



TIDEWATER
Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Financial Statements (unaudited)

For the three and nine-month periods ended September 30, 2018

Tidewater Midstream and Infrastructure Ltd.
Condensed Interim Consolidated Statement of Financial Position
(unaudited)

(all tabular amounts in thousands of Canadian dollars)

As at	Notes	September 30, 2018	December 31, 2017
Assets			
Current			
Cash		\$ 14,663	\$ 52,494
Accounts receivable		81,217	55,632
Prepaid expenses and other		17,549	12,325
		113,429	120,451
Investments	3	2,801	350
Property, plant and equipment	4	977,706	813,823
Total assets		\$ 1,093,936	\$ 934,624
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 110,087	\$ 76,592
Derivative contracts		1,933	3,503
Dividend payable	7	3,293	3,290
Interest payable		2,404	301
Incentive compensation		9,747	6,963
		127,464	90,649
Bank debt	5	181,050	60,000
Notes payable		122,077	121,708
Incentive compensation		1,130	1,581
Derivative contracts		799	528
Deferred tax liabilities		34,360	31,061
Decommissioning obligation	6	181,811	187,686
Total liabilities		648,691	493,213
Equity			
Non-controlling interest		5,021	-
Shareholders' equity			
Share capital	7	431,629	431,148
Employee share reserve		2,961	1,786
Retained earnings		5,634	8,477
		440,224	441,411
Total equity		445,245	441,411
Total liabilities and equity		\$ 1,093,936	\$ 934,624

Commitments (note 13)

See the accompanying notes to the condensed interim consolidated financial statements

Approved by the Board:

“Signed” Joel MacLeod, Director

“Signed” Doug Fraser, Director

Tidewater Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Statement of Net Income (Loss) and Comprehensive Income (Loss) (unaudited)

(all tabular amounts in thousands of Canadian dollars, except per share information)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
Revenue	8	\$ 80,102	\$ 52,003	\$ 233,550	\$ 157,682
Expenses					
Operating expenses	8	58,800	35,926	166,533	108,254
General and administrative		2,692	2,047	7,678	6,331
Share-based compensation	10	2,981	2,054	5,160	3,945
Depreciation	4	10,697	6,357	31,874	17,802
Total expenses		75,170	46,384	211,245	136,332
Operating income		4,932	5,619	22,305	21,350
Other expenses (income)					
Finance costs and other	9	3,774	1,928	8,880	4,780
Realized loss (gain) on derivative contract		1,405	(1,017)	3,518	(1,190)
Unrealized loss (gain) on derivative contract		852	2,981	(1,299)	(540)
Loss from equity investment		196	-	78	-
Transaction costs		-	264	1,653	1,095
Gain on holdback		-	-	-	(123)
Total other expenses before tax		6,227	4,156	12,830	4,022
Earnings (loss) before income tax		(1,295)	1,463	9,475	17,328
Deferred income tax expense		158	1,501	3,299	4,977
Net income (loss) and comprehensive income (loss)		\$ (1,453)	\$ (38)	\$ 6,176	\$ 12,351
Net income (loss) and comprehensive income (loss) attributable to:					
Shareholders of the Corporation		(988)	(38)	7,033	12,351
Non-controlling interest		(465)	-	(857)	-
		\$ (1,453)	\$ (38)	\$ 6,176	\$ 12,351
Earnings per share attributable to common shareholders – basic and diluted	11	\$ (0.00)	\$ (0.00)	\$ 0.02	\$ 0.04

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.
Condensed Interim Consolidated Statements of Changes in Equity
(unaudited)

(all tabular amounts in thousands of Canadian dollars)

	Notes	Non- controlling interest	Share capital	Employee share reserve	Retained earnings	Total Equity
Balance at December 31, 2016		\$ -	\$ 365,612	\$ 526	\$ 8,779	\$ 374,917
Issue of common shares		-	69,766	-	-	69,766
Share issuance costs (net of tax)		-	(3,868)	-	-	(3,868)
Shared-based payments		-	-	691	-	691
Net income		-	-	-	12,351	12,351
Dividends declared		-	-	-	(9,866)	(9,866)
Balance at September 30, 2017		\$ -	\$ 431,510	\$ 1,217	\$ 11,264	\$ 443,991

	Notes	Non- controlling interest	Share capital	Employee share reserve	Retained earnings	Total Equity
Balance at December 31, 2017		\$ -	\$ 431,148	\$ 1,786	\$ 8,477	\$ 441,411
Issue of common shares	7	-	483	-	-	483
Contribution from subsidiary by non-controlling interest		5,878	-	-	-	5,878
Share issuance costs (net of tax)	7	-	(2)	-	-	(2)
Share-based compensation		-	-	1,175	-	1,175
Net income		(857)	-	-	7,033	6,176
Dividends declared	7	-	-	-	(9,876)	(9,876)
Balance at September 30, 2018		\$ 5,021	\$ 431,629	\$ 2,961	\$ 5,634	\$ 445,245

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.
Condensed Interim Consolidated Statement of Cash Flows
(unaudited)
(all tabular amounts in thousands of Canadian dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2018	2017	2018	2017
Cash provided by (used in):					
Operating activities					
Net income (loss)		\$ (1,453)	\$ (38)	\$ 6,176	\$ 12,351
Adjustments:					
Non-cash share-based compensation		2,738	1,614	3,967	2,807
Depreciation		10,697	6,357	31,874	17,802
Interest and financing charges	9	2,097	912	5,244	2,718
Non-cash expenses in finance costs	9	1,454	533	4,356	1,429
Unrealized loss (gain) on derivative contract		852	2,981	(1,299)	(540)
Loss from equity investment		196	-	78	-
Gain on holdback		-	-	-	(123)
Deferred income tax expense (recovery)		158	1,501	3,299	4,977
Loss (gain) on asset disposal		(102)	-	72	-
Decommissioning costs incurred	6	(686)	(416)	(1,942)	(1,600)
Changes in non-cash working capital	12	(8,700)	(11,795)	(52,842)	(8,470)
<i>Net cash provided by (used in) operating activities</i>		7,251	1,649	(1,017)	31,351
Financing activities					
Advance of bank debt		51,050	24,500	121,050	39,500
Interest and financing charges paid, net	12	(271)	(912)	(3,200)	(2,718)
Proceeds from issuance of common shares		24	-	24	69,001
Share issuance costs	7	-	(3)	(2)	(3,956)
Payment of dividends		(3,292)	(3,289)	(9,873)	(9,423)
Contribution from non-controlling interest		-	-	2,678	-
<i>Net cash provided by financing activities</i>		47,511	20,296	110,677	92,404
Investing activities					
Additions to property, plant and equipment		(75,346)	(25,671)	(194,567)	(98,225)
Cash paid on acquisitions		-	-	-	(16,000)
Proceeds from asset disposal		121	-	594	-
Purchase of investments		-	-	-	(524)
Contributions to investment in equity accounted investee	3	(87)	-	(2,587)	-
Changes in non-cash working capital	12	12,348	5,039	49,069	(13,138)
<i>Net cash used in investing activities</i>		(62,964)	(20,632)	(147,491)	(127,887)
Increase (decrease) in cash		(8,202)	1,313	(37,831)	(4,132)
Cash at beginning of period		22,865	2,565	52,494	8,010
Cash at end of period		\$ 14,663	\$ 3,878	\$ 14,663	\$ 3,878

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2018
(unaudited)

All tabular amounts expressed in thousands of Canadian dollars, except share information

1. REPORTING ENTITY

Tidewater Midstream and Infrastructure Ltd.'s ("Tidewater" or the "Corporation") business objective is to build a diversified midstream and infrastructure company in the North American natural gas, natural gas liquids ("NGL") and crude oil value chain. Its strategy is to profitably grow and create shareholder value through the acquisition and development of oil and gas infrastructure. To complement its asset base, the Corporation also markets NGL products and services to customers across North America.

The Corporation's principal place of business is Suite 900, 222 – 3rd Ave SW, Calgary, Alberta, Canada, T2P 0B4. The Corporation's common shares trade on the Toronto Stock Exchange under the symbol "TWM".

Tidewater operates its business through a number of wholly-owned subsidiaries including Tidewater Propane Inc., Tidewater Logistics Ltd., Tidewater Pipelines Ltd. and Tidewater Midstream (US) Ltd.

During the nine-month period ended September 30, 2018, Tidewater acquired an approximate 56% voting ownership in a start-up computer processing entity in consideration for access to Tidewater's existing land, infrastructure and future power generation opportunities. At the date of acquisition, the entity had nominal net assets at fair value. The results of this subsidiary are consolidated by Tidewater and the 44% ownership interests represented by other parties that do not control the entity are presented in the consolidated financial statements as non-controlling interest. The results of operations of the subsidiary, including revenue, profit and loss and total assets, represent less than 5% of the combined respective amounts of Tidewater and therefore is not considered a reportable segment.

The Corporation also has a joint venture interest in Tidewater Brazeau Gas Storage LP (note 3).

2. BASIS OF PRESENTATION

a) Statement of compliance

These condensed interim consolidated financial statements are in compliance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board. The accounting policies applied are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with the Corporation's consolidated financial statements as at and for the year ended December 31, 2017 except for the adoption of new IFRS standards, effective January 1, 2018, as described below. These condensed interim consolidated financial statements as at and for the nine-month period ended September 30, 2018 do not include all disclosures required for the preparation of annual consolidated financial statements and should be read in conjunction with the Corporation's consolidated financial statements as at and for the year ended December 31, 2017.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 12, 2018.

b) Changes in accounting pronouncements

i) *IFRS 9, "Financial Instruments"*

On January 1, 2018, the Corporation adopted IFRS 9, "Financial Instruments", which replaces IAS 36 "Financial Instruments: Recognition and Measurement". This new standard accounts for all aspects of financial instruments and includes a logical model for classification and measurement, a single forward looking 'expected-loss' impairment model and a substantially reformed approach to hedge accounting. Adoption of this new standard did not have a material impact on the Corporation's consolidated financial statements. The Corporation has adopted IFRS 9 using a retrospective approach with no impact to opening retained earnings or comparative periods.

Tidewater has revised the description of its accounting policy for financial instruments to reflect the new classification approach as follows:

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2018
(unaudited)

All tabular amounts expressed in thousands of Canadian dollars, except share information

Financial Instruments

On initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods depends on the classification of the financial instrument as described below:

Fair value through profit or loss: Financial instruments under this classification include cash, derivative contracts and investments.

Amortized cost: Financial instruments under this classification include accounts receivable, accounts payable and accrued liabilities, dividend payable, bank debt and notes payable.

ii) *IFRS 15, "Revenue from Contracts with Customers"*

On January 1, 2018, Tidewater adopted IFRS 15, "Revenue from Contracts with Customers". IFRS 15 replaces the existing revenue recognition guidance with a single comprehensive accounting model. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive when control is transferred to the purchaser. The Corporation has adopted IFRS 15 using a retrospective approach.

As a result of the adoption of IFRS 15, including the practical expedients noted below, no changes to the Corporation's comparative consolidated financial statements were required. IFRS 15 did not have a material impact on the condensed interim consolidated statement of net income and comprehensive income for the period ended September 30, 2018 or its condensed consolidated interim statement of financial position as at September 30, 2018. The revised description of its accounting policy for revenue recognition is as follows:

Revenue

Revenue is measured at the fair value of the consideration received or receivable, after eliminating intercompany sales.

Revenue from the rendering of services or the sale of goods is recognized when a specific performance obligation is satisfied through the transfer of goods or services to a customer.

In addition to the above general principal, the Corporation also applies the following specific revenue recognition policies:

i) *Gathering, processing and transportation revenue*

Gathering, processing and transportation revenue is generated through arrangements that are designed to recover operating costs and provide a return on capital. The performance obligation from this form of revenue is normally met in the period in which the services are rendered, in accordance with the applicable third-party agreements. Under these arrangements, a fee is charged per unit transported or processed, or through the recovery of operating costs for the facility based upon that customer's pro-rata share of total facility throughput. Users of each facility are charged a fee per unit based upon that customer's pro-rata share of total throughput, with an adjustment to actual costs and throughput completed after the end of each year. Revenue from take-or-pay arrangements is recognized as the service is provided or in accordance with the terms of the agreement.

Throughput volumes and operating costs are reviewed to determine whether the estimated unit fee charged properly reflects the actual volumes and costs. The allocation of revenues and operating costs to other plant owners is also reviewed. Amounts collected in excess of the recoverable amounts are recorded as a current liability and recoverable amounts in excess of the amounts collected are recorded as a current receivable.

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2018
(unaudited)

All tabular amounts expressed in thousands of Canadian dollars, except share information

Under take-or-pay contracts, the customer may not have exercised all of their contractual rights under the contract even though the Corporation would have received non-refundable consideration, thereby possibly requiring the performance of future services to the customer. Customer's make-up rights are subject to conditions, including expiry and availability of asset capacity. If material, the revenue associated with the make-up rights is deferred and a corresponding contract liability is separately disclosed in the condensed consolidated interim statement of financial position. The amount of revenue attributed to the make-up right is the amount of the non-refundable consideration received for the minimum committed volumes not utilized in the current reporting period. Revenues associated with make-up rights are recognized at the earlier of: (i) when the make-up volume is utilized; (ii) the make-up right expires; or (iii) when it is determined the likelihood that the customer will exercise its make-up right is remote. At September 30, 2018, there are no unperformed obligations pertaining to customer make-up rights.

ii) NGL Marketing and extraction revenue

The performance obligation associated with revenue from marketing NGLs is recognized when the customer takes possession of the NGLs and title has transferred to the customer based on the actual volumes sold at the delivery point. Revenue is recognized at the amount specified within the contract with the customer.

iii) Other Revenue

Other revenue relates to the production and sale of natural gas and NGLs, the retail propane business and railcar rental. Revenue from the rendering of services or the sale of goods is recognized when the performance obligation is satisfied through the transfer of goods or services to a customer at the amounts the Corporation is entitled to receive based on goods and services provided.

Tidewater has applied IFRS 15 using the following practical expedients:

For completed contracts, the Corporation has not assessed contracts that began and ended within the same annual reporting period, or that were completed at the beginning of the earliest period presented (January 1, 2017); and

For contract modifications before January 1, 2017, the Corporation did not assess contracts for such individual modifications, and instead considered the aggregate effect of all of the modifications for each contract that occurred prior to this date.

The Corporation recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

Where the consideration received from the Corporation's revenue contracts corresponds directly with the value provided to the customer, Tidewater recognizes revenue in the amount to which it has a "right to invoice" the customer. Any variable consideration associated with such contracts is recognized in the period Tidewater becomes entitled to such consideration;

Where the "right to invoice" method of revenue recognition has been applied, the Corporation has utilized the associated practical expedient that does not require disclosure of certain information related to its remaining performance obligations. Therefore, disclosure of: (1) the transaction price allocated to the remaining performance obligations, and (2) an explanation of when the Corporation expects to recognize such amounts as revenue is unnecessary for these contracts.

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2018
(unaudited)

All tabular amounts expressed in thousands of Canadian dollars, except share information

- c) Future accounting policies

IFRS 16, "Leases"

IFRS 16, "Leases", provides a single lease accounting model for lessees, which requires the recognition of most leases as finance leases on the consolidated statement of financial position resulting in a lease liability and a corresponding leased asset called right-of-use asset. On the consolidated statement of net income and comprehensive income, lease expense will be recognized consisting of two components; depreciation expense of the right-of-use asset and interest expense related to the lease liability. IFRS 16 comes into effect on January 1, 2019 and can be adopted fully retrospectively or using a modified retrospective approach. The Corporation is currently in the process of reviewing its existing leases to assess the quantitative impact of the adoption of IFRS 16 on its financial statements.

3. INVESTMENTS

The following table summarizes the Corporation's investments as at September 30, 2018:

	September 30, 2018	December 31, 2017
Investments accounted for by the equity method	\$ 2,451	\$ -
Investments at fair value	350	350
	\$ 2,801	\$ 350

During the period ended September 30, 2018, the Corporation entered into a joint arrangement with an arm's length party ("Joint Venture Partner") and formed Tidewater Brazeau Gas Storage LP (the "Partnership"), in which the Corporation shares in 50% of the net profit of the Partnership. The business of the Partnership is to own and operate a natural gas storage facility in the Brazeau area of Alberta. The initial cost of the investment was approximately \$2.5 million.

The Corporation's investment in the Partnership, of which it has joint control, is accounted for using the equity method and is initially measured at cost and is adjusted for the Corporation's share of undistributed equity earnings or loss. Equity investments are increased for contributions made to and decreased for distributions received from the investee.

As part of the arrangement, the Corporation assumed a guarantee whereby, if by February 2023, the Joint Venture Partner has not received net profit distributions, as defined in the Limited Partnership Agreement, in an aggregate amount of up to \$5 million, the Corporation will pay the difference between the net profits distributed to the Joint Venture Partner to date and \$5 million.

As part of the arrangement, the Corporation also received a call option until February 2028, to acquire all of the Partnership units from the Joint Venture Partner at an exercise price being the net present value of \$11 million less net profit distributions paid to the Joint Venture Partner to date discounted by 7.5% per annum. As a condition precedent to exercise the call option, the Partnership must repay a loan provided by the Joint Venture Partner to the Partnership in the amount of \$7.5 million.

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2018
(unaudited)

All tabular amounts expressed in thousands of Canadian dollars, except share information

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following:

	Plant and infrastructure	Assets under construction	Other	Total
COSTS				
Balance, December 31, 2016	\$ 489,752	\$ 35,829	\$ 13,207	\$ 538,788
Acquisitions	171,551	-	-	171,551
Additions	73,130	60,766	11,286	145,182
Completed projects	8,454	(8,454)	-	-
Decommissioning asset	(6,939)	-	-	(6,939)
Balance, December, 2017	\$ 735,948	\$ 88,141	\$ 24,493	\$ 848,582
Additions	40,666	143,540	19,503	203,709
Completed projects	9,978	(9,978)	-	-
Disposals	-	-	(718)	(718)
Decommissioning asset	(7,285)	-	-	(7,285)
Balance, September 30, 2018	\$ 779,307	\$ 221,703	\$ 43,278	\$ 1,044,288
ACCUMULATED DEPRECIATION				
Balance, December 31, 2016	\$ 8,828	\$ -	\$ 1,043	\$ 9,871
Depreciation	23,268	-	1,620	24,888
Balance, December, 2017	\$ 32,096	\$ -	\$ 2,663	\$ 34,759
Depreciation	27,957	-	3,917	31,874
Disposals	-	-	(51)	(51)
Balance, September 30, 2018	\$ 60,053	\$ -	\$ 6,529	\$ 66,582
Carrying amount, December 31, 2017	\$ 703,852	\$ 88,141	\$ 21,830	\$ 813,823
Carrying amount, September 30, 2018	\$ 719,254	\$ 221,703	\$ 36,749	\$ 977,706

5. BANK DEBT

On August 23, 2018, the Corporation amended its existing credit facility (the “Amended Credit Facility”) with its banking syndicate of six Canadian Financial Institutions (the “Syndicate”). Pursuant to the Amended Credit Facility, total availability under the Corporation’s credit facility increased from \$250 million to \$325 million. The Amended Credit Facility also contains an accordion feature which permits the Corporation to increase the size of the facility to an aggregate of \$350 million from \$325 million. The Amended Credit Facility matures on August 23, 2021, which may be further extended for a period of up to one year with the consent of the Syndicate.

Advances on the Amended Credit Facility may be made by way of prime rate loans, bankers’ acceptances, or standby letters of credit/guarantees. The Amended Credit Facility bears interest at a bank’s prime rate or bankers’ acceptance rate, depending on the type of advance, plus an applicable margin of 125bps to 250bps on prime rate loans, 225bps to 350bps of stamping fees related to banker’s acceptances, and 45bps to 70bps for standby fees as determined by reference to the Corporation’s consolidated debt to adjusted EBITDA ratio (as defined in the Amended Credit Facility agreement).

The Corporation is required to maintain certain financial covenants including a consolidated debt to adjusted EBITDA ratio of less than or equal to 4.50:1, consolidated senior debt to adjusted EBITDA ratio of less than or equal to 3.50:1, and a fixed charge coverage ratio greater than or equal to 1.15:1. The Corporation may include up to 10% of projected annual adjusted EBITDA attributable to material projects currently under construction based on certain criteria.

Adjusted EBITDA is defined under the Amended Credit Facility as net income (loss) plus finance costs and other, deferred income tax expense, depreciation, unrealized loss (gain) on derivative contracts, share-based compensation, foreign exchange (gains) losses, gains/losses on asset disposal, transaction costs and non-recurring transactions. Consolidated debt is defined as bank debt and notes payable and consolidated senior debt is defined as bank debt.

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2018
(unaudited)

All tabular amounts expressed in thousands of Canadian dollars, except share information

Fixed charge coverage ratio is calculated as adjusted EBITDA divided by the sum of interest expense, capitalized interest and dividends paid.

At September 30, 2018, the Corporation was in compliance with its financial covenants, reporting consolidated debt to adjusted EBITDA ratio of 3.87, consolidated senior debt to adjusted EBITDA ratio of 2.33, and fixed charge coverage ratio of 2.94.

At September 30, 2018, the Corporation had \$17.5 million of letters of credit outstanding (December 31, 2017 – \$4.0 million) which reduces the amount available for borrowing under the credit facility.

6. DECOMMISSIONING OBLIGATION

The decommissioning obligation reflects the discounted cash flows expected to be incurred to decommission the Corporation's pipeline systems, gas processing and fractionation plants, storage facilities and upstream production. The estimated economic lives of assets covered by the decommissioning provision range from 1 to 60 years. At September 30, 2018, the estimated undiscounted cash flows required to settle the obligation totaled approximately \$283.5 million, inflated at 1.75% per annum. The obligation was discounted using a risk-free rate of 2.41% (December 31, 2017 - 2.32%) per annum at September 30, 2018 based on expected timing of abandonment.

The following table summarizes changes in the decommissioning obligations:

	September 30, 2018		December 31, 2017	
Balance, beginning of period	\$	187,686	\$	76,660
Acquisitions		849		118,457
Decommissioning costs incurred		(1,942)		(2,438)
Change in discount rate		(8,134)		(6,939)
Unwinding of discount included in finance costs		3,352		1,946
Balance, end of period	\$	181,811	\$	187,686

7. SHARE CAPITAL

a) Authorized

Unlimited number of voting common shares and unlimited number of preferred shares issuable in series.

b) Issued and outstanding common shares

	Number of Shares (000s)		Amount	
Balance, December 31, 2017	328,973		\$	431,148
Issue of common shares – long-term incentive plan	340			483
Share issuance costs (net of tax)	-			(2)
Balance, September 30, 2018	329,313		\$	431,629

c) Dividends to shareholders

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Dividends declared on common shares	\$ 3,293	\$ 3,290	\$ 9,876	\$ 9,866
Dividends declared per share	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.03

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2018
(unaudited)

All tabular amounts expressed in thousands of Canadian dollars, except share information

As at September 30, 2018, dividends of \$3.3 million were payable on 329.3 million outstanding common shares at \$0.01 per share (December 31, 2017 - \$3.3 million payable on 329.0 million outstanding common shares at \$0.01 per share). The dividends were paid on October 31, 2018.

8. REVENUE AND OPERATING EXPENSES

For the three and nine-month periods ended September 30, 2018 and 2017, the Corporation operated in one operating segment: midstream and infrastructure, as the chief operating decision maker reviews operating results at this level to assess financial performance and make resource allocation decisions.

The significant categories of revenue and expense recognized during the three and nine-month periods ended September 30, 2018 and 2017 include the following:

		Gathering, processing and transportation	NGL marketing and extraction	Other	Total
Three months ended September 30, 2018					
Revenue (before intercompany eliminations)	\$	36,738	\$ 45,503	\$ 13,542	\$ 95,783
Intercompany eliminations		(6,327)	(1,615)	(7,739)	(15,681)
Revenue from external customers	\$	30,411	43,888	5,803	80,102

Operating expenses (before intercompany eliminations)	\$	18,949	\$ 43,330	\$ 12,202	\$ 74,481
Intercompany eliminations		-	(11,998)	(3,683)	(15,681)
Operating expenses from external vendors	\$	18,949	\$ 31,332	\$ 8,519	\$ 58,800

		Gathering, processing and transportation	NGL marketing and extraction	Other	Total
Three months ended September 30, 2017					
Revenue (before intercompany eliminations)	\$	27,852	\$ 25,774	\$ 8,383	\$ 62,009
Intercompany eliminations		(5,761)	(465)	(3,780)	(10,006)
Revenue from external customers	\$	22,091	25,309	4,603	52,003

Operating expenses (before intercompany eliminations)	\$	13,127	\$ 26,650	\$ 6,155	\$ 45,932
Intercompany eliminations		-	(6,361)	(3,645)	(10,006)
Operating expenses from external vendors	\$	13,127	\$ 20,289	\$ 2,510	\$ 35,926

		Gathering, processing and transportation	NGL marketing and extraction	Other	Total
Nine months ended September 30, 2018					
Revenue (before intercompany eliminations)	\$	108,691	\$ 130,553	\$ 39,526	\$ 278,770
Intercompany eliminations		(18,846)	(6,254)	(20,120)	(45,220)
Revenue from external customers	\$	89,845	124,299	19,406	233,550

Operating expenses (before intercompany eliminations)	\$	56,265	\$ 120,357	\$ 35,131	\$ 211,753
Intercompany eliminations		-	(30,902)	(14,318)	(45,220)
Operating expenses from external vendors	\$	56,265	\$ 89,455	\$ 20,813	\$ 166,533

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2018
(unaudited)

All tabular amounts expressed in thousands of Canadian dollars, except share information

Nine months ended September 30, 2017	Gathering, processing and transportation	NGL marketing and extraction	Other	Total
Revenue (before intercompany eliminations)	\$ 78,429	\$ 75,218	\$ 28,408	\$ 182,055
Intercompany eliminations	(14,829)	(2,451)	(7,093)	(24,373)
Revenue from external customers	\$ 63,600	72,767	21,315	157,682
Operating expenses (before intercompany eliminations)	\$ 36,905	\$ 75,964	\$ 19,758	\$ 132,627
Intercompany eliminations	-	(13,225)	(11,148)	(24,373)
Operating expenses from external vendors	\$ 36,905	\$ 62,739	\$ 8,610	\$ 108,254

9. FINANCE COSTS AND OTHER

Finance costs and other is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Interest on bank debt and notes payable	\$ 4,197	\$ 912	\$ 11,544	\$ 2,718
Interest capitalized ¹	(2,100)	-	(6,300)	-
Total interest expense	2,097	912	5,244	2,718
Foreign exchange (gains) losses and other	223	483	(720)	633
Total finance costs and other before non-cash expenses	\$ 2,320	\$ 1,395	\$ 4,524	\$ 3,351
Unwinding of discount on decommissioning obligation	1,151	533	3,352	1,429
Unwinding of discount on long-term debt	199	-	732	-
Other	104	-	272	-
Non-cash expenses in finance costs	1,454	533	4,356	1,429
Total finance costs and other	\$ 3,774	\$ 1,928	\$ 8,880	\$ 4,780

¹ For the three and nine-month periods ended September 30, 2018, interest was capitalized at a weighted average annualized capitalization rate of approximately 7% on funds borrowed.

10. SHARE-BASED COMPENSATION

For the three and nine-month periods ended September 30, 2018, the Corporation recorded share-based compensation expense of \$3.0 million (three-month period ended September 30, 2017 - \$2.1 million) and \$5.2 million (nine-month period ended September 30, 2017 - \$3.9 million) respectively.

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2018
(unaudited)

All tabular amounts expressed in thousands of Canadian dollars, except share information

a) Stock Options

A summary of the stock options granted and outstanding is as follows:

	Outstanding options	Weighted average exercise price
Balance, December 31, 2017	6,614,500	\$ 1.42
Granted	2,737,250	1.37
Exercised	(16,335)	1.38
Forfeited	(190,833)	1.39
Outstanding, September 30, 2018	9,144,582	\$ 1.40

For the three and nine-month periods ended September 30, 2018, the share-based compensation expense relating to stock options was \$0.4 million (three-month period ended September 30, 2017 - \$0.3 million) and \$1.2 million (nine-month period ended September 30, 2017 - \$0.9 million) respectively.

b) RSU Plan

A summary of the restricted share units issued and outstanding is as follows:

	Number of RSUs
Outstanding, December 31, 2017	8,871,556
Granted	2,403,333
Exercised	(323,123)
Forfeited	(64,879)
Outstanding, September 30, 2018	10,886,887
Exercisable, September 30, 2018	5,246,891

For the three and nine-month periods ended September 30, 2018, the share-based compensation expense relating to RSUs was \$2.2 million (three-month period ended September 30, 2017 - \$1.5 million) and \$2.8 million (nine-month period ended September 30, 2017 - \$2.4 million) respectively. The fair value of the RSUs are re-measured at each reporting date and at the date of settlement.

c) PSU Plan

The following table summarizes the PSUs outstanding:

	PSUs outstanding
Balance, December 31, 2017	\$ 1,336
Granted	473
Exercised	(688)
Forfeited	(28)
Balance, September 30, 2018	\$ 1,093

The PSUs issued to participants are held by the plan trustee and have been recorded as an employee share reserve. During the three and nine-month periods ended September 30, 2018, the share-based compensation expense relating to PSUs was \$0.2 million (three-month period ended September 30, 2017 - \$0.2 million) and \$0.5 million (nine-month period ended September 30, 2017 - \$0.3 million) respectively.

d) Employee Stock Purchase Plan (ESPP)

During the three and nine-month periods ended September 30, 2018, cash expenditures relating to the ESPP were \$0.2 million (three-month period ended September 30, 2017 - \$0.1 million) and \$0.7 million (nine-month period ended September 30, 2017 - \$0.3 million) respectively.

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2018
(unaudited)

All tabular amounts expressed in thousands of Canadian dollars, except share information

11. EARNINGS PER SHARE ATTRIBUTABLE TO COMMON SHAREHOLDERS

	Three months ended September 30, 2018			Three months ended September 30, 2017		
	Net income (loss)	Common shares (000s)	Net income (loss) per share	Net income (loss)	Common shares (000s)	Net income (loss) per share
Net income (loss) attributable to shareholders - basic	\$ (988)	329,193	\$ (0.00)	\$ (38)	328,961	\$ (0.00)
Dilutive effect of share awards	-	10,905	-	-	8,910	-
Net income (loss) attributable to shareholders - diluted	\$ (988)	340,098	\$ (0.00)	\$ (38)	337,871	\$ (0.00)

For the three-month period ended September 30, 2018, 7.6 million share awards were anti-dilutive (three-month period ended September 30, 2017 – 5.5 million).

	Nine months ended September 30, 2018			Nine months ended September 30, 2017		
	Net income	Common shares (000s)	Net income (loss) per share	Net income	Common shares (000s)	Net income (loss) per share
Net income attributable to shareholders - basic	\$ 7,033	329,153	\$ 0.02	\$ 12,351	326,827	\$ 0.04
Dilutive effect of share awards	-	10,965	-	-	8,972	-
Net income attributable to shareholders - diluted	\$ 7,033	340,118	\$ 0.02	\$ 12,351	335,799	\$ 0.04

For the nine-month period ended September 30, 2018, 7.8 million share awards were anti-dilutive (nine-month period ended September 30, 2017 – 5.5 million).

12. SUPPLEMENTAL CASH FLOWS INFORMATION

a) Changes in non-cash working capital

Changes in non-cash working capital from operating activities were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Accounts receivable	\$ (14,026)	\$ 2,096	\$ (25,799)	\$ (4,907)
Prepaid expenses and other	(4,943)	(376)	(7,120)	(1,872)
Accounts payable and accrued liabilities	10,269	(13,515)	(19,923)	(1,691)
Change in non-cash working capital from operating activities	\$ (8,700)	\$ (11,795)	\$ (52,842)	\$ (8,470)

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2018
(unaudited)

All tabular amounts expressed in thousands of Canadian dollars, except share information

Changes in non-cash working capital from investing activities were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Accounts payable and accrued liabilities	\$ 11,949	\$ 11,313	\$ 53,418	\$ (6,039)
Prepaid expenses and other	399	(6,274)	(4,349)	(7,099)
Change in non-cash working capital from investing activities	\$ 12,348	\$ 5,039	\$ 49,069	\$ (13,138)

(b) Interest paid

During the three and nine-month periods ended September 30, 2018, total interest and financing charges paid, prior to capitalization, was \$2.4 million (three-month period ended September 30, 2017 - \$0.9 million) and \$9.5 million (nine-month period ended September 30, 2017 - \$2.7 million) respectively.

13. COMMITMENTS

The Corporation had the following commitments at September 30, 2018:

	Within 1 year	After 1 year but not more than 5 years	More than 5 years	Total
Rail car and vehicle leases	\$ 3,397	\$ 3,270	\$ -	\$ 6,667
Office and building lease	1,023	2,653	-	3,676
Firm transportation contracts	5,469	33,131	26,648	65,248
Total	\$ 9,889	\$ 39,054	\$ 26,648	\$ 75,591

On September 28, 2018, the Corporation entered into definitive agreements for the construction, operation and tolls payable with respect to a pipeline connecting the Corporation's Brazeau River Complex to TransAlta Corporation's ("TransAlta") generating units at Sundance and Keephills Alberta. TransAlta has an option to participate in the pipeline by acquiring up to a 50% ownership interest in the project.

14. FINANCIAL RISK MANAGEMENT

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

This note presents information about the Corporation's exposure to each of the above risks, and the Corporation's objectives, policies and processes for measuring and managing these risks.

a) Fair value

Financial instruments include cash, accounts receivable, investments, derivative contracts, accounts payable and accrued liabilities, dividends payable, interest payable, bank debt and notes payable.

The Corporation classifies fair value of financial instruments according to the following hierarchies based on the amount of observable inputs used to value the instruments:

- Level 1 – values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2018
(unaudited)

All tabular amounts expressed in thousands of Canadian dollars, except share information

- Level 2 – values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3 – values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The Corporation has used Level 1 to determine the fair value of cash. The Corporation has used Level 2 to determine the fair value of its investments and derivative contracts. The fair value is derived with reference to commodity and currency price curves. The fair value of the embedded financial instruments in the Corporation's investment is accounted for by the equity method as disclosed in note 3, using a Level 3 hierarchy.

At September 30, 2018, the fair value of accounts receivable, accounts payable and accrued liabilities, dividends payable and interest payable on notes payable approximated their carrying value due to their short-term maturity. The carrying value of the outstanding bank debt approximated its fair value due to the use of floating interest rates.

At September 30, 2018, the fair value of the Corporation's notes payable was approximately \$119.4 million and is based on third party estimates for similar issues or current rates offered to Tidewater for debt of the same maturity under Level 2 of the fair value hierarchy. Although the Corporation is not subject to cash flow risk with respect to its fixed interest rate payments, the fair value of the notes payable will be affected by changes in applicable market interest rates. As interest rates rise the fair value of the notes payable will decrease. The magnitude of the change will generally be greater for long-term loans than short-term loans.

b) 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. The maximum exposure to credit risk at September 30, 2018 is as follows:

	September 30, 2018	December 31, 2017
Cash	\$ 14,663	\$ 52,494
Accounts receivable	81,217	55,632
Investments	2,801	350
	\$ 98,681	\$ 108,476

Cash consists of amounts on deposit with Canadian chartered banks. The Corporation manages credit exposure of cash by selecting financial institutions with high credit ratings.

The Corporation's accounts receivable relates to amounts due from natural gas processing and NGL marketing customers as well as the Corporation's joint interest partners. The Corporation reviews accounts receivable on a regular basis and uses an expected lifetime credit loss model for impairment.

d) 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, and other sources of financing will be sufficient to meet its obligations and financial commitments and will provide sufficient funding for anticipated capital expenditures. The Corporation manages liquidity risk by managing bank credit facilities and continuously monitoring forecast models to actual cash flows.

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2018
(unaudited)

All tabular amounts expressed in thousands of Canadian dollars, except share information

The following details the contractual maturities of the Corporation's operating financial liabilities as at September 30, 2018:

	September 30, 2018		December 31, 2017	
	Less than 1 year	Greater than 1 year	Less than 1 year	Greater than 1 year
Accounts payable and accrued liabilities	\$ 110,087	\$ -	\$ 76,592	\$ -
Derivative contracts	1,933	799	3,503	528
Dividend payable	3,293	-	3,290	-
Interest payable	2,404	-	301	-
Incentive compensation	9,747	1,130	6,963	1,581
Bank debt	-	181,050	-	60,000
Notes payable	-	122,077	-	121,708
	\$ 127,464	\$ 305,056	\$ 90,649	\$ 183,817

e) 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 program is to manage and control market risk exposures within acceptable parameters, while maximizing the Corporation's return.

i. 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, 2018, the Corporation had bank debt totalling \$181 million (September 30, 2017 - \$89.5 million), and therefore a 1% change in the interest rate on bank debt would have had an after-tax impact of \$1.0 million on net income for the nine-month period ended September 30, 2018 (nine-month period ended September 30, 2017 - \$0.5 million).

ii. 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 Dollars (USD). The Corporation continuously monitors exchange rate trends and economic conditions. At September 30, 2018, working capital balances denominated in USD were \$1.9 million (September 30, 2017 - nominal). A 5% change in foreign exchange rates between the USD and the Canadian Dollar would have an after-tax impact of \$0.1 million on net income for the nine-month period ended September 30, 2018 (nine-month period ended September 30, 2017 - nominal).

iii. 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 and derivative contract liabilities.

A 10% change in the market price of the Corporation's common shares, related to the Corporation's incentive compensation liability, would have an impact on net income of \$1.1 million for the nine-month period ended September 30, 2018 (nine-month period ended September 30, 2017 - \$0.7 million).

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine-month periods ended September 30, 2018
(unaudited)

All tabular amounts expressed in thousands of Canadian dollars, except share information

A 10% change in commodity prices, related to the Corporation's derivative contract liability, would have an after-tax impact on net income of \$0.2 million for the nine-month period ended September 30, 2018 (nine-month period ended September 30, 2017 - \$0.1 million).

15. RELATED PARTY TRANSACTIONS

During the three and nine-month periods ended September 30, 2018, the Corporation incurred the following related party transactions with private companies that have some shareholders and directors in common and its Joint Venture Partner:

- a) Earned net revenue of \$2.5 million (three-month period ended September 30, 2017 - \$2.9 million) and \$7.0 million (nine-month period ended September 30, 2017 - \$9.1 million) respectively,
- b) Incurred operating expenses of \$1.7 million (three-month period ended September 30, 2017 - \$1.0 million) and \$2.9 million (nine-month period ended September 30, 2017 - \$2.7 million) respectively.

Of the total net amount incurred, \$6.1 million remains as prepaid expenses and other and \$3.4 million remains as net accounts receivable at September 30, 2018.

Transactions involving related parties are in the normal course of business and are recorded at market rates.