Alberta Petroleum
Marketing Commission

APMC

ANNUAL REPORT

FOR THE YEAR ENDING
DECEMBER 31, 2019

REPORT FROM THE CEO

Progress continued for APMC during 2019 under the mandate provided to the organization by the Minister of Energy.

Financial Results

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 to be received under it. The Processing Agreement (PA) with North West Redwater Partnership (NWRP) was reviewed and it was determined the contract is onerous. As at December 31 2019, the Commission has recorded a $1.727 billion provision. In addition, per the PA with NWRP, APMC continues to pay debt tolls (2019 $201 million, 2018 $210 million). Due to the delays in the Commercial Operations Date (COD) there are no offsetting revenues for these costs. The provision, debt tolls and the net Finance income (2019 - $47 million, 2018 - $45 million) are the primary drivers for APMC's reported loss for 2019 of $1,882 million (2018 - $164 million loss).

In July 2019, APMC's VMS Replacement Project (Project) related to implementing new operations and accounting software was completed. The costs were transferred on the Statement of Financial Position from Intangible assets under development to Intangible assets.

The Commission continues to monitor its general and administrative costs closely at $7.2 million (2018 - $4.6 million). The increase from 2018 is primarily due to CBR consulting support, IT costs related to the completion of the VMS replacement project and associated amortization costs.

APMC remitted to the Department of Energy $789 million (2018 - $1.121 billion) for Conventional Crude Oil royalties. The decrease is due primarily to a decline in royalty volumes received resulting from lower Par Prices.

Market Access

APMC continues to stay engaged with industry on other market access initiatives involving pipelines, crude by rail and terminal opportunities. In February 2019, APMC was directed by the Minister of Energy to proceed with the execution of a Crude by Rail program to enable the Province to move 120KBPD of bitumen and diluted bitumen to markets outside the Province. The program would move approximately 125M barrels of crude in just over three years bridging the gap until Kinder Morgan TransMountain Pipeline and TCPL Keystone XL Pipeline is built. With the election of the UCP in April 2019, APMC received direction in May 2019, from the Minister of Energy to assign the Crude by Rail contracts to industry and to not operate the program. At the end of 2019, APMC had successfully divested a majority of the Crude by Rail loading facility commitments and had entered a binding agreement to divest the balance of the Crude by Rail Program. Full divestment will be completed in 2020.

Value Added and North West Redwater Partnership Sturgeon Refinery

Construction of the Sturgeon Refinery is complete. Operational challenges, primarily in the Gasification Unit, hampered efforts to achieve the COD. NWRP executed an unplanned shutdown in Q4, 2019, to address mechanical and operational deficiencies. NWRP and the Gasification licensor continued to make progress on the Gasifier burner run length. The Refinery successfully achieved COD effective June 1 2020.

APMC was involved in drafting the Department of Energy's Partial Upgrading Program and lead the Evaluation Committee to provide a short list of recommended partial upgrading proposals to the Steering Committee. APMC lead the negotiation of non-binding Letter of Intent with the six successful proponents with an executed Letter of Intent issued to one proponent. On October 23, 2019, the Partial Upgrading Program was terminated and there are no binding commitments from the executed LOI with Value Creation.

APMC continues to work with industry and Government to assess opportunities to secure and enhance Alberta's oil and gas industry including pipelines, LNG, upgrading and new North American and international markets.

Operations

On the conventional crude oil royalty operations, APMC continues to work with our marketing service provider to identify opportunities to improve on the industry forecast variance to maximize APMC netback.

Adrian Begley,
Chief Executive Officer
July 13, 2020

APMC BOARD MEMBERS

As of June 2020, here are the members of the Board of Directors for Alberta Petroleum Marketing Commission ("APMC" or the "Commission"):

Grant Sprague – Chair of the Board
As Deputy Minister of Energy, Grant is responsible for developing energy and natural resource policy for the Province and works closely with other government departments in the natural resources sector. Alberta Energy has responsibility and oversight of the Alberta Energy Regulator, Alberta Utilities Commission, Alberta Electric System Operator, and the Balancing Pool.

Grant was appointed Chair of the Board in May 2019.

Douglas Borland – Chair of the Audit Committee
Douglas joined the Alberta Public Service in 1984 and has been the Assistant Deputy Minister of Ministry Services since May 2014. The division provides enterprise-wide support services for the Department of Energy, and ensures alignment with and adherence to related Government of Alberta-wide policy and direction.

Douglas was appointed to the Board in August 2009.

Diane Pettie
Diane is a Corporate Director and retired senior legal executive, with over 35 years in legal management and private practice, focusing on the energy and chemicals industries. She held legal executive positions with Canexus Corporation, Sempra Energy Trading, Mirant Corporation and Pan-Alberta Gas and was Manager, Legal at TransCanada. She practiced at the law firm which is now Borden Ladner Gervais LLP. Diane currently serves on the board of ATB Financial (Chair, Governance and Conduct Committee) and the Chartered Professional Accountants of Alberta (public member). She is a co-founder, Vice-Chair and serves as a director of the Canada not-for-profit corporation, Women in Law Leadership. Diane earned a J.D. from the University of Alberta and holds the ICD.D designation. Diane was appointed a Queen's Counsel in December of 2013.

Diane was appointed to the Board in July 2017.

Stephanie Sterling – Member of the Audit Committee
Stephanie is a Corporate Director, Independent Consultant and former senior executive with over 25 years' experience in engineering, large project start-up and operations, governance, joint venture negotiations, risk management, business development, strategic planning and organizational redesign and change management. Senior executive roles with Shell Canada included General Manager for non-technical risk, Community and Indigenous Relations for Canada, USA and Latin America; and Vice President Business and Joint Ventures for the Heavy Oil Athabasca Oil Sands Project and AERA in California.

Stephanie currently serves on the board of Cardinal Energy (Audit; Reserves; Environmental, Social & Governance; and Compensation & Corporate Governance Committees), and was previously on the board of Riversdale Resources Inc. (Audit; Safety, Health & Environment; Remuneration; and Takeover Response Committees). She also serves as an independent Corporate Ombudsman for Shell Canada.

Stephanie's community service includes President and Chair of the MEOW Foundation & Director on the board of the Kerby Centre.

Stephanie holds a Bachelor's of Science in Mechanical Engineering, is a Professional Engineer in Alberta, has a Master of Business Administration with the University of Alberta, is a member of the International Ombudsman Association and holds the ICD.D designation.

Stephanie was appointed to the Board in July 2017.

Corrina Bryson

Corrina Bryson is an Independent Director and Consultant with over 25 years' experience in the energy industry. Corrina also currently serves on the Alberta Energy Regulator Board and the Canada-Nova Scotia Offshore Petroleum Board.

Since 2016, Corrina has led her own consultancy company, Simplify Complexity Inc., delivering petroleum engineering and management consulting to operators and investors. From 2011 to 2016, she worked with CNOOC-Nexen in a variety of roles, including VP, Resource Development North America. Between 2004 and 2011, Corrina was a consultant and director with RPS Energy and APA Petroleum Engineering. Corrina began her career with Shell, working in progressive engineering, project and business roles from 1994 to 2004 in the Netherlands, the UK and Canada.

Corrina graduated from the University of Bradford, England with M.Eng and B.Eng degrees in Chemical Engineering with Management. She is a P.Eng in Alberta and holds a Masters Certificate of Project Management (MCPM) from the University of Lethbridge. Corrina is a member of the Institute of Corporate Directors (ICD) and holds the ICD.D designation.

Corrina was appointed to the Board in January 2019.

Terrance Kutryk

Terrance Kutryk was President and Chief Executive Officer of Alliance Pipeline and prior to that had an extensive career at Husky Energy culminating as Senior Vice President, Midstream & Refined Products. He has also held the position of Chairman of the Board for Sultran Ltd., Pacific Coast Terminals Company Ltd. and the Canadian Energy Pipeline Association (CEPA). He sits on the boards of Athabasca Minerals, Unit Electrical Engineering and VantEdge O&G and the advisory boards for Crux Operations Control Management, WaterSMART Solutions, the University of Calgary's Haskayne Centre for Advanced Supply Chain Management and Logistics and the Schulich School of Engineering industry advisory council.

He is a member of the American Society of Mechanical Engineers, Petroleum Society of Canada, CFA Institute and the Calgary Society of Financial Analysts.

Terrance holds a Masters of Business Administration and Bachelor of Commerce degrees from the University of Calgary, is a graduate of the Petroleum Land Management program at Mount Royal University and graduated with an ICD.D from the Institute of Corporate Directors. He is a Chartered Financial Analyst and holds designations from the Investment Dealers Association of Canada.

Terrance was appointed to the Board in January 2019.

Dave Mowat – Member of the Audit Committee

Dave Mowat has been a banker his entire career and held three CEO posts the most recent being the President and CEO of ATB Financial. Under his leadership, ATB grew to more than 5,000 team members in 247 communities, $55 billion in assets and served 725,000 customers. He retired in June of 2018.

Dave was named Canada's #1 CEO in 2016 by Glassdoor. He also made the list of Alberta's Top 50 Most Influential People by Alberta Venture Magazine (2016), was named the Inspired Leader of the Year by the International Association of Business Communicators (2015), and was honoured as Business Person of the Year in 2014 by Alberta Venture.

In 2016, Dave headed Alberta's Royalty Review panel whose recommendations were fully adopted by the province, marking a new and innovative approach to Alberta's oil and natural gas royalty structure. In 2019, Dave also served on the province's Blue Ribbon Panel on the Economy to make recommendations toward balancing the Alberta budget.

Dave has served on numerous boards, including Telus, Laurentian Bank, STARS, Alberta Blue Cross, Edmonton Airports, the Citadel Theatre in Edmonton, and the National Music Centre in Calgary. He was also involved with Dogs With Wings, and in 2016 was accompanied everywhere by Vaughn, a black lab service puppy who was part of the agency's program to train service dogs to make life better for blind and autistic children.

Dave was appointed to the Board in January 2019.

MANAGEMENT DISCUSSION & ANALYSIS (MD&A)

This Management's Discussion and Analysis ("MD&A) dated July 13, 2020, should be read in conjunction with the audited financial statements of the APMC for the years ended December 31, 2019 and 2018.

The financial statements for the year ended December 31, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars.

APMC was created in 1974 by the *Petroleum Marketing Act*. It is a provincial Crown corporation and an agent of the Government of Alberta. APMC is responsible for marketing Alberta's conventional crude oil royalty, developing prices used in royalty calculations and other energy related activities. In 2012, the APMC's mandate was expanded to include assisting in the development of Value Added activity in Alberta's petroleum sector, such as the development of the Sturgeon Refinery as well as new energy markets and transportation infrastructure.

APMC is accountable to and receives policy direction from the Minister of Energy.

Operational and Financial Highlights

Years ended December 31 (in thousands of dollars, unless otherwise noted)	2019	2018
Conventional Crude Oil Marketing Operations		
Net volumes sold (bbls/d)	38,066	45,866
Dollars to be remitted to the Crown	870,778	1,042,638
Realized price (Cdn$/bbl)	62.67	62.28
Financial Results		
Statement of Income (Loss) and Comprehensive Income (Loss)		
Conventional crude oil marketing operations		
Marketing fee revenue	6,747	5,717
Finance income	138	134
Expenses	7,153	4,628
Net (loss) income from conventional crude oil marketing operations	**(268)**	**1,223**
Sturgeon Refinery		
Finance income	61,588	53,359
Sturgeon refinery Processing Agreement provision	(1,727,000)	-
Debt toll expense	(200,935)	(209,601)
Finance costs and other	(14,906)	(8,192)
Net (loss) attributable to Sturgeon Refinery	**(1,881,253)**	**(164,434)**
Net (loss) and comprehensive (loss)	**(1,881,521)**	**(163,211)**
Statement of Financial Position		
Total assets	759,732	613,468
Total liabilities	2,710,728	682,943
Total equity	(1,950,996)	(69,475)

Royalty in Kind Operations

The province of Alberta takes all conventional crude oil royalties in kind. APMC monetizes these barrels in the market. This is achieved directly (10%) through APMC staff and indirectly (90%) through our agent, Shell Canada Trading. The royalty in kind barrels are aggregated and sold at Alberta's trading hubs (Edmonton and Hardisty) through month-to-month or evergreen type arrangements.

Under the *Petroleum Marketing Act* and *Regulations*, producers are obligated to transfer their royalty share to the Commission at field delivery batteries. Producers split out the royalty share to either APMC or APMC's agent. The Commission reconciles the volumes that are nominated to the Crown. During settlement, APMC validates producer statements, equalization statements, tariff statements and single shipper invoices. On the 25th of each month, the Commission settles all contracts, validates the agent payment summary and transfers the money collected to Treasury Board and Finance

The average net volumes sold decreased by 17% year over year from 45,866 bpd (2018) to 38,066 bpd (2019) and associated net realized prices increased less than 1% from $62.28/bbl (2018) to $62.67/bbl (2019). Resulting in dollars to be remitted to the Crown decreasing by 16%.

Sturgeon Refinery

APMC has a 30 year (plus perpetual five year renewal rights) tolling arrangement with NWRP for 75% of the Sturgeon Refinery capacity. NWRP has entered into agreements to construct and operate a 50,000 barrel per day bitumen upgrader and refinery. Under a processing agreement that NWRP will to process 37,500 barrels per day of bitumen feedstock for the APMC.

During 2013, APMC and CNRL agreed, each with a 50% interest, to provide subordinated debt, bearing interest at prime plus 6%, as required for Project costs to reflect an agreed debt to equity ratio of 80/20. As at December 31, 2019, each party has provided $439 million (2018 - $439 million) of subordinated debt, together with accrued interest thereon of $214 million (2018 - $152 million), for a total of $653 million (2018 - $591 million). Any additional subordinated debt financing is not expected to be significant. There will be a true up of the subordinated debt six months after COD.

Pursuant to the processing agreements, on June 1, 2018 APMC began paying its 75% pro rata share of the debt portion of the monthly cost of service toll, currently consisting of interest and fees, with principal repayments beginning in 2020. APMC is unconditionally obligated to pay this portion of the cost of service toll over the 30-year tolling period. For the year-ended December 31, 2019, APMC expensed $201 million (2018 - $210 million) in debt tolls.

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 a discounted net cash flow 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, discount rates; and operating performance compared to capacity.

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 Processing Agreement has a term of 30 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.

Based on the analysis it was determined the agreement has a negative net present value and a provision is required.

The net present value is most significantly influenced by two variables, pricing and on-stream factor. The definition of on-stream factor is the average percentage of time the refinery is operating.

APMC uses the Government of Alberta budget forecast values for WTI, WCS, condensate and foreign exchange to calculate the net present value. The single largest contributor to the decrease (74%) in the net present value of the contract year over year is due to lower forecasted future WTI prices for the life of the refinery and a significant narrowing of the Diesel-WCS spread for 2020 to 2022. Diesel prices are calculated as a premium to WTI. Feedstock prices are calculated as percentage discount to WTI. Therefore, with lower WTI prices the net present value will be less.

Also contributing to the decrease in net present value is a lower expected on-stream factor.

The two most impactful pricing variables to the net present value of the contract are forecasted WTI prices and foreign exchange rates.

The net present value of the contract has a sensitivity to changes in WTI of +/- $134 million for every dollar change from the WTI forecast.

The net present value of the contract has a sensitivity to changes in foreign exchange, for every $0.01 the Canadian dollar changes from the forecast there is a +/- $117 million change to the net present value of the contract. If the Canadian dollar weakens in relation to the U.S. dollar, there is a positive impact to the net present value of the contract and conversely if the Canadian dollar strengthens in relation to the U.S. dollar, there is a negative impact to the net present value.

For each subsequent year-end, the Commission will perform this Processing agreement assessment to determine the updated net present value. 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 income statement. If the net present value turns positive then the reversal of the provision on the balance sheet is to zero (i.e. the contract cannot become an asset).

The facility has been operating as a light oil refinery (processing synthetic crude oil into refined products) since November 2017. Operational challenges, primarily in the Gasification Unit, hampered efforts to achieve the Commercial Operations Date. NWRP executed an unplanned shutdown in Q4, 2019, to address the mechanical and operational deficiencies. NWRP and the Gasification licensor continue to make progress on the Gasifier burner run length required for commercial operations. COD was achieved, effective June 1 2020.

Crude by Rail

In February 2019, APMC was directed by the Minister of Energy to proceed with the execution of a Crude by Rail program to enable the Province to move 120KBPD of bitumen and diluted bitumen to markets outside the Province. The program was designed to move approximately 125M barrels of crude in just over three years bridging the gap until Kinder Morgan TransMountain Pipeline and TC Keystone XL Pipeline is built. After the change in Government in April 2019, APMC received direction in May 2019, from the Minister of Energy to assign the Crude by Rail contracts to industry and to not operate the program. At the end of 2019, APMC had successfully divested a majority of the Crude by Rail loading facility commitments and had entered a binding agreement to divest the balance of the Crude by Program. Full divestment will be completed in 2020 at an estimated cost of $1.5B including costs to receive and store railcars while the divestment program is in progress.

Alberta Partial Upgrading Program

The current government terminated the program on October 23, 2019.

APMC continues to be involved with the National Partial Upgrading Committee.

Assets

Details of Assets **Years ended December 31** (in thousands of dollars)	**2019**	**2018**
Cash and short term investments	13,415	5,725
Accounts receivable	83,996	7,243
Intangible assets under development	-	9,818
Intangible assets	10,112	-
Term loan	438,638	438,638
Accrued interest on term loan	213,571	152,044
Total assets	**759,732**	**613,468**

Accounts receivable

Accounts receivable consists of marketing sales of conventional crude oil for the delivery month of December and royalty financial settlements (e.g. billing of under delivered volumes, penalties and interest). The primary reason for the dramatic increase in accounts receivable was the realized price improvement from $9.93/bbl for December 2018 to $61.16/bbl for December 2019. Contributing to the improved realized price was WTI moving from US$48.98/bbl (December 2018) to US$59.80/bbl (December 2019) and WCS Differentials narrowing from US$43.01/bbl (December 2018) to $20.69/bbl (December 2019).

The credit loss provision as at December 31, 2019 was $220, an increase of $67 compared to December 31, 2018.

Intangible assets / Intangible assets under development

These costs pertain to the VMS Replacement Project. APMC replaced a 30-year-old mainframe application to handle operations and accounting processes with an in-house database to handle operations and purchased Microsoft Dynamics AX to cover the accounting function. The new systems went “live” in July 2019. The costs in Intangible assets under development were reclassified as Intangible assets. The Commission started to amortize the costs over the estimated useful life of the software (ten years). Amortization of $532 was recorded through the Statement of Income (Loss) and Comprehensive Income (Loss).

Term loan and Accrued interest on term loan

APMC has lent monies to North West Redwater Partnership (NWRP). The term loan earns interest at a rate of prime plus six percent, compounded monthly. The accrued interest and principal will be repaid over 10 years starting one year after COD. This year the Commission did not lend any additional monies to NWRP.

While these loans are outstanding, APMC has a 25 percent voting interest on the Executive Leadership Committee. This committee is charged with overseeing and making decisions on the construction, start-up and operation of the Sturgeon Refinery.

In accordance with IFRS 9 *Financial Instruments*, a credit loss provision of $261 thousand was recorded as at December 31, 2019 (compared to $236 as at December 31, 2018).

Liabilities and Equity

Details of Liabilities and Equity Years ended December 31 (in thousands of dollars)	2019	2018
Accounts payable	36,184	38,705
Due to Department of Energy	84,586	2,707
Short term debt	831,850	625,228
Accrued interest on short term debt	31,108	16,303
Sturgeon refinery Processing Agreement provision	1,727,000	-
Equity	(1,950,996)	(69,475)
Total liabilities and net assets (liabilities)	**759,732**	**613,468**

Accounts payable

No significant change from year to year.

Due to Department of Energy

The realized price for December 2019 deliveries was $61.16/bbl vs $9.93/bbl in December 2018, which resulted in a significantly higher payable to the Crown.

Short term debt and Accrued interest on short term debt

APMC borrows short term funds (with a one year term) from Treasury Board and Finance. In 2019, the Commission borrowed an additional $206.622 million for debt tolls.

Sturgeon refinery Processing Agreement provision

See discussion above under Sturgeon Refinery.

Conventional Crude Oil Marketing Operations

Details of Conventional Crude Oil Marketing Operations Years ended December 31 (in thousands of dollars)	2019	2018
Marketing fee revenue	6,747	5,717
Finance income	138	134
Expenses	7,153	4,628

Marketing fee revenue

APMC charges the Department of Energy a marketing fee for each net barrel sold (e.g. barrels sold less barrels purchased (e.g. condensate)). The fee per barrel was raised by 37% year over year to cover an increase in anticipated General & Admin expenses, although the net volumes sold were down 14%, resulting in a $1,030 thousand overall increase in Marketing fee revenue.

Expenses

Expenses for 2019 were up $2,525 (55%) compared to 2018. The major contributors to this increase were Wages & benefits, Consulting, Software & maintenance and Amortization expense of intangible assets.

Wages and benefits increased $512 due to two new hires and two employees who were working on A&S whose salaries for the first half of the year (and all of 2018) were being capitalized to the Project and then for the last half of the year were being charged to Wages & benefits. Consulting expense increased by $787 in 2019 primarily for support for the Crude-by-rail project. Software and maintenance increased $459, as IT support costs were expensed in the last half of 2019. APMC began to amortize intangible assets in 2019; the total expensed was $532.

Sturgeon Refinery

Details of Sturgeon Refinery **Years ended December 31** (in thousands of dollars)	**2019**	**2018**
Finance income	61,588	53,359
Sturgeon refinery Processing Agreement provision	(1,727,000)	-
Debt toll expense	(200,935)	(209,601)
Finance costs and other	(14,906)	(8,192)

Finance income

Finance income is earned on term loans provided to NWRP at a rate of prime + 6% and is compounded monthly. No additional subordinated debt loans were issued in 2019. In 2018, APMC accrued interest income at a rate of 9.45% from Jan 2018 to June 2018; for July 2018 to Oct 2018 at 9.70% and Nov - Dec 2018 at 9.95%. For the entire current year, the Commission accrued at a rate of 9.95 %, which resulted in a much higher accrued interest income year over year. RBC prime did not change in 2019 calendar year.

Sturgeon refinery Processing Agreement provision
See discussion above under Sturgeon Refinery.

Debt toll expense

APMC, as a toll payer of the Sturgeon Refinery, has an obligation to pay 75% of the debt service costs related to the financing of the Facility Capital Costs (FCC). Per the Processing Agreement, this payment obligation started June 1, 2018 and will continue to the end of the 30 year initial term of the PA, at which point the debt related to the FCC will be fully paid.

The full debt toll invoiced to APMC for the June 1, 2018 to December 31, 2018 period has been expensed. The same methodology is applied to debt toll invoice to APMC from January 1, 2019 to December 31, 2019. The Debt Service Costs billed by NWRP are variable per month depending on the amounts outstanding on their borrowing facility, interest rates charged on their borrowing facility, semi-annual interest payments to bonds issued and when additional bonds are forecasted to be issued by NWRP.

Finance costs and other

The Short term debt has increased from $625 million from the end of 2018 to $832 million at the end of 2019 to fund payment of the Debt tolls, resulting in a significant increase in costs.

Risk Management

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

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

Management, on a quarterly basis provides the Board with: analysis of the most impactful risks; a Risk Assessment Heat Map; and a complete Risk Register for their review.

Accounting Policy Changes

No accounting policy changes were implemented in 2019.

ALBERTA PETROLEUM MARKETING COMMISSION

FINANCIAL STATEMENTS
For the year ended December 31, 2019

Auditor General OF ALBERTA

Independent Auditor's Report

To the Board of Directors of the Alberta Petroleum Marketing Commission

Report on the Financial Statements

Opinion

I have audited the financial statements of the Alberta Petroleum Marketing Commission, which comprise the statement of financial position as at December 31, 2019, and the statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Alberta Petroleum Marketing Commission as at December 31, 2019, 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 Financial Statements* section of my report. I am independent of the Alberta Petroleum Marketing Commission in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the 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 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 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 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 financial statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Alberta Petroleum Marketing Commission'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 Alberta Petroleum Marketing Commission's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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 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 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 Alberta Petroleum Marketing Commission'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 Alberta Petroleum Marketing Commission '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 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 Alberta Petroleum Marketing Commission to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

July 13, 2020
Edmonton, Alberta

Alberta Petroleum Marketing Commission

Statement of Financial Position
As at December 31
(thousands of Canadian dollars)

	2019	2018
Assets		
Cash and cash equivalents (Note 5)	$ 13,415	$ 5,725
Accounts receivable (Note 6)	83,996	7,243
Intangible assets under development (Note 7)	-	9,818
Intangible assets (Note 8)	10,112	-
Term loan (Note 9)	438,638	438,638
Accrued interest on Term loan (Note 9)	213,571	152,044
Total assets	$ 759,732	$ 613,468
Liabilities		
Accounts payable (Note 10)	$ 36,184	$ 38,705
Due to the Department of Energy (Note 11)	84,586	2,707
Short term debt (Note 12)	831,850	625,228
Accrued interest on Short term debt	31,108	16,303
Sturgeon refinery Processing Agreement provision (Note 13)	1,727,000	-
Total liabilities	2,710,728	682,943
Total equity	(1,950,996)	(69,475)
Total liabilities and equity	$ 759,732	$ 613,468

Commitments (Note 15)

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

Alberta Petroleum Marketing Commission

Statement of Income (Loss) and Comprehensive Income (Loss)
For the year ended December 31
(thousands of Canadian dollars)

	2019	2018
Conventional crude oil marketing operations		
Marketing fee revenue (Note 16)	$ 6,747	$ 5,717
Finance income	138	134
	6,885	5,851
Expense		
Wages & benefits (Note 16)	4,041	3,529
Consulting	1,579	792
Software & maintenance (Note 16)	581	122
Amortization expense for intangible assets (Note 8)	532	-
Dues & subscriptions	173	131
Directors' fees	96	49
Change to loss provision re: Accounts receivable	67	(49)
Travel	49	30
Other	36	24
	7,153	4,628
Net (loss) income from conventional crude oil marketing operations	(268)	1,223
Sturgeon Refinery		
Finance income	61,588	53,359
Sturgeon refinery Processing Agreement provision (Note 13)	(1,727,000)	-
Debt tolls expense (Note 17)	(200,935)	(209,601)
Finance costs	(14,805)	(8,286)
Trust costs	(76)	(63)
Change to loss provision re: Term loan & Accrued interest	(25)	157
Net (loss) attributable to Sturgeon Refinery	(1,881,253)	(164,434)
Net (loss) and comprehensive (loss)	$ (1,881,521)	$ (163,211)

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

Alberta Petroleum Marketing Commission

Statement of Changes in Equity
For the year ended December 31
(thousands of Canadian dollars)

	2019	2018
Equity, beginning of year	$ (69,475)	$ 94,331
Credit loss provision per IFRS 9 (Note 3(b))	-	(595)
Net (loss) and comprehensive (loss)	(1,881,521)	(163,211)
Equity, end of year	$ (1,950,996)	$ (69,475)

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

Alberta Petroleum Marketing Commission

Statement of Cash Flows
For the year ended December 31
(thousands of Canadian dollars)

	2019	2018
Operating activities		
Net (loss) and comprehensive (loss)	$ (1,881,521)	$ (163,211)
Non-cash items included in net income (loss)		
Accrued interest on term loan	(61,552)	(53,359)
Accrued interest on short term debt	14,805	8,286
Amortization of intangible assets	532	-
Change to loss provision re: Accounts receivable	67	(49)
Change to loss provision re: Term loan & Accrued interest	25	(157)
Sturgeon refinery Processing Agreement provision	1,727,000	-
Changes in non-cash working capital		
(Increase)/ decrease in accounts receivable	(76,820)	83,888
(Decrease)/ Increase in accounts payable	(2,521)	16,843
Increase/ (decrease) in due to Department of Energy	81,879	(78,411)
Net cash from operating activities	(198,106)	(186,170)
Investing activities		
Term loan	-	(46,850)
Intangible assets under development	(826)	(1,693)
Net cash used in investing activities	(826)	(48,543)
Financing activities		
Proceeds from issuance of short term debt	206,622	233,265
Net cash from financing activities	206,622	233,265
Increase/ (decrease) in cash and cash equivalents	7,690	(1,448)
Cash and cash equivalents, beginning of year	5,725	7,173
Cash and cash equivalents, end of year	$ 13,415	$ 5,725

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

Note 1 Authority and structure

The Alberta Petroleum Marketing Commission ("APMC" or the "Commission") operates under the authority of the *Petroleum Marketing Act, Chapter P-10*, Revised Statutes of Alberta 2000, and the *Natural Gas Marketing Act*, Chapter N-1, Revised Statutes of Alberta 2000. Pursuant to Alberta legislation the Commission as agent of Her Majesty the Queen in right of Alberta (the "Province"), as represented by the Department of Energy (the "Department"), accepts delivery of and markets the Province's royalty share of crude oil. This is achieved through the Commission receiving crude oil in kind from producers on behalf of the Department and transferring the proceeds received from the sale of the crude oil back to the Department. These financial statements disclose the transactions the Commission incurs while acting as agent on behalf of the Department.

The *Petroleum Marketing Act* was amended on January 10, 2014. The amendments provided the Minister of Energy with new power to give directions to APMC; modernized and improved the basic corporate rules under which APMC operates including the ability to appoint up to seven directors, some of whom may be from outside the public service; clarified financial tools available to APMC and ensured proper Crown controls on use of these tools.

The Commission's mandate has been enhanced to include assisting in the development of new energy markets and transportation infrastructure. In line with that is the Commission's involvement with North West Redwater Partnership ("NWRP") and the Sturgeon Refinery. 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 Government of Alberta, the Commission is not subject to federal or provincial corporate income taxes.

The Commission is located at the following address: #300, 801 – 6th Avenue S.W., Calgary, Alberta, T2P 3W2. These financial statements were authorized for issue by the Board of Directors on July 13, 2020.

Note 2 Basis of preparation

(a) Basis of presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention, except as disclosed in the significant accounting policies in Note 3.

(c) Financial and presentation currency

These financial statements are presented in Canadian dollars, which is the Commission's functional currency.

Note 3 Significant accounting policies

The precise determination of many assets and liabilities is dependent upon future events. Accordingly, the preparation of financial statements for a reporting period necessarily involves the use of estimates and approximations that have been made using careful judgment. Actual results could differ from those estimates. These financial statements have been prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(a) Revenue from contracts with customers

The Commission adopted IFRS 15 on January 1, 2018 using the retrospective with cumulative effect method. There were no changes to reported net income (loss) and comprehensive income (loss) or equity as a result of adopting IFRS 15.

Upon adoption of IFRS 15, the Commission applied the practical expedient such that contracts that were completed in the comparative periods have not been restated. Applying this expedient had no impact to the revenue recognized under the previous revenue accounting standard as all performance obligations had been met and the consideration had been determined.

Effective January 1, 2018, the Commission's accounting policy for Revenue is as follows: The Commission earns revenue through marketing fees charged to the Department of Energy based on net volumes sold. Marketing fees are recognized when earned which corresponds to the service period in which the conventional crude oil marketing activities take place.

As part of the marketing activities, inventory of $1,152 is being held in a fiduciary capacity on behalf of the Department at December 31, 2019 ($229 as at December 31, 2018). 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, inventory is not recognized.

The Commission will adopt IFRS 15 in its accounting for the Sturgeon Refinery when it achieves the Commercial Operations Date (COD) in 2020.

(b) Financial instruments

IFRS 9 – Financial Instruments is effective for years beginning on or after January 1, 2018. Effective January 1, 2018 the Commission has retrospectively adopted IFRS 9 in accordance with the allowed transitional provisions. An impairment provision was calculated for its financial assets as at December 31, 2017 and this amount was reflected in the 2018 opening net assets. No restatement has been made in the comparative periods for this initial impairment provision.

From January 1, 2018, the Commission classifies its financial assets in the following categories: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. 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. Subsequent measurement of financial instruments is based on their initial classifications. The Commission classifies cash and short term investments, accounts receivable, term loan and accrued interest on term loan as financial assets at amortized cost, and accounts payable, due to department of energy, short term debt, and accrued interest on short term debt as financial liabilities at amortized cost.

Amortized cost is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, as adjusted for any loss allowance.

Effective January 1, 2018 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 and applying an anticipated default rate, as reported by the credit rating agencies, 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, including the current amounts. The internal and external credit rating of a counterparty will be considered as part of this overall process.

For the NWRP term loan and accrued interest, we measure expected credit losses using the default rates for the Government of Alberta and Canadian Natural Resources Limited (CNRL) weighted credit ratings.

Changes in the provision for expected credit loss are recognized on the statement of income (loss) and comprehensive income (loss).

The initial impairment provision calculated effective January 1, 2018 was $595 and reflected as a deduction to net assets (liabilities). The increase in the impairment provision for the year ended December 31, 2019 is $92 (for the year ended December 31, 2018 was a decrease of $206) recorded through the statement of income (loss) and comprehensive income (loss).

(c) Foreign currency

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 at the financial statement date. Foreign exchange differences arising on translation are recognized in income. 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.

(d) Impairment of loans and receivables

Loans and receivables are assessed at each reporting date to determine whether there is any objective evidence of impairment. A loan or receivable is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in income in the period incurred. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the statement of income (loss) and comprehensive income (loss). The reversal amount would not be more than the asset's carrying amount.

(e) Finance income

Finance income generated from conventional crude oil marketing operations comprises interest income earned on short term investments. Finance income related to the Sturgeon Refinery is earned on a term loan at prime plus six percent compounded monthly.

(f) Provisions

Provisions 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.

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. This provision would be recorded as an expense on the statement of income (loss) and comprehensive income (loss) and offsetting liability on the statement of financial position. For each subsequent year-end the Commission will perform an assessment to determine the updated net present value. 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 income statement. If the net present value turns positive then the reversal of the provision on the balance sheet is to zero (i.e. the contract cannot become an asset).

(g) Intangible 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. The development of the systems occurred over a number of years and the costs have been capitalized under Intangible assets under development. Eligible costs include: billings from Service Alberta and previously the Department's Information Management Technical Services (IMTS) group for development; directly attributable costs; consulting and wages and benefits of people working on the project. Both systems became operational in July 2019. In July 2019, these costs were transferred from Intangible assets under development to Intangible assets.

The Intangible 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 intangible assets

Intangible 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 statement of income (loss) and comprehensive income (loss).

If the circumstances leading to the impairment are no longer present, an impairment loss may be reversed. 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 statement of income (loss) and comprehensive income (loss).

The Commission has completed its review of Intangible assets and determined there is no impairment.

Note 4 Critical accounting estimates and judgments

(a) Government business enterprise

Under public sector accounting standards, organizations which are controlled by the government are either government business enterprises or other government organizations. Government business enterprises are required to apply IFRS, whereas other government organizations are provided with a choice for basis of presentation. The Commission has exercised judgment and determined that it is a government business enterprise because it is a separate legal entity and has been delegated financial and operational authority to carry on a business. In 2013, the Commission's mandate was expanded, and it is expected through its involvement with other marketing activities, such as the Sturgeon Refinery that it can provide services, maintain its operations and meet liabilities from sources outside of the government reporting entity. Had the Commission not been determined to be a government business enterprise, the Commission would have continued to apply public sector accounting standards, and such an alternative basis of accounting could have a pervasive effect on the measurement and presentation of items in the 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. The Crown has delegated, through the *Petroleum Marketing Act* the responsibilities to the Commission for ensuring the crude oil meets the customers' specifications and establishing prices of the crude oil. However, the Commission is not exposed to inventory risk, this risk belongs to the Crown. Therefore, the gross inflows and economic benefits of conventional crude oil marketing activities are considered collected on behalf of the Department and are not recognized as revenue.

Had the Commission been considered to be a principal the Statement of Income (loss) and Comprehensive Income (loss) would have included: $951,732 revenues; $80,954 expenses; and $870,778 royalties to be transferred to the Department respectively ($1,113,495 revenues, $70,857 expenses and $1,042,638 royalties to be delivered to the Department – 2018).

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.

(c) NWRP – Significant influence

The Commission has exercised judgment in determining APMC has significant influence over NWRP. However, the Commission has no equity ownership interest in NWRP. APMC will not equity account for NWRP within the accounts of the Commission's financial statements, however, will provide summarized NWRP financial information in these notes. See Note 9 for further details

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

NWRP has entered into various agreements to construct and operate a refinery 45 kilometres north-east of Edmonton to have the capacity to process approximately 50,000 barrels per day (bbl/d) of bitumen at an incurred facility capital cost (FCC) of $10.1 billion ($10.0 billion as at December 31, 2018). Design and construction deficiencies, scope changes, productivity challenges during construction and a higher than expected USD/CAD exchange rate have resulted in upward budgetary pressures. APMC will provide 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 two 30 year fee-for-service tolling agreements. NWRP targets the refinery to come on stream to process bitumen feedstock and achieve COD in 2020.

(in thousands of Canadian dollars unless otherwise stated)

APMC has entered into a term loan with NWRP which earns interest at a rate of prime plus six percent, compounded monthly, and will be repaid over 10 years starting one year after commercial start-up. While the loan to NWRP is outstanding, APMC is entitled to a 25 percent voting interest on an Executive Leadership Committee, which is charged with overseeing and making decisions on the construction, start-up and operation of the Sturgeon Refinery.

In 2019 APMC did not lend any additional monies ($46,850 - 2018) to NWRP (total as at December 31, 2019 $438,813) in the form of term loans.

(d) NWRP - Monthly toll commitment

The Commission has used judgment to estimate the toll commitments included in Note 15 Commitments. The components of the toll are: senior debt; operating costs; class A subordinated debt; equity; and incentive fees. To calculate the 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) NWRP - 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 a discounted net cash flow 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, discount rates; and operating performance compared to capacity.

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 Processing Agreement has a term of 30 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.

Based on the analysis, as at the authorization date of these financial statements, APMC determined the agreement has a negative net present value and a provision is required. See Note 13 for further details.

For each subsequent year-end the Commission will perform this Processing agreement assessment to determine the updated net present value. 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 income statement. If the net present value turns positive then the reversal of the provision on the balance sheet is to zero (i.e. the contract cannot become an asset).

Note 5 Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash and cash equivalents	$ 13,415	$ 5,230
Cash, Initial Proceeds Trust Account	-	495
	$ 13,415	$ 5,725

(in thousands of Canadian dollars unless otherwise stated)

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 and mid-term fixed income securities with a maximum term to maturity of three years. For the year ended December 31, 2019, APMC earned a rate of return of 1.82% per annum (1.66% per annum – 2018). Due to the nature of Fund investments, the carrying value approximates fair value.

The Initial Proceeds Trust Account are monies held by Computershare (a trustee on behalf of the Sturgeon Refinery Toll payers – APMC and CNRL).

Note 6 Accounts Receivable

	December 31, 2019	December 31, 2018
Accounts receivable	$ 84,216	$ 7,396
Credit loss provision per IFRS 9	(220)	(153)
Balance, end of year	$ 83,996	$ 7,243

Note 7 Intangible assets under development

	December 31, 2019	December 31, 2018
Balance, beginning of year	$ 9,818	$ 8,125
Additions	826	1,693
Transfer to Intangible assets	(10,644)	-
Balance, end of year	$ -	$ 9,818

Note 8 Intangible assets

	December 31, 2019	December 31, 2018
Balance, beginning of year	$ -	$ -
Transfer from Intangible assets under development	10,644	-
Amortization	(532)	-
Balance, end of year	$ 10,112	$ -

(in thousands of Canadian dollars unless otherwise stated)

Note 9 Term loan and accrued interest on term loan

	December 31, 2019	December 31, 2018
Term Loan, beginning of year	$ 438,813	$ 391,963
Additions	-	46,850
Term Loan, end of year	438,813	438,813
Credit loss provision - Term Loan	(175)	(175)
Balance, end of year	$ 438,638	$ 438,638

	December 31, 2019	December 31, 2018
Accrued Interest on term loan, beginning of year	$ 152,105	$ 98,746
Additions	61,552	53,359
Accrued Interest on term loan, end of year	213,657	152,105
Credit loss provision - Accrued interest on term loan	(86)	(61)
Balance, end of year	$ 213,571	$ 152,044

This year the Commission did not lend any additional monies to NWRP ($46.850 million – 2018) as a term loan representing monthly drawdowns per the subordinated debt agreement. This term loan earns interest at a rate of prime plus six percent, compounded monthly, and will be repaid over 10 years starting one year after commercial start-up.

While loans to NWRP are outstanding APMC is entitled to a 25 percent voting interest on an Executive Leadership Committee, which is charged with overseeing and making decisions on the construction, start-up and operation of the Sturgeon Refinery.

Because of the 25 percent voting interest APMC has significant influence over NWRP. However the Commission has no equity ownership interest in NWRP. APMC will not equity account for the Sturgeon Refinery within the accounts of its financial statements.

Summarized audited financial information with respect to NWRP is presented below as of December 31, 2019. This information has been prepared in accordance with IFRS as issued by the IASB.

(in thousands of Canadian dollars unless otherwise stated)

	NWRP (100% Interest) 2019		NWRP (100% Interest) 2018	
Current assets	$	253,790	$	209,974
Non-current assets	$	11,323,677	$	11,246,141
Current liabilities	$	383,934	$	351,894
Non-current liabilities	$	11,311,691	$	10,535,327
Partners' equity	$	(118,158)	$	568,894
Revenue	$	1,736,210	$	-
Net and comprehensive loss attributable to Partners	$	(687,052)	$	(16,624)

Non-current assets primarily consist of property plant and equipment, which includes: engineering; procurement activities; site construction costs; module fabrication; capitalized interest, and other costs directly attributable to the project. Non-current liabilities primarily include senior secured long term notes, credit facilities (with both Canadian and U.S. dollar denominated debt) and subordinated debt.

Effective January 1, 2019, the light oil refinery (LOR) units transitioned from commissioning and start-up to operations for accounting purposes and are processing synthetic crude oil into refined products. Revenues and expenses relating to the LOR units have been recognized in the Partnership's Consolidated Statements of Operations and Comprehensive Loss. NWRP continues the commissioning and start-up of its heavy oil units. The NWRP net loss and comprehensive loss in 2019 is attributable to operations as a LOR.

Note 10 Accounts payable

	December 31, 2019		December 31, 2018	
Trade payables	$	31,019	$	35,598
GST		5,165		3,107
	$	36,184	$	38,705

Note 11 Due to the Department of Energy

	December 31, 2019		December 31, 2018	
Due to Department, beginning of year	$	2,707	$	81,118
Amount to be transferred		870,778		1,042,638
Amount remitted		(788,899)		(1,121,049)
Due to Department, end of year	$	84,586	$	2,707

(in thousands of Canadian dollars unless otherwise stated)

Note 12 Short term debt

	December 31, 2019	December 31, 2018
Balance, beginning of year	$ 625,228	$ 391,963
Additions	206,622	233,265
Balance, end of year	$ 831,850	$ 625,228

Details related to additions are as follows:

Date Issued	Amount	Interest Rate	Due Date
Jan 02, 2018	$ 19,500	1.700%	Jan 02, 2019
Jan 31, 2018	12,500	1.750%	Jan 30, 2019
Feb 28, 2018	4,700	1.750%	Feb 27, 2019
Mar 29, 2018	3,551	1.780%	Mar 29, 2019
May 30, 2018	42	1.873%	May 30, 2019
Jun 25, 2018	40,454	1.845%	Jun 25, 2019
Jun 29, 2018	6,630	1.900%	Jun 28, 2019
Jul 25, 2018	22,058	2.002%	Jul 25, 2019
Jul 30, 2018	30	2.050%	Jul 30, 2019
Aug 24, 2018	23,988	2.140%	Aug 23, 2019
Aug 31, 2018	13	2.140%	Aug 30, 2019
Sep 25, 2018	22,358	2.199%	Sep 25, 2019
Sep 28, 2018	21	2.160%	Sep 27, 2019
Oct 25, 2018	25,512	2.305%	Oct 25, 2019
Oct 30, 2018	22	2.300%	Oct 30, 2019
Nov 26, 2018	22,726	2.310%	Nov 25, 2019
Nov 29, 2018	79	2.310%	Nov 28, 2019
Dec 20, 2018	201	2.122%	Dec 20, 2019
Dec 21, 2018	28,880	2.154%	Dec 20, 2019
	$ 233,265		

(in thousands of Canadian dollars unless otherwise stated)

Date Issued		Amount	Interest Rate	Due Date
Jan 02, 2019	$	263	2.103%	Jan 02, 2020
Jan 25, 2019		24,501	2.040%	Jan 24, 2020
Jan 30, 2019		26	2.015%	Jan 29, 2020
Feb 25, 2019		16,877	1.920%	Feb 24, 2020
Feb 27, 2019		26	1.915%	Feb 26, 2020
Mar 25, 2019		17,244	1.780%	Mar 23, 2020
Mar 29, 2019		7	1.770%	Mar 27, 2020
Apr 04, 2019		59	1.796%	Apr 02, 2020
Apr 25, 2019		17,201	1.799%	Apr 23, 2020
May 24, 2019		16,304	1.820%	May 22, 2020
May 30, 2019		23	1.795%	May 28, 2020
Jun 25, 2019		78	1.753%	Jun 23, 2020
Jun 25, 2019		15,234	1.754%	Jun 23, 2020
Jun 28, 2019		14	1.760%	Jun 26, 2020
Jul 25, 2019		16,813	1.748%	Jul 24, 2020
Jul 30, 2019		55	1.745%	Jul 28, 2020
Aug 23, 2019		90	1.670%	Aug 21, 2020
Aug 26, 2019		14,757	1.650%	Aug 24, 2020
Aug 30, 2019		134	1.630%	Aug 28, 2020
Sep 25, 2019		16,705	1.757%	Sep 24, 2020
Sep 27, 2019		37	1.780%	Sep 25, 2020
Oct 25, 2019		17,111	1.832%	Oct 23, 2020
Oct 30, 2019		171	1.851%	Oct 28, 2020
Nov 25, 2019		15,563	1.774%	Nov 23, 2020
Nov 28, 2019		92	1.790%	Nov 27, 2020
Dec 20 ,2019		17,237	1.854%	Jan 20, 2020
	$	206,622		

APMC is borrowing additional short term funds (with a one year term) from Treasury Board and Finance when these amounts come due (including principal and interest) and intends to repay the aggregated amounts starting the year after the Sturgeon Refinery's COD. The timing of APMC repaying this debt is expected to correspond to NWRP's repayment of the term loan to the Commission (see Note 9).

Note 13 Sturgeon refinery Processing Agreement provision

As discussed in Note 4(e) of these financial statements, APMC uses a cash flow model to assess if the net present value of the unavoidable costs related to the Processing Agreement with NWRP exceeds the economic benefits to be received. The model calculates the net present value of revenues from sales of refined products less feedstock costs and refinery tolls charged by NWRP under the Processing Agreement.

The net present value is most significantly influenced by two variables, pricing and on-stream factor. The definition of on-stream factor is the average percentage of time the refinery is operating.

APMC uses the Government of Alberta budget forecast values for WTI, WCS, condensate and foreign exchange to calculate the net present value. The single largest contributor to the decrease (74%) in the net present value of the contract year over year is due to lower forecasted future WTI prices for the life of the refinery and a significant narrowing of the Diesel-WCS spread for 2020 to 2022. Diesel prices are calculated as a premium to WTI. Feedstock prices are calculated as percentage discount to WTI. Therefore, with lower WTI prices the net present value will be less.

Also contributing to the decrease in net present value is a lower expected on-stream factor.

The two most impactful pricing variables to the net present value of the contract are forecasted WTI prices and foreign exchange rates.

The net present value of the contract has a sensitivity to changes in WTI of +/- $134 million for every dollar change from the WTI forecast.

The net present value of the contract has a sensitivity to changes in foreign exchange, for every $0.01 the Canadian dollar changes from the forecast there is a +/- $117 million change to the net present value of the contract. If the Canadian dollar weakens in relation to the U.S. dollar, there is a positive impact to the net present value of the contract and conversely if the Canadian dollar strengthens in relation to the U.S. dollar, there is a negative impact to the net present value.

Note 14 Financial instruments

The Commission's financial instruments consist of cash and short term investments, accounts receivable, term loan, accrued interest on term loan, accounts payable, due to Department of Energy, short term debt, and accrued interest on short term debt. Refer to Note 3 b) for information on the adoption of IFRS 9 – Financial Instruments, effective January 1, 2018.

The Commission is exposed to a variety of financial risks: market risk (interest rate risk), credit risk, and liquidity risk. The nature of the risks faced by the Commission and its policies for managing such risks remains unchanged from December 31, 2018.

(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 subject to interest rate risk from fluctuations in rates on its cash balance (Note 5). For 2018 and 2019, a 100 basis point change would have a nominal effect on net income.

There is interest rate risk related to the term loans issued to NWRP. APMC earns interest at a rate of prime plus 6%, compounded monthly. A 100 basis point rise in prime would have improved 2019 finance income by $6.5 million (2018 $5.8 million). A 100 basis point decline in prime would have reduced 2019 finance income by $6.4 million (2018 $5.8 million).

(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 short term investments, accounts receivable and term loan. The maximum amount of credit risk exposure is limited to the carrying value of the balances disclosed in these financial statements.

The Commission manages its exposure to credit risk on cash and short term investments by placing these financial instruments with the Consolidated Cash Investment Trust Fund (Note 5).

A substantial portion of the Commission's accounts receivable are with its agents and 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. See Note 6 for the provision amount. Any credit losses on accounts receivable would be charged on to the Department.

APMC has issued term loans totaling $439 million to NWRP. NWRP is an investment grade counterparty. Bonds issued by NWRP received a BBB+ credit rating (no change from 2018) from Standard and Poor's. For

(in thousands of Canadian dollars unless otherwise stated)

NWRP, this is subordinated debt which ranks behind senior secured debt. A trust structure has been set up under which APMC receives monies owed under the term loan after amounts owed to senior debt holders and certain other amounts have been paid. A credit loss provision for the term loan and related accrued interest has been provided in the period per IFRS 9. See Note 9 for the provision amount.

(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 and receivables strategies. In addition, APMC has the ability to obtain financing through external banking credit facilities or from Treasury Board and Finance.

The term loan is structured so that APMC will receive repayments starting one year after commercial start-up of the Sturgeon Refinery. The outstanding amount owed will be repaid straight line over a 10 year period with accrued interest.

For the short term debt APMC intends to borrow additional funds from Treasury Board and Finance and then to match the repayment terms detailed for the term loan above.

(d) 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 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.

	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 (Note 6)	$88,564	$ 4,568	$ 83,996
Accounts payable (Note 10)	(42,538)	(6,354)	(36,184)
Net position, December 31, 2019	$ 46,026	$ (1,786)	$ 47,812
Accounts receivable (Note 6)	$ 20,182	$ 12,939	$ 7,243
Accounts payable (Note 10)	(54,910)	(16,205)	(38,705)
Net position, December 31, 2018	$ (34,728)	$ (3,266)	$ (31,462)

(e) Capital management

The capital structure includes the Commission’s equity. 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 Department of Energy 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. There has been no change in the Commission’s capital management strategy.

(in thousands of Canadian dollars unless otherwise stated)

Note 15 Commitments

	2020	2021	2022	2023	2024	Beyond 2024	Total
NWRP Tolls	$ 557,000	$1,004,000	$1,021,000	$1,035,000	$1,006,000	$21,952,000	$26,575,000

(a) NWRP Tolls

On November 8, 2012, NWRP announced the sanctioning of the construction of Phase 1 of the Sturgeon Refinery which it will build, own and operate. The Commission has entered into agreements whereby NWRP will process 37,500 bbls/day of bitumen (55,000 bbls/day of diluted bitumen) into refined products. NWRP will market the refined products (primarily ultra low sulphur diesel and low sulphur vacuum gas oil) on behalf of the Commission. There is risk to the Commission under these agreements pertaining to the price differential between bitumen supplied as feedstock and marketed refined products, relative to the costs of the processing toll.

Under the processing agreement (PA), after Commercial Operations Date (COD), the Commission is obligated to pay a monthly toll comprised of: senior debt; operating; class A subordinated debt; equity; and incentive fees on 37,500 barrels per day of bitumen (75% of the project's feedstock). The Sturgeon Refinery did not attain COD in 2019, and per the PA, APMC and CNRL were required to start paying the debt toll (see Note 17) at the Toll Commencement Date (June 1, 2018). The PA has a term of 30 years starting with the Toll Commencement Date. The toll includes flow through costs as well as costs related to facility construction, estimated to be $10.1 billion (2018 - $9.925 billion).

The Commission has very restricted rights to terminate the agreement, and if it is terminated the Commission remains obligated to pay its share of the senior secured debt component of the toll incurred to date.

The nominal tolls under the processing agreement assuming: a $10.1 billion FCC; market interest rates; and 2% operating cost inflation rate, are estimated above. The total estimated tolls have decreased $199 million relative to 2018, due primarily to lower debt tolls.

No value has been ascribed to the anticipated refining profits available to APMC over the term of the agreement. In addition, no value has been credited for finance income net of finance costs on term loans outstanding to NWRP.

(b) NWRP Term loan

Under the agreements related to FCC for the Sturgeon Refinery, the financing structure is required to be 80% senior debt and 20% equity/subordinated debt. As part of the Subordinated Debt Facilities – Base and Additional agreements executed April 7, 2014, APMC is committed to provide 50% of the subordinated debt required to meet this test. This commitment relates to incremental FCC from April 7, 2014 until six months after COD, when FCC is finalized.

Up to 6 months after COD the calculation of the 80/20 ratio does not allow for the deduction of cumulative debt service costs (accrued interest) which could result in a temporary need for additional subordinated debt lending by APMC. A final reconciliation of the amount of subordinated debt required will be done six months after COD at which time the calculation does allow for the deduction of accumulated debt service costs which would result in monies being returned to APMC.

Management is forecasting APMC to provide NWRP no additional subordinated debt. As part of the final subordinated debt true-up six months after COD, the Commission anticipates NWRP will repay $100 million to APMC.

(in thousands of Canadian dollars unless otherwise stated)

Note 16 Related party transactions

The Department pays the Commission a fee to market crude oil on its behalf under conventional crude oil marketing activities, reported as marketing fees within the statement of income (loss) and comprehensive income (loss). The amounts owing to the Department have been disclosed in Note 11.

The Commission enters into transactions with the Department of Energy, a related party, in the normal course of business. The Department incurs costs for salaries on behalf of the Commission, as recognized under wages and benefits 2019 $2,200 (2018 - $2,084) and software and maintenance 2019 $ 0 (2018 - $39) within the statement of income (loss) and comprehensive income (loss). In addition, some of the Department salaries have been capitalized within intangible assets 2019 $79 (2018 - $154).

Starting in April 2018, Service Alberta, a related party provided the software and maintenance services totaling $453 in 2019 (2018 - $70). These expenditures are recognized within the statement of income (loss) and comprehensive income (loss). In addition their technology services related to software development totaling $598 in 2019 (2018 - $905) have been capitalized within intangible assets.

The Commission has outstanding short term debt with Treasury Board and Finance. For more details see Note 12.

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 18.

Note 17 Debt tolls expense

APMC, as a toll payer of the Sturgeon Refinery, has an obligation to pay 75% of the debt service costs related to the financing of the Facility Capital Costs (FCC). Per the Processing Agreement (PA), this payment obligation started June 1, 2018 and will continue to the end of the 30 year initial term of the PA, at which point the debt related to the FCC will be fully paid. The debt toll expensed by APMC for the year ended December 31, 2019 is $200,935 ($209,601 – 2018).

Note 18 Salaries and benefit disclosure

Key management personnel include the Commission's Chief Executive Officer, Director of Operations, Director of Finance and Board Members. The amounts in the financial statements relating to board members and key management compensation in 2019 and 2018 are as follows:

	2019				2018
	Base Salary	Other Cash Benefits (2)	Other Non-cash Benefits (3)	Total	Total
Board Members (1)	$ -	$ 96	$ -	$ 96	$ 49
Chief Executive Officer	301	94	6	401	373
Executive Director, Business Development (4)	217	42	5	264	393
Director of Operations (5)	200	39	4	243	-
Director of Finance	234	25	4	263	263

(1) The Chair of the Board (Deputy Minister, Department of Energy) and one director (Assistant Deputy Minister, Department of Energy) are unpaid. Three outside Board Members were added in the 1st quarter of 2019. One outside Board Member's term expired in the 1st quarter of 2019. The outside Board Members receive an annual retainer and meeting fees.
(2) As per their employment contracts, the four 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 Executive Director, Business Development resigned effective October 11, 2019.
(5) The Director of Operations was hired effective March 31, 2019.

Note 19 Subsequent events

Short term debt

On January 2, 2020, APMC replaced its short term debts of $122.621 million originally issued January 2, 2019 with new short term debt of $125.204 million at 1.789% interest due February 3, 2020.

On January 20, 2020, APMC replaced its short term debts of $166.737 million originally issued December 20, 2019 with new short term debt of $166.996 million at 1.799% interest due January 19, 2021.

On January 24, 2020, the Commission borrowed $21.221 million of short term debt from Treasury Board and Finance and replaced its short term debts of $24.502 million originally issued January 25, 2019. The two debts were combined into one new short term debt of $46.221 at 1.743% interest due January 22, 2021.

On January 29, 2020, APMC replaced its short term debt of $12.744 million originally issued January 30, 2019 with new short term debt of $13.003 million at 1.725% interest due January 28, 2021.

On February 3, 2020, APMC replaced its short term debt of $125.204 million originally issued January 2, 2020 with new short term debt of $125.412 million at 1.713% interest due February 2, 2021.

On February 24, 2020, APMC replaced its short term debt of $16.877 million originally issued February 25, 2019 with new short term debt of $17.212 million at 1.670% interest due February 23, 2021.

On February 25, 2020, APMC borrowed $17.903 million of short term debt from Treasury Board and Finance at an effective interest rate of 1.660% due February 24, 2021.

On February 26, 2020, APMC replaced its short term debt of $4.808 million originally issued February 27, 2019 with new short term debt of $4.901 million at 1.650% interest due February 25, 2021.

On March 23, 2020, APMC replaced its short term debt of $17.244 million originally issued March 25, 2019 with new short term debt of $19.996 million at 1.147% interest due March 30, 2020.

On March 25, 2020, APMC borrowed $14.889 million of short term debt from Treasury Board and Finance at an effective interest rate of 1.499% due September 23, 2020.

On March 27, 2020, APMC replaced its short term debt of $3.621 million originally issued March 29, 2019 with new short term debt of $4.986 million at 1.098% interest due June 26, 2020.

On March 30, 2020, APMC replaced its short term debt of $19.996 million originally issued March 23, 2020 with new short term debt of $19.955 million at 0.899% interest due June 30, 2020.

On April 2, 2020, APMC replaced its short term debt of $118.282 million originally issued April 4, 2019 with 3 new short term debts. The first debt of $20.963 million was at 0.692% interest due July 3, 2020. The second debt of $24.915 million was at 0.759% interest due September 14, 2020. The third debt of $74.726 million was at 0.731% due October 2, 2020.

On April 3, 2020, APMC borrowed $13.143 million of short term debt from Treasury Board and Finance at an effective interest rate of 0.6998% due April 2, 2021.

On April 3, 2020, APMC borrowed $41.127 million of short term debt from Treasury Board and Finance at an effective interest rate of 1.2724% due January 28, 2021.

On April 23, 2020, APMC borrowed $17.299 million of short term debt from Treasury Board and Finance and replaced its short term debts of $17.201 million originally issued April 25, 2019. These two debts were combined into one new short term debt of $34.809 million at 0.550% interest due April 22, 2021.

On May 22, 2020, APMC borrowed $17.000 million of short term debt from Treasury Board and Finance and replaced its short term debts of $16.600 million originally issued May 24, 2019. These two debts were combined into one new short term debt of $34.854 million at 0.420% interest due May 21, 2021.

On May 28, 2020, APMC replaced its short term debt of $21.623 million originally issued May 30, 2019 with new short term debt of $19.918 million at 0.410% interest due May 28, 2021

On June 22, 2020, APMC borrowed $35.874 million of short term debt from Treasury Board and Finance at an effective interest rate of 0.350% due June 22, 2021.

On June 23, 2020, APMC replaced two short term debts of $15.500 million and $42.000 million originally issued June 25, 2019 with one new short term debt of $35.875 million at 0.350% interest due June 21, 2021.

On June 25, 2020, APMC borrowed $22.323 million of short term debt from Treasury Board and Finance at an effective interest rate of 0.350% due June 21, 2021.

On June 26, 2020, APMC repaid Treasury Board and Finance the $13.460 million to settle two short term debts of $8.460 million and $5.000 million originally issued June 28, 2019 and Mar 27, 2020 respectively.

On June 30, 2020, APMC replaced its short term debt of $20.000 million originally issued March 30, 2020 with new short term debt of $20.030 million at 0.350% interest due June 30, 2021.

On July 2, 2020, APMC borrowed $99.754 million of short term debt from Treasury Board and Finance at an effective interest rate of 0.330% due April 1, 2021.

On July 2, 2020, APMC borrowed $54.118 million of short term debt from Treasury Board and Finance at an effective interest rate of 0.340% due June 28, 2021.

On July 3, 2020, APMC replaced its short term debt of $21.000 million originally issued April 2, 2020 with new short term debt of $21.030 million at 0.340% interest due June 28, 2021.

KXL Investment

An Investment Agreement between TransCanada Pipelines Limited (TCPL) and APMC was executed on March 31, 2020. APMC, through newly created subsidiaries, has agreed to provide financial support for the construction of the KXL Expansion pipeline. The Commission will extend US$ 5.3 billion of funding support beginning with an equity commitment of up to US$ 1.06 billion in 2020. The balance of the support, commencing January 1, 2021, will be in the form of a debt guarantee to backstop TCPL's financing for the KXL Expansion pipeline.

APMC acquired its initial interest in the KXL Expansion Pipeline effective March 31, 2020 in exchange for its agreement to make initial equity contributions of US$48,245 and $33,927 by way of cash contributions of US$29,081 and $13,143 and through second quarter loans from TCPL for the month of April 2020, of an additional US$19,164 and $20,784. APMC satisfied the payment of its initial equity contributions on April 3, 2020. For the 2nd quarter of 2020, TCPL is lending APMC the funds required to make APMC's monthly funding contributions. APMC has executed non-interest bearing promissory notes to TCPL in connection with this funding. APMC will repay the 2nd quarter loans to TCPL in six equal monthly installments, commencing July 2020, concurrent with APMC's monthly contributions for Q3 and Q4.

APMC will earn accretion on its equity contributions paid until March 31, 2026 at a rate of 6% per annum, increasing to 10% per annum on and after September 1, 2033, if the KXL pipeline is not in-service, with a minimum guaranteed rate of 4% per annum when APMC's equity contributions are repurchased by TCPL. In addition, the Commission will earn a loan guarantee fee (0.50% of TCPL's debt outstanding, subject to escalation if the loan guarantee is outstanding 480 days following project completion) starting in 2021 when TCPL obtains debt financing. Approximately one year after project completion, TCPL will pay to APMC the value of the outstanding equity contributions and accretion earned thereon. TCPL will pay the loan guarantee fee at the same time as the Commission's debt guarantees are released. This is also anticipated to occur approximately one year after project completion.

Coronavirus (COVID19)

Since December 31, 2019, the outbreak of the coronavirus has caused global economic uncertainty, which may affect prices and demand for the Sturgeon Refinery's refined products, temporarily disrupt supply chain and transportation services or result in a temporary loss of skilled labour. This may cause temporary operational reductions and higher costs. The duration and severity of these developments remain unknown but may have an impact on the financial results of APMC in future periods.

Similarly, COVID19 may affect the cost and timing of when the KXL Expansion pipeline comes into service. The duration and severity of these developments remain unknown but may have an impact on the financial results of APMC in future periods.

Sturgeon refinery Processing Agreement provision

The provision was recalculated for the Ministry of Energy's financial statement date, March 31, 2020. The provision as of this date was $2.522 billion. The change from what was recorded in these financial statements ($1.727 billion) entirely relates to changes in future market prices. The unprecedented volatility in the markets is due to COVID19 and the Russia-Saudi Arabia oil price war.

Sturgeon Refinery

In April 2020, the Refinery successfully transitioned from primarily processing synthetic crude feedstock to bitumen feedstock and reached commercial operations in May 2020. As a result, the criteria to achieve a June 1, 2020 Commercial Operation Date ("COD") was achieved. COD is defined in the Processing Agreements as "the first Day of the Month immediately following the Month, in which, for the first time, the Facility has for 30 consecutive Days (which may span more than one Month) received and processed into the products intended to be produced therefrom a quantity of Bitumen that is not less than 50% of the Design Capacity."