

FORM 51-102F3

MATERIAL CHANGE REPORT

1. **Name and Address of Company**

Tidewater Midstream and Infrastructure Ltd. ("Tidewater" or the "Corporation")
Suite 900, 222 - 3rd Avenue SW
Calgary, AB, T2P 0B4

2. **Date of Material Change**

October 4, 2019

3. **Report**

The report was disseminated on October 4, 2019 through Cision and subsequently filed on SEDAR.

4. **Summary of Material Change**

The Corporation announces strategic expansion of its liquids value chain with the acquisition of Prince George refinery.

5.1 **Full Description of Material Change**

The Corporation announced that it has entered into a purchase and sale agreement ("PSA") to acquire Husky Energy Inc.'s ("Husky") light oil refinery located at Prince George, British Columbia ("B.C.") (the "Acquisition") thereby expanding Tidewater's liquids value chain.

The Prince George Refinery ("PGR") is a 12.0 Mbb/d light oil refinery that predominantly produces low sulfur diesel and gasoline, in addition to other products, to supply the greater Prince George region. PGR has significant onsite storage capacity of greater than 1.0 MMbbl and flexible logistics, with pipeline, rail and truck connectivity in place. The Prince George region is generally in short supply of refined products. The PGR's location within the Prince George region makes it a critical piece of infrastructure with a significant logistical advantage to address the demand for these products.

The Acquisition purchase price is \$215 million (subject to closing adjustments) plus acquired inventory (estimated at approximately \$62 million, primarily related to light oil feedstock, line fill and refined product in storage). Transaction costs and taxes are estimated at \$11 million. The purchase price is also subject to contingency payments as further described below.

Tidewater intends to finance the Acquisition through an increase of its existing credit facility up to \$600 million and a \$100 million second lien term loan.

PGR reported Adjusted EBITDA of approximately \$100 million in 2018 and Tidewater management estimates PGR 2020 Adjusted EBITDA of \$75 million, which implies an attractive acquisition multiple of 2.9x Adjusted EBITDA prior to synergies⁽¹⁾. Tidewater expects this transaction to be over 50% accretive to distributable cash flow in the first full year of operations based on Tidewater management's estimates. Overall the Acquisition provides improved future distributable cash flow per share which is expected to reduce the Company's debt levels.

Tidewater has entered into a 5-year offtake agreement with Husky for 90% of the nameplate capacity on diesel and gasoline volumes produced at PGR. The offtake agreement reflects certain take-or-pay characteristics relating to committed volumes that Husky has agreed to purchase and contains pricing review mechanisms.

The obligations of Tidewater and Husky to complete the Acquisition are subject to a number of closing conditions, including approval under the *Competition Act* (Canada). The Acquisition is expected to close

in the fourth quarter of 2019 and is effective upon closing.

PGR Asset is a Highly Strategic Vertical Expansion of Tidewater's Supply Chain with Attractive Investment Rationale

- Regional demand is robust and short supply of refined product, having historically been driven by local energy intensive industries including forestry, mining and oil and gas. Tidewater expects demand to continue to be strong as various large-scale infrastructure projects are developed in B.C.
- Current crude oil/condensate feedstock for the PGR can be supplied by existing light oil and condensate production from B.C. and Alberta, which Tidewater can readily access with its existing and planned midstream footprint, including the recently commissioned Pipestone Sour Gas Plant ("Pipestone"). Crude oil feedstock is currently delivered by pipeline from Taylor, B.C. PGR has optionality to receive feedstock supply by pipeline, rail and truck.
- PGR product yields of approximately 45% diesel and approximately 40% gasoline are primarily sold through Husky retail gas stations and via exchange agreements with other Husky retail partners, in addition, approximately 15% of additional yields are LPG and heavy fuel oil.

Visible Synergistic Opportunities through Expanding Tidewater's Liquids Value Chain

- Pipestone is projected to produce 15.0 Mbbbl/d of 45° API condensate and, correspondingly, 45° API condensate is the optimal and current feedstock for the 12.0 Mbbbl/d PGR. PGR's top two customers are two of Tidewater's customers at Pipestone. There is a significant overlap between producers supplying the PGR and the counterparties that are committed as customers of Pipestone.
- PGR will provide value-add liquids services to existing clients and help capture premium pricing optionality for the approximate 15.0 Mbbbl/d of liquids processing at Pipestone, which are optimally suited to be used as refinery feedstock.
- Tidewater plans to utilize its crude by rail infrastructure to transport incremental inputs to PGR should economic/arbitrage opportunities present themselves.
- Future optionality exists around transforming the PGR and the related 1.0 MMbbl of storage into a long-term tolling and infrastructure asset supported by long-term contracts and customers. Options could include long-term storage contracts as well as longer-term agreements with producers for fixed tolls where producers realize the benefit of having exposure to diesel and gasoline prices.

Key Terms of the Acquisition

- The Acquisition has a base purchase price of \$215 million, an incremental inventory payment of approximately \$62 million and is subject to a number of closing conditions.
- In the event PGR's Adjusted EBITDA exceeds \$100 million in 2020 or 2021, Tidewater will pay Husky 50% of the incremental Adjusted EBITDA above the \$100 million threshold, up to a maximum of \$30 million per year.
- Tidewater plans to retain 100% of the core asset team at PGR, which has demonstrated a successful operating track record, top-decile safety standards, and an average management experience of 18 years at the facility.
- Tidewater has entered into a 5-year offtake agreement with Husky for 90% of the nameplate capacity on diesel and gasoline volumes produced at PGR. The offtake agreement reflects certain take-or-pay characteristics relating to committed volumes that Husky has agreed to purchase and contains pricing review mechanisms.

Credit Facility and Term Loan

In conjunction with the Acquisition and the operational update, Tidewater has received approval, subject to satisfactory completion of documentation, to expand its current credit facility from \$350 million to \$420 million and will receive a subsequent increase to \$600 million at the time of closing of the

Acquisition.

Also in conjunction with the Acquisition, Tidewater has received approval for \$100 million second lien term loan, through ATB Financial subordinated to the senior credit facility, which matures on October 21, 2022 and bears interest at a bankers' acceptance rate + 450 bps ("ATB Term Loan"). Interest on the ATB Term Loan will increase at a rate of 50 bps per quarter to a maximum of the bankers' acceptance rate + 750 bps.

Advisors

National Bank Financial Inc. and CIBC World Markets are acting as Financial Advisors to Tidewater with respect to the Acquisition and AltaCorp Capital Corp. is acting as a Strategic Advisor to the transaction.

Notes:

1. PGR 2018 Adjusted EBITDA of approximately \$100 million is derived from historical financial information provided by Husky. Proforma 2020 Adjusted EBITDA of \$75 million takes into account historical performance, long-term operating views, volatility, variability and cyclicalities associated with refineries. Acquisition multiple of 2.9x excludes potential contingent payments, closing adjustments as well as inventory adjustments.
2. See "Non-GAAP Measures" section for more information.

Non-GAAP Measures

This report refers to Adjusted EBITDA, net debt and distributable cash flow which are supplemental financial measures ("Non-GAAP Measures") that do not have standardized meanings under International Financial Reporting Standards ("IFRS") representing GAAP. Since Non-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 regulators require that Non-GAAP Measures are clearly defined, qualified and reconciled to their nearest GAAP measure. These Non-GAAP Measures are 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 measures is to provide additional useful information respecting Tidewater's financial and operational performance to investors 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 Measures differently.

Investors should be cautioned that these measures should not be construed as alternatives to revenue, earnings, cash flow from operating activities, gross profit or other measures of financial results determined in accordance with GAAP as an indicator of Tidewater's performance. For additional information regarding Non-GAAP Measures, please refer to Tidewater's financial reports, which are available on SEDAR at www.sedar.com.

Adjusted EBITDA

2020E Adjusted EBITDA for Tidewater standalone is further described in the Company's corporate presentation, which can be found on the Company's website.

Net Debt

Net debt is defined as bank debt plus notes payable plus convertible debentures, less cash. 2019E net debt is based on estimated net debt at September 30, 2019 adjusted for estimated Q4 2019 capital expenditures, estimated Q4 2019 cash flow and dividends. Additional debt incurred on the closing date of the Acquisition is estimated to be approximately \$288 million.

Distributable Cash Flow

2020E distributable cash flow for Tidewater standalone is calculated as Adjusted EBITDA (as described above) less interest expense, lease payments and maintenance capital expenditures of approximately \$65 million. 2020E distributable cash flow for Proforma PGR is calculated as Tidewater standalone (as described above) plus PGR Adjusted EBITDA of \$75 million less additional interest expense, lease payments and maintenance capital expenditures of approximately \$30 million.

Note Regarding Forward Looking Statements

This report contains forward-looking statements within the meaning of applicable Canadian securities laws. These statements relate to future events or Tidewater's future performance. All statements other than statements of historical fact may be forward-looking statements. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "plan", "intend" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are often, but not always, identified by such words. 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. Tidewater believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this report should not be unduly relied upon. These statements speak only as of the date of this report.

In particular, this report contains forward-looking statements with respect to: the anticipated Acquisition of the PGR; positioning of the PGR as a logistical advantage to address demand for refined products; estimated Adjusted EBITDA to be generated by the PGR; expectations regarding accretion of the Acquisition; expectations regarding Adjusted EBITDA and distributable cash flows from the 5-year offtake agreement; expectations to finance the Acquisition through an increased credit facility; projections regarding demand for refined products; projections regarding future supply of feedstock to the PGR; estimated production from Pipestone; plans to use crude-by-rail infrastructure to transport feedstock to the PGR; future plans with respect to the PGR and potential for long-term contracts with customers; payment of purchase price to close the Acquisition and satisfaction of the terms thereof; plans to retain current personnel at the PGR; expectations to purchase adequate insurance for the PGR; estimated net debt; projected increases to Tidewater's credit facility; integration of the Acquisition into Tidewater's existing corporate strategy; and projected processing capacity of the Pipestone Gas Plant and projections regarding ramp up to such capacity.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the following risk factors: the future performance of the PGR; failure to achieve the expected benefits of the Acquisition and to efficiently integrate the PGR; the potential for liabilities assumed in the Acquisition to exceed Tidewater's estimates or for material undiscovered liabilities in the PGR; the potential for third parties to terminate or alter their agreements or relationships with Tidewater or the PGR as a result of the Acquisition; the impact of the substantial additional indebtedness Tidewater will incur to finance the Acquisition; Tidewater's ability to close the Acquisition on the proposed terms and within the anticipated time periods, or at all; general economic, political, market and business conditions, including fluctuations in interest rates, foreign exchange rates and stock market volatility; effects of weather conditions; activities of producers, competitors, customers and others; operational matters, including potential hazards inherent in Tidewater's operations and the effectiveness of health, safety, environmental and integrity programs; fluctuations in commodity prices, inventory levels and supply/demand trends; that receipt of third party, regulatory, environmental and governmental approvals and consents relating to the Acquisition and Tidewater's other capital projects can be obtained on the necessary terms and in a timely manner; cost overrun on capital projects; losses of key customers; actions by governmental authorities, including changes in government regulation, tariffs and taxation; changes in operating and capital costs, including fluctuations in input costs; changes in environmental and other laws and regulations or the interpretations of such laws or regulations; the amount of future liabilities relating to lawsuits and environmental incidents and the availability of coverage under Tidewater's insurance policies, if any; changes in laws or regulations or the interpretations of such laws or regulations; the regulatory environment and decisions, and First Nations and landowner consultation requirements; activities of other facility owners, including access to third party facilities; actions by joint venture partners or other partners which hold interests in Tidewater's assets; the ability to secure land and water, including obtaining and maintaining land access rights; competition for, among other things, business, capital, acquisition opportunities, requests for proposals, materials, equipment, labour and skilled personnel; legal risks and environmental risks and hazards, including risks inherent in the transportation of NGLs which may create liabilities to Tidewater in excess of Tidewater's insurance coverage, if any; fluctuations in the supply and demand for NGLs and iso-octane; failure of third parties' reviews, reports and projections to be accurate, including those relating to the Acquisition; construction and engineering variables associated with capital projects, including the availability of contractors, materials, engineering and construction services, accuracy of estimates and schedules, and the performance of contractors; the availability of capital on acceptable terms; changes in the credit-worthiness of counterparties; credit risks; viability of counterparties and take-or-pay arrangements; that counterparties will comply with contracts in a timely manner; adverse claims made in respect of Tidewater's properties or assets; risks and liabilities associated with the transportation of dangerous goods; unexpected cost increases, potential disruptions or unexpected technical difficulties in developing new facilities or projects and constructing or modifying processing facilities; reputational risks; reliance on key personnel; technology and security risks, including cybersecurity; potential losses which would stem from any disruptions in production, including work stoppages or other labour difficulties, or disruptions in the transportation network on which Tidewater is reliant; technical and processing problems, including the availability of equipment and access to properties; changes in gas composition; failure to realize the anticipated benefits of recently completed acquisitions; and other factors, many of which are beyond the control of Tidewater, some of which are discussed under the section "*Risk Factors*" in Tidewater's Annual Information Form for the year ended December 31, 2018, which is available on SEDAR at www.sedar.com.

Although the forward-looking statements contained in this report are based upon assumptions which Tidewater believes to be reasonable, Tidewater cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward-looking statements contained in this report, Tidewater has made assumptions regarding, among other things: completion of the Acquisition; the ability of Tidewater to satisfy the conditions precedent in the Amended Credit Facility to increase the amounts available thereunder to permit the Acquisition; the satisfaction of all conditions to closing the Acquisition; general economic and industry trends; fluctuations or future natural gas, crude oil and NGL prices; Tidewater's ability to obtain and retain qualified staff and equipment in a timely and cost-effective

manner; the impact of increasing competition; operating costs and the amount of operating costs to be incurred; construction schedules and costs, including the availability and cost of materials and service providers; processing and marketing margins; future capital expenditures to be made by Tidewater; the ability to obtain additional debt and/or equity financing on satisfactory terms; availability of capital to fund future capital requirements relating to existing assets and projects; the ability of Tidewater to successfully market its products; Tidewater's future debt levels and the ability of Tidewater to repay its debt when due; foreign currency, fluctuations in currency and exchange and interest rates; projected capital investment levels and the successful and timely implementation of capital projects; anticipated timelines and budgets being met in respect of Tidewater's projects and operations; that any third-party projects relating to Tidewater's growth projects will be sanctioned and completed as expected; that any required commercial agreements can be negotiated and completed; distributable cash flow and net cash provided by operating activities consistent with expectations; oil and gas industry expectation and development activity levels and the geographic region of such activity; the ability of Tidewater to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its evaluations and activities; and, the timely receipt of required regulatory approvals.

Although Tidewater believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Tidewater cannot guarantee future results, levels of activity, performance, or achievements. Moreover, Tidewater does not assume responsibility for the accuracy and completeness of the forward-looking statements. Tidewater's actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that Tidewater will derive therefrom. Tidewater disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement.

Financial outlook information contained in this report about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. Readers are cautioned that such financial outlook information contained in this report should not be used for purposes other than for which it is disclosed herein.

5.2 Disclosure for Restructuring Transactions

Not Applicable.

6. Reliance on Section 7.1(2) of National Instrument 51-102

Not Applicable.

7. Omitted Information

None.

8. Executive Officer

The name of the executive officer of the Corporation who is knowledgeable about the material change and this report is:

Joel MacLeod
Chairman, President and CEO
Phone: 587-475-0210
Email: jmacleod@tidewatermidstream.com

9. Date of Report

October 11, 2019