TIDEWATER
Midstream and Infrastructure Ltd.

Condensed Interim Consolidated Financial Statements (unaudited)

For the three-month period ended March 31, 2016 and from date of incorporation on
February 4, 2015 to March 31, 2015

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

(all tabular amounts in thousands of Canadian dollars)

As at	Notes		March 31, 2016		December 31, 2015
Assets					
Current					
Cash		$	**21,826**	$	372
Accounts receivable			**25,708**		20,943
Derivative contracts			**401**		-
Investments in marketable securities			**4,678**		3,899
Prepaid expenses and other			**744**		830
			53,357		26,044
Restricted cash	6		**-**		8,036
Derivative contracts			**575**		-
Property, plant and equipment	4		**401,477**		264,238
Total assets		$	**455,409**	$	**298,318**
Liabilities					
Current					
Accounts payable and accrued liabilities		$	**13,416**	$	6,724
Dividend payable	6		**2,771**		1,759
Incentive compensation	8		**1,070**		657
			17,257		9,140
Bank debt	5		**-**		30,803
Holdback consideration liability	6		**614**		19,335
Incentive compensation	8		**591**		548
Derivative contract			**-**		30
Deferred tax liabilities			**25,388**		-
Decommissioning obligation			**49,979**		29,658
Total liabilities			**93,829**		89,514
Shareholders' Equity					
Share capital	6		**353,946**		203,910
Employee share reserve	8		**(462)**		(66)
Retained earnings			**8,096**		4,960
Total shareholders' equity			**361,580**		208,804
Total liabilities and shareholders' equity		**$**	**455,409**	**$**	**298,318**

Subsequent events (note 3)

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 March 31, 2016		For the period from the date of incorporation on February 4, 2015 to March 31, 2015
Revenue		$	**18,338**	$	-
Expenses					
Operating expenses			**9,996**		-
General and administrative			**1,069**		53
Stock-based compensation	8		**548**		23
Depreciation	4		**2,982**		-
Total expenses			**14,595**		76
Operating income			**3,743**		-
Other (income) expenses					
Gain on holdback	6		**(5,425)**		-
Finance costs and other	7		**(1,181)**		-
Transaction costs			**2,598**		-
Total other (income) expenses before tax			**(4,008)**		-
Earnings before income tax			**7,751**		(76)
Income tax expense			**1,844**		-
Net income (loss) and comprehensive income (loss) for the period		$	**5,907**	$	(76)
Earnings (loss) per share – basic and diluted	9	$	0.03	$	(0.01)

See the accompanying Notes to the condensed interim consolidated financial statements

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

(all tabular amounts in thousands of Canadian dollars)

	Notes		Share capital		Employee share reserve		Deficit		Total Shareholders' Equity
Balance at February 4, 2015		$	-	$	-	$	-	$	-
Issue of common shares			4,390		-		-		4,390
Share issuance costs			(16)		-		-		(16)
Net Loss			-		-		76		(76)
Balance at March 31, 2015		**$**	**4,374**	**$**	**-**	**$**	**76**	**$**	**4,298**

	Notes		Share capital		Employee share reserve		Retained earnings		Total Shareholders' Equity
Balance at December 31, 2015		$	203,910	$	(66)	$	4,960	$	208,804
Issue of common shares	6		154,826		-		-		154,826
Share issuance costs	6		(4,790)		-		-		(4,790)
Equity reserve			-		(396)		-		(396)
Net Income			-		-		5,907		5,907
Dividends declared	6		-		-		(2,771)		(2,771)
Balance at March 31, 2016		**$**	**353,946**	**$**	**(462)**	**$**	**8,096**	**$**	**361,580**

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 month ended March 31, 2016	For the period from the date of incorporation on February 4, 2015 to March 31, 2015
Cash provided by (used in):			
Operating activities			
Income (loss) for the period		$ **5,907**	$ (76)
Adjustments:			
Finance costs		**(1,266)**	-
Depreciation expense	4	**2,982**	-
Gain on holdback	6	**(5,425)**	23
Stock-based compensation expense		**60**	-
Deferred income tax expense		**1,844**	-
Changes in non-cash working capital	10	**(669)**	41
Net cash provided by (used in) operating activities		**3,433**	(12)
Financing activities			
Proceeds from issuance of common shares	6	**80,500**	4,390
Share issuance costs	6	**(4,790)**	(16)
Finance costs		**(360)**	-
Payment of dividends		**(1,759)**	-
Payment of bank debt	5	**(30,803)**	-
Changes in non-cash working capital	10	**1,582**	3
Net cash provided by financing activities		**44,370**	4,377
Investing activities			
Cash paid on acquisitions	3	**(29,848)**	-
Additions to property, plant and equipment	4	**(2,860)**	-
Cash paid for holdback settlement	6	**(2,777)**	-
Change in restricted cash	6	**8,036**	-
Changes in non-cash working capital	10	**1,100**	-
Net cash used in investing activities		**(26,349)**	-
Increase in cash		**21,454**	4,365
Cash at beginning of period		**372**	-
Cash at end of period		**$ 21,826**	**$ 4,365**

See the accompanying Notes to the condensed interim consolidated financial statements

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

1. REPORTING ENTITY

Tidewater Midstream and Infrastructure Ltd. ("Tidewater") was incorporated pursuant to the Business Corporations Act in Alberta, Canada on February 4, 2015. On October 22, 2015 Tidewater incorporated a wholly owned subsidiary, Tidewater Propane Inc. Collectively they are referred to herein as the "Corporation".

The Corporation's business objective is to build a diversified midstream and infrastructure company in the North American Natural Gas Liquid (NGL) space. Its strategy is to profitably grow and create shareholder value through the acquisition and development of oil and gas infrastructure. The Corporation's principal place of business is Suite 1500, 250 – 2nd Street SW, Calgary, Alberta, Canada, T2P 0C1.

On April 15, 2015, the Corporation completed an initial public offering ("IPO") and the Corporation's common shares were listed and commenced trading on the TSX Venture Exchange under the symbol "TWM.V".

2. BASIS OF PRESENTATION

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 compliance 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, 2015. These condensed interim consolidated financial statements as at and for the period ended March 31, 2016 and as at and for the period from incorporation on February 4, 2015 to March 31, 2015 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 period ended December 31, 2015.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 25, 2016.

3. ACQUISITIONS

During the period ended March 31, 2016, the Corporation completed the following strategic acquisition:

a) On February 2, 2016, the Corporation entered into an Agreement with AltaGas Ltd. ("AltaGas") to acquire 100% of AltaGas' working interest in select Deep Basin and central Alberta gas processing facilities and related infrastructure, the majority of which are located in Tidewater's core West Pembina region (the "Acquisition"). Under the terms of the Acquisition, Tidewater issued to AltaGas approximately 43.7 million common shares and paid AltaGas $30 million in cash, funded through cash on hand and drawing on Tidewater's existing corporate credit facility. Net cash consideration paid by Tidewater was approximately $29.9 million after all exercised rights of first refusal. The assets acquired are contiguous with Tidewater's existing network, providing several attractive optimization opportunities. The acquisition closed on March 1, 2016.

The acquisition has been accounted for as a business combination in accordance with IFRS 3 with fair value of the assets and liabilities acquired at the date of acquisition summarized below:

Consideration for the acquisition:		
Cash paid	$	29,848
Common shares issued		63,807
Total consideration	$	93,655

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

Allocation of purchase price:		
Gas processing facilities	$	135,238
Deferred tax liabilities		(23,544)
Decommissioning obligation		(18,039)
Total net assets acquired	$	93,655

The fair values of the assets and liabilities recognized are estimates due to the uncertainty of provisional amounts recognized. Amendments may be made to the purchase price equation as estimates are finalized.

b) Subsequent to March 31, 2016, the Corporation purchased midstream assets, including infrastructure, pipeline right of ways and a storage facility within its core Peace River Arch area from an arm's length party for share consideration of approximately 7.5 million common shares at a deemed price of $1.4437 per common share. A net profit interest of 2% was also granted to the vendor to a maximum payment of $3 million.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of the following:

		Plant and infrastructure		Other		Total
COSTS						
Balance, February 4, 2015	$	-	$	-	$	-
Acquisitions		258,422		6,030		264,452
Additions		-		3,378		3,378
Balance, December, 2015	$	258,422	$	9,408	$	267,830
Acquisition (note 3)		135,238		-		135,238
Addition		2,143		2,840		4,983
Balance, March 31, 2016	$	395,803	$	12,248	$	408,051
ACCUMULATED DEPRECIATION						
Balance, February 4, 2015	$	-	$	-	$	-
Depreciation		3,413		179		3,592
Balance, December, 2015	$	3,413	$	179	$	3,592
Depreciation		2,795		187		2,982
Balance, March 31, 2016	$	6,208	$	366	$	6,574
Net book value, December 31, 2015	$	255,009	$	9,229	$	264,238
Net book value, March 31, 2016	$	389,595	$	11,882	$	401,477

5. BANK DEBT

During the period ended March 31, 2016, the Corporation completed an increase to its Credit Facility. The Operating Facility was increased from $10 million to $20 million and the Syndicated Facility increased from $60 million to $100 million for total available credit under the Credit Facility of $120 million. As at March 31, 2016, the Corporation's Credit Facility was undrawn (December 31, 2015 - $30.8 million).

The Credit Facility is secured by a $250 million demand debenture with a floating charge over all the assets of the Corporation and the Corporation is required to maintain certain financial ratios calculated as defined in the Credit Facility Agreement including a consolidated debt/EBITDA of less than or equal to 3:1, consolidated debt to capitalization ratio of less than or equal to 0.50:1, and a fixed charge coverage ratio greater than or equal to 1.15:1. At March 31, 2016, the Corporation was in compliance with its financial covenants.

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

6. 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

(thousands of dollars)	Number of Shares		Amount
Balance, December 31, 2015	168,065	$	203,910
Issue of common shares – AltaGas acquisition	43,704		63,807
Issue of common shares – public offering	57,500		80,500
Issue of common shares – holdback settlement	7,408		10,519
Share issuance costs			(4,790)
Balance, March 31, 2016	276,677	$	353,946

On March 1, 2016, the Corporation issued 43.7 million common shares in conjunction with the AltaGas acquisition (note 3) at a price of $1.46 per common share.

On March 22, 2016, the Corporation completed a public offering and issued 57.5 million common shares for $1.40 per common share.

On March 30, 2016, the Corporation released 7.4 million common shares at price of $1.42 per common share and paid $2.8 million cash as early settlement for the holdback consideration from the Brazeau River Complex acquisition completed in July 2015. Upon settlement, restricted cash of $8 million was released, resulting in a realized gain of $5.4 million.

The Corporation declared a dividend of $0.01 per common share payable to the shareholders of record on March 31, 2016. The total amount of the dividend was $2.8 million and was paid on April 29, 2016.

7. FINANCE COSTS AND OTHER

Finance costs and other is comprised of the following:

		Three months ended March 31, 2016		For the period from the date of incorporation on February 4, 2015 to March 31, 2015
Finance fees	$	234	$	-
Accretion on decommissioning obligation		159		-
Gain on investment in marketable securities		(780)		-
Gain on commodity contract		(1,007)		-
Interest on bank debt		126		-
Other		87		-
Balance	$	(1,181)	$	-

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

8. SHARE-BASED PAYMENTS

For the period ended March 31, 2016, the Corporation recorded stock-based compensation expense of $548,105 (March 31, 2015 – $23,000) with a corresponding $455,307 (March 31, 2015 - $23,000) increase to incentive compensation liability and $92,798 (March 31, 2015 – NIL) to employee share reserve.

a) Stock Options

During the period ended March 31, 2016, the Corporation's Board of Directors approved the issuance of additional stock options to directors, officers, employees and consultants of the Corporation for a total approved issuance of approximately 3.4 million stock options.

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

	Outstanding options		Weighted average exercise price
Balance, December 31, 2015	781,500	$	1.65
Granted	2,591,500		1.40
Outstanding, March 31, 2016	3,373,000	$	1.46

The fair value of the options granted is estimated at the date of grant using the Black-Scholes Option Pricing Model, including the following assumptions:

	March 31, 2016
Volatility factor of expected market price (%)	70%
Weighted average risk-free interest rate (%)	0.51%
Weighted average expected life in years	3.52
Weighted average expected annual dividend per share (%)	4.00%
Weighted average fair value per option	0.51
Weighted average forfeiture rate (%)	0.00%

For the period ended March 31, 2016, the stock-based compensation expense relating to stock options was $69,525 (March 31, 2015 – NIL).

b) RSU Plan

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

	Number of RSUs
Outstanding, December 31, 2015	2,467,500
Granted	1,776,500
Outstanding, March 31, 2016	4,244,000
Exercisable, March 31, 2016	700,000

During the period ended March 31, 2016, the Corporation's Board of Directors approved an additional issuance of RSUs to directors, officers, employees and consultants of the Corporation for a total approved issuance of approximately 4.4 million RSUs.

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

For the period ended March 31, 2016, the stock-based compensation expense relating to RSUs was $455,307 (March 31, 2015 - $23,000).

c) PSU Plan

For the period ended March 31, 2016, the Corporation's Board of Directors approved the issuance of PSUs, valued at $472,625 (2015 – NIL) of which all were granted.

The following table summarizes the PSUs outstanding:

		PSUs Outstanding
Balance, December 31, 2015	$	194
Granted		473
Balance, March 31, 2016	$	667

The PSUs issued to participants are held by the plan trustee and have been recorded as an employee share reserve. During the period ended March 31, 2016, the stock-based compensation expense relating to PSUs was $23,273.

9. EARNINGS PER SHARE

The following table summarizes the common shares used in calculating basic and diluted income (loss) per share:

	Three months ended March 31, 2016	For the period from the date of incorporation on February 4, 2015 to March 31, 2015
Basic	188,127,823	6,225,677
Diluted	190,595,323	6,225,677

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

10. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash working capital comprise the following:

Source/(use) of cash		Three months ended March 31, 2016		For the period from the date of incorporation on February 4, 2015 to March 31, 2015
Accounts receivable	$	(4,765)	$	-
Prepaid expenses and other		86		(107)
Accounts payable and accrued liabilities		6,692		151
Changes in non-cash working capital	$	2,013	$	44
The above amounts relate to:				
Operating activities	$	(669)	$	41
Financing activities		1,582		3
Investing activities		1,100		-
Changes in non-cash working capital	$	2,013	$	44

11. FINANCIAL RISK MANAGEMENT

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.
- 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, restricted cash and marketable securities. The fair value of marketable securities has been derived with reference to the quoted closing bid prices of the underlying securities.

The Corporation has used Level 2 to determine the fair value of its commodity contracts. The fair value is derived with reference to commodity price curves, currency curves and credit spreads.

At March 31, 2016, the fair value of accounts receivable, accounts payable and accrued liabilities and dividends payable approximated their carrying value due to their short term maturity.

The Board of Directors has the overall responsibility for the establishment and oversight of the Corporation's risk management framework. The Board of Directors has implemented and monitors 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 and the Corporation's activities. 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, the Corporation's objectives, policies and processes for measuring and managing these risks.

(a) 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 March 31, 2016 is as follows:

		Amount
Cash	$	21,826
Accounts receivable		25,708
	$	47,534

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 customers as well as the Corporation's joint venture partners. The Corporation expects all accounts receivable to be collected. When determining whether past due accounts are uncollectable, the Corporation factors in the past credit history of counterparties.

(b) 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 following details the contractual maturities of the Corporation's operating financial liabilities as at March 31, 2016:

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

		Less than 1 year		Greater than 1 year
Accounts payable and accrued liabilities	$	13,416	$	-
Dividend payable		2,771		-
Incentive compensation		1,070		591
	$	17,257	$	591

(c) Market risk

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

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 mitigates interest rate risk by monitoring interest rates and economic conditions. At March 31, 2016, the Corporation had $NIL bank debt and therefore a 1% change in the interest rate on bank debt would have had a $NIL impact on net income for the period.

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 Dollar (USD). The Corporation mitigates foreign currency risk by monitoring exchange rate trends and economic conditions. At March 31, 2016, working capital balances denominated in USD were nominal. A 5% change in foreign exchange rates between the USD and the Canadian Dollar would have a nominal impact on net income for the period ended March 31, 2016.

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 investments in public companies and holdback consideration liability. A 10% increase in the market price of the Corporation's marketable securities would have increased net income in the amount of $468,000 for the period ended March 31, 2016.

12. RELATED PARTY TRANSACTIONS

Transactions involving related parties are in the normal course of business and are recorded at market rates. The transactions entered into with related parties during the period ended March 31, 2016 are as follows:

(a) During the period ended March 31, 2016, the Corporation incurred $506,502 in professional fees related to legal services provided by a law firm whose partner is a director and shareholder of the Corporation. The professional fees related to acquisitions, issuance of common shares, and general legal expenses. The amounts have been included in the financial statements as follows:

- $213,069 has been included as share issue costs,
- $205,910 has been included in transaction costs related to acquisitions,
- $45,698 has been included in general and administrative expenses, and
- $41,825 has been included in finance costs.

Of the total amount incurred, $435,804 remains in accounts payable and accrued liabilities at March 31, 2016.

(b) During the period ended March 31, 2016, the Corporation incurred $99,262 in general and administrative expenses related to amounts for shared office space and consultants and a receivable of $10,680 for operating expenses with a private company that has some shareholders and directors in common. Of the total net amount incurred, $41,993 remains as accounts payable and accrued liabilities and $18,266 remains as prepaid expenses at March 31, 2016.

(c) During the period ended March 31, 2016, the Corporation incurred $142,235 operating expenses from a company that has some shareholders and directors in common. Of the total amount incurred, $43,564 remains as a net accounts payable at March 31, 2016.