Management's Discussion and Analysis

For the three-month period ended March 31, 2019

May 13, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the condensed interim consolidated financial and operating results of Tidewater Midstream and Infrastructure Ltd. ("Tidewater" or the "Corporation") is dated May 13, 2019 and should be read in conjunction with Tidewater's condensed interim consolidated financial statements as at and for the three month periods ended March 31, 2019 and 2018 (the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), representing generally accepted accounting principles ("GAAP").

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

BUSINESS OVERVIEW

Tidewater's common shares are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "TWM". Tidewater's 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 and storage facilities. To complement its asset base, Tidewater also markets NGL and crude products and services to customers across North America.

Tidewater's pipelines and processing plants gather and process raw natural gas before it is injected into long-distance pipeline systems for transportation to end-use markets. Tidewater's straddle plants process, store and transport the by-products of natural gas processing, including NGLs such as ethane, propane, butane and condensate.

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

FIRST QUARTER HIGHLIGHTS

- Net loss attributable to shareholders was $7.1 million or $0.02 per share for the first quarter of 2019, compared to net income attributable to shareholders of $4.8 million or $0.01 per share for the first quarter of 2018. The loss during the first quarter of 2019 was mainly attributable to the unrealized loss on derivative contracts, a non-cash offset from the unrealized gain on derivative contracts recognized in the fourth quarter of 2018.
- Adjusted EBITDA was $22.4 million or $0.07 per share, compared to $20.0 million or $0.06 per share for the first quarter of 2018.
- Net cash used in operating activities totalled $3.3 million for the first quarter of 2019, with distributable cash flow of $16.3 million, yielding a conservative payout ratio of 20% for the quarter.
- Tidewater's 100 MMcf/day sour deep-cut gas processing complex (the "Pipestone Gas Plant") is fully contracted. Tidewater has received significant support for future gas processing and liquids handling expansions at Pipestone and is currently evaluating an expansion at the facility. The project remains on-time and on-budget.
- Tidewater expects to complete construction of the Pioneer Pipeline, a 120km natural gas pipeline connecting Tidewater's Brazeau River Complex ("BRC") to TransAlta Corporation's generating

units at Sundance and Keephills in the second quarter of 2019, approximately four months ahead of schedule. Capital costs on the project have increased by approximately 10% as a result of schedule acceleration and evaluation of future expansion opportunities.

- On December 17, 2018, TransAlta Corporation, through its subsidiary TransAlta Generation Partnership ("TransAlta"), exercised its option to acquire a 50% ownership interest in the Pioneer Pipeline. The transaction is expected to close in the second quarter of 2019.
- During the first quarter of 2019, Tidewater expanded its gas storage operations at Pipestone (the "Pipestone Gas Storage Facility") and completed a 24km, 30-inch natural gas pipeline connecting the facility to both Alliance and TCPL. The pipeline allows for significant future optionality and egress at the Pipestone Gas Storage Facility and Pipestone Gas Plant. The Pipestone Storage Facility is now fully contracted with investment-grade counterparties over an average six-year contract term. Continued capital improvements to the facility during 2019, along with the completed 30-inch pipeline, will significantly increase future contracting capacity at the storage facility. The Pipestone Gas Storage Facility will be moved into a Limited Partnership with the pipeline and facility expansion financed primarily through a capital contribution from a joint-venture equity partner as well as a non-recourse project finance credit facility.
- The Brazeau River Fractionation facility, part of the BRC, is fully contracted for the first time in Tidewater's history, including signed agreements with two new investment-grade customers at the BRC to provide fractionation services. When Tidewater first acquired the BRC in 2014, it had one customer that accounted for the majority of Adjusted EBITDA at the facility. Tidewater transformed the BRC into a fractionation facility, with two new investment-grade counterparties in 2019, a gas storage facility with long-term contracts from multiple investment-grade counterparties and a new egress option with a 15-year take-or-pay contract with TransAlta.
- The Corporation divested of its 32MW cogeneration units at its Pipestone Gas Plant for cash proceeds of $85 million. In conjunction with the divestiture, the Corporation entered into a long-term energy services agreement whereby the purchaser will supply power to Tidewater's Pipestone Gas Plant once construction is complete in exchange for fixed energy fee payments.
- The Corporation increased its availability under its credit facility from $325 million to $350 million by accessing its accordion feature and amended its financial covenants.
- Tidewater remains confident in its ability to execute its previously disclosed strategic plan where fourth quarter 2019 and fiscal year 2020 net income and Adjusted EBITDA are expected to increase by greater than 50%, compared to the fourth quarter and fiscal year 2018, respectively, once the Pipestone Gas Plant and Pioneer Pipeline are operational. Tidewater continues to evaluate additional strategic projects that address customer needs and the increasing demand for natural gas, NGLs and crude oil in North America. The Corporation continues to look forward to seeing the completion of its two major projects as well as to execute and position its business for continued earnings growth during the second half of 2019 into 2020.

FINANCIAL HIGHLIGHTS

(in thousands of Canadian dollars except per share information)		Three months ended March 31, 2019		2018
Revenue	**$**	**123,665**	$	84,214
Net income (loss) attributable to shareholders	**$**	**(7,135)**	$	4,797
Basic and diluted net income (loss) attributable to shareholders per share	**$**	**(0.02)**	$	0.01
Adjusted EBITDA [1]	**$**	**22,404**	$	20,001
Adjusted EBITDA per common share - basic [1]	**$**	**0.07**	$	0.06
Net cash used in operating activities	**$**	**(3,310)**	$	(20,921)
Distributable cash flow [1]	**$**	**16,310**	$	16,814
Distributable cash flow per common share – basic [1]	**$**	**0.05**	$	0.05
Dividends declared	**$**	**3,309**	$	3,291
Dividends declared per common share	**$**	**0.01**	$	0.01
Total common shares outstanding (000s)		**330,930**		329,091
Payout ratio [1]		**20%**		20%
Total assets	**$**	**1,518,769**	$	960,058
Net debt [1]	**$**	**353,363**	$	187,425

(1) Refer to "Non-GAAP Measures"

RESULTS OF OPERATIONS

(in thousands of Canadian dollars except per share information)		Three months ended March 31, 2019		2018
Revenue	**$**	**123,665**	$	84,214
Operating expenses	**$**	**107,960**	$	60,881
General and administrative expenses	**$**	**3,192**	$	2,367
Share-based compensation	**$**	**3,143**	$	1,103
Depreciation	**$**	**13,300**	$	9,602
Finance costs and other	**$**	**2,328**	$	4,154
Realized loss (gain) on derivative contracts	**$**	**(9,879)**	$	1,130
Unrealized loss (gain) on derivative contracts	**$**	**16,395**	$	(4,185)
Deferred income tax expense (recovery)	**$**	**(4,341)**	$	2,717
Net income (loss) attributable to shareholders	**$**	**(7,135)**	$	4,797
Basic and diluted net income (loss) attributable to shareholders per share	**$**	**(0.02)**	$	0.01

Business overview

Tidewater's operations are strategically located in three core, liquids-rich areas of the Western Canadian Sedimentary Basin (Deep Basin, Montney, and Edmonton). Tidewater views its midstream business as one integrated set of operations which consists of natural gas processing, NGL extraction, gas storage, crude oil and NGL terminalling infrastructure and marketing to end-use markets through transmission pipelines, trucking and rail systems.

Financial overview

Revenue

Tidewater continued to deliver revenue growth in the first quarter of 2019 as a result of continued crude oil marketing activity. Tidewater generated revenue of $123.7 million during the first quarter of 2019, a 47% increase from revenue of $84.2 million generated in the first quarter of 2018.

Net throughput volumes averaged approximately 400 MMcf/day during the first quarter of 2019, a decrease of 7% compared to the same period of 2018, with net throughput of approximately 430 MMcf/day for Tidewater's gas processing and extraction facilities. Gas storage throughput volumes at Tidewater's storage facilities are excluded above as they are a function of market conditions where customers pay fixed fees for the ability to inject and withdrawal volumes but may not inject or withdraw on a given day. Tidewater's storage facilities operated at approximately 80% - 100% capacity in the first quarter of 2018 and 2019.

Despite the volatility of AECO prices, the Corporation's assets act as natural hedges in varying commodity price environments. Tidewater's gas storage and extraction assets perform well in low gas price environments, while gas gathering and processing perform better in medium to high price environments.

Tidewater also engages in liquids blending, where it operates facilities at Brazeau, Acheson and Valhalla, allowing it to transport, process and blend various butane and condensate streams. Margins are earned by blending products of lower value into higher value products. As a result of these transactions, Tidewater takes advantage of the price and quality differentials between various product streams. Tidewater is well positioned to serve NGL and crude oil markets due to its trucking and rail logistics expertise.

Overall, the integration of Tidewater's infrastructure means that it can take advantage of available resources to benefit from differentials in commodity prices through its processing facilities, fractionation, straddle, storage and transportation infrastructure.

Operating expenses

Tidewater incurred operating expenses of $108.0 million for the first quarter of 2019, an increase of 77% compared to $60.9 million for the same period of 2018. The increase, as compared to the same period of 2018, was primarily related to increased marketing cost of sales, driven by increased marketing activity as described above. The increase in operating expenses was also attributable to power costs as a result higher power pool prices.

General and administrative expenses

General and administrative ("G&A") expenses for the three months ended March 31, 2019 were $3.2 million, compared to $2.4 million for the same period of 2018. The increase in G&A expenses between the 2019 and 2018 periods was primarily due to higher corporate employee costs driven by expansion of the Corporation's operations through organic growth. Higher employee costs include salaries related to employees added to support new and existing operations and to support future growth of the Corporation's asset base.

Non-recurring costs of $0.2 million and $0.2 million were included in G&A expenses for the three months ended March 31, 2019 and 2018, respectively, relating to one-time legal and severance costs during 2019 and one-time asset evaluations associated with rights of first refusal during 2018.

Share-based compensation

Tidewater incurred share-based compensation of $3.1 million for the three months ended March 31, 2019, compared to $1.1 million incurred in the same period of 2018. The increase in share-based compensation was primarily due to changes in the valuation of Tidewater's outstanding Restricted Share Units ("RSUs"). Outstanding RSUs are re-measured at each reporting date and at the date of settlement based on the closing trading price of the Corporation's common shares. As a result, the valuation of RSUs and resulting share-based compensation expense can fluctuate significantly between periods. Any changes in fair value are recognized in net income (loss) for the period, with no cash impact. At March 31, 2019 the Corporation's closing share price was $1.42 per share, an increase of $0.12 per share compared to the December 31, 2018 closing share price of $1.30 per share, resulting in an increase in the non-cash revaluation of share-based compensation quarter-over-quarter.

Depreciation

Depreciation for the three months ended March 31, 2019 was $13.3 million, compared to $9.6 million for the same period of 2018. The increase in depreciation in the 2019 period was largely due to $2.0 million of depreciation associated with the Corporation's right-of-use assets (see "*Changes in Accounting Policies"*) mostly associated with the Corporation's leased rail cars.

Finance costs and other

Finance costs and other for the three months ended March 31, 2019 was $2.3 million compared to $4.2 million for the same period of 2018. Although the Corporation incurred higher interest expense during the first quarter of 2019 due to higher outstanding total debt balances, total interest expense decreased overall due to capitalized interest associated with the Corporation's qualifying projects, including the Pipestone Gas Plant, Pioneer Pipeline, and Pipestone Gas Storage Facility, resulting in a reduction to finance costs. For the three months ended March 31, 2019, capitalized interest was $5.0 million.

Interest on lease liabilities was due to the adoption of IFRS 16. See "*Changes in Accounting Policies"* for further information the adoption of IFRS 16 in 2019.

Realized loss (gain) on derivative contracts

The Corporation uses physical and financial forward contracts to protect operating income and the value of its crude, natural gas and NGL inventories to mitigate volatility in commodity prices. Overall, the Corporation hedges between 50% to 100% of all commodity price exposure.

Realized gains on derivative contracts during the first quarter of 2019 were $9.9 million compared to a realized loss of $1.1 million in the first quarter of 2018. The increase was predominantly driven by crude oil hedges that were settled during the period offset by cost of sales as the Corporation had previously locked in its marketing margins.

The Corporation's operating margin (defined as revenue less operating costs) quarter-over-quarter has decreased as a result of market volatility. However, the resulting decrease is reduced by the realized gain on derivative contracts as it correlates the effect of the Corporation's risk management activities to the underlying operating activities to which they relate. The realized gains provide a good indication of the effectiveness of the Corporation's risk management strategy.

Unrealized loss (gain) on derivative contracts

The Corporation incurred an unrealized non-cash loss on derivative contracts of $16.4 million for the three months ended March 31, 2019, compared to an unrealized gain of $4.2 million during the three months ended March 31, 2018. The increase in the unrealized loss was a result of the changes in the fair value of the derivative contracts between reporting periods. At March 31, 2019, the fair value of the Corporation's derivative contracts was a net liability of $4.7 million as compared to a net asset of $11.7 million at December 31, 2018. The increase in the price of crude oil at March 31, 2019 drove the associated derivative contracts into a liability position, compared to the asset position in the fourth quarter of 2018 when commodity prices were lower. The Corporation realized $9.9 million as a result of settlements during the quarter.

The Corporation is impacted by commodity price fluctuations in the pricing differentials between product grades and geographic location. These fluctuations are managed by purchasing and selling physical and financial derivative contracts which reduces commodity price exposure.

The fair value of the net derivative contract asset or liability is the estimated value to settle the outstanding contracts at a point in time. Accordingly, the unrealized gains or losses on these financial instruments are recorded directly to the income statement and can materially fluctuate quarter-over-quarter with price volatility. Unrealized gains and losses on derivative contracts do not impact net cash provided by operating activities or distributable cash flow. Actual gains or losses realized on eventual cash settlement can vary materially due to subsequent fluctuations in commodity prices as compared to the valuation assumptions.

Deferred income tax expense (recovery)

Deferred income tax expense (recovery) is a non-cash tax item and was a recovery of $4.3 million for the three months ended March 31, 2019 compared to an expense of $2.7 million for the three months ended March 31, 2018. The main cause for the recovery of deferred income tax was the net loss before income tax compared to the previous period.

Net income (loss) attributable to shareholders

During the three months ended March 31, 2019, the Corporation incurred a net loss attributable to shareholders of $7.1 million, compared to net income of $4.8 million for the same period of 2018. The net loss was primarily the result of the non-cash unrealized loss on derivative contacts of $16.4 million, partially offset by the realized gain on derivative contracts.

Net income per share attributable to shareholders

Net loss per share attributable per shareholders was $0.02 per share for the first quarter of 2019, compared to net income per share attributable to shareholders of $0.01 for the same period of 2018. The decrease in net income per share for the quarter was driven by the decrease in net income as discussed above. Dividends declared per share were $0.01 per share in the first quarter of 2019, consistent with the same period of 2018.

OUTLOOK AND CORPORATE UPDATE

Tidewater continues to position itself to provide producers with additional egress solutions and improved pricing for its products in a challenging commodity price environment by developing and connecting its infrastructure in order to access additional end markets.

During the first quarter of 2019, Tidewater achieved a number of milestones including the most capital-intensive period in its history with peak construction on the Pioneer Pipeline, Pipestone Gas Plant and Pipestone Gas Storage Facility and pipeline. Tidewater continues to execute successfully on its strategy by expanding its integrated network of assets with disciplined capital allocation.

Overall, while gas processing volumes remained under pressure, consistent with the fourth quarter of 2018, Tidewater moved significant NGL and crude oil volumes and continued to generate incremental fee-for-service revenue from its gas storage assets. Tidewater is also nearing completion of its largest ever capital program, with commissioning of its projects expected to occur in the second and third quarters of 2019 and has begun evaluating the next phase of growth to further complement its asset base. Tidewater remains confident in its ability to execute its previously disclosed strategic plan where fourth quarter 2019 and fiscal year 2020 net income and Adjusted EBITDA are expected to increase by greater than 50%, compared to the fourth quarter and fiscal year 2018, respectively, once the Pipestone Gas Plant and Pioneer Pipeline are operational.

Crude Oil Infrastructure

Tidewater continues to grow its crude oil infrastructure and refined products business and has delivered Canadian crude to approximately ten end markets at the end of the first quarter of 2019. Tidewater is well positioned in the crude oil space with three pipeline connected oil batteries at Valhalla, Brazeau and Acheson, including a large rail facility at Acheson. Tidewater continues to explore various market access opportunities including storage, terminals and pipelines. The majority of the agreements are for terms of less than 12 months; however, Tidewater intends to grow this business and negotiate longer term agreements with existing and new customers. Contribution from the crude oil infrastructure remains in-line with Tidewater's previously disclosed forecasts.

Brazeau River Complex

Throughput at the BRC was in-line with the fourth quarter of 2018 where Tidewater is working diligently with producers to improve netbacks by fully utilizing the BRC's facilities including its three NGL pipeline connections, truck loading and offloading facilities, fractionation and natural gas storage facilities.

The Brazeau River Fractionation facility is fully contracted for the first time in Tidewater's history, including two new investment-grade customers signed during the first quarter of 2019. Tidewater began accepting new volumes at the fractionation facility in April 2019.

The Brazeau River Complex remains a flagship asset for Tidewater, offering a full suite of services to producers, including C3, C4 and C5 pipeline connections, NGL fractionation capacity, sweet and sour deep-cut gas processing capability, and two gas egress solutions in TCPL and the Pioneer Pipeline.

Natural Gas Storage

Tidewater continued to inject customer gas under long-term fee-for-service contracts at the Pipestone Gas Storage Facility throughout the quarter, growing the cushion gas at the facility and increasing the injection and withdrawal capability of the storage reservoir.

Tidewater also commenced and completed construction of a 21km, 30-inch pipeline from its Pipestone Gas Storage Facility with both Alliance and TCPL, providing significant future egress and contracting optionality for the Pipestone Gas Plant and Pipestone Storage Facility. The project is more fully described below under Capital Program: Pipestone Gas Storage Facility.

Tidewater's gas storage projects remain well positioned to benefit from the low commodity price environment while acting as a natural hedge to Tidewater's core business, thereby achieving its goal of offering additional egress options and improved pricing to producers.

CAPITAL PROGRAM

The Corporation's three large capital projects currently underway mainly focus on establishing a strong position in the Montney and Deep Basin development areas. It is expected the three capital programs will begin delivering incremental net cash provided by operating activities during the third and fourth quarters of 2019, launching the next phase in Tidewater's growth.

Pipestone Gas Plant

On October 18, 2018, Tidewater received approval from the Alberta Energy Regulator (the "AER") to construct and operate the Pipestone Gas Plant. The Pipestone Gas Plant is designed to process approximately 100 MMcf/day of natural gas. The total infrastructure project includes an acid gas injection well, salt water disposal well and pipelines directly connected to the Pipestone Gas Storage Facility, as well as connections to both Alliance and TCPL. The Pipestone Gas Plant is currently fully contracted, and Tidewater has significant support for future gas processing and liquids handling expansions at the facility. The Pipestone project remains on time and on budget.

In the first quarter of 2019, Tidewater divested the Pipestone Gas Plant's 32MW cogeneration units for cash proceeds of $85 million. In conjunction with the divestiture, the Corporation entered into a long-term energy services agreement whereby the purchaser, Kineticor Resource Corp. ("Kineticor"), will supply power to Tidewater's Pipestone Gas Plant once construction is complete in exchange for fixed energy fee payments. The Corporation also entered into an operating agreement, whereby Tidewater will manage the final construction of the cogeneration units and the day-to-day operations once in service. This will ensure that the cogeneration units, which will be highly integrated with the Pipestone Gas Plant, will be managed safely and efficiently for both Kineticor and Tidewater.

Tidewater expects approximately $50 - $55 million of capital remaining to be spent on the first phase of the Pipestone Gas Plant in 2019, with commissioning expected to occur in the third quarter of 2019. Total capital costs for the project, once complete, are expected to be approximately $210 million after disposition of the cogeneration units.

As a result of significant producer support, Tidewater is currently evaluating a condensate liquids hub at the Pipestone Gas Plant as well as an expansion to the processing capacity at the plant. Tidewater expects capital expenditures related to scoping an expansion as well as a liquids hub, including pre-spend on Phase II connections, to be approximately $15 - 30 million over the next 12 months.

Contribution to net income from the Pipestone Gas Plant is expected to be approximately $25 - $30 million per year based on plant throughput of approximately 100 MMcf/day of contracted volume at market rates over a 5 – 10 year period. Estimated annual operating costs are based on plants of similar size with sour gas processing capability and similar NGL handling capability. Adjusted EBITDA contribution is expected to be approximately $30 - $35 million per year after adding back depreciation, based on a 60-year useful life, finance costs and taxes.

Pioneer Pipeline

On October 30, 2018, Tidewater received approval from the AER to construct and operate the 120km natural gas pipeline connecting Tidewater's BRC to TransAlta's generating units at Keephills, and subsequent approval for an 11km lateral connecting to Sundance. The Pioneer Pipeline will have initial capacity of 130 MMcf/day supported by a 15 year take-or-pay commitment from TransAlta, which may be expanded to approximately 440 MMcf/day. The Pipeline will allow TransAlta to increase the amount of natural gas it co-fires at its Sundance and Keephills coal-fired units, resulting in lower carbon emissions and costs.

TransAlta exercised its 50% working interest option in the Pioneer Pipeline in the fourth quarter of 2018 and has made advanced refundable payments of approximately $65 million to March 31, 2019 and a further $10.8 million subsequent to March 31, 2019.

Construction is near completion on the Pioneer Pipeline, which is approximately four months ahead of schedule. Capital costs on the project have increased by approximately 10% as a result of schedule acceleration and evaluation of future expansion opportunities.

Tidewater expects to flow gas on the Pioneer Pipeline in the second quarter of 2019. Contribution to Tidewater's net income from the Pioneer Pipeline is expected to be approximately $8 - $9 million per year based on throughput of approximately 130 MMcf/day of contracted volume at market rate tolls over a 15 year period. Estimated annual operating costs for the pipeline are based on other pipelines within Tidewater's currently owned infrastructure of similar size and flow rate capability. Adjusted EBITDA contribution is expected to be approximately $10 million per year after adding back depreciation, based on a 60-year useful life, finance costs and taxes.

Pipestone Gas Storage Facility

During 2017, Tidewater received regulatory approval to expand its existing Pipestone Gas Storage Facility as well as to construct and operate a 24km, 30-inch natural gas pipeline with connections to both Alliance and TCPL.

During the first quarter of 2019, Tidewater commenced and completed construction of the 24km, 30-inch natural gas pipeline to Alliance and TCPL as well as several pipeline connections to the Pipestone Gas Plant. Tidewater plans to complete the remaining facility expansion work, consisting of additional compression and injection/withdrawal wells, in the second and third quarters of 2019.

Total project costs are expected to be approximately $70 - $75 million, of which $55 million will be funded by way of $25 million preferred equity contribution from a joint venture partner, as well as a $30 million non-recourse project finance credit facility. As part of the financing arrangement, Tidewater will contribute its existing Pipestone Gas Storage Assets into a limited partnership whereby Tidewater will retain 85% of the cashflows after interest and preferred share payments while retaining operatorship. The transaction is expected to close in the second quarter of 2019.

The Pipestone Gas Storage Facility is now fully contracted on a six-year take-or-pay basis with all investment-grade counterparties. The project is a significant step forward in Tidewater's fee-for-service gas storage business and offers producers at the Pipestone Gas Plant significant optionality where the plant now has three egress solutions in TCPL, Alliance and gas storage.

Tidewater expects $20 - $25 million in capital remaining to be spent on the project by the end of 2019, mostly related to the facility. At March 31, 2019, Tidewater has funded all capital costs and expects to receive capital contributions from its joint venture partner and the non-recourse credit facility upon closing of the transaction in the second quarter of 2019.

Tidewater remains fully funded with its existing credit facility and net cash provided by operations to fund its capital program through the end of 2019.

SUMMARY OF QUARTERLY RESULTS

The following table presents a summary of Tidewater's quarterly results for the last eight quarters. The 2019 period results include the impacts from the adoption of new accounting standard "Leases" as discussed on page 18. Comparative information has not been restated and, therefore, may not be comparable.

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

		Q1 2019		Q4 2018		Q3 2018		Q2 2018
Revenue	**$**	**123,665**	**$**	90,740	$	80,102	$	69,234
Net income (loss) attributable to shareholders		**(7,135)**		13,285		(988)		3,224
Net income (loss) per share attributable to shareholders – basic and diluted		**(0.02)**		0.04		-		0.01
Adjusted EBITDA (1)	**$**	**22,404**	**$**	20,924	$	17,283	$	19,215

(1) Refer to "Non-GAAP Measures"

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

		Q1 2018		Q4 2017		Q3 2017		Q2 2017
Revenue	$	84,214	$	63,707	$	52,003	$	56,113
Net income (loss) attributable to shareholders		4,797		504		(38)		4,871
Net income (loss) per share attributable to shareholders – basic and diluted		0.01		-		-		0.01
Adjusted EBITDA (1)	$	20,001	$	16,974	$	15,346	$	14,858

(1) Refer to "Non-GAAP Measures"

During the first quarter of 2019, the following trends caused the decrease in net income (loss) and increased Adjusted EBITDA from the fourth quarter of 2018:

- increased revenue and operating expenses associated with crude oil marketing activity; and
- increased unrealized loss on derivative contracts as a result of changes in commodity prices, mitigated through the Corporation's risk management program.

During 2018, the following trends caused the overall increase in net income (loss) attributable to shareholders and Adjusted EBITDA for each quarter presented:

- increased fee-for-service revenues at Tidewater's Ram River Gas Plant, BRC and Pipestone Storage Facility;
- turnaround at the BRC during the second quarter of 2018, which caused a decrease in volumes and related sales as compared to the first quarter of 2018;
- producer shut-ins due to low AECO natural gas prices during the third quarter;
- increased unrealized losses on hedges as propane and condensate prices increased; and
- higher depreciation as a result of higher asset value.

During 2017, the following trends caused an overall increase in net income (loss) attributable to shareholders and Adjusted EBITDA for each quarter presented:

- Continued overall growth both organically and through acquisitions throughout 2016 and 2017 including:
    - the Brazeau Gas Gathering acquisition and additional working interest at the BRC (Q4 2016);
    - the North East BC acquisition adding a 30 MMcf/day sour, shallow cut gas processing facility in the Parkland area of North East BC (Q1 2017);
    - Deep Cut Extraction Plant acquisition adding 70 MMcf/day and 250km of gas gathering pipelines (Q2 2017);
    - construction of the BRC Fractionation Facility and additional deep-cut processing capacity (Q2 2017);
    - the Deep Basin and Montney acquisition including an 85% working interest in a rail connected 600 MMcf/day gas processing facility, a 25% operated working interest in two dehydration facilities, 400 MMcf/day and 200 MMcf/day respectively, as well as compression facilities and related pipelines (Q4 2017); and
    - increased natural gas storage capacity.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Sources

The Corporation's primary liquidity and capital resource needs are to fund ongoing capital expenditures, future growth opportunities, interest payments, working capital and a stable dividend.

The Corporation had the following contractual obligations as at March 31, 2019:

	March 31, 2019		December 31, 2018	
(in thousands of Canadian dollars)	**Less than 1 year**	**Greater than 1 year**	Less than 1 year	Greater than 1 year
Accounts payable and accrued liabilities	**$ 253,567**	**$ -**	$ 154,810	$ -
Contribution liability	**65,419**	**-**	15,000	-
Derivative contracts	**1,764**	**3,378**	-	-
Dividend payable	**3,309**	**-**	3,308	-
Interest payable	**2,393**	**-**	312	-
Incentive compensation	**8,103**	**2,182**	6,830	1,512
Lease liabilities and other	**10,190**	**98,818**	-	-
Bank debt	**-**	**238,300**	-	225,000
Notes payable	**-**	**122,388**	-	122,208
	$ 344,745	**$ 465,066**	$ 180,260	$ 348,720

The Corporation had a working capital deficit (defined as current assets less current liabilities, excluding contribution liability and current portion of lease labilities) of approximately $113.0 million at March 31, 2019, compared to a deficit of approximately $45.5 million at December 31, 2018. The decrease in working capital is a result of the acceleration of the major construction projects of Pipestone Gas Plant, Pioneer Pipeline and Pipestone Gas Storage Facility. At March 31, 2019, the Corporation's accounts payable and accrued liabilities included outstanding amounts relating to these projects. The Corporation plans to satisfy obligations as they become due through net cash provided by operating activities and its credit facility. The Corporation does not foresee any difficulties in meeting future obligations as they become due. Private equity and industry partners remain an option for Tidewater for the funding of larger infrastructure build-outs.

Pursuant to the Amended Credit Facility, total availability under the Corporation's credit facility increased from $325 million to $350 million by accessing its accordion feature and amended its financial covenants.

The Corporation’s Amended Credit Facility is used to provide financing for working capital, fund capital expenditures and for other general corporate purposes. As at March 31, 2019 and as of the date of this MD&A, total availability under the Corporation's credit facility was $350 million. The Amended Credit Facility matures on August 23, 2021, which may be further extended for a period of up to one year with the consent of the Syndicate.

The Corporation is required to meet certain financial covenants under its credit facility and is also subject to customary restrictions on its notes payable and credit facility including restrictions on the granting of security, incurring indebtedness and the sale of its assets.

The key financial covenants include a consolidated debt to adjusted EBITDA ratio of less than or equal to 5.50:1 for the fiscal quarters ending March 31, 2019 and June 30, 2019; 5.25:1 for the fiscal quarter ending September 30, 2019; 5.00:1 for the fiscal quarter ending December 31, 2019; and 4.50 for the fiscal quarters ending March 31, 2020 and thereafter; consolidated senior debt to adjusted EBITDA ratio of less than or equal to 4.00:1 for the fiscal quarters ending March 31, 2019 and June 30, 2019; 3.75:1 for the fiscal quarter ending September 30, 2019; and 3.50:1 for the fiscal quarters ending December 31, 2019 and thereafter; and a fixed charge coverage ratio greater than or equal to 1.15:1. The Corporation may include up to 15% (previously 10%) of projected annual adjusted EBITDA attributable to material projects currently under construction based on certain criteria.

Adjusted EBITDA is defined under the Amended Credit Facility as net income (loss) plus finance costs and other, deferred income tax expense, depreciation, unrealized loss (gain) on derivative contracts, share-based compensation, foreign exchange (gains) losses, gains/losses on asset disposal, transaction costs and non-recurring transactions. Consolidated debt is defined as bank debt and notes payable and consolidated senior debt is defined as bank debt. The fixed charge coverage ratio is calculated as adjusted EBITDA divided by the sum of interest expense, capitalized interest and dividends paid.

At March 31, 2019, the Corporation was in compliance with its financial covenants, reporting a consolidated debt to Adjusted EBITDA ratio of 3.87, consolidated senior debt to Adjusted EBITDA ratio of 2.53, and fixed charge coverage ratio of 2.72.

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

The most significant exposure faced by the gathering, processing and transportation business is related to declines in production volumes. With Tidewater’s facilities located in significant natural gas supply areas and the high barriers to entry of new participants and current and future take-or-pay contracts and gas storage facilities, net cash provided by operating activities is anticipated to remain stable and be sufficient to support operations, fund sustaining capital expenditures and generate distributable cash flow.

Cash Flow Summary

The following table summarizes the Company's sources and uses of funds for the three months ended March 31, 2019 and 2018 from continuing operations:

	Three months ended March 31,			
Cash flows provided by (used in) *(in thousands of Canadian dollars)*		**2019**		2018
Operating activities	**$**	**(3,310)**	$	(20,921)
Financing activities	**$**	**141,615**	$	15,171
Investing activities	**$**	**(136,947)**	$	(35,779)

Net Cash Used in Operating Activities

Net cash used in operating activities was $3.3 million for the three months ended March 31, 2019, compared to $20.9 million for the three months ended March 31, 2018. The decrease in net cash used in operating activities between the periods was due to changes in non-cash working capital resulting from differences in the timing of payments, equalization adjustments and flow-through operating fee charges.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $141.6 million for the three months ended March 31, 2019, compared to $15.2 million for the three months ended March 31, 2018.

On March 22, 2019, the Corporation entered into a purchase and sale agreement whereby the Corporation divested its cogeneration units located at the Pipestone Gas Plant to a privately held power developer focused on thermal generation in Canada. Under the terms of the sale, the Corporation received cash proceeds of $85.0 million. In conjunction with the purchase and sale agreement, the Corporation has an option, at its discretion, to repurchase the asset within the next 15 years at various prices. The power developer also has a put option, at its discretion, to sell the asset back to the Corporation exercisable only at the end of December 31, 2034. As a result of the call and put option, in accordance with IFRS 15 "Revenue from Contracts with Customers", the Corporation has retained control of the asset and therefore continues to recognize the asset as part of its property, plant and equipment. Additionally, during the first quarter of 2019, the Corporation received advanced refundable payments of $50.4 million from TransAlta, related to the Pioneer Pipeline project which have been recorded as a contribution liability until closing of the transaction has occurred. Closing is expected in the second quarter of 2019. The Corporation continues to draw on its credit facility, offset by interest payments, to fund its capital projects.

The Corporation continues to pay dividends on a quarterly basis at $0.01 per share.

Net Cash Used in Investing Activities

Net cash used in investing activities was $136.9 million for the three months ended March 31, 2019, compared to $35.8 million for the three months ended March 31, 2018. The increase in net cash used in investing activities primarily relates to the major growth projects, as described throughout this MD&A, which continued to progress throughout the first quarter of 2019.

Capital Expenditures

The following table summarizes growth and maintenance capital expenditures for the three months ended March 31, 2019 and 2018:

	Three months ended March 31,			
(in thousands of Canadian dollars)		**2019**		2018
Growth capital	**$**	**221,558**	$	41,347
Maintenance capital	**$**	**912**	$	1,722
Total additions to property, plant and equipment as per statement of cash flows	**$**	**222,470**	$	43,069

Growth Capital

Growth capital expenditures for the first quarter of 2019 were $221.6 million, compared to $41.3 million for the first quarter of 2018. The increase in capital spending in the first quarter of 2019 compared to 2018 was largely due to the continued construction on the Pipestone Gas Plant, Pioneer Pipeline and Pipestone Gas Storage Facility projects. In addition to these projects, Tidewater continues to move forward on multiple other small-scale optimization and growth capital projects.

Maintenance Capital

Tidewater places a high priority on the maintenance and upgrading of its gathering and processing assets to provide safe, reliable midstream services to its customers. Maintenance capital expenditures for the three months ended March 31, 2019 were $0.9 million, compared to $1.7 million for the same period of 2018. The decrease in expenditures for the first quarter of 2019 as compared to 2018, was mainly related to the planned maintenance and turnaround operations at the BRC. This maintenance and turnaround is scheduled to occur every four years.

CONTRACTUAL LIABILITIES AND COMMITMENTS

At March 31, 2019, the Corporation had commitments related to leased (right-of-use) assets, energy service fees, firm transportation contracts and long term debt. Lease liabilities relate to office leases for the Corporation's office space, rail tank cars, vehicles, field buildings, various equipment leases and energy service arrangements. The firm transportation contracts relate to firm service contracts with TransCanada, Alliance and Nova Pipelines ranging from one to ten years.

(In thousands of Canadian dollars)		**Within 1 year**		**After 1 year but not more than 5 years**		**More than 5 years**		**Total**
Lease liabilities and other	$	10,679	$	48,929	$	107,295	$	166,903
Firm transportation contracts		3,636		18,312		11,890		33,838
Notes Payable interest [1]		8,438	$	25,312		-		33,750
Notes Payable repayments [2]		-		125,000		-		125,000
Bank debt [2]		-		238,300		-		238,300
Total	$	22,753	$	455,853	$	119,185	$	597,791

[1] Fixed interest payments on notes payable

[2] Repayment of notes payable of $125 million. The Corporation's revolving bank debt is due August 23, 2021. At March 31, 2019, the Corporation had approximately $16.0 million letters of credit outstanding.

OUTSTANDING EQUITY

At May 13, 2019, Tidewater had the following outstanding common shares, RSUs, DSUs and options:

(In thousands)	
Common shares	331,033
RSUs	11,854
DSUs	140
Options	13,622

TRANSACTIONS WITH RELATED PARTIES

Transactions involving related parties are in the normal course of business and are recorded at market rates. The transactions involving related parties during the three months ended March 31, 2019 are summarized in the following table:

(in thousands of Canadian dollars)	**Three months ended March 31, 2019**	
Related Party	Revenue	Operating expenses
Highwood Oil Company Ltd (formerly Predator Oil Ltd.) (1)	$ 644	$ -
Cedar Creek Energy Ltd (2)	1,698	1,354
Tidewater Brazeau Gas Storage LP (4)	359	485
Total	**$ 2,701**	**$ 1,839**

The related party balances included in the consolidated statement of financial position as at March 31, 2019 are summarized in the following table:

(in thousands of Canadian dollars)	**As at March 31, 2019**	
Related Party	Accounts receivable	Prepaid expenses and other
Highwood Oil Company Ltd (formerly Predator Oil Ltd.) (1)	$ 611	$ -
Cedar Creek Energy Ltd (2)	2,900	6,245
Fireweed Energy Ltd. (3)	215	-
Tidewater Brazeau Gas Storage LP (4)	430	-
Total	**$ 4,156**	**$ 6,245**

(1) Highwood Oil Company Ltd. (formerly Predator Oil Ltd.) is a public company, of which Tidewater's Chief Executive Officer, Joel Macleod, is a controlling shareholder. The related party transactions with Highwood Oil Company Ltd. comprise of gas processing fee revenue, retail propane sales and trucking revenue.

(2) Cedar Creek Energy Ltd. is a private company whose shares are held by Tidewater's Chief Financial Officer, Joel Vorra, and Vice Presidents, Jeff Ketch, Reed McDonnell and Jarvis Williams. The transactions involving Cedar Creek Energy Ltd. consist of gas processing fee revenue, retail propane sales, trucking revenue and commodity purchases

(3) Fireweed Energy Ltd. is a private company, whose Chief Executive Officer, Steve Holyoake, is a member of Tidewater's Board of Directors. The transactions involving Fireweed Energy Ltd. relate to gas processing fee revenue and non-operated plant expenses.

(4) Tidewater Brazeau Gas Storage LP is a joint arrangement partnership. The transactions involving Tidewater Brazeau Gas Storage LP consist of gas processing fee revenue, gas storage fee expenses and commodity purchases.

For the three months ended March 31, 2019, Tidewater had no other transactions with related parties, except those pertaining to contributions to Tidewater's long-term incentive plans and remuneration of key management personnel in the ordinary course of their employment.

FINANCIAL INSTRUMENTS

Tidewater's financial instruments consist of cash, accounts receivable, finance lease receivable, derivative contracts, investments, accounts payable and accrued liabilities, contribution liability, lease liabilities, dividends payable, interest payable, bank debt and notes payable. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, foreign exchange or credit risk arising from these financial instruments.

The majority of Tidewater's accounts receivable are due from entities in the oil and gas industry and are subject to normal industry credit risks. Concentration of credit risk is mitigated by having a broad domestic customer base. Tidewater evaluates and monitors the financial strength of its customers in accordance with its credit policy. End users for Tidewater's products range from large natural gas utilities, producers and refiners, many of which are considered investment-grade entities. With respect to counterparties for financial instruments used for hedging purposes, the Corporation limits its credit risk through dealing with recognized futures exchanges or investment-grade financial institutions and by maintaining credit policies which minimize overall counterparty credit risk.

Tidewater employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Corporation's business objectives and risk tolerance levels.

The Corporation enters into certain financial derivative contracts to manage commodity price, power and foreign exchange risk. These instruments are not used for speculative purposes. The Corporation has not designated its financial derivative contracts as effective accounting hedges, even though the Corporation considers all commodity, power and foreign exchange contracts to be effective economic hedges. Such financial derivative contracts are recorded on the consolidated statement of financial position at fair value, with changes in the fair value being recognized as an unrealized loss (gain) on the consolidated statement of net income (loss) and comprehensive income (loss).

RISK MANAGEMENT

The Corporation continually works to mitigate the impact of risks to its business by identifying all significant risks so that they can be appropriately managed. The risks that may affect the business and operation of Tidewater are described within the Corporation's Annual Information Form ("AIF"), an electronic copy of which is available on Tidewater's SEDAR profile at www.sedar.com. The Corporation's financial risks are discussed in note 16 of the Corporation's Financial Statements.

ENVIRONMENTAL REGULATION AND CLIMATE CHANGE

Tidewater is subject to a range of laws, regulations and requirements imposed by various levels of government and regulatory bodies in the jurisdictions in which it operates, including regulations that restrict or limit the release of emissions or specific substances. The Corporation continuously monitors legislative initiatives and overall regulatory trends across Canada and the U.S. so it is aware of potential developments that could affect its business and operations.

For a detailed discussion of environmental regulations that affect Tidewater, political and legislative development as they relate to climate change and the risks associated therewith, see the Corporation's AIF and Management Discussion and Analysis for the year ended December 31, 2018, both available at www.sedar.com.

CHANGES IN ACCOUNTING POLICIES

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Standards Interpretations Committee.

IFRS 16, "Leases" was adopted during the three-month period ended March 31, 2019:

The Corporation adopted IFRS 16, "Leases" effective January 1, 2019. IFRS 16 replaced lease guidance previously applicable under IAS 17, "Leases". Under IAS 17, leases were required to be classified as 'operating' or 'finance' based on whether the lease transferred significantly all the risks and rewards associated with ownership of the underlying asset. 'Operating' leases were recognized in the consolidated statement of net income (loss) and comprehensive income (loss), while 'finance' leases were recognized on the consolidated statement of financial position. Under IAS 17, the majority of the Corporation's leases were classified as 'operating'.

IFRS 16 introduced new requirements with respect to lease accounting and introduced a new lease definition that increases the focus on control of the underlying asset requiring the recognition of a right-of-use asset and a corresponding lease liability at commencement for all leases. As a result, the Corporation now recognizes right-of-use assets representing its right to use the underlying asset and a corresponding lease liability representing its obligation to make payments to use the asset.

For arrangements where the Corporation subleases a portion of a leased asset to an external party, a lease receivable and corresponding reduction to the right-of-use asset are recognized. On the consolidated statement of net income (loss) and comprehensive income (loss), lease expenses are recognized consisting of two components; depreciation expense of the right-of-use asset (included in 'depreciation') and interest expense related to the lease liability (included in 'finance costs and other').

The majority of Tidewater's right-of-use assets recognized under IFRS 16 are related to rail cars, field vehicles, field equipment and machinery, facility surface leases and office space. The Corporation discounted the lease payments using the Corporation's incremental credit-risk adjusted borrowing rate of approximately 6.5 percent. The adoption of IFRS 16 resulted in the following adjustments on its statement of financial position recognized at January 1, 2019:

(in thousands of Canadian dollars)		**January 1, 2019**
Finance lease receivable	$	630
Right-of-use asset	$	17,376
Lease liability (current and non-current)	$	(18,006)

Refer to notes 2, 3 and 8 of the Financial Statements for more information including additional disclosure as required under IFRS 16.

In the first quarter of 2019, the adoption of IFRS 16 decreased operating and general and administrative expenses by approximately $2.6 million and increased depreciation expense by $2.0 million and financing expense by $0.4 million.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimates that differ materially from current estimates. The Corporation's use of estimates and judgments in preparing the interim condensed consolidated financial statements is discussed in note 2 of the consolidated Financial Statements for the year ended December 31, 2018. Other than accounting estimates and judgments made in connection with the adoption of IFRS 16, there have been no material changes to the Corporation's critical accounting estimates and judgments during the three months ended March 31, 2019.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures ("DC&P")

The Corporation's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P"), as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), to provide reasonable assurance that material information relating to the Corporation is made known to them by others, particularly during the period in which the annual filings are being prepared, and information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The Corporation's management, including the Chief Executive Officer and Chief Financial Officer, evaluate the effectiveness of the Corporation's DC&P annually.

Internal Controls Over Financial Reporting ("ICFR")

Tidewater's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting ("ICFR"). They have as at the period ended March 31, 2019, designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used by the officers to design the Corporation's ICFR is the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations.

The Corporation's Chief Executive Officer and Chief Financial Officer are required to disclose any change in the ICFR that occurred during the most recent interim period that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR. No material changes in the ICFR were identified during the interim period ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR.

NON-GAAP MEASURES

Throughout this MD&A, Tidewater has used the following terms that are not defined by GAAP but are used by management to evaluate the performance of the Corporation. Since non-GAAP measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies, securities regulations require that non-GAAP measures are clearly defined, qualified and reconciled to their nearest GAAP measure. Except as otherwise indicated, these non-GAAP measures will be calculated and disclosed on a consistent basis from period to period. Specific adjusting items may only be relevant in certain periods.

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

Adjusted EBITDA and Adjusted EBITDA per common share

Adjusted EBITDA and Adjusted EBITDA per common share are non-GAAP measures. Adjusted EBITDA is calculated as income or loss before finance costs, taxes and depreciation, share-based compensation, unrealized gains/losses on derivative contracts, non-cash items, transaction costs and other items considered non-recurring in nature. Adjusted EBITDA per common share is calculated as Adjusted EBITDA divided by the weighted average number of common shares outstanding for the three-month period ended March 31, 2019.

Management utilizes Adjusted EBITDA to set objectives and as a key performance indicator of the Corporation's success and is continually used by the management team to assist them in making operating decisions and assessing performance. In addition to its use by management, Tidewater also believes Adjusted EBITDA is a measure widely used by securities analysts, investors, lending institutions and others to evaluate the financial performance of the Corporation and other companies in the midstream industry. The Corporation issues guidance on this key measure. As a result, Adjusted EBITDA is presented as a relevant measure in the MD&A to assist analysts and readers in assessing the performance of the Corporation as seen from management's perspective. Investors should be cautioned that Adjusted EBITDA should not be construed as alternatives to net income (loss), net cash provided by (used in) operating activities or other measures of financial results determined in accordance with GAAP as an indicator of the Corporation's performance and may not be comparable to companies with similar calculations.

The following table reconciles net income (loss), the nearest GAAP measure, to Adjusted EBITDA:

	Three months ended March 31,	
(in thousands of Canadian dollars except per share information)	**2019**	2018
Net income (loss)	$ (7,602)	$ 4,797
Deferred income tax expense (recovery)	(4,341)	2,717
Depreciation	13,300	9,602
Finance costs	2,328	4,154
Share-based compensation	3,143	1,103
Realized gain on sale of assets	(1,585)	(5)
Unrealized loss (gain) on derivative contracts	16,395	(4,185)
Transaction costs	608	1,653
Non-recurring transactions	158	165
Adjusted EBITDA	**$ 22,404**	**$ 20,001**
Adjusted EBITDA per common share – basic and diluted	$ 0.07	$ 0.06

The 2019 Adjusted EBITDA includes the impacts from the adoption of new accounting standard "Leases" as discussed on page 18. Comparative information has not been restated and, therefore, may not be comparable.

Distributable cash flow and distributable cash flow per common share

Distributable cash flow and distributable cash flow per common share are non-GAAP measures. Management believes distributable cash flow is a useful metric for investors when assessing the amount of cash flow generated from normal operations and to evaluate the adequacy of internally generated cash flow to fund dividends. Distributable cash flow is calculated as net cash provided by operating activities before changes in non-cash working capital plus transaction costs, non-recurring expenses and after any expenditures that use cash from operations. Changes in non-cash working capital are excluded from the determination of distributable cash flow because they are primarily the result of seasonal fluctuations or other temporary changes and are generally funded with short term debt or cash flows from operating activities. Deducted from distributable cash flow are maintenance capital expenditures, including turnarounds, as they are ongoing recurring expenditures which are funded from operating cash flows. Transaction costs are added back as they vary significantly quarter to quarter based on the Corporation's acquisition and disposition activity. It also excludes non-recurring transactions that do not reflect Tidewater's ongoing operations.

Distributable cash flow per common share is calculated as distributable cash flow over the weighted average number of common shares outstanding for the three months ended March 31, 2019. Investors should be cautioned that distributable cash flow and distributable cash flow per common share should not be construed as alternatives to earnings or other measures of financial results determined in accordance with GAAP as an indicator of the Corporation's performance and may not be comparable to companies with similar calculations.

The following table reconciles net cash provided by operating activities, the nearest GAAP measure, to distributable cash flow:

		Three months ended March 31,		
(in thousands of Canadian dollars except per share information)		**2019**		2018
Net cash used in operating activities	$	(3,310)	$	(20,921)
Add (deduct):				
Changes in non-cash working capital		23,564		38,355
Transaction costs		608		1,653
Non-recurring transactions		158		165
Interest and financing charges paid		(1,197)		(716)
Payment of lease liabilities		(2,651)		-
Sublease payments received		50		-
Maintenance capital		(912)		(1,722)
Distributable cash flow	**$**	**16,310**	**$**	**16,814**
Distributable cash flow per common share – basic and diluted	$	0.05	$	0.05

Tidewater expects to pay dividends from distributable cash flow, however the Corporation is entirely dependent upon its operations and assets to pay cash dividends to shareholders. Dividends declared for the three months ended March 31, 2019 were $3.3 million or approximately 20% of distributable cash flow. Growth capital expenditures will be funded from operating cash flow, along with proceeds from additional debt or equity, as required.

Tidewater's objective is to payout stable dividends throughout the year. There is no assurance regarding the amounts of cash to be distributed by Tidewater or generated by Tidewater and therefore, the funds available for distribution to shareholders. The actual amount distributed will depend on a variety of factors, including without limitation, the performance of the Corporation's assets, the effect of acquisitions on Tidewater, and other factors that may be beyond the control of Tidewater. In the event significant capital expenditures are required or the profitability of Tidewater declines, there would be a decrease in the amount of cash available for distribution to shareholders and such decrease could be material. Tidewater's dividend policy is subject to change at the discretion of the Board of Directors of the Corporation. The actual amount of future dividends is proposed by management and is subject to the approval and discretion of the Board of Directors. The Board reviews future dividends in conjunction with their review of quarterly financial and operating results.

Payout Ratio

(in thousands of Canadian dollars except percentage information)		**Three months ended March31, 2019**		2018
Dividends declared	**$**	**3,309**	$	3,291
Distributable cash flow	**$**	**16,310**	$	16,814
Payout ratio		**20%**		**20%**

Payout ratio is calculated by expressing dividends declared to shareholders for the period as a percentage of distributable cash flow attributable to shareholders. This measure, in combination with other measures, is used by the investment community to assess the sustainability of the current dividends.

Net Debt

(in thousands of Canadian dollars)		**March 31, 2019**		March 31, 2018
Bank debt		**238,300**		76,500
Notes payable		**122,388**		121,890
Cash		**(7,325)**		(10,965)
Net debt	**$**	**353,363**	$	187,425

Net debt is used by the Corporation to monitor its capital structure and financing requirements. It is also used as a measure of the Corporation's overall financial strength. Net debt is defined as bank debt and notes payable, less cash. The Corporation's net debt has increased as at March 31, 2019 compared to March 31, 2018, as a result of increased bank debt due to the overall growth and capital projects of the Corporation. The Corporation has modified its definition of net debt to exclude working capital as the Corporation monitors its capital structure based on consolidated net debt to Adjusted EBITDA, consistent with its credit facility covenants as described in Liquidity and Capital Resources.

Growth capital

Growth capital expenditures are generally defined as expenditures which are recoverable or incrementally increase cash flow or earnings potential of assets, expand the capacity of current operations or significantly extend the life of existing assets. This measure is used by the investment community to assess the extent of discretionary capital spending.

Maintenance capital

Maintenance capital expenditures are generally defined as expenditures which support and/or maintain the current capacity, cash flow or earnings potential of existing assets without the associated benefits characteristic of growth capital expenditures. These expenditures include major inspections and overhaul costs that are required on a periodic basis. This measure is used by the investment community to assess the extent of non-discretionary capital spending.

FORWARD-LOOKING INFORMATION

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

Specifically, this MD&A contains forward-looking statements relating to but not limited to:

- planned commissioning of Tidewater's planned Pipestone Gas Plant and timing thereof as well as projections with respect to contracting capacity, net income to be derived therefrom, projected capital and operating costs and Adjusted EBITDA contribution estimates;
- future supply of power to the Pipestone Gas Plant;
- plans for future gas processing and liquids handling expansions at the Pipestone Gas Plant;
- planned commissioning of the Pioneer Pipeline and timing thereof, projected capital and operating costs and timing for Tidewater's incurrence of these costs, projected closing of TransAlta's option to acquire an ownership interest in the Pioneer Pipeline, future expansion opportunities and timing thereof, projected contribution to net income and Adjusted EBITDA;
- future optionality, egress and contracting capacity at the Pipestone Storage Facility and projected capital costs of such project;
- plans to move the Pipestone Gas Storage Facility into a limited partnership and financing plans for such project;
- expectations regarding funding of capital projects and that Tidewater's three major capital programs will begin delivering incremental cash flow during Q3 and Q4, 2019;
- projected net income and Adjusted EBITDA into the fourth quarter of 2019 and 2020;
- projections that Tidewater will meet its obligations and financial commitments and will have sufficient funding for anticipated capital expenditures and projections regarding sources of such funding;
- projections regarding future delivery of crude oil to end markets, impact of crude oil infrastructure business to net income and Adjusted EBITDA in 2019, plans to explore various market access opportunities including storage, terminals and pipelines;
- future growth of Tidewater's crude oil infrastructure business and expectations regarding longer term agreements with existing and new customers; and
- projected plans and benefits of the Corporation's crude oil and refined products infrastructure business including with respect to future earnings and incremental Adjusted EBITDA.

Such forward-looking statements of information are based on a number of assumptions which may prove to be incorrect. In addition to other assumptions identified in this document, assumptions have been made regarding, among other things:

- general economic and industry trends;
- oil and gas industry expectation and development activity levels and the geographic region of such activity;
- the success of the Corporation's operations;
- anticipated timelines and budgets being met in respect of the Corporation's projects and operations;
- future natural gas, crude oil and NGL prices;
- the Corporation's ability to obtain and retain qualified staff and equipment in a timely and cost-effective manner;
- assumptions regarding amount of operating costs to be incurred;
- that proposed transactions will close as expected;
- that counterparties will comply with contracts in a timely manner;
- that there are no unforeseen material costs relating to the facilities which are not recoverable from customers;
- distributable cash flow and net cash provided by operating activities consistent with expectations;
- the ability to obtain additional financing on satisfactory terms;
- the availability of capital to fund future capital requirements relating to existing assets and projects;
- the ability of Tidewater to successfully market its products;
- the Corporation's future debt levels and the ability of the Corporation to repay its debt when due;
- foreign currency, exchange and interest rates;
- that any third-party projects relating to the Corporation's growth projects will be sanctioned and completed as expected;
- the amount of future liabilities relating to lawsuits and environmental incidents and the availability of coverage under the Corporation's insurance policies;
- the ability of the Corporation to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its evaluations and activities; and
- that all required regulatory and environmental approvals for capital projects can be obtained on the necessary terms and in a timely manner.

Actual results achieved will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors including but not limited to:

- general economic, political, market and business conditions, including fluctuations in interest rates, foreign exchange rates and stock market volatility;
- activities of producers and customers and overall industry activity levels;
- the regulatory environment and decisions and First Nations and landowner consultation requirements;
- operational matters, including potential hazards inherent in the Corporation's operations and the effectiveness of health, safety, environmental and integrity programs;
- fluctuations in commodity prices, inventory levels and supply/demand trends;
- 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 regulations;

- activities of other facility owners, including access to third-party facilities;
- competition for, among other things, business, capital, acquisition opportunities, requests for proposals, materials, equipment, labour and skilled personnel;
- environmental risks and hazards, including risks inherent in the transportation of NGLs which may create liabilities to the Corporation in excess of the Corporation's insurance coverage, if any;
- failure of third parties' reviews, reports and projections to be accurate;
- non-performance or default by counterparties to agreements which the Corporation or one or more of its subsidiaries has entered into in respect of its business;
- actions by joint venture partners or other partners which hold interests in certain of the Corporation's assets;
- construction and engineering variables associated with capital projects, including the availability of contractors, 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;
- adverse claims made in respect of the Corporation's properties or assets;
- changes in the political environment and public opinion;
- risks and liabilities associated with the transportation of dangerous goods;
- risks and liabilities resulting from derailments;
- competitive action by other companies;
- effects of weather conditions;
- reputational risks;
- reliance on key personnel;
- technology and security risks;
- 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 the Corporation is reliant;
- technical and processing problems, including the availability of equipment and access to properties;
- changes in gas composition; and
- failure to realize the anticipated benefits of recently completed acquisitions.

The foregoing lists are not exhaustive. Additional information on these and other factors which could affect the Corporation's operations or financial results are included in the Corporation's most recent AIF and in other documents on file with the Canadian Securities regulatory authorities.

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

Any financial outlook or future-oriented financial information, as defined by applicable securities legislation, has been approved by management of Tidewater as of May 13, 2019. A financial outlook or future-oriented financial information is provided for the purpose of providing information about management's current expectations and goals relating to the future of Tidewater. Readers are cautioned that reliance on such information may not be appropriate for other purposes. The purpose of the future-oriented financial information contained herein including but not limited to future periods of net income and Adjusted EBITDA is to assist investors, shareholders, and others in understanding certain financial metrics relating to expected future financial results for the purpose of evaluating the performance of Tidewater's business for future periods. This information may not be appropriate for other purposes. The results and conclusions of these assessments, along with the known and unknown risks, uncertainties and other factors referred to above, could impact Tidewater's estimates and the information related to such future periods contained herein and any such impact could be material.