



TIDEWATER
Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Financial Statements

For the three and nine month periods ended September 30, 2020

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

(all tabular amounts expressed in thousands of Canadian dollars)

As at	Notes	September 30, 2020	December 31, 2019
Assets			
Current			
Cash		\$ 10,929	\$ 5,785
Accounts receivable		193,852	172,252
Derivative contracts		694	574
Inventory	3	27,651	57,796
Prepaid expenses and other		27,016	20,680
Assets held for sale	5	102,417	-
		362,559	257,087
Derivative contracts		439	252
Investments	4	53,951	53,825
Finance lease receivable		340	709
Right-of-use assets	6	110,581	87,921
Inventory	3	37,117	23,726
Property, plant and equipment	7	1,483,547	1,606,127
Total assets		\$ 2,048,534	\$ 2,029,647
Liabilities			
Current			
Accounts payable and accrued liabilities		\$ 260,586	\$ 263,513
Derivative contracts		15,245	1,892
Dividend payable	13(c)	3,386	3,374
Interest payable	9,10	2,398	1,951
Lease liabilities	12	45,850	41,849
Liabilities associated with assets held for sale	5	866	-
		328,331	312,579
Bank debt	8	666,485	648,970
Notes payable	9	123,346	122,831
Convertible debentures	10	67,004	65,789
Derivative contracts		36,716	2,274
Deferred tax liabilities		14,902	32,256
Decommissioning obligation	11	256,198	260,215
Lease liabilities and other	12	153,349	132,694
Total liabilities		1,646,331	1,577,608
Equity			
Non-controlling interest		2,329	3,393
Shareholders' equity			
Share capital	13	441,744	440,995
Employee share reserve		17,015	14,465
Convertible debentures (equity component)	10	4,911	4,911
Retained earnings (accumulated deficit)		(63,796)	(11,725)
Total shareholders' equity		399,874	448,646
Total shareholders' equity and non-controlling interest		402,203	452,039
Total liabilities and equity		\$ 2,048,534	\$ 2,029,647

Commitments (note 19)

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.

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

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

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Revenue	14	\$ 273,461	\$ 147,045	\$ 704,493	\$ 426,021
Expenses					
Operating expenses	14	234,401	135,262	591,206	380,234
General and administrative		5,177	3,637	12,768	10,231
Share-based compensation	16	1,711	1,656	5,522	7,361
Depreciation		22,683	17,552	67,355	46,380
Total expenses		263,972	158,107	676,851	444,206
Operating income (loss)		9,489	(11,062)	27,642	(18,185)
Other expenses (income)					
Finance costs and other	15	16,533	8,737	55,459	16,139
Realized gain on derivative contracts		(9,571)	(15,270)	(24,274)	(31,943)
Unrealized loss (gain) on derivative contracts		441	(17,647)	47,488	5,647
Realized loss (gain) on sale of assets	7	10,726	(2,069)	7,686	(3,353)
Income from equity investment	4	(2,439)	(1,848)	(260)	(1,431)
Transaction costs		954	893	1,218	1,967
Total other expenses (income) before tax		16,644	(27,204)	87,317	(12,974)
Earnings (loss) before income tax		(7,155)	16,142	(59,675)	(5,211)
Deferred income tax expense (recovery)		(4,722)	5,465	(16,687)	(4,016)
Net income (loss) and comprehensive income (loss)		\$ (2,433)	\$ 10,677	\$ (42,988)	\$ (1,195)
Net income (loss) and comprehensive income (loss) attributable to:					
Shareholders of the Corporation		(1,982)	11,045	(41,924)	(176)
Non-controlling interest		(451)	(368)	(1,064)	(1,019)
		\$ (2,433)	\$ 10,677	\$ (42,988)	\$ (1,195)
Net income (loss) per share attributable to common shareholders – basic and diluted	17	\$ (0.01)	\$ 0.03	\$ (0.12)	\$ (0.00)

See the accompanying notes to the condensed interim consolidated financial statements

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

(all tabular amounts expressed in thousands of Canadian dollars)

	Notes	September 30, 2020	September 30, 2019
Non-controlling interest			
Balance, beginning of period		\$ 3,393	\$ 4,900
Net income (loss)		(1,064)	(1,019)
Balance, end of period		\$ 2,329	\$ 3,881
Share capital			
Balance, beginning of period		\$ 440,995	\$ 433,714
Issue of common shares	13(b)	760	4,749
Share issue costs (net of tax)	13(b)	(11)	(15)
Balance, end of period		\$ 441,744	\$ 438,448
Employee share reserve			
Balance, beginning of period		\$ 14,465	\$ 3,378
Issue of common shares		(760)	(19)
Share-based compensation		3,310	2,745
RSU plan amendment		-	11,160
Balance, end of period		\$ 17,015	\$ 17,264
Convertible debentures (equity component)			
Balance, beginning of period		\$ 4,911	\$ -
Issue of convertible debentures	10	-	6,749
Share issue costs (net of tax)		-	(1,838)
Balance, end of period		\$ 4,911	\$ 4,911
Retained earnings (accumulated deficit)			
Balance, beginning of period		\$ (11,725)	\$ 15,611
Net income (loss)		(41,924)	(176)
Dividends declared	13(c)	(10,147)	(9,969)
Balance, end of period		\$ (63,796)	\$ 5,466
Total shareholders' equity and non-controlling interest		\$ 402,203	\$ 469,970

See the accompanying notes to the condensed interim consolidated financial statements

Tidewater Midstream and Infrastructure Ltd.
Condensed Interim Consolidated Statements of Cash Flows (unaudited)

(all tabular amounts expressed in thousands of Canadian dollars)

	Notes	Three months ended		Nine months ended	
		September 30, 2020	2019	September 30, 2020	2019
Cash provided by (used in):					
Operating activities					
Net income (loss) for the period		\$ (2,433)	\$ 10,677	\$ (42,988)	\$ (1,195)
Adjustments:					
Non-cash share-based compensation		853	1,445	3,310	6,033
Depreciation	6,7	22,683	17,552	67,355	46,380
Interest and financing charges	15	11,937	4,075	35,480	8,100
Accretion	15	6,009	3,883	18,540	7,410
Unrealized loss (gain) on derivative contract		441	(17,647)	47,488	5,647
Unrealized gain on foreign exchange	15	(1,393)	525	1,681	(365)
Income from equity investment	4	(2,439)	(1,848)	(260)	(1,431)
Deferred income tax expense (recovery)		(4,722)	5,465	(16,687)	(4,016)
Loss (gain) on asset disposal	7	10,726	(2,069)	7,686	(3,353)
Decommissioning costs incurred	11	(104)	(183)	(3,045)	(3,111)
Changes in non-cash working capital	18	22,432	(24,279)	32,405	(36,798)
<i>Net cash provided by (used in) operating activities</i>		63,990	(2,404)	150,965	23,301
Financing activities					
Advances (repayments) of bank debt		(9,590)	13,350	17,453	108,400
Payment of lease liabilities and other		(14,751)	(6,318)	(40,882)	(12,580)
Sublease payments received		50	296	403	468
Change in contribution liability and other		-	-	-	192,500
Interest and financing charges paid, net		(10,844)	(3,554)	(35,283)	(7,587)
Proceeds from issuance of shares, net		-	(112)	(11)	(68)
Proceeds from issuance of convertible debentures, net		-	71,805	-	71,805
Payment of dividends	13(c)	(3,384)	(3,311)	(10,135)	(9,928)
<i>Net cash provided by (used in) financing activities</i>		(38,519)	72,156	(68,455)	343,010
Investing activities					
Additions to property, plant and equipment	7	(24,799)	(80,456)	(50,532)	(423,743)
Proceeds received on contribution to joint venture		-	30,000	-	30,000
Proceeds from asset disposal		6,457	5,069	20,127	11,629
Changes in non-cash working capital	18	(8,944)	(24,592)	(46,961)	14,750
<i>Net cash used in investing activities</i>		(27,286)	(69,979)	(77,366)	(367,364)
Increase (decrease) in cash		(1,815)	(227)	5,144	(1,053)
Cash at beginning of period		12,744	5,141	5,785	5,967
Cash at end of period		\$ 10,929	\$ 4,914	\$ 10,929	\$ 4,914

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 months ended September 30, 2020 and 2019 (unaudited)
(all tabular amounts expressed in thousands of Canadian dollars, except per 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 achieve its business objective, Tidewater is focused on 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, storage and downstream facilities. To complement its asset base, the Corporation also markets crude, refined product, natural gas and 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 has joint venture interests in Tidewater Brazeau Gas Storage LP and Tidewater Pipestone Infrastructure LP, and a joint operation in Pioneer Pipeline LP (notes 4 and 5). The Corporation's common shares trade on the Toronto Stock Exchange under the symbol "TWM".

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, 2019, other than those for which the transition is specified by the adoption of a new IFRS standard and included below. These condensed interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2020 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, 2019.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 11, 2020.

b) Accounting policies

Assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable, and the asset is available for immediate sale in its present condition. For the sale to be highly probable, management must be committed to sell the asset and an active program to locate a buyer and complete the sale must have been initiated. The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value and the sale should be expected to be completed within one year from the date of classification. Assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs of disposal, with impairments recognized in the income (loss) in the period measured. Assets held for sale are not depreciated.

c) Estimation and judgments due to COVID-19 pandemic

The spread of the coronavirus (COVID-19) pandemic has caused significant volatility in Canada, the United States and international markets. While the Corporation has taken proactive measures to protect its operations, given the ongoing dynamic nature of the circumstances surrounding COVID-19, the impact of this pandemic on the Corporation's business remains uncertain. The uncertainties increase the complexity of estimates and judgments used to prepare the condensed interim consolidated financial statements, in areas such as: i) the identification of triggering events for the impairments of property, plant and equipment; ii) fair value measurements of derivative contracts; iii) analysis of external credit losses; and iv) recoverable amounts for inventory.

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019 (unaudited)
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Changes to these assumptions could result in a material adjustment to the carrying amount of the Corporation's assets and liabilities within the next financial year. The Corporation did not have any triggers for impairment on its property, plant and equipment nor any write-down of its inventory during the nine-month period ended September 30, 2020.

3. INVENTORY

The following table summarizes the Corporation's inventory:

	September 30, 2020	December 31, 2019
Crude and refined petroleum products	\$ 13,769	\$ 39,371
Materials and supplies	6,323	4,776
Marketing inventory	7,559	13,649
Total current inventory	27,651	57,796
Long-term inventory	37,117	23,726
Total inventory	\$ 64,768	\$ 81,522

At September 30, 2020 and December 31, 2019 all inventory was carried at cost and \$NIL was carried at net realizable value. The Corporation did not recognize any write-down of inventory during the three and nine months ended September 30, 2020 and 2019. Long-term inventory consists of linefill and tank bottoms.

4. INVESTMENTS

The following table summarizes the Corporation's investments, which are accounted for by the equity method:

	September 30, 2020	December 31, 2019
Investment in Tidewater Brazeau Gas Storage LP	\$ 409	\$ 1,925
Investment in Tidewater Pipestone Infrastructure LP	53,542	51,900
Total investments	\$ 53,951	\$ 53,825

Summarized financial information of the Tidewater Brazeau Gas Storage LP and Tidewater Pipestone Infrastructure LP is as follows (presented at 100 percent):

Net Income and Comprehensive Income

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Revenue	\$ 5,904	\$ 3,994	\$ 12,338	\$ 6,048
Operating expenses	(2,264)	(651)	(7,485)	(2,794)
Depreciation	(544)	(576)	(1,628)	(721)
Finance costs and other	(582)	(1,062)	(4,167)	(1,662)
Net income (loss) and comprehensive income (loss)	\$ 2,514	\$ 1,705	\$ (942)	\$ 871
Net income (loss) and comprehensive income (loss) attributable to Tidewater	2,439	1,848	260	1,431

Statement of Financial Position

	September 30, 2020	December 31, 2019
Current assets	\$ 8,793	\$ 6,574
Non-current assets	126,233	124,441
Current liabilities	14,799	7,060
Non-current liabilities	67,521	70,124

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and 2019 (unaudited)

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5. ASSETS HELD FOR SALE

On October 1, 2020, the Corporation announced that it had entered into a definitive Purchase and Sale Agreement with respect to the previously announced sale of its 50 per cent interest in the Pioneer Pipeline to ATCO Gas and Pipelines Ltd. ("ATCO") (the "Transaction"). The purchase price of \$255 million represents both Tidewater's and TransAlta Corporation's ("Tidewater") interests. This agreement replaces the previous agreement from the second quarter of 2020, to sell its interest in the Pioneer Pipeline to NOVA Gas Transmission Ltd. ("NGTL"). ATCO acquired the right to purchase the Pioneer Pipeline through an option agreement with NGTL. In addition, Tidewater and TransAlta have agreed to terms whereby, upon closing of the Pioneer Transaction, TransAlta will pay Tidewater \$10.5 million for certain ancillary assets not included in the Pioneer Transaction, and for completion of some budgeted restoration work. The sale is subject to regulatory review.

As at September 30, 2020, \$102.4 million of property, plant and equipment (note 7) and the associated decommissioning liabilities of \$0.9 million (note 11) have been presented as assets held for sale.

6. RIGHT-OF-USE ASSETS

Right-of-use assets are comprised of the following:

	Rail cars	Office leases	Field equipment and surface leases	Downstream leases	Total
COST					
Balance, December 31, 2018	\$ -	\$ -	\$ -	\$ -	\$ -
Initial recognition	8,476	3,294	6,236	-	18,006
Additions	48,848	350	4,639	-	53,837
Acquisitions	-	-	-	39,271	39,271
Subleases	(784)	(630)	-	-	(1,414)
Lease terminations	(5,004)	-	(1,141)	-	(6,145)
Balance, December 31, 2019	\$ 51,536	\$ 3,014	\$ 9,734	\$ 39,271	\$ 103,555
Additions	26,766	676	299	24,816	52,557
Lease terminations	-	-	(1,399)	-	(1,399)
Balance, September 30, 2020	\$ 78,302	\$ 3,690	\$ 8,634	\$ 64,087	\$ 154,713

ACCUMULATED DEPRECIATION					
Balance, December 31, 2018	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation	10,535	911	3,312	3,025	17,783
Lease terminations	(2,066)	-	(83)	-	(2,149)
Balance, December 31, 2019	\$ 8,469	\$ 911	\$ 3,229	\$ 3,025	\$ 15,634
Depreciation	12,798	674	1,705	14,018	29,195
Lease terminations	-	-	(697)	-	(697)
Balance, September 30, 2020	\$ 21,267	\$ 1,585	\$ 4,237	\$ 17,043	\$ 44,132

NET BOOK VALUE	Rail cars	Office leases	Field equipment and surface leases	Downstream leases	Total
December 31, 2019	\$ 43,067	\$ 2,103	\$ 6,505	\$ 36,246	\$ 87,921
September 30, 2020	\$ 57,035	\$ 2,105	\$ 4,397	\$ 47,044	\$ 110,581

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019 (unaudited)
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7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following:

	Plant and infrastructure	Assets under construction	Other	Total
COST				
Balance, December 31, 2018	\$ 834,740	\$ 310,779	\$ 44,265	\$ 1,189,784
Additions	30,009	446,031	7,401	483,441
Acquisitions	223,822	-	-	223,822
Completed projects	698,501	(698,501)	-	-
Movement of contribution liability	(122,500)	-	-	(122,500)
Contributions to joint venture	(53,111)	(272)	(1,704)	(55,087)
Proceeds on contribution to joint venture	(30,000)	-	-	(30,000)
Disposals	(7,254)	-	(263)	(7,517)
Decommissioning asset	51,008	-	-	51,008
Balance, December 31, 2019	\$ 1,625,215	\$ 58,037	\$ 49,699	\$ 1,732,951
Additions	14,039	33,838	2,655	50,532
Completed projects	43,409	(43,409)	-	-
Disposition of subsidiaries	-	-	(14,167)	(14,167)
Disposals	(36,102)	-	(360)	(36,462)
Decommissioning asset	3,871	-	-	3,871
Transferred to assets held for sale (note 5)	(104,574)	-	-	(104,574)
Balance, September 30, 2020	\$ 1,545,858	\$ 48,466	\$ 37,827	\$ 1,632,151
ACCUMULATED DEPRECIATION				
Balance, December 31, 2018	\$ 71,974	\$ -	\$ 8,269	\$ 80,243
Depreciation	41,070	-	7,689	48,759
Contributions to joint venture	(1,675)	-	-	(1,675)
Disposals	(449)	-	(54)	(503)
Balance, December 31, 2019	\$ 110,920	\$ -	\$ 15,904	\$ 126,824
Depreciation	32,083	-	6,077	38,160
Disposition of subsidiaries	-	-	(4,433)	(4,433)
Disposals	(9,717)	-	(73)	(9,790)
Transferred to assets held for sale (note 5)	(2,157)	-	-	(2,157)
Balance, September 30, 2020	\$ 131,129	\$ -	\$ 17,475	\$ 148,604
NET BOOK VALUE				
December 31, 2019	\$ 1,514,295	\$ 58,037	\$ 33,795	\$ 1,606,127
September 30, 2020	\$ 1,414,729	\$ 48,466	\$ 20,352	\$ 1,483,547

On March 25, 2020, the Corporation disposed of its common shares of Tidewater Propane Inc. for proceeds of approximately \$8.4 million. After adjustments for net working capital and deferred income tax liabilities a gain of \$3.0 million was recorded on the sale.

On August 17, 2020, the Corporation disposed of its common shares of Tidewater Logistics Ltd. for proceeds of approximately \$6.5 million. After adjustments for net working capital and deferred income tax liabilities a gain of \$2.9 million was recorded on the sale.

On September 2, 2020, the Corporation disposed of certain non-core assets. The Corporation recognized a loss of \$13.6 million on these dispositions.

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019 (unaudited)
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8. BANK DEBT

The following table summarizes the Corporation's bank debt:

	September 30, 2020	December 31, 2019
Senior Credit Facility	\$ 567,453	\$ 550,000
Second Lien Term Loan	99,032	98,970
	\$ 666,485	\$ 648,970

The Corporation has a revolving credit facility (the "Senior Credit Facility") with a banking syndicate of seven Financial Institutions (the "Syndicate"). Pursuant to the Senior Credit Facility, total availability under the Corporation's credit facility is \$600 million, with the potential to increase this limit to \$650 million subject to certain conditions. The Senior Credit Facility matures on August 23, 2022.

Advances on the Senior Credit Facility may be made by way of prime rate loans, bankers' acceptances, or standby letters of credit/guarantees. The Senior 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 175bps to 300bps on prime rate loans, 275bps to 400bps of stamping fees related to banker's acceptances, and 68.75bps to 100bps for standby fees as determined by reference to the Corporation's consolidated debt to adjusted EBITDA ratio (as defined in the Senior Credit Facility agreement).

Under the Senior Credit Facility, the Corporation is required to maintain certain financial covenants, including:

- a consolidated debt to consolidated adjusted EBITDA ratio of less than or equal to 4.5:1;
- a consolidated first lien senior debt to consolidated adjusted EBITDA ratio of less than or equal to 3.50:1; and
- a consolidated adjusted EBITDA to interest coverage ratio greater than or equal to 2.50:1.

At September 30, 2020, the Corporation was in compliance with its financial covenants, reporting consolidated debt to consolidated adjusted EBITDA ratio of 4.03 (December 31, 2019 – 3.67), consolidated first lien senior debt to consolidated adjusted EBITDA ratio of 2.84 (December 31, 2019 – 2.60), and consolidated EBITDA to interest coverage ratio of 3.50 (December 31, 2019 – 5.41).

The Corporation may include up to 15% of projected annual adjusted EBITDA attributable to material projects currently under construction based on certain criteria and trailing twelve-month adjusted EBITDA of acquisitions. Adjusted EBITDA is defined under the Senior 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 disposals, transaction costs and non-recurring transactions. Consolidated debt is defined as first and second lien debt and notes payable. First lien senior debt is comprised of amounts drawn under the Senior Credit Facility. Interest coverage ratio is calculated as adjusted EBITDA divided by interest expense prior to capitalized interest.

On November 1, 2019, Tidewater entered into a credit agreement that established a \$100 million second lien term loan (the "Second Lien Term Loan"), subordinated to the Senior Credit Facility, which provided for only a single draw on the facility. The credit facility matures on October 31, 2022 and can be repaid prior to maturity with net proceeds from an issuance of equity or equity like securities or high yield instruments. The amount borrowed under this facility bears interest at a bankers' acceptance rate + 450 bps stamping fee. Interest on the Second Lien Term Loan will increase at a rate of 50 bps per quarter to a maximum of the bankers' acceptance rate + 750 bps stamping fee. The Second Lien Term Loan is subject to the same financial covenants as the Senior Credit Facility.

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019 (unaudited)
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9. NOTES PAYABLE

On December 19, 2017, the Corporation closed a private placement of five-year unsecured senior notes with a face value of \$125 million for total consideration of \$124.3 million. The notes bear interest at 6.75% and are due on December 19, 2022. The notes are recognized at amortized cost and interest is paid semi-annually. Accrued interest payable at September 30, 2020 was \$2.4 million (December 31, 2019 - \$0.3 million). The Corporation incurred deferred financing costs of \$2.6 million which are amortized using the effective interest rate method over the remaining term of the debt.

10. CONVERTIBLE DEBENTURES

(000s)	Number of convertible debentures		Liability component		Equity component
Balance, December 31, 2018	-	\$	-	\$	-
Issuance of convertible debentures	750		68,251		6,749
Issue costs	-		(2,908)		(287)
Deferred income tax liability	-		-		(1,551)
Unwinding of discount	-		446		-
Balance, December 31, 2019	750	\$	65,789	\$	4,911
Unwinding of discount	-		1,215		-
Balance, September 30, 2020	750	\$	67,004	\$	4,911

On August 8, 2019, the Corporation issued convertible subordinated unsecured debentures (the “Debentures”) for a principal amount of \$75.0 million at a price of \$100 per Debenture with all board lot trades being made in multiples of \$1,000. The Debentures mature on September 30, 2024 and accrue interest at the rate of 5.5% per annum payable semi-annually commencing on March 31, 2020. Accrued interest payable at September 30, 2020 was \$NIL million (December 31, 2019 - \$1.6 million).

At the holder’s option, the Debentures will be convertible into Common Shares at any time prior to the close of business on the earlier of the business day immediately preceding (i) the Maturity Date, or (ii) if called for redemption, the date fixed for redemption by the Corporation, at a conversion price of \$1.86 per Common Share, subject to adjustments in certain events. The Debentures may be redeemed by the Corporation after September 30, 2022, subject to certain adjustments and conditions. The Debentures will be subordinated to any senior indebtedness of the Corporation.

The liability component of the Debentures was initially recognized at the fair value of a similar liability which does not contain an equity conversion option, based on an estimated market interest rate of 7.5%. The difference between the \$75 million principal amount of the Debentures and the fair value of the liability component was recognized in shareholders’ equity, net of deferred income taxes. Total transaction costs directly attributable to the offering of \$3.2 million were allocated proportionately to the liability and equity components of the Debentures. Accretion of the liability component and accrued interest payable on the Debentures are included as financing costs.

11. 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, refinery and upstream production. The estimated economic lives of assets covered by the decommissioning provision range up to 150 years. The obligation was inflated using a rate of 1.75% (December 31, 2019 – 1.75%) discounted using a risk-free rate of 2.00% (December 31, 2019 – 2.00%).

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019 (unaudited)
(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

The following table summarizes changes in the decommissioning obligations:

	September 30, 2020		December 31, 2019	
Balance, beginning of period	\$	260,215	\$	206,934
Acquisitions		-		6,572
Additions		-		15,715
Contributions to joint venture		-		(3,323)
Disposals		(7,950)		(1,982)
Decommissioning costs incurred		(3,045)		(3,513)
Change in discount rate and estimates		3,871		35,293
Unwinding of discount included in finance costs		3,973		4,519
Transferred to liabilities associated with assets held for sale (note 5)		(866)		-
Balance, end of period	\$	256,198	\$	260,215

12. LEASE LIABILITIES

The Corporation's lease liabilities and other primarily relate to office leases, rail cars, vehicles, downstream assets, field equipment and surface leases for the Corporation's facilities and energy service arrangements. The Corporation has excluded certain leases relating to low-value assets and leases with terms less than 12 months.

Undiscounted payments associated with lease liabilities and other as at September 30, 2020 are summarized below:

		Within one year	After one year but not more than five years	More than five years	Total
Rail car leases	\$	19,774	\$ 52,092	\$ 3,906	\$ 75,772
Office and building leases		1,243	1,549	-	2,792
Downstream leases		25,911	25,032	-	50,943
Field equipment, surface leases and other		8,941	33,342	94,917	137,200
Total undiscounted	\$	55,869	\$ 112,015	\$ 98,823	\$ 266,707
Total discounted	\$	45,850	\$ 93,965	\$ 59,384	\$ 199,199

The total amount of undiscounted future cash flows associated with leases not included in leases liabilities and other, to which the Corporation is committed but have not yet commenced as at September 30, 2020, was \$0.5 million.

13. 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

	September 30, 2020		December 31, 2019	
	Number of Shares (000s)	Amount	Number of Shares (000s)	Amount
Balance, beginning of period	337,376	\$ 440,995	330,797	\$ 433,714
Issue of common shares – long term incentive plan	1,233	760	2,829	2,983
Issue of common shares – asset purchase	-	-	3,750	4,313
Share issuance costs (net of tax)	-	(11)	-	(15)
Balance, end of period	338,609	\$ 441,744	337,376	\$ 440,995

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019 (unaudited)
(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

c) Dividends to shareholders

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Dividends declared on common shares	\$ 3,386	\$ 3,349	\$ 10,147	\$ 9,969
Dividends declared per share	\$ 0.01	\$ 0.01	\$ 0.03	\$ 0.03

As at September 30, 2020, dividends of \$3.4 million were payable on 338.6 million outstanding common shares at \$0.01 per share (December 31, 2019 - \$3.4 million payable on 337.4 million outstanding common shares at \$0.01 per share). The dividends were paid on October 30, 2020.

14. REVENUE AND OPERATING EXPENSES

For the three and nine months ended September 30, 2020 and 2019 the Corporation had one vertically integrated 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 midstream and infrastructure operating segments includes the following revenue categories: midstream; marketing and extraction; downstream; and other. Amounts disclosed below do not include realized or unrealized gains and losses on derivative contracts resulting from the Corporation's commodity price risk management initiatives.

Three months ended September 30, 2020	Midstream	Downstream	Marketing & extraction	Other	Total
Revenue (before intercompany eliminations)	\$ 53,836	\$ 117,569	\$ 117,786	\$ 7,275	\$ 296,466
Intercompany eliminations	(7,318)	(9,462)	167	(6,392)	(23,005)
Revenue from external customers	\$ 46,518	\$ 108,107	\$ 117,953	\$ 883	\$ 273,461
Operating expenses (before intercompany eliminations)	\$ 20,403	97,619	131,331	8,053	257,406
Intercompany eliminations	(484)	(8,600)	(10,946)	(2,975)	(23,005)
Operating expenses from external vendors	\$ 19,919	\$ 89,019	\$ 120,385	\$ 5,078	\$ 234,401
Three months ended September 30, 2019	Midstream	Downstream	Marketing & extraction	Other	Total
Revenue (before intercompany eliminations)	\$ 40,291	\$ -	\$ 110,980	\$ 13,173	\$ 164,444
Intercompany eliminations	(8,510)	-	(486)	(8,403)	(17,399)
Revenue from external customers	\$ 31,781	\$ -	\$ 110,494	\$ 4,770	\$ 147,045
Operating expenses (before intercompany eliminations)	\$ 19,809	-	117,958	14,894	152,661
Intercompany eliminations	-	-	(14,058)	(3,341)	(17,399)
Operating expenses from external vendors	\$ 19,809	\$ -	\$ 103,900	\$ 11,553	\$ 135,262

Tidewater Midstream and Infrastructure Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and 2019 (unaudited)

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

Nine months ended September 30, 2020	Midstream	Downstream	Marketing & extraction	Other	Total
Revenue (before intercompany eliminations)	\$ 164,127	\$ 278,302	\$ 286,071	\$ 30,681	\$ 759,181
Intercompany eliminations	(20,722)	(10,828)	(494)	(22,644)	(54,688)
Revenue from external customers	\$ 143,405	\$ 267,474	\$ 285,577	\$ 8,037	\$ 704,493
Operating expenses (before intercompany eliminations)	\$ 65,102	\$ 231,871	\$ 319,125	\$ 29,796	\$ 645,894
Intercompany eliminations	(1,571)	(8,982)	(34,542)	(9,593)	(54,688)
Operating expenses from external vendors	\$ 63,531	\$ 222,889	\$ 284,583	\$ 20,203	\$ 591,206
Nine months ended September 30, 2019					
Revenue (before intercompany eliminations)	\$ 114,040	\$ -	\$ 323,022	\$ 42,159	\$ 479,221
Intercompany eliminations	(24,641)	-	(2,548)	(26,011)	(53,200)
Revenue from external customers	\$ 89,399	\$ -	\$ 320,474	\$ 16,148	\$ 426,021
Operating expenses (before intercompany eliminations)	\$ 49,471	\$ -	\$ 341,508	\$ 42,455	\$ 433,434
Intercompany eliminations	-	-	(40,968)	(12,232)	(53,200)
Operating expenses from external vendors	\$ 49,471	\$ -	\$ 300,540	\$ 30,223	\$ 380,234

15. FINANCE COSTS AND OTHER

Finance costs and other is comprised of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Interest on bank debt and notes payable	\$ 12,687	\$ 7,075	\$ 38,230	\$ 20,600
Interest capitalized ⁽¹⁾	(750)	(3,000)	(2,750)	(12,500)
Total interest expense	11,937	4,075	35,480	8,100
Realized foreign exchange (gains) losses	(20)	254	(242)	994
Unrealized foreign exchange (gains) losses ⁽²⁾	(1,393)	525	1,681	(365)
Total finance costs and other before accretion	\$ 10,524	\$ 4,854	\$ 36,919	\$ 8,729
Unwinding of discount on decommissioning obligation	1,303	1,112	3,973	3,360
Unwinding of discount on long-term debt	1,005	515	3,037	1,091
Unwinding of discount on lease liabilities and receivable	3,862	2,214	11,944	3,206
Other	(161)	42	(414)	(247)
Accretion	6,009	3,883	18,540	7,410
Total finance costs and other	\$ 16,533	\$ 8,737	\$ 55,459	\$ 16,139

⁽¹⁾ For the three months and nine months ended September 30, 2020, interest was capitalized at a weighted average annualized capitalization rate of approximately 6.75% respectively on funds borrowed (three and nine months ended September 30, 2019 – 6.5% annualized).

⁽²⁾ Relates to translation of USD denominated lease liability.

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019 (unaudited)
(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

16. SHARE-BASED COMPENSATION

For the three and nine months ended September 30, 2020, the Corporation recorded share-based compensation expense of \$1.7 million (three months ended September 30, 2019 - \$1.7 million) and \$5.5 million (nine months ended September 30, 2019 - \$7.4 million).

a) Stock Options

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

	September 30, 2020		September 30, 2019	
	Number of Options (000s)	Weighted average exercise price	Number of Options (000s)	Weighted average exercise price
Outstanding, beginning of period	15,681	\$ 1.31	11,476	\$ 1.39
Granted	1,905	0.70	2,416	1.41
Exercised	-	-	(26)	1.39
Forfeited	(1,591)	1.44	(879)	1.37
Outstanding, end of period	15,995	\$ 1.23	12,987	\$ 1.39

For the three and nine months ended September 30, 2020, the share-based compensation expense relating to stock options was \$0.3 million (2019 – \$0.5 million) and \$1.2 million (2019 - \$1.5 million), respectively.

b) RSU Plan

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

<i>(in thousands)</i>	September 30,	
	2020	2019
Outstanding, beginning of period	9,086	10,265
Granted	5,683	1,966
Exercised	(1,666)	(456)
Forfeited	(195)	(620)
Outstanding, end of period	12,908	11,155
Exercisable, end of period	2,463	5,130

For the three and nine months ended September 30, 2020, the share-based compensation expense relating to RSUs was \$0.8 million (2019 - \$0.8 million) and \$2.4 million (2019 - \$4.4 million), respectively.

c) PSU Plan

The following table summarizes the PSUs outstanding:

	September 30,	
	2020	2019
Balance, beginning of period	\$ 1,193	\$ 1,389
Granted	546	312
Exercised	(482)	(380)
Forfeited	(106)	(102)
Balance, end of period	\$ 1,151	\$ 1,219

The PSUs issued to participants are held by the plan trustee and have been recorded as an employee share reserve. For the three and nine months ended September 30, 2020, the share-based compensation expense relating to PSUs was \$0.1 million (2019 - \$0.1 million) and \$0.4 million (2019 - \$0.5 million), respectively.

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019 (unaudited)
(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

d) DSU Plan

The following table summarizes the DSUs outstanding:

<i>(in thousands)</i>	September 30,	
	2020	2019
Outstanding, beginning of period	212	70
Granted	72	71
Outstanding, end of period	284	141

For the three and nine months ended September 30, 2020, the share-based compensation expense relating to DSUs was \$NIL million (three and nine months ended September 30, 2019 - \$0.1 million).

e) Employee Stock Purchase Plan

During the three and nine months ended September 30, 2020, the share-based compensation expense relating to the ESPP was \$0.5 million (2019 – \$0.2 million) and \$1.5 million (2019 - \$0.9 million), respectively.

17. NET INCOME (LOSS) PER SHARE

	Three months ended September 30, 2020			Three months ended September 30, 2019		
	Net loss	Common shares (000s)	Net loss per share	Net loss	Common shares (000s)	Net loss per share
Net income (loss) attributable to shareholders - basic	\$ (1,982)	338,533	\$ (0.01)	\$ 11,045	333,089	\$ 0.03
Dilutive effect of share awards	-	13,410	-	-	11,263	-
Dilutive effect of convertible debentures	-	-	-	461	69,444	-
Net income (loss) attributable to shareholders - diluted	\$ (1,982)	351,943	\$ (0.01)	\$ 11,506	413,796	\$ 0.03

For the three months ended September 30, 2020, 14.2 million share awards (2019 – 13.0 million) and 94.9 million shares relating to convertible debentures (2019 – 40.3 million) were anti-dilutive.

	Nine months ended September 30, 2020			Nine months ended September 30, 2019		
	Net loss	Common shares (000s)	Net loss per share	Net loss	Common shares (000s)	Net loss per share
Net income (loss) attributable to shareholders - basic	\$ (41,924)	338,046	\$ (0.12)	\$ (176)	331,664	\$ (0.00)
Dilutive effect of share awards	-	13,390	-	-	11,330	-
Dilutive effect of convertible debentures	-	-	-	-	-	-
Net income (loss) attributable to shareholders - diluted	\$ (41,924)	351,436	\$ (0.12)	\$ (176)	342,994	\$ (0.00)

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019 (unaudited)
(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

For the nine months ended September 30, 2020, 15.5 million share awards (2019 – 11.6 million) and 94.9 million shares relating to convertible debentures (2019 – 40.3 million) were anti-dilutive.

18. SUPPLEMENTAL CASH FLOWS INFORMATION

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Accounts receivable	\$ (12,595)	\$ (15,062)	\$ (20,450)	\$ (29,577)
Prepaid expenses and other	(5,287)	2,535	(7,373)	(8,892)
Inventory	524	779	16,754	(7,561)
Accounts payable and accrued liabilities	39,790	(12,531)	43,474	15,804
Change in non-cash working capital from operating activities	\$ 22,432	\$ (24,279)	\$ 32,405	\$ (30,226)

Details of changes in non-cash working capital from investing activities were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Accounts receivable	\$ (4)	\$ 1,279	\$ (602)	\$ (836)
Prepaid expenses and other	42	598	42	1,185
Accounts payable and accrued liabilities	(8,982)	(26,469)	(46,401)	14,401
Change in non-cash working capital from investing activities	\$ (8,944)	\$ (24,592)	\$ (46,961)	\$ 14,750

b) Interest paid

During the three and nine months ended September 30, 2020, total interest and financing charges paid, prior to capitalization, was \$12.7 million (2019 - \$4.3 million) and \$38.2 million (2019 - \$17.9 million), respectively.

19. COMMITMENTS

The Corporation had the following contractual obligations and commitments, excluding those recognized as leases (note 12), as at September 30, 2020:

	Within one year	After one year but not more than five years	More than five years	Total
Bank debt ⁽¹⁾	\$ -	\$ 666,485	\$ -	\$ 666,485
Notes payable interest ⁽²⁾	8,425	12,668	-	21,093
Notes payable repayment ⁽²⁾	-	125,000	-	125,000
Convertible debentures interest ⁽³⁾	4,125	12,386	-	16,511
Convertible debentures repayment ⁽³⁾	-	75,000	-	75,000
Firm transportation contracts ⁽⁴⁾	41,148	168,347	252,957	462,452
Total	\$ 53,698	\$ 1,059,886	\$ 252,957	\$ 1,366,541

⁽¹⁾ The Corporation's revolving bank debt is due August 23, 2022, the Second Lien Term Loan is due October 31, 2022.

⁽²⁾ Fixed interest payments on notes payable. The notes payable mature on December 19, 2022.

⁽³⁾ Fixed interest payments on convertible debentures. The convertible debentures mature on September 30, 2024.

⁽⁴⁾ Fixed transportation contracts are presented gross of flow-through operating cost recoveries from customers.

20. FINANCIAL RISK MANAGEMENT

The Board of Directors has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board of Directors have implemented and monitor compliance with risk management policies. The Corporation'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. The Corporation 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.

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 determination

A number of the Corporation's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining the fair values is disclosed in the notes specific to that asset or liability.

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. The fair value of any marketable securities has been derived with reference to the quoted closing bid prices of the underlying securities.
- Level 2 – values based on inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. Such inputs can be corroborated with other observable inputs for substantially the complete term of the contract. The Corporation has used Level 2 to determine the fair value of its investments and commodity contracts. The fair value is derived with reference to commodity price curves, currency curves and credit spreads.
- 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 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.

At September 30, 2020, the fair value of cash, accounts receivable, accounts payable and accrued liabilities, interest payable and dividends 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, 2020, the fair value of the Corporation's notes payable was approximately \$115.0 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.

At September 30, 2020, the fair value of the Corporation's Debentures was approximately \$65.0 million using quoted market prices on the TSX (Level 1 fair value).

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019 (unaudited)
(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

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 accounts receivable from customers and joint interest partners. The maximum exposure to credit risk at September 30, 2020 and December 31, 2019 is as follows:

	September 30, 2020	December 31, 2019
Cash	\$ 10,929	\$ 5,785
Accounts receivable	193,852	172,252
Finance lease receivable	340	709
Derivative contracts – current	694	574
Derivative contracts – long term	439	252
	<u>\$ 206,254</u>	<u>\$ 179,572</u>

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 performs creditworthiness assessment on counterparties including financial status and external credit ratings. Depending on the outcome of each assessment letters of credit, prepayments, or some other form of credit enhancement may be requested as security. Due to COVID-19, the Corporation has increased its scrutiny to its credit monitoring procedures.

The Corporation's accounts receivable relates to amounts due from natural gas processing, NGL/crude marketing, and refined product 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.

The Corporation assesses lifetime expected credit losses for accounts receivable using historical default rates, aged accounts receivable analysis, and forward-looking information to determine the appropriate expected credit losses. At September 30, 2020, lifetime expected credit losses for accounts receivable outstanding were \$1.3 million (December 31, 2019 - \$0.3 million).

As a result of the acquisition of the Prince George Refinery, total revenue attributable to Husky Energy ("Husky") from all revenue streams accounted for approximately 40% of the Corporation's revenue. Revenue earned from Husky for the three and nine months ended September 30, 2020 was \$109.1 million and \$289.4 million, respectively. The Corporation believes the financial risk associated with this customer is minimal. The credit risk associated with the remainder of accounts receivable is minimized due to the diversity of its customers.

The Corporation enters into derivative contracts to manage commodity price risk, which may be subject to credit risk associated with counterparties with which it contracts. Credit risk is mitigated by entering into contracts with only stable, investment grade counterparties or financial institutions.

c) 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.

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019 (unaudited)
(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

The Corporation anticipates that working capital, cash flow from operating activities, 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 following details the contractual maturities of the Corporation's financial liabilities as at September 30, 2020 and December 31, 2019:

	September 30, 2020		December 31, 2019	
	Less than one year	Greater than one year	Less than one year	Greater than one year
Accounts payable and accrued liabilities	\$ 260,586	\$ -	\$ 263,513	\$ -
Derivative contracts	15,245	36,716	1,892	2,274
Dividend payable	3,386	-	3,374	-
Interest payable	2,398	-	1,951	-
Lease liabilities and other	45,850	153,349	41,849	132,694
Bank debt	-	666,485	-	648,970
Notes payable	-	123,346	-	122,831
Convertible debentures	-	67,004	-	65,789
	\$ 327,465	\$ 1,046,900	\$ 312,579	\$ 972,558

d) 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.

a. 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, 2020, the Corporation had bank debt totalling \$666.5 million (September 30, 2019 - \$333.4 million) and therefore a 1% change in the interest rate on bank debt would have had an after-tax impact of \$3.8 million on net income (loss) for the nine months ended September 30, 2020 (nine months ended September 30, 2019 - \$1.9 million).

b. 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, 2020, working capital balances denominated in USD were \$29.3 million (September 30, 2019 - \$14.2 million). A 5% change in foreign exchange rates between the USD and the Canadian Dollar would have an after-tax impact on net income (loss) of \$1.5 million for the nine months ended September 30, 2020 (nine months ended September 30, 2019 - \$0.7 million).

c. 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 derivative contract asset and liability.

A 10% change in commodity prices, related to the Corporation's derivative contracts liability, would have an after-tax impact on net income (loss) of \$14.2 million for the nine months ended September 30, 2020 (nine months ended September 30, 2019 - \$1.7 million).

Tidewater Midstream and Infrastructure Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2020 and 2019 (unaudited)
(all tabular amounts expressed in thousands of Canadian dollars, except per share information)

21. RELATED PARTY TRANSACTIONS

During the three and nine months ended September 30, 2020, the Corporation incurred the following related party transactions with private companies that have some shareholders and directors in common:

- a) Earned revenue of \$0.9 million (2019 - \$0.8 million) and \$3.5 million (\$7.9 million) for the three and nine months ended September 30, 2020, respectively.
- b) Incurred operating expenses of \$0.6 million (2019 - \$1.5 million) and \$2.3 million (2019 - \$8.5 million), for the three and nine months ended September 30, 2020, respectively.

Of the total amount incurred, \$10.2 million remains as net accounts receivable (December 31, 2019 - \$3.4 million) and \$NIL million as net accounts payable (December 31, 2019 - \$1.1 million). Cedar Creek Energy Ltd. (“Cedar Creek”) ceased to be a related party during the three months ended September 30, 2019. Comparative disclosures include related party transactions and balances relating to Cedar Creek.