



TIDEWATER
Midstream and Infrastructure Ltd.

Management's Discussion and Analysis
For the three and nine-month periods ended September 30, 2017

November 14, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the condensed interim consolidated financial and operating results of Tidewater Midstream and Infrastructure Ltd. ("Tidewater" or the "Corporation") is dated November 14, 2017 and is supplementary to, and should be read in conjunction with, Tidewater's condensed interim consolidated financial statements as at September 30, 2017 and for the three and nine-month periods ended September 30, 2017 and 2016 (the "Financial Statements"). The accompanying Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as GAAP.

Management is responsible for preparing the MD&A. This MD&A has been reviewed and recommended by the Audit Committee of Tidewater's Board of Directors and approved by its Board of Directors.

BUSINESS OVERVIEW

Tidewater is traded on the TSX Venture Exchange under the symbol "TWM.V". Tidewater's business objective is to build a diversified midstream and infrastructure company in the North American natural gas and natural gas liquids ("NGL") space. Our strategy is to profitably grow and create shareholder value through the acquisition and development of oil and gas infrastructure. Tidewater plans to achieve its business objective by providing customers with a full service, vertically integrated value chain through the acquisition and development of oil and gas infrastructure including: gas plants, pipelines, railcars, trucks, export terminals and storage facilities.

Additional information relating to Tidewater is available on SEDAR at www.sedar.com and at www.tidewatermidstream.com.

HIGHLIGHTS

- Tidewater delivered strong quarterly Adjusted EBITDA of \$15.3 million or \$0.05 per share for the third quarter of 2017 compared to \$9.5 million or \$0.03 per share for the same period in 2016.
- The Corporation maintained a conservative payout ratio of approximately 34% with distributable cash flow of \$9.8 million in the third quarter of 2017.
- Final investment decision was reached on a 100 MMcf/d sour, deep-cut Montney gas plant with acid gas injection and 20,000 bbls/d of NGL processing capability, as well as an extensive gathering pipeline network in the Pipestone area near Grande Prairie, Alberta, which, subject to regulatory approval, is expected to be commissioned in the second quarter of 2019. Total capital cost is expected to be approximately \$210 million with \$30 - \$40 million committed in the fourth quarter of 2017. The project is initially anchored by two, five-year take-or-pay agreements with additional commitments at various stages of negotiation.
- Tidewater announced a \$51 million acquisition of assets with a replacement value in excess of \$900 million and generating EBITDA of approximately \$10 million in 2018. The acquisition creates a backbone for the Tidewater network between the Montney and Deep Basin and includes a ten-year reserve dedication agreement.
- The Corporation received conditional approval from its banking syndicate to increase its Credit Facility from \$180 million to \$250 million. The Credit Facility increase is expected to close in November 2017.
- Tidewater extended the term of a take-or-pay processing agreement with a well-capitalized producer at the Brazeau River Complex (the "BRC") by an additional two years to December 2020 and increased the volume commitment by approximately 10 MMcf/d to 30 MMcf/d with a provision to deliver volumes up to 45 MMcf/d throughout the term.

- Tidewater is focused on delivering approximately 20% annualized EBITDA per share growth over the next 24 months.
- The Corporation plans to exit 2017 with run-rate Adjusted EBITDA of approximately \$80 million with targeted net debt of approximately \$150 million on its \$250 million credit facility. Revised net debt assumes closing the Deep Basin and Montney Acquisition in the fourth quarter of 2017 and early stages of construction on the new Pipestone Montney Sour Gas Plant.
- Tidewater is pleased to announce it has received conditional approval from the Toronto Stock Exchange (the "TSX") to graduate from the TSX Venture Exchange and list its common shares on the TSX. Tidewater expects its shares to begin trading on the TSX in November of 2017.

STRATEGIC ASSET ACQUISITIONS

Deep Basin, Montney and Wapiti Pipeline Acquisition

On August 15, 2017, Tidewater entered into two acquisition agreements, one being an acquisition in the Deep Basin and Montney region (the "Deep Basin and Montney Acquisition") and the second being an acquisition in the Wapiti region (the "Wapiti Pipeline Acquisition") for combined cash consideration of \$51 million (collectively, the "Acquisitions"). The Acquisitions will be funded using available room on Tidewater's existing credit facility and are consistent with Tidewater's strategy to acquire, optimize and integrate strategic midstream assets while providing enhanced egress/takeaway options for producers.

The Acquisitions create a strategic backbone pipeline network running from Narraway and Wapiti and interconnecting to Ansell, Brazeau, Stolberg and Ferrier providing connectivity between Tidewater's core Montney and Deep Basin areas. The present-day replacement value of the Acquisitions is greater than \$900 million. Key pieces of infrastructure include an 85% working interest in a rail connected 600 MMcf/d gas plant, 25% operated working interest in 400 MMcf/d and 200 MMcf/d dehydration and compression facilities at Stolberg and Brazeau and an operated working interest in greater than 600 km of pipelines.

Certain rights of first refusal (the "ROFRs") were subsequently exercised on the Wapiti Pipeline Acquisition for approximately \$17 million reducing total consideration for the Wapiti Pipeline Acquisition to \$3 million and total consideration for the Acquisitions collectively to \$34 million.

Forecasted 2018 EBITDA for the Acquisitions is approximately \$10 million and is not expected to be impacted by the exercised ROFRs. The EBITDA forecast is supported by a ten-year reserve dedication and a \$12 million capital commitment. The Wapiti Pipeline Acquisition has closed while the Deep Basin and Montney Acquisition is expected to close in escrow in November 2017 with final close subject to regulatory license transfers which is expected to occur in December 2017.

For a full description of the Acquisitions, please refer to the Corporation's August 15, 2017 news release.

Deep Cut Extraction Plant Acquisition

During the second quarter of 2017, Tidewater closed an acquisition to acquire a 100% working interest in a 70 MMcf/d deep cut extraction facility, 90% operated working interest in 250 km of gas gathering pipelines and 70% operated working interest in 300 km of NGL pipelines, (collectively the "Assets") for cash consideration. The Assets are directly connected to Tidewater's existing Edmonton infrastructure with the deep cut extraction plant located approximately 130 km northwest of Edmonton with connectivity to both TCPL and Alliance pipelines. Certain pipelines remain subject to waiver of rights of first refusal.

FINANCIAL OVERVIEW

During the third quarter of 2017, Tidewater continued to maintain a strong balance sheet with exit net debt to run-rate Adjusted EBITDA of approximately 1.2x.

For the three-month period ended September 30, 2017, Tidewater generated Adjusted EBITDA of \$15.3 million compared to \$9.5 million from the same period in 2016.

Consolidated Financial Highlights

(In thousands of Canadian dollars, except per share data)

	Three-months ended September 30,		Nine-months ended September 30,	
	2017	2016	2017	2016
Total revenues	\$ 53,020	\$ 27,028	\$ 158,872	\$ 71,064
Income (loss) for the period	\$ (38)	\$ 2,374	\$ 12,351	\$ 11,450
Earnings (loss) per common share – basic	\$ (0.00)	\$ 0.01	\$ 0.04	\$ 0.05
Earnings (loss) per common share – diluted	\$ (0.00)	\$ 0.01	\$ 0.04	\$ 0.04
EBITDA ¹	\$ 12,729	\$ 6,365	\$ 39,370	\$ 24,365
Adjusted EBITDA ¹	\$ 15,346	\$ 9,523	\$ 44,586	\$ 26,103
Adjusted EBITDA per common share - basic ¹	\$ 0.05	\$ 0.03	\$ 0.14	\$ 0.10
Adjusted EBITDA per common share - diluted ¹	\$ 0.05	\$ 0.03	\$ 0.13	\$ 0.10
Total cash and cash equivalents	\$ 3,878	\$ 4,944	\$ 3,878	\$ 4,944
Total assets	\$ 692,073	\$ 493,685	\$ 692,073	\$ 493,685
Total acquisitions	\$ -	\$ 23,582	\$ 31,091	\$ 171,400
Total capital expenditures	\$ 25,671	\$ 9,465	\$ 98,225	\$ 16,251
Bank debt	\$ 89,500	\$ -	\$ 89,500	\$ -
Total non-current financial liabilities	\$ 203,225	\$ 99,871	\$ 203,225	\$ 99,871
Working capital surplus	\$ 16,406	\$ 21,900	\$ 16,406	\$ 21,900
Cash flow from operating activities ¹	\$ 12,491	\$ 9,233	\$ 37,649	\$ 25,197
Cash flow from operating activities per common share – basic ¹	\$ 0.04	\$ 0.03	\$ 0.12	\$ 0.10
Cash flow from operating activities per common share – diluted ¹	\$ 0.04	\$ 0.03	\$ 0.11	\$ 0.10
Distributable cash flow ¹	\$ 9,785	\$ 8,824	\$ 31,654	\$ 24,604
Distributable cash flow per common share – basic ¹	\$ 0.03	\$ 0.03	\$ 0.10	\$ 0.10
Distributable cash flow per common share – diluted ¹	\$ 0.03	\$ 0.03	\$ 0.09	\$ 0.10
Dividends declared	\$ 3,290	\$ 2,846	\$ 9,866	\$ 8,463
Dividends declared per common share	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.03
Total common shares outstanding (000s)	328,973	284,158	328,973	284,158
Total RSUs outstanding (000s)	8,871	5,574	8,871	5,574
Total Options outstanding (000s)	6,904	4,386	6,904	4,386

(1) Refer to "Non-GAAP and additional GAAP Measures"

OUTLOOK AND CORPORATE UPDATE

The third quarter of 2017 saw continued volatility in the AECO gas price as well as restrictions on TransCanada Pipelines Canadian Mainline where producers at times struggled to get their gas to market. With NGL pricing near 24-month highs, Tidewater continues to work with producers to find additional egress options including natural gas storage and pipeline egress to ensure producers are able to continually flow volumes and find the best possible pricing for their products. Natural gas storage and pipeline egress options will all be supported by long term contracts. Tidewater has focused its efforts in core liquids rich areas in the Alberta Deep Basin and Montney and continues to work on pipeline egress options into the Edmonton area. Going forward, Tidewater expects to manage volatility in the AECO gas price through the continued development of gas storage and pipeline egress options.

In the third quarter, Tidewater started natural gas storage test injections, providing a proven egress solution for producers at the BRC and near Pipestone. With the proven natural gas storage reservoirs at Brazeau and Pipestone there is potential for Tidewater to recognize significant storage EBITDA when AECO prices are under pressure.

Subsequent to quarter end, Tidewater commenced injections on a second well at its Pipestone infrastructure/egress hub that has exceeded expectations. With the second well at Pipestone, Tidewater expects to have the ability to inject approximately 40MMcf/d for Phase I. Total combined injection capability at Brazeau and Pipestone is approximately 70MMcf/d. Despite continued volatility in AECO pricing and seasonal pricing spreads, the Corporation continues to advance toward a final investment decision on Phase II of the project which will include connections to both Alliance and TCPL. Tidewater continues to receive interest from several investment grade counter parties to contract the available capacity on a long term basis, which will further diversify Tidewater's customer base.

The Corporation's extraction plants in the Edmonton area performed well in the quarter and together with natural gas storage act as a natural hedge to low AECO gas prices.

Tidewater's 10,000 bbl/d C2+ fractionation facility and 40 MMcf/d of additional deep cut processing capacity at the BRC continue to outperform and throughput levels have exceeded expectations with no material downtime since commissioning.

The Corporation extended the term of a take-or-pay processing agreement at the BRC by an additional two years to December 2020 and increased the volume commitment by approximately 10 MMcf/d to 30 MMcf/d with a provision to deliver volumes up to 45 MMcf/d throughout the term. The agreement is with a well-capitalized, intermediate-sized producer which will underpin the recently announced expansion of the BRC.

Tidewater's 50 MMcf/d expansion at the BRC remains on-time and on-budget with completion anticipated by the end of 2017. Tidewater also expects to complete construction of the previously disclosed key strategic pipelines both on-time and on-budget. The pipelines will provide access to a new core area for the BRC which is supported by a 55,000 acre reserve dedication and a three to four horizontal well drilling commitment. Drilling activity remains strong around Tidewater's core infrastructure in the Deep Basin area and the Corporation continues to evaluate several egress solutions around the BRC including storage and pipeline options which are attracting significant producer interest.

Tidewater successfully reactivated the recently acquired deep cut extraction plant in late July, significantly ahead of schedule and under budget and is currently running at 50% of expected capacity. Management

expects the deep cut extraction plant to meet volume and EBITDA forecasts in 2018 as previously disclosed.

The Corporation plans to exit 2017 with annualized run-rate Adjusted EBITDA of approximately \$80 million with target net debt of approximately \$150 million on its \$250 million Credit Facility. Tidewater is focused on delivering approximately 20% annualized EBITDA per share growth over the next 24 months.

CAPITAL PROGRAM

Tidewater remains on-time and on-budget on its previously announced 2017 capital program and the EBITDA generated from these capital projects is expected to be in-line with previous guidance.

Capital costs for Tidewater's Pipestone Montney Sour Gas Plant are expected to be approximately \$210 million with expected in service date of mid-2019 where Tidewater's two anchor tenants have the option to purchase a combined approximate working interest of 35% prior to commissioning the plant (refer to Subsequent Events section of the MD&A). The project will be funded through a combination of internally generated cash flow and undrawn capacity under the Corporation's existing Credit Facility. Tidewater continues to progress its plan to add large gathering lines throughout the Montney to extend the reach of the project.

The Corporation continues to evaluate additional egress pipeline options for the BRC into the Edmonton area with interest from investment grade counterparties. Tidewater is regularly evaluating investment opportunities that enhance the strategic value and earnings power of its network.

TSX GRADUATION

Tidewater is pleased to announce it has received conditional approval from the Toronto Stock Exchange (the "TSX") to graduate from the TSX Venture Exchange and list its common shares on the TSX.

Final approval of the listing is subject to Tidewater meeting certain standard and customary conditions required by the TSX. Upon completion of the final listing requirements, Tidewater's common shares will be delisted from the TSX Venture Exchange and shares in the Corporation will commence trading on the TSX. In anticipation of the TSX graduation, the Corporation has adopted a Majority Voting Policy and appointed Mr. Douglas Fraser as Lead Director. The Corporation will issue a news release prior to the commencement of trading on the TSX.

LIQUIDITY AND CAPITAL RESOURCES

At November 14, 2017, management believes the Corporation has sufficient cash flow to sustain its business activities. The Corporation has the following contractual obligations at September 30, 2017:

<i>(In thousands of Canadian dollars)</i>	Less than 1 year		Greater than 1 year	
Accounts payable and accrued liabilities	\$	35,158	\$	-
Dividend payable		3,290		-
Incentive compensation		5,767		939
Total contractual obligations	\$	44,215	\$	939

Subsequent to September 30, 2017, Tidewater received conditional approval from its banking syndicate to increase total availability under its Credit Facility from \$180 million to \$250 million. The Credit Facility increase is expected to close in November 2017.

The Corporation is required to maintain certain financial ratios calculated as defined in the Credit Facility Agreement including a consolidated debt to EBITDA of less than or equal to 3:1, consolidated debt to capitalization ratio of less than or equal to 0.50:1, and a fixed charge coverage ratio greater than or equal to 1.15:1. At September 30, 2017, the Corporation was in compliance with its financial covenants reporting debt to EBITDA of 1.67 (December 31, 2016 – 1.33), consolidated debt to capitalization of 0.17 (December 31, 2016 - 0.11), and fixed charge coverage of 3.54 (December 31, 2016 - 3.00).

Tidewater anticipates that cash flow from operating activities and organic growth projects including availability of the Credit Facilities and other sources of financing will be sufficient to meet its obligations and financial commitments and will provide sufficient funding for anticipated capital expenditures. Due to the nature of the energy midstream industry, budgets are regularly reviewed with respect to the success of the expenditures and other opportunities that become available to the Corporation. Tidewater’s actual expenditures may vary depending on a variety of factors, including the availability of equipment and personnel, unexpected expenses, delays in the receipt of necessary regulatory approvals, permits and licences, and the success of Tidewater’s business development activities.

Tidewater continues to evaluate options to better align its capital structure with its long-term high-quality asset base. These options may include longer term debt financings or similar instruments.

COMMITMENTS

At November 14, 2017, the Corporation had commitments related to railcar, vehicle, building leases and firm transportation contracts. The railcar and vehicle leases range in term from three to five years at market lease rates. The building and office leases relate to Tidewater’s retail propane business and the Corporation’s corporate and field offices. The retail propane business has offices in Rimbey and Wetaskiwin, Alberta and the leases can be terminated with 180 days’ notice by Tidewater. The Corporation also has offices in Athabasca, St. Albert, Drayton Valley and Camrose, Alberta with leases ranging from one to three years. The firm transportation contracts relate to firm service contracts with TransCanada and Alliance Pipeline ranging from five to ten years. Minimum future payments for these leases are as follows:

<i>(In thousands of Canadian dollars)</i>	Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Railcar and vehicle leases	\$ 939	\$ 1,034	\$ -	\$ 1,973
Office and building leases	502	1,755	-	2,257
Firm transportation contracts	6,830	19,411	12,592	38,833
Total	\$ 8,271	\$ 22,200	\$ 12,592	\$ 43,063

OUTSTANDING EQUITY

As at November 14, 2017, Tidewater had issued approximately 329 million common shares for total cash proceeds of \$453.5 million, before issuance costs of approximately \$23.4 million.

On January 11, 2017, Tidewater issued 44.2 million common shares at \$1.56 per common share on a bought deal basis for gross proceeds of approximately \$69 million.

During the three months ended June 30, 2017 the Corporation released 438,736 common shares related to the retail propane holdback consideration at a price of \$1.31 per common share.

During the nine months ended September 30, 2017 Tidewater issued 145,317 common shares at an average share price of \$1.30 per share related to the exercise of vested RSUs.

On August 9, 2017, the Corporation approved a grant of 1.9 million restricted share units (“RSU”) and 1.5 million stock options to directors, officers, employees and consultants of the Corporation. The options will have an exercise price equal to the price per common share on the date of grant, will vest over a period of three years, and will expire five years from the date of grant. The Corporation has determined that exemptions from the various requirements of TSX Venture Exchange Policies are available for the granting of the options and RSUs.

At November 14, 2017, Tidewater had the following outstanding common shares, RSUs and options:

<i>(In thousands)</i>	
Common shares	328,973
RSUs	8,871
Options	6,904

TRANSACTIONS WITH RELATED PARTIES

Transactions involving related parties are in the normal course of business and are recorded at market rates. Other than what has been disclosed in this MD&A and in note 15 of the condensed interim consolidated financial statements as at September 30, 2017 and for the three and nine-month periods ended September 30, 2017 and 2016, there have been no other material related party transactions.

OFF-BALANCE SHEET ARRANGEMENTS

As at the date hereof, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial conditions of the Corporation, including liquidity and capital resources.

SUBSEQUENT EVENTS

Pipestone Montney Sour Gas Plant

Tidewater sanctioned a 100 MMcf/d sour, deep-cut Montney gas plant with acid gas injection and 20,000 bbls/d of NGL processing capability, as well as an extensive gathering pipeline network in the Pipestone area near Grande Prairie, Alberta, subject to regulatory approval. The Project is supported by agreements with two anchor tenant customers, which include two five-year, take-or-pay gas handling agreements for 45 MMcf/d with an option for up to 55 MMcf/d, or 55% of the plant capacity. Tidewater is finalizing commitments with several other producers for the remaining plant capacity and due to significant interest, is evaluating a phase two expansion to increase sour, deep-cut capacity at its Pipestone Montney processing complex. Tidewater plans to connect the Project to its Pipestone infrastructure, egress hub which is currently injecting natural gas into the natural gas storage reservoir. The Project will have a significant egress advantage to other processing plants in the area due to its proposed connectivity to the Alliance and TransCanada natural gas sales networks as well as connectivity to the Tidewater Pipestone infrastructure, egress hub. Tidewater and its customers plan to utilize the three natural gas egress options to provide operational flexibility and enhanced market access prior to TransCanada and Alliance’s next

open seasons. The Project is expected to have one of the highest operational onstream times in the area, regardless of regulated pipeline outages, due to storage access.

The Project utilizes acid gas injection and incorporates some of the latest cogeneration technology resulting in what the Corporation believes to be a significantly reduced environmental footprint. The cogeneration technology decreases total fuel consumption and related greenhouse gas emissions by generating both heat and electricity from the same fuel input and may generate significant carbon credits for Tidewater in the future. Further, the facility and majority of the pipeline network will be constructed adjacent to existing sour, natural gas infrastructure, minimizing new disturbances to people and the environment.

Based on the proposed construction schedule, operations are targeted to start up in mid-2019. Phase one, inclusive of the extensive gathering network, is estimated at approximately \$210 million where Tidewater's two anchor tenants have the option to purchase a combined approximate working interest of 35% prior to commissioning the plant. The Project will be funded through a combination of internally generated cash flow and undrawn capacity under the Corporation's existing credit facility. Tidewater continues to progress on adding large gathering lines throughout the Montney to extend the reach of the Project.

A significant advantage of the Project is the facility's deep-cut capability which enables Tidewater to recover over 95% of ethane and in excess of 99% of propane, butane and condensate from the liquids-rich Montney gas stream at Pipestone. Tidewater is confident the Project will result in natural gas liquids premiums and improved netbacks for producers and when connected with Tidewater's Pipestone infrastructure, egress hub, will offer unrestricted egress and optionality while also providing natural gas price improvements.

FINANCIAL INSTRUMENTS

Tidewater's financial instruments consist of cash, restricted cash, accounts receivable, investments, prepaid expenses and deposits, accounts payable and accrued liabilities, dividend payable, contingent liabilities and incentive compensation liabilities. Unless otherwise noted, it is Management's opinion that the Corporation is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these instruments approximates their carrying value.

FINANCIAL RISK MANAGEMENT

The Board of Directors has the overall responsibility for the establishment and oversight of Tidewater's risk management framework. The Board of Directors has implemented and monitors compliance with risk management policies. Tidewater's risk management policies are established to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Corporation's activities. Tidewater employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, the Corporation's management has the responsibility to administer and monitor those risks.

Tidewater's activities expose it to a variety of financial risks that arise as a result of its operations and financing activities such as credit risk, market risk, and liquidity risk.

Credit Risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash balances held with commercial banks and accounts receivable from customers and joint venture partners. To diversify the risk associated with cash, management holds its cash balances at reputable and financially stable institutions. When determining whether past due accounts are uncollectable, the Corporation factors in the past credit history of counterparties.

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet financial obligations at the point at which they are due. The Corporation manages its liquidity risk through cash and debt management. Management's assessment of its liquidity reflects estimates, assumptions and judgements relating to current market conditions. The Corporation anticipates that working capital, cash flow from operations, the Credit Facility and other sources of financing will be sufficient to meet its obligations and financial commitments and will provide sufficient funding for anticipated capital expenditures.

Market Risk

Market risk is the risk that changes in market conditions, such as commodity prices, foreign exchange rates and interest rates, will affect the Corporation's cash flow, income or the value of its financial instruments. The objective of the Corporation's market risk management is to manage and control market risk exposures within acceptable parameters, while maximizing the Corporation's return.

- *Interest Rate Risk*

Interest rate risk refers to the risk that the value of the financial instrument or cash flows associated with the financial instrument will fluctuate due to changes in market interest rates. The Corporation continuously monitors interest rates and economic conditions. At September 30, 2017, the Corporation had bank debt totalling \$89.5 million (December 31, 2016 - \$50 million) and therefore a 1% change in the interest rate on bank debt would have had an annualized after-tax impact of \$0.7 million on net income for the year (December 31, 2016 - \$0.5 million).

- *Foreign Currency Exchange Rate Risk*

Foreign currency risk is the risk that the value of future cash flows will fluctuate as a result of changes in foreign currency exchange rates. The Corporation's foreign currency risk arises from certain working capital balances denominated in United States Dollar (USD). The Corporation continuously monitors exchange rate trends and economic conditions. At September 30, 2017, working capital balances denominated in USD were nominal. A 5% change in foreign exchange rates between the USD and the Canadian Dollar would have a nominal impact on net income for the nine-month period ended September 30, 2017 (nine-month period ended September 30, 2016 – nominal).

- *Price Risk*

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from foreign currency risk or interest rate risk) whether those changes are caused by factors specific to the individual financial instrument, its issuer, or

factors affecting all similar financial instruments traded in the market. The Corporation is subject to price risk through its incentive compensation liabilities. A 10% change in the market price of the Corporation's incentive compensation liability would have an after-tax impact on net income in the amount of approximately \$0.5 million (December 31, 2016 - \$0.5 million) at September 30, 2017.

CRITICAL ACCOUNTING ESTIMATES

Management is responsible for the accounting estimates included in the Financial Statements. Estimates, and the related judgments and assumptions, are based on Management's knowledge of the business and past experience. Certain accounting estimates are particularly sensitive because they involve a significant degree of judgment and may have a range of possible outcomes. The most significant and sensitive accounting estimates are related to stock-based compensation with regards to the stock options, restricted share units (RSUs) and performance share units (PSUs) and decommissioning liabilities.

- *Stock options, RSUs and PSUs*

The fair value of each option granted is estimated on the date of grant and that value is recorded as stock-based compensation expense over the vesting period of the grants, with a corresponding increase to employee share reserve less an estimated forfeiture rate. The consideration received by the Corporation on the exercise price of stock options is recorded as an increase to share capital together with corresponding amounts previously recognized in employee share reserve. Forfeitures are estimated based on historical information for each reporting period, and adjusted as required to reflect actual forfeitures that have occurred in the period. In order to record stock-based compensation expense the Corporation estimates the fair value of stock options granted using assumptions related to interest rates, expected lives of the options, volatility of the underlying security, forfeiture rates and expected dividend yields.

The amounts recorded for stock-based compensation expense relating to the fair value of RSUs and PSUs issued are determined at the date of grant using the closing price of the common shares and expected forfeiture rates. In addition, the amounts estimated for long-term incentive compensation incorporate the period end share price, the number of units outstanding at each period end and certain management estimates. Actual amounts settled on redemption may differ from estimates.

- *Decommissioning Liabilities*

Tidewater will be responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of its facilities at the end of their economic life. The determination of the estimate by management is based on the Corporation's net ownership in facilities, estimated costs to abandon and reclaim the facilities and the estimated timing of the costs to be incurred in future periods.

NON-GAAP AND ADDITIONAL MEASURES

In the Financial Highlights section of this MD&A, Tidewater has used the following terms that are not defined by GAAP but are used by management to evaluate the performance of the Corporation. Since non-GAAP and additional GAAP measures do not have a standardized meaning prescribed by GAAP and

are therefore unlikely to be comparable to similar measures presented by other companies, securities regulations require that non-GAAP and additional GAAP measures are clearly defined, qualified and reconciled to their nearest GAAP measure. Except as otherwise indicated, these non-GAAP and additional GAAP measures will be calculated and disclosed on a consistent basis from period to period. Specific adjusting items may only be relevant in certain periods.

The intent of non-GAAP and additional GAAP measures is to provide additional useful information to investors and analysts though the measures do not have any standardized meaning under IFRS. The measures should not, therefore, be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate these non-GAAP and additional GAAP measures differently.

Earnings before interest, taxes, depreciation, amortization (“EBITDA”), adjusted EBITDA, adjusted EBITDA per common share

EBITDA, Adjusted EBITDA and Adjusted EBITDA per common share are non-GAAP measures. EBITDA is calculated as income or loss before finance costs, taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA adjusted for incentive compensation, unrealized gains/losses, non-cash items, transaction costs and other items considered non-recurring in nature. Adjusted EBITDA per common share is calculated as Adjusted EBITDA divided by the weighted average number of common shares outstanding for the three and nine-month periods ended September 30, 2017.

Tidewater Management believes that EBITDA and Adjusted EBITDA provide useful information to investors as they provide an indication of results generated from the Corporation’s operating activities prior to financing, taxation and non-recurring/non-cash impairment charges occurring outside the normal course of business. Management utilizes Adjusted EBITDA to set objectives and as a key performance indicator of the Corporation’s success. In addition to its use by Management, Tidewater also believes Adjusted EBITDA is a measure widely used by securities analysts, investors and others to evaluate the financial performance of the Corporation and other companies in the midstream industry. Investors should be cautioned that EBITDA and Adjusted EBITDA should not be construed as alternatives to earnings, cash flow from operating activities or other measures of financial results determined in accordance with GAAP as an indicator of the Corporation’s performance and may not be comparable to companies with similar calculations.

(In thousands of Canadian dollars, except per share data)

	Three-months ended September 30,		Nine-months ended September 30,	
	2017	2016	2017	2016
Income (loss) for the period	\$ (38)	\$ 2,374	\$ 12,351	\$ 11,450
Deferred income tax expense (recovery)	1,501	(99)	4,977	1,676
Depreciation	6,357	4,115	17,802	11,300
Finance costs and other	4,909	(25)	4,240	(61)
EBITDA	\$ 12,729	\$ 6,365	\$ 39,370	\$ 24,365
Stock-based compensation	2,054	2,357	3,945	3,263
Gain on sale of assets	(120)	(52)	(120)	(117)
Loss (gain) on holdback	-	105	(123)	(5,381)
Transaction costs	264	537	1,095	3,716
Non-recurring transactions	419	211	419	257
Adjusted EBITDA	\$ 15,346	\$ 9,523	\$ 44,586	\$ 26,103
Adjusted EBITDA per common share – basic	\$ 0.05	\$ 0.03	\$ 0.14	\$ 0.10
Adjusted EBITDA per common share – diluted	\$ 0.05	\$ 0.03	\$ 0.13	\$ 0.10

Cash flow from operating activities, cash flow from operating activities per common share

Cash flow from operating activities and cash flow from operating activities per common share are non-GAAP measures. Cash flow from operating activities is calculated as net cash used in operating activities before changes in non-cash working capital less any long term incentive plan expenses. Cash flow from operating activities per common share is calculated as cash flow from operating activities divided by the weighted average number of common shares outstanding for the three and nine-month periods ended September 30, 2017.

Tidewater Management believes cash from operating activities provides useful information to investors for assessing financial performance as it is an important indicator of an issuer's ability to generate liquidity through operations. Management utilizes cash flow from operating activities to set objectives and as a key performance indicator of the Corporation's success. Investors should be cautioned that cash flow from operating activities and cash flow from operating activities per share should not be construed as alternatives to earnings or other measures of financial results determined in accordance with GAAP as an indicator of the Corporation's performance and may not be comparable to companies with similar calculations.

(In thousands of Canadian dollars, except per share data)

	Three-months ended September 30,		Nine-months ended September 30,	
	2017	2016	2017	2016
Net cash provided by operating activities	\$ 737	\$ 9,130	\$ 28,633	\$ 15,641
Add (deduct):				
Changes in non-cash working capital	11,795	(434)	8,470	5,848
Transaction costs	264	537	1,095	3,716
PSU Plan expenses	(305)	-	(549)	(8)
Cash flow from operating activities	\$ 12,491	\$ 9,233	\$ 37,649	\$ 25,197
Cash flow from operating activities per common share – basic	\$ 0.04	\$ 0.03	\$ 0.12	\$ 0.10
Cash flow from operating activities per common share – diluted	\$ 0.04	\$ 0.03	\$ 0.11	\$ 0.10

Distributable cash flow and distributable cash flow per common share

Distributable cash flow and distributable cash flow per common share are non-GAAP measures. Management believes distributable cash flow is a useful metric for investors when assessing the amount of cash flow generated from normal operations and to evaluate the adequacy of internally generated cash flow to fund dividends. Distributable cash flow is calculated as net cash used in operating activities before changes in non-cash working capital and after any expenditures that use cash from operations. Changes in non-cash working capital are excluded from the determination of distributable cash flow because they are primarily the result of seasonal fluctuations or other temporary changes and are generally funded with short term debt or cash flows from operating activities. Deducted from distributable cash flow are maintenance capital expenditures, including turnarounds as they are ongoing recurring expenditures and long-term incentive plan expense, which is funded from operating cash flows.

Distributable cash flow per common share is calculated as distributable cash flow over the weighted average number of common shares outstanding for the three and nine-month periods ended September 30, 2017. Investors should be cautioned that distributable cash flow and distributable cash flow per share should not be construed as alternatives to earnings or other measures of financial results determined in accordance with GAAP as an indicator of the Corporation's performance and may not be comparable to companies with similar calculations.

(In thousands of Canadian dollars, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net cash provided by (used in) operating activities	\$ 737	\$ 9,130	\$ 28,633	\$ 15,641
Add (deduct):				
Changes in non-cash working capital	11,795	(434)	8,470	5,848
Transaction costs	264	537	1,095	3,716
PSU Plan expenses	(305)	-	(549)	(8)
Maintenance capital	(2,706)	(409)	(5,995)	(593)
Distributable cash flow	\$ 9,785	\$ 8,824	\$ 31,654	\$ 24,604
Distributable cash flow per common share				
– basic	\$ 0.03	\$ 0.03	\$ 0.10	\$ 0.10
Distributable cash flow per common share				
–diluted	\$ 0.03	\$ 0.03	\$ 0.09	\$ 0.10

Tidewater expects to pay dividends from distributable cash flow, however the Corporation is entirely dependent upon its operations and assets to pay cash dividends to shareholders. Dividends declared for the nine months ended September 30, 2017 were \$9.9 million or approximately 31% of distributable cash flow. Distributable cash flow for the nine months ended September 30, 2017 included approximately \$0.75 million in non-recurring upfront fees related to the increase of the Corporation's credit facility. Excluding the one-time costs would result in distributable cash flow and a payout ratio of \$32.4 million and 30% respectively. Growth capital expenditures will be funded from retained operating cash flow, along with proceeds from additional debt or equity, as required. There is no assurance regarding the amounts of cash to be distributed by Tidewater or generated by Tidewater and therefore, the funds available for distribution to shareholders. The actual amount distributed will depend on a variety of factors, including without limitation, the performance of the Corporation's assets, the effect of acquisitions on Tidewater, and other factors that may be beyond the control of Tidewater. In the event significant capital expenditures are required or the profitability of Tidewater declines, there would be a decrease in the amount of cash available for distribution to shareholders and such decrease could be material. Tidewater's dividend policy is subject to change at the discretion of the Board of Directors of the Corporation. The actual amount of future dividends is proposed by management and is subject to the approval and discretion of the Board of Directors. The Board reviews future dividends in conjunction with their review of quarterly financial and operating results.

RISK AND UNCERTAINTIES

The following information describes certain significant risks and uncertainties inherent in the Corporation's business. This section does not describe all risks applicable to the Corporation, its industry or its business, and it is intended only as a summary of certain material risks. If any of such risks or uncertainties actually occur, the Corporation's business, financial condition or operating results could be harmed substantially and could differ materially from the plans and other forward-looking statements included in this MD&A. For a complete list of risks inherent in the Corporation's business, please refer to the Annual Information Form for the year ended December 31, 2016.

Possible Failure to Realize Anticipated Benefits of Recently Completed Acquisitions

Tidewater has recently completed several acquisitions to achieve a variety of benefits, including geographically diversifying its pipeline and midstream infrastructure, gaining access to new and prolific resource plays and augmenting its fee-for-service cash flow stream. Achieving the benefits of such acquisitions depends in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as Tidewater's ability to realize the anticipated growth and development opportunities from the assets underlying such acquisitions. The integration of the assets underlying such acquisitions will require the dedication of considerable management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect Tidewater's ability to achieve the anticipated benefits of its recently completed and proposed acquisitions.

Reliance on Producer Activity and Long Term Declines

The volumes of natural gas processed through Tidewater's NGL midstream infrastructure and logistics business and of NGLs and other products transported in the pipelines depend on production of natural gas in the areas serviced by the business and pipelines. Without reserve additions, production will decline over time as reserves are depleted and production costs may rise.

The Corporation's facilities are located in or depend on the Western Canada Sedimentary Basin. As a mature basin, production is projected to decline over the long term. Although new technology has allowed producers to access and produce reserves that were previously viewed as uneconomic, it is not clear the extent to which such advances in technology will offset the long term overall declines. As well, industry activity levels depend upon economic and regulatory conditions that permit and incent producers to explore for and develop reserves. Producers may shut in production at lower product prices or higher production costs. Producers in the areas serviced by the business may not be successful in exploring for and developing additional reserves, and the gas plants and the pipelines may not be able to maintain existing volumes of throughput. Commodity prices may not remain at a level which encourages producers to explore for and develop additional reserves or produce existing marginal reserves. Lower production volumes will also increase the competition for natural gas supply at gas processing plants which could result in higher shrinkage premiums being paid to natural gas producers. The Corporation cannot predict the impact of future economic conditions on the energy and petrochemical industries or future demand for and prices of natural gas, NGLs, crude oil and other products. These and other factors such as higher development costs or royalties, global and North American commodity inventory levels and infrastructure constraints may discourage further producer exploration and development. A reduction in exploration and development activities could result in declines in throughput at gas plants, pipelines and NGL processing facilities.

The rate and timing of production from proven natural gas reserves tied-in to the gas plants are at the discretion of the producers and are subject to regulatory constraints. The producers have no obligation to produce natural gas from these lands. Producers may suspend their drilling programs or shut in production as a result of lower product prices or higher production costs.

Tidewater's NGL midstream infrastructure and logistics business is connected to various third party pipeline systems. Operational disruptions or apportionment on those third party systems may prevent the full utilization of the business.

Over the long term, business will depend, in part, on the level of demand for NGLs and natural gas in the geographic areas in which deliveries are made by pipelines and the ability and willingness of shippers having access or rights to utilize the pipelines to supply such demand. Tidewater cannot predict the impact of future economic conditions, fuel conservation measures, alternative fuel requirements, governmental regulation or technological advances in fuel economy and energy generation devices, all of which could reduce the demand for natural gas and NGLs.

Operational Hazards

While the Corporation strives to operate its facilities responsibly and in compliance in all material respects with all environmental and health and safety requirements, it may face expenses and liabilities as a result of its past or future operations. Some risk of environmental costs and liabilities is inherent in the Corporation's operations and products, as it is with other companies engaged in similar businesses. The operation of gas processing plants and terminals involves many risks, including the failure or substandard performance of equipment, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. These hazards can cause personal injury or death, severe damage to and destruction of property and equipment and environmental damage. Furthermore, the Corporation and its customers also have exposure to present and future claims with respect to workplace exposure, workers' compensation and other matters. There can be no assurance as to the actual amount of these potential liabilities or the timing thereof. The occurrence of material operational problems, including, but not limited to, the above events, may have a material adverse effect on the Corporation's business, financial condition and results of operations.

To mitigate these operational and environmental risks, the Corporation provides training to its employees, maintains written standard operating practices, formally assesses and documents employee competency, and maintains formal inspection, maintenance, safety and environmental programs. In addition, the Corporation carries casualty and business interruption insurance, although there can be no assurance that the proceeds of such insurance will compensate the Corporation fully for any losses, nor can it be assured that such insurance will be available in the future.

Decommissioning, Abandonment and Reclamation Costs

The Corporation is responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of its sites at the end of their economic life, the costs of which may be substantial. For property owned, the Corporation is responsible for the remediation of soil or groundwater contamination, which is attributable to the operation and as required under the applicable regulations at the time of decommissioning of the site. In the case of leased properties, the land lease agreements indicate what responsibilities the Corporation has for remediation when the land is returned to the owner. When the environmental issues at a production facility or terminal change (for example, a remediation project is completed or new issues are identified), the environmental provision is adjusted to reflect the current situation at that site. It is not possible to predict these costs with certainty since they are a function of regulatory requirements at the time of decommissioning, abandonment and reclamation.

Environmental Matters

The Corporation's operations are subject to numerous federal, provincial, state, municipal and local environmental laws and regulations in Canada and the U.S. concerning, among other things, emissions into the air; discharges into waters; the generation, handling, storage, transportation, treatment and disposal of waste, hazardous substances and other materials; decommissioning of underground and aboveground storage tanks; and soil and groundwater contamination. A risk of environmental liability is inherent in railroad and related transportation operations and other commercial activities of the Corporation. As a result, the Corporation incurs significant risks associated with environmental regulatory compliance and clean-up requirements in its railroad shipping.

In railroad and related transportation operations, it is possible that derailments or other accidents, including spills and releases of hazardous materials, may occur that could cause harm to human health or to the environment. In addition, the Corporation is also exposed to potential catastrophic liability risk, faced by the railroad industry generally, in connection with the transportation of toxic inhalation hazard materials such as NGLs, or other dangerous commodities like propane that the Corporation may transport. Therefore, the Corporation may incur costs in the future, which may be material, to address any such harm, compliance with laws or other risks, including costs relating to the performance of clean-ups, payment of environmental penalties and remediation obligations, and damages relating to harm to individuals or property.

The environmental liability for any given contaminated site varies depending on the nature and extent of the contamination; the available clean-up techniques; evolving regulatory standards governing environmental liability; and the number of potentially responsible parties and their financial viability. As such, the ultimate cost of addressing known contaminated sites cannot be definitively established. Also, additional contaminated sites yet unknown may be discovered or future operations may result in accidental releases.

While some exposures may be reduced by the Corporation's risk mitigation strategies (including periodic audits, employee training programs and emergency plans and procedures), many environmental risks are driven by external factors beyond the Corporation's control or are of a nature which cannot be completely eliminated. Therefore, there can be no assurance, notwithstanding the Corporation's mitigation strategies, that liabilities or costs related to environmental matters will not be incurred in the future or that environmental matters will not have a material adverse effect on the Corporation's results of operations, financial position or liquidity, and reputation in a particular quarter or fiscal year.

Transportation of Dangerous Goods

The Corporation's operations include rail loading, offloading and terminalling facilities used to transport various petroleum products. These petroleum products are considered dangerous goods under Transportation of Dangerous Goods ("TDG") laws. The volume of product shipped and the number of rail cars loaded at the Corporation's facilities has continued to increase over the years. When the Corporation loads petroleum products, it may be considered the consignor, in which case it has specific responsibilities under the TDG laws, including the responsibility to ensure that the product is properly classified, the shipment is properly labelled and the product is loaded in an appropriate tank. The Corporation also owns and operates rail infrastructure and must comply with applicable laws (including TDG laws) relating to the maintenance and inspection of these facilities. The Corporation may face liability for personal injuries, damage to property, environmental damage, lost product in the event of an incident involving rail cars

loaded by the Corporation, where the Corporation is the consignor or importer of the product, where the Corporation owns the product that is involved in an incident, or where an incident occurs on the Corporation's proprietary rail infrastructure. In addition, the Corporation may be exposed to regulatory action in the event that it fails to comply with TDG laws.

The Corporation regularly assesses the risks associated with the transportation of dangerous goods. The risk mitigation measures that the Corporation employs, include: training programs for operational and logistics staff; adoption of general and site-specific procedures for loading/unloading, infrastructure maintenance, testing and product classification; leasing rail cars that comply with current regulatory requirements; engaging with industry associations and regulatory agencies; periodically auditing operations and logistics practices; reviewing insurance requirements and securing appropriate coverage; hiring specialists as appropriate to assist. There is no guarantee that these mitigation measures will be effective.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking statements and forward-looking information (collectively, "forward-looking statements"). Such forward-looking statements relate to possible events, conditions or financial performance of the Corporation based on future economic conditions and courses of action. All statements other than statements of historical fact are forward-looking statements. The use of any words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "will likely result", "are expected to", "will continue", "is anticipated", "believes", "estimated", "intends", "plans", "projection", "outlook" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, assumptions, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes there is a reasonable basis for the expectations reflected in the forward-looking statements, however no assurance can be given that these expectations will prove to be correct and the forward-looking statements included in this MD&A should not be unduly relied upon by investors.

Specifically, this MD&A contains forward-looking statements relating to but not limited to: regulatory approval of the Project; expected consummation of agreements with producers to commit production to the Project; assessment of proposed phase two Project expansion; plans to connect the Project to existing infrastructure; management's belief regarding egress advantages of the Project; predictions regarding enhanced market access resulting from proposed natural gas egress options; scope of environmental footprint of the Project; projections regarding generation of carbon credits from the Project; expected start-up date of the Project; projected capital costs of the Project; future development plans related to the Project; anticipated EBITDA and other measures of profit; potential long term financing options, including potential debt financing; anticipated increase to the Corporation's Credit Facility; proforma debt levels; general business strategies and objectives; operational plans and strategies including facility expansions; forecast capital expenditures, anticipated graduation to the TSX, and, expected closing of strategic acquisitions and benefits to be derived therefrom.

These forward-looking statements are based on certain key assumptions regarding our ability to execute on our business plan including with respect to construction of the Project, our operating activities and current industry conditions, the ability of the Corporation to market natural gas liquids to current and new customers; that strategic acquisitions will close as expected; the closing of an increase to the Corporation's

Credit Facility; the timely receipt of required governmental and regulatory approvals, future natural gas liquids prices and laws and regulations continuing in effect (or, where changes are proposed, such changes being adopted as anticipated); royalty rates, taxes and capital, operating, general & administrative and other costs; general business, economic and market conditions; the ability of the Corporation to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its activities; and anticipated timelines and budgets being met in respect of the Corporation's projects. Readers are cautioned that such assumptions, although considered reasonable by Tidewater at the time of preparation, may prove to be incorrect.

Actual results achieved will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors including but not limited to: risks related to regulatory approval; the ability of management to execute its business plan; risks inherent in the Corporation's marketing operations, including credit risk; fluctuations in crude oil, natural gas liquids and natural gas prices; health, safety and environmental risks; uncertainties as to the availability and cost of financing; the possibility that governmental policies or laws may change or governmental approvals may be delayed or withheld; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services; and other risks and uncertainties described elsewhere in this document or in the Corporation's other filings with Canadian securities regulatory authorities.

The above summary of assumptions and risks related to forward-looking statements in this MD&A has been provided in order to provide shareholders and potential investors with a more complete perspective on Tidewater's current and future operations and such information may not be appropriate for other purposes. There is no representation by Tidewater that actual results achieved will be the same in whole or in part as those referenced in the forward-looking statements and Tidewater does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities law.