estimated commitments for the monthly toll comprised of debt and operating components include the operating and financial commitments of NWRP (note 25).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The table below summarizes the change in the investment in NWRP joint venture for the nine month period ended March 31, 2022:

<i>(\$000s)</i>	March 31, 2022
Balance, March 31, 2021	—
Initial investment at June 30, 2021	273,486
APMC's share of loss for the period from the investment in NWRP	(22,885)
Balance, March 31, 2022	250,601

The income from the North West Redwater Partnership consists of the following for the nine month period ended March 31, 2022:

<i>(\$000s)</i>	2022
APMC's share of loss for the period from the investment in NWRP	(22,885)
Adjustments to NWRP contingent consideration in the year (note 19)	25,496
Income from North West Redwater Partnership	2,611

Summarized financial information of the joint venture, based on its IFRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements at March 31, 2022 are as follows:

<i>(\$000s)</i>	March 31, 2022
Current assets, including cash and cash equivalents of \$25,696	229,974
Non-current assets	11,396,291
Short term borrowings	(24,000)
Other current liabilities	(276,808)
Long term debt ¹	(11,252,894)
Other non-current liabilities	(862,385)
Deficit - 100%	(789,822)
APMC's share - 50%	(394,911)
Goodwill	645,512
APMC's carrying amount of the investment	250,601

- As at March 31, 2022, long term debt of NWRP consisted of senior secured notes of \$8.8 billion and \$2.4 billion outstanding under the Credit Facility. As at March 31, 2022, the weighted average interest rate on all senior secured notes amounts outstanding was 3.32 percent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Summarized statement of income or loss of NWRP:

<i>(\$000s)</i>	March 31, 2022 ¹
Revenue from Tollpayers	757,631
Loss for the period (continuing operations)	(45,769)
APMC's share of loss for the period	(22,885)

1. Represents the nine months from the date of acquiring the partnership interest until March 31, 2022.
2. Included in NWRP's revenue for March 31, 2022 is \$568 million paid by the Commission for its 75 percent share of the refining toll.
3. Included in the net profit (loss) for March 31, 2022 is the impact of depreciation and amortization expense of \$245 million and interest and other financing expense of \$226 million.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at March 31, 2022 was \$26.7 million (March 31, 2021 - \$195.2 million). Cash and cash equivalents consist of deposits in the Consolidated Cash Investment Trust Fund (the "Fund") which is managed by Alberta Investment Management Corporation to provide competitive interest income while maintaining appropriate security and liquidity of depositors' capital. The Fund is comprised of high quality short-term fixed income securities with a maximum term to maturity of one year. For the twelve months ended March 31, 2022, the Commission earned \$0.2 million (March 31, 2021 - \$0.4 million) with a rate of return of 0.26 percent per annum (March 31, 2021 - 0.29 percent per annum). Due to the nature of Fund investments, the carrying value approximates fair value.

8. RESTRICTED CASH

Restricted cash as at March 31, 2022 was \$72.6 million (March 31, 2021 - \$11.3 million) and relates to the Sturgeon Refinery. It is restricted and held on behalf of the Sturgeon Refinery Tollpayers, namely APMC and CNRL. The amount reported is the 75 percent portion attributable to APMC as a Tollpayer. The Commission does not have immediate access to the cash held in the trust account. The cash is to be used for funding the Sturgeon Refinery processing operations and for paying all tolls. Any cash distributions will be in accordance with the Processing Agreement.

9. ACCOUNTS RECEIVABLE

<i>(\$000s)</i>	Note	March 31, 2022	March 31, 2021
Accounts receivable		656,993	402,452
Credit loss provision	24	(952)	(474)
Balance, end of period		656,041	401,978

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

As at March 31, 2022, there was \$210.2 million (March 31, 2021 - \$53.0 million) of accounts receivable for marketing transaction activities primarily for the March 2022 delivery month, which was cash settled on April 25, 2022. In addition, there was \$446.8 million (March 31, 2021 - \$349.5 million) of account receivable related to the Sturgeon Refinery which consisted primarily of the sale of refined products delivered in March 2022. The terms related to the sale of refined products are not greater than net 21 days.

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10. INVENTORY

<i>(\$000s)</i>	March 31, 2022	March 31, 2021
Current		
Balance, beginning of period	51,711	—
Additions	1,803,746	828,822
Cost of sales	(1,759,753)	(777,111)
Balance, end of period – current portion	95,704	51,711
Long term		
Balance, beginning of period	6,877	—
Additions	—	6,877
Balance, end of period – long-term portion	6,877	6,877

As at March 31, 2022 there was \$95.7 million (March 31, 2021 - \$51.7 million) of hydrocarbon inventory classified as current as the Commission expects to sell it within the next twelve months of the financial reporting period. Product inventory is comprised of synthetic crude oil, intermediate products, ultra-low sulphur diesel, unconverted oil, diluent and sulphur.

As at March 31, 2022 there was \$6.9 million (March 31, 2021 - \$6.9 million) of long term inventory consisting of line fill and tank bottoms. The Commission does not anticipate to sell these volumes within the next 12 months.

11. CORPORATE ASSETS

<i>(\$000s)</i>	Office equipment & Improvements	Right-of-Use assets	March 31, 2022
Cost:			
Balance, March 31, 2021	—	—	—
Additions	167	478	645
Balance, March 31, 2022	167	478	645
Accumulated depreciation and amortization:			
Balance, beginning of period	—	—	—
Depreciation and amortization	(17)	(29)	(46)
Balance, March 31, 2022	(17)	(29)	(46)
Net book value – March 31, 2021	—	—	—
Net book value – March 31, 2022	150	449	599

Office equipment and improvements

In 2022, the Commission moved its head office resulting in leasehold improvements in addition to the purchase of furniture and fixtures. The Commission is depreciating its leasehold improvements and furniture and fixtures over a period of five years.

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Right-of-Use assets and lease liabilities

The Commission's right of use assets relate to leased office space, a reserved parking stall and office equipment. The office space and reserved parking stall are sub-leased from the Alberta Energy Regulator, a related party (note 27).

<i>(\$000s)</i>	March 31, 2022
Lease liabilities	
Cost:	
Balance, March 31, 2021	—
Additions	478
Lease payments related to right of use assets	(35)
Lease payments recognized as finance expense	3
Balance, March 31, 2022	446
Less: current portion	(52)
Balance, March 31, 2022	394

12. TERM LOAN RECEIVABLE

<i>(\$000s)</i>	March 31, 2022	March 31, 2021
Balance, beginning of period	539,894	652,470
Interest accrued	26,326	55,275
Repayments	(566,220)	(167,851)
	—	539,894
Credit loss provision	—	(541)
Less: current portion	—	(39,776)
Balance, end of period – long-term portion	—	499,577

During the twelve months ended March 31, 2022, NWRP paid \$314.7 million (fifteen months ended March 31, 2021 - \$124.1 million) of principal and \$251.5 million (March 31, 2021 - \$43.8 million) of interest on the term loan receivable. \$553.8 million in principal and interest was repaid on June 30, 2021 pursuant to the Optimization Transaction (note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. SOFTWARE DEVELOPMENT

<i>(\$000s)</i>	March 31, 2022	March 31, 2021
Cost:		
Balance, beginning of period	10,644	10,644
Transfer from intangible assets under development	—	—
Balance, end of period	10,644	10,644
Accumulated depreciation and amortization:		
Balance, beginning of period	(1,863)	(532)
Depreciation and amortization	(1,064)	(1,331)
Balance, end of period	(2,927)	(1,863)
Net book value, end of period	7,717	8,781

The Commission internally developed operations software to handle actualization and settlement of royalty and marketing transactions. In addition, APMC purchased accounting software for reporting and financial settlement of transactions. Both systems became operational in 2019. As of March 31, 2022, the Commission did not have any transfers from intangible assets under development (March 31, 2021 - \$nil). The intangible assets are amortized on a straight-line basis over the estimated useful life of the software of 10 years. The Commission has completed its review of intangible assets and determined there is no impairment.

14. INVESTMENT IN KXL EXPANSION PROJECT

On March 31, 2020, an Investment Agreement between TransCanada Pipeline Ltd. (“TCPL”) and the Commission was executed. The Commission, through its newly created subsidiaries, agreed to extend financial support of up to US \$5.3 billion (CAD \$7.5 billion on the date the agreement was signed), beginning with an equity commitment of up to US \$1.06 billion in 2020 for the KXL Expansion Project. Under the agreement, equity contributions were only to be provided up to December 31, 2020 and the contributions totaled CAD \$1.035 billion. The balance of the support was in the form of a debt guarantee by the Commission to backstop the financing by TCPL affiliated entities for the KXL Expansion Project.

In 2020, the APMC subsidiaries used the capital contributions received from the Commission to invest in partnership interests of entities affiliated with TCPL. In return for the capital contributions in the partnership, Class A Interests were issued to the contributing subsidiaries according to their contributions. Class A Interests ranked above TCPL’s equity investment in the entities and had certain voting rights. Capital contributions contributed up to March 31, 2026 were to earn a return in accordance with contractual terms. This return was accrued on a quarterly basis and adjusted to the carrying value of the Class A Interests. The Class A Interests issued were subject to call rights which enabled TCPL affiliated entities to repurchase the Class A Interests at any time and put rights which enabled APMC to sell the Class A Interests subsequent to the in-service date of the Keystone XL pipeline if certain conditions were met.

On January 8, 2021, TCPL exercised the repurchase right to purchase substantially all of the U.S. Class A Interests held by 2254746 Alberta Sub Ltd. for \$632 million (US \$497 million) by drawing on the TCPL credit facility guaranteed by APMC.

On January 20, 2021, U.S. President Biden revoked the Presidential Permit for the cross-border portion of the Keystone XL Pipeline. As a result of this, TCPL suspended the advancement of the Keystone XL pipeline project. The Commission ceased accruing a return on the remaining Class A Interests.

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

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of the original investment agreement. The debt guarantee cancellation payments were paid on June 16, 2021 and the APMC has no further obligations relating to the Investment Agreement and/or the debt guarantee. In exchange for APMC making the guarantee cancellation payments through its wholly owned Canadian and US subsidiaries, Class C Interests were received from the TCPL partnerships. The Class C Interests received on June 16, 2021 do not have any put rights, voting rights or approval rights with respect to the business and affairs of the TCPL partnerships or carriers. Class A Interests were redeemed for a nominal amount on June 16, 2021. The Final KXL Agreement also provides a mechanism for future distribution of proceeds from liquidated assets of the KXL project to APMC, for its Class C interests, and to TCPL. Upon the completion of the liquidation of the KXL assets and the distribution of the gross proceeds thereof, the Final KXL Agreement also provides that all Canadian and US Class C Interests held by APMC subsidiaries shall be redeemed for nominal consideration. APMC has reflected the terms of the Final KXL Agreement in determining its fair value estimates for the Investment in the KXL Expansion Project and the KXL Expansion Project Debt Guarantee in the consolidated financial statements as at March 31, 2022 and March 31, 2021. For the year ended March 31, 2022, the Commission has incurred a gain of \$10.5 million (March 31, 2021: \$255.8 million loss) on the estimated fair value of its Investment in the KXL Expansion Project.

A reconciliation of the change in fair value measured at FVTPL related to the KXL Expansion Project investment is as follows:

<i>(\$000s)</i>	
Balance, beginning of period - January 1, 2020	—
Contributions Class A interest – Canadian	383,288
Contributions Class A interest – USA	652,836
	1,036,124
Foreign exchange loss	(42,512)
Net change in fair value	(255,831)
TCPL repurchase of Class A interest – USA	(631,781)
Balance, end of period - March 31, 2021	106,000
Liquidation proceeds on Class C interests	(37,795)
Foreign exchange gain	3,324
Net change in fair value	10,471
Balance, end of period – March 31, 2022	82,000

The fair value of the KXL Investment as at March 31, 2022 and 2021 was estimated using a market approach to value Keystone XL Phase 4 pipeline assets under an abandonment scenario incorporating inputs for the estimated realizable value of the assets.

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

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

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15. ACCOUNTS PAYABLE

<i>(\$000s)</i>	March 31, 2022	March 31, 2021
Trade payables	118,179	105,806
Accrued liabilities	430,131	365,815
US income tax payable	—	4,331
Balance, end of period	548,310	475,952

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

As at March 31, 2022, there was \$28.9 million (March 31, 2021 – \$8.9 million) of payables for marketing activities primarily for the March 2022 delivery month, which were cash settled on April 25, 2022, as well as for general and administrative expenses.

In addition, there was \$519.4 million (March 31, 2021 – \$462.7 million) of account payable and accrued liabilities related to Sturgeon Refinery activities consisting of purchase of Refinery feedstock, and processor tolls for the March 2022 delivery month. The purchases of Refinery feedstock are settled on April 25, 2022. The processor tolls and optimization transactions are net settled against refined product sales proceeds on April 25, 2022.

16. DUE TO THE DEPARTMENT OF ENERGY

<i>(\$000s)</i>	March 31, 2022	March 31, 2021
Balance, beginning of period	58,642	84,586
Amount to be transferred	1,363,271	423,825
Amount remitted	(1,202,964)	(449,769)
Balance, end of period	218,949	58,642

17. SHORT TERM DEBT

<i>(\$000s)</i>	Note	TB&F borrowings		Total
		Sturgeon Refinery	KXL Expansion Project	
Balance, January 1, 2020		855,043	—	855,043
Draws		671,119	1,032,117	1,703,236
Repayments	6	(217,590)	(444,050)	(661,640)
Balance, March 31, 2021		1,308,572	588,067	1,896,639
Draws		1,416,990	1,070,166	2,487,156
Exchanged short term debt for long term debt bond		—	(435,353)	(435,353)
Repayments		(1,671,030)	(245,985)	(1,917,015)
Balance, March 31, 2022		1,054,532	976,895	2,031,427

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

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

The Commission has an Order in Council in place that allows it to borrow up to \$1.8 billion for funding related to the Sturgeon Refinery. As at March 31, 2022, the Commission has \$1.1 billion (March 31, 2021 - \$1.3 billion) outstanding at various interest rates ranging from 0.29 percent to 0.93 percent. The tranches of borrowing are repayable over various terms not exceeding one year. During the year ended March 31, 2022, the Commission borrowed \$1.4 billion related to the Sturgeon Refinery, primarily for new borrowings, with the remainder of the additions due to the rollover of short term notes. The Commission draws on its Sturgeon Order in Council monthly, to temporarily fund the Crown's purchase of feedstock. Cash received from the Sturgeon Refinery at the end of the month is used to repay borrowings. As of March 31, 2022, the undrawn amount on the Order in Council was \$745.5 million.

The Commission has an Order in Council in place that allows it to borrow up to \$2.0 billion for the Investment of the KXL Expansion Project. As at March 31, 2022, \$976.9 million (March 31, 2021 - \$588.1 million) was outstanding at various interest rates ranging from 0.19 percent to 0.85 percent. The tranches of borrowing are repayable over various terms not exceeding one year. In addition, at March 31, 2022, there was \$427.5 million of long term bonds outstanding on the KXL Expansion Project (note 20). During the year ended March 31, 2022, the Commission incurred additional borrowings of \$1.1 billion, which was primarily used to fund the KXL cancellation payments, with the remainder of the borrowings resulting from the rollover of short-term notes. As of March 31, 2022, the undrawn amount on the Order in Council was \$615 million.

18. ACCRUED INTEREST PAYABLE

<i>(\$000s)</i>	March 31, 2022	March 31, 2021
Accrued interest on TB&F short term debt	3,350	3,001
Accrued interest on TB&F long term debt	4,204	—
Balance, end of period	7,554	3,001

19. CONTINGENT CONSIDERATION

<i>(\$000s)</i>	Note	KXL Expansion Project
Balance, March 31, 2021		—
Contingent consideration for acquisition of partnership interest	6	217,251
Accretion expense		5,463
Change in estimate - license fee expense recognized in the Partnership		(2,069)
- discount rate and timing		(23,427)
		197,218
Less: current portion		(3,590)
Balance, March 31, 2022		193,628

In connection with the Optimization Transaction (note 6), NWRP entered into an agreement with NWU LP to utilize certain CO2 capture technology in exchange for an annual licensing fee based on CO2 captured from the Refinery, resulting in the recognition of a \$217.3 million provision for contingent consideration relating to APMC's acquisition of a partnership interest in NWRP.

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

20. LONG TERM DEBT

<i>(\$000s)</i>	KXL Expansion Project
Balance, March 31, 2021	—
Exchanged short term debt for long term debt bond	435,353
Amortization of premium on long term debt	(7,860)
Balance, March 31, 2022	427,493

TB&F borrowings on the KXL Expansion Project

In July 2021, the Commission exchanged \$435.4 million of short term debt related to the KXL Expansion Project with TB&F for a 3 year bond with a coupon rate of 3.1 percent maturing on June 1, 2024. The bond was issued at a premium with \$408.0 million due on maturity resulting in an effective annual interest rate of 0.87 percent.

Finance and accretion expenses for the year ended March 31, 2022 were reduced by the non-cash amortization of premium on long term debt of \$7.9 million.

21. KXL EXPANSION PROJECT DEBT GUARANTEE

On June 9, 2021, APMC entered into the Final KXL Agreement with TC Energy. APMC provided total contributions of \$1.035 billion on behalf of the TCPL partnerships to fund debt guarantee cancellation payments to the lenders as part of the original investment agreement. The debt guarantee cancellation payments were paid on June 16, 2021 and APMC has no further obligations relating to the Investment Agreement and/or the debt guarantee. Pursuant to the Final KXL Agreement, Class C Interests were issued in exchange for the payment of the debt guarantee cancellation payments.

<i>(\$000s)</i>	March 31, 2022	March 31, 2021
Balance, beginning of period	1,035,002	—
Expected credit loss allowance	—	1,035,002
Debt guarantee payment	(1,035,002)	—
Balance, end of period	—	1,035,002

22. OTHER REVENUE

During the year ended March 31, 2022, the APMC recognized \$71.3 million of other revenue related to a compensatory settlement received by NWRP.

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23. STURGEON REFINERY PROCESSING AGREEMENT PROVISION

As at March 31, 2022, APMC assessed the Sturgeon Refinery Processing Agreement to determine if it represents an onerous contract. APMC uses a cash flow model to assess if the unavoidable costs related to the Processing Agreement with NWRP exceed the economic benefits to be received. The contract was determined to be onerous and APMC has recognized a provision which is calculated as the net present value of revenues from the sales of refined products less feedstock costs and the Refinery tolls charged by NWRP under the Processing Agreement, as well as the net present value of expected net benefit to be realized by APMC pursuant to the Processing Agreement as a result of its newly acquired 50 percent partnership interest in NWRP.

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

The undiscounted future cash net inflows are estimated to be \$20.0 billion over the expected life of the project. The provision has been recognized by discounting these cash flows using a discount rate of 8.5 percent. The onerous contract provision is expected to be settled in periods up to May 2083.

During the periods ended March 31, 2022 and 2021, the movement in the Sturgeon Refinery Processing Agreement provision is as follows. The accretion expense is included in finance expense in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss).

(\$000s)	March 31, 2022	March 31, 2021
Balance, beginning of period	2,494,000	1,727,000
Change in loss provision	(2,218,355)	603,410
Accretion expense	74,355	163,590
	350,000	2,494,000
Less: current portion	(299,000)	(550,000)
Balance, end of period	51,000	1,944,000

APMC uses the GOA budgeted commodity price forecast for WTI, WCS, condensate and foreign exchange to estimate future cash flows. The most significant pricing variables that would impact the future cash flows of the contract are the forecasted WTI-WCS differential and foreign exchange rates. Due to the long-term nature of the contract, management has performed a sensitivity analysis on the forecasted WTI-WCS differential and the USD/CAD foreign exchange rates by decreasing them by 5 percent. The onerous contract provision would decrease by \$266 million if, with all other variables held constant, the forecasted WTI-WCS differential and USD/CAD foreign exchange rates decreased by 5 percent.

24. FINANCIAL INSTRUMENTS

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

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

(a) Interest rate risk

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

(b) Credit risk

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

The Commission manages its exposure to credit risk on cash and cash equivalents by placing these financial instruments with the Consolidated Cash Investment Trust Fund (note 7).

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

Credit loss provision

(\$000s)	March 31, 2022	March 31, 2021
Accounts receivable – trade		
Balance, beginning of period	248	220
Change to loss provision	204	28
Balance, end of period	452	248
Accounts receivable – Sturgeon Refinery		
Balance, beginning of period	226	—
Change to loss provision	274	226
Balance, end of period	500	226
Term loan receivable and accrued interest		
Balance, beginning of period	541	261
Change to loss provision	(541)	280
Balance, end of period	—	541
Total change to loss provision for the period	(63)	534

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The loss provision for trade accounts receivable is recorded to General and Administrative Expenses (note 28) in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss). The loss provisions for Sturgeon Refinery accounts receivable and term loan receivable have been recorded to Provisions for Sturgeon Refinery in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss).

(c) Liquidity risk

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

As at March 31, 2022, excluding short term debt, the Commission's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) are summarized below.

<i>(\$000s)</i>	Total	< 1 Year	1-3 Years	3-5 Years	More than 5 Years
Accounts payable	548,310	548,310	—	—	—
Due to the Department of Energy	218,949	218,949	—	—	—
Long term debt - KXL Expansion Project three year bonds ¹	408,000	—	408,000	—	—
Interest on KXL Expansion Project three year bonds	31,620	12,648	12,648	6,324	—
Sturgeon Refinery Processing Agreement provision ²	350,000	299,000	288,000	98,000	(335,000)
Lease liabilities	446	52	101	101	192
Contingent consideration	197,218	3,590	7,800	7,825	178,003
	1,754,543	1,082,549	716,549	112,250	(156,805)

1. Represents the face value due at maturity.

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

(d) Commodity price risk

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

The Commission's operational results and financial condition are impacted by prices realized on sales of refined products, feedstock purchases and tolls at the Sturgeon Refinery. In addition, the Commission's financial position and results are also impacted by changes in estimates of future commodity prices used in the determination of the net cash flows of the Processing Agreement. As at March 31, 2022, the Commission does not have any commodity price risk management contracts. Movement in commodity prices could have a significant positive or negative impact on the Commission's net income (loss).

(e) Foreign exchange risk

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

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

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(f) Offsetting financial assets and liabilities

The Commission enters into contracts with single shipper pipelines, where APMC sells oil to the carrier at the inlet and purchases the oil back at the terminus of the pipeline. The agreements are written to allow for offsetting of accounts receivable and accounts payable, which are presented on a net basis on the Consolidated Statement of Financial Position.

The following table presents the recognized financial instruments that are offset as a result of netting arrangements and the intention to settle on a net basis with counterparties.

<i>(\$000s)</i>	Note	Gross amounts of recognized financial assets (liabilities)	Gross amounts of recognized financial assets (liabilities) offset in the statement of financial position	Net amounts of financial assets (liabilities) recognized in the statement of financial position
Accounts receivable		403,716	1,738	401,978
Accounts payable		(477,839)	(1,887)	(475,952)
Net position, March 31, 2021		(74,123)	(149)	(73,974)
Accounts receivable	9	656,229	188	656,041
Accounts payable	15	(552,070)	(3,760)	(548,310)
Net position, March 31, 2022		104,159	(3,572)	107,731

Capital Management and Liquidity

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

The APMC believes that its current financial obligations including current commitments and working capital deficit (as defined as current assets, less current liabilities) will be adequately funded by the available borrowing capacity on the Order of Councils. Combined with its value-creating mandate initiatives, the Commission anticipates to be in a position that it will be able to meet its commitment requirements in the next twelve months.

25. COMMITMENTS

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

<i>(In \$ millions)</i>	3/31/2023	3/31/2024	3/31/2025	3/31/2026	3/31/2027	Beyond 2027	Total
NWRP Toll	921	814	850	804	779	30,494	34,662

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Under the Processing Agreement, after COD, the Commission is obligated to pay a monthly toll comprised of debt and operating components. The processing agreement has a term of 40 years starting with the Toll Commencement Date (June 1, 2018). The Commission has very restricted rights to terminate the Processing Agreement, and is unconditionally obligated to pay its 75 percent pro rata share of the debt component of the monthly fee-for-service toll over the 40-year tolling period. The tolls under the Processing Agreement assuming: market interest rates; and 2 percent operating cost inflation rate, are estimated above. The toll commitments above are undiscounted and are estimated up to the end of the Processing Agreement term (May 31, 2058). The increase in expected tolls compared to 2021 is primarily related to the addition of 10 years to the agreement term pursuant to the Optimization Transaction. These undiscounted tolls do not take into account the net margin received on the sale of APMC’s bitumen feedstock.

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

(In \$000s)	3/31/2023	3/31/2024	3/31/2025	3/31/2026	3/31/2027	Total
Office lease and parking ¹	340	340	340	150	—	1,170

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

The office lease has been capitalized as a right-of-use-asset as detailed in note 11 and the sub-leased office space is with a related party as detailed in note 27.

NWRP is a defendant in legal action arising in the normal course of business and construction close-out. The Commission believes that any liabilities that might arise pertaining to any such matter will not have a material effect on its consolidated financial position.

26. INCOME TAXES

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

During the year ended March 31, 2022, the Commission recorded \$nil (2021 - \$5.2 million) of income tax expense due to the Internal Revenue Service ("IRS") in the United States. During the 2021 period, accretion income of \$21.5 million (US\$16.4 million) (note 14) was earned on the U.S. Class A Interests held by 2254746 Alberta Sub Ltd. (the "US subsidiary").

US corporate taxes were due on the accretion income earned by the US subsidiary and the remainder was distributed by an intercorporate dividend to the Canadian holding company, 2254746 Alberta Ltd., which also resulted in withholding taxes being paid to the IRS. The total of the US corporate taxes and withholding taxes paid to the IRS of \$5.2 million has all been expensed as it is uncertain that any of the taxes will be recoverable.

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

27. RELATED PARTY TRANSACTIONS

The DOE pays the Commission a fee to market crude oil on its behalf under conventional crude oil marketing activities, reported as marketing fees within the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss). The amounts owing to the DOE have been disclosed in note 16.

The Commission enters into transactions with the DOE, a related party, in the normal course of business. For the year ended March 31, 2022, the DOE incurs costs for salaries on behalf of the Commission, as recognized under wages and benefits of \$2.0 million (March 31, 2021 - \$2.7 million) within the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss). In addition, no DOE salaries were capitalized within intangible assets (March 31, 2021 - \$nil).

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Service Alberta, a related party provided the software and maintenance services totaling \$0.3 million for the year ended March 31, 2022 (March 31, 2021 - \$0.6 million). These expenditures were recognized within the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss). In addition, no technology services related to software development have been capitalized within intangible assets (March 31, 2021 - \$nil).

In August 2021, the Commission entered into a sublease agreement for office premises with the Alberta Energy Regulator (the "AER"), a related party. For the year ended March 31, 2022, the APMC paid \$0.3 million (March 31, 2021 - \$nil) to the AER for office rent and parking expenses, shared services, and leasehold improvements (note 11). See note 11 for details of the office lease which has been capitalized as a right-to-use asset.

The Commission has outstanding short term debt with TB&F. For more details see note 17.

Information on the Term Loan Receivable from NWRP and summarized financial information for NWRP is found in note 12. Refer to note 4(c) for a description of the Sturgeon Refinery, note 4(d) for the NWRP monthly toll commitment and note 23 for the Sturgeon Refinery Processing Agreement Provision.

Information on the Commission's investment in the KXL Expansion Project Class A partnership interests is found in note 14 and the KXL Expansion Project Debt Guarantee is found in note 21.

The Board members of the Commission, executive management and their close family members are deemed related parties of the Commission. Transactions with close family members are immaterial; compensation for Board members and executive management is disclosed in note 29.

28. GENERAL AND ADMINISTRATIVE EXPENSES

<i>(\$000s)</i>	Twelve Months ended March 31, 2022	Fifteen Months ended March 31, 2021
Wages and benefits	5,884	5,350
Software and maintenance	861	1,268
Consulting	5,454	11,770
Dues and subscriptions	263	288
Director fees	119	171
Office rent and property taxes	158	—
Change in loss provision for accounts receivable	204	28
Other	119	65
Total general and administrative expenses	13,062	18,940

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29. SALARIES AND BENEFITS

Key management personnel include the Commission’s Board Members, Chief Executive Officer, Chief Financial Officer, Director, Operations and Director, Business Development. The amounts in the Annual Financial Statements relating to board members and key management compensation for the twelve months ended March 31, 2022 and the fifteen months ended March 31, 2021 are as follows:

(\$000s)	Base Salary		Other Cash Benefits ²		Other Non-cash Benefits ³		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Board Members ¹	—	—	119	171	—	—	119	171
Chief Executive Officer	301	381	94	112	6	8	401	501
Chief Financial Officer ⁴	281	15	70	3	6	—	357	18
Director, Operations	267	338	52	91	5	5	324	434
Director, Business Development ⁵	220	138	42	27	4	—	266	165
Director, Finance ⁶	117	296	208	32	2	4	327	332
	1,186	1,168	585	436	23	17	1,794	1,621

1. The Chair of the Board (Deputy Minister, DOE) and one director (Assistant Deputy Minister, DOE) are unpaid. There are five outside Board Members. The outside Board Members receive an annual retainer and meeting fees.
2. As per their employment contracts, the key management personnel receive cash payments in lieu of benefits. No bonuses were paid during the year.
3. Included in Other Non-cash benefits is parking.
4. The Chief Financial Officer was hired effective March 15, 2021.
5. The Director of Business Development was hired effective August 18, 2020.
6. The Director, Finance effective end date was September 29, 2021. Other Cash Benefits also includes severance and unpaid earned vacation.

30. SEGMENT INFORMATION

The Commission’s reportable segments were determined based on differences in products and support services offered under its mandate as disclosed in note 1. The Commission has four reportable segments: conventional crude marketing operations, the Sturgeon Refinery, the Investment in NWRP and the KXL Expansion Project. The Sturgeon Refinery segment accounts for the APMC’s 75 percent interest as a Tollpayer in the Sturgeon Refinery, or IPTA. After the Optimization Transaction on June 30, 2021, the investment in NWRP is recognized as a joint venture and is accounted for using equity method accounting (note 3).

These reportable segments of the Commission have been derived because they are the segments: (a) that engage in business activities from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the Commission’s chief operating decision maker, identified as the Commission’s Chief Executive Officer, to make decisions about resources to be allocated to each segment and assess its performance; and (c) for which discrete financial information is available. The Commission regularly provides financial information on revenues and expenses of each segment, but not total assets or liabilities by segment.

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Twelve months ended March 31, 2022 and the fifteen months ended March 31, 2021

(\$000s)	Conventional Crude Oil Marketing		Sturgeon Refinery (Tollpayer)		NWRP Joint Venture (Refinery Owner)		KXL Expansion Project		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
				Note 2(f)						Note 2(f)
REVENUES										
Refinery sales	—	—	2,381,861	999,251	—	—	—	—	2,381,861	999,251
Other revenue	—	—	71,250	—	—	—	—	—	71,250	—
Marketing fee income	11,201	5,256	—	—	—	—	—	—	11,201	5,256
	11,201	5,256	2,453,111	999,251	—	—	—	—	2,464,312	1,004,507
Finance income	77	291	26,461	55,412	—	—	—	—	26,538	55,703
	11,278	5,547	2,479,572	1,054,663	—	—	—	—	2,490,850	1,060,210
EXPENSES										
Refinery feedstock purchases	—	—	1,759,753	777,111	—	—	—	—	1,759,753	777,111
Refinery tolls	—	—	804,055	837,150	—	—	—	—	804,055	837,150
General and administrative	10,079	7,682	1,529	6,151	—	—	1,454	5,107	13,062	18,940
Depreciation and amortization	1,110	1,331	—	—	—	—	—	—	1,110	1,331
Loss (gain) on foreign exchange	(67)	88	(362)	1,988	—	—	(3,145)	34,749	(3,574)	36,825
Finance costs	3	—	78,010	178,144	5,463	—	5,187	1,839	88,663	179,983
Income from North West Redwater Partnership	—	—	—	—	(2,611)	—	—	—	(2,611)	—
Sturgeon Refinery Processing Agreement provision	—	—	(2,218,622)	603,916	—	—	—	—	(2,218,622)	603,916
KXL Expansion Project Debt Guarantee loss allowance	—	—	—	—	—	—	—	1,035,002	—	1,035,002
Fair value gain investment in KXL Expansion Project	—	—	—	—	—	—	(10,471)	255,831	(10,471)	255,831
Total expenses	11,125	9,101	424,363	2,404,460	2,852	—	(6,975)	1,332,528	431,365	3,746,089
Net income (loss) and Comprehensive income (loss) before taxes	153	(3,554)	2,055,209	(1,349,797)	(2,852)	—	6,975	(1,332,528)	2,059,485	(2,685,879)
Income taxes	—	—	—	—	—	—	—	5,199	—	5,199
Net income (loss) and Comprehensive income (loss) after taxes	153	(3,554)	2,055,209	(1,349,797)	(2,852)	—	6,975	(1,337,727)	2,059,485	(2,691,078)

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31. SUPPLEMENTAL CASH FLOW

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

<i>(\$000s)</i>	Twelve Months ended March 31, 2022	Fifteen Months ended March 31, 2021
Restricted cash	(61,286)	(11,282)
Accounts receivable	(254,541)	(318,236)
Inventory	(43,993)	(51,711)
Accounts payable and accrued liabilities	72,358	439,768
Due to the Department of Energy	160,307	(25,944)
Changes in non-cash working capital from operating activities	(127,155)	32,595

32. SUBSEQUENT EVENTS

Subsequent to March 31, 2022 and through to June 3, 2022, the APMC repaid \$12.3 million, net of rollovers, from TB&F related to the Sturgeon Refinery, primarily due to excess cash flows. In addition, the Commission incurred additional borrowings of \$1.0 million as a result of the rollover of KXL outstanding debt. The average term of the loans rolled over are for a period of 32 days and subject to an average interest rate of 1.01 percent.