# TIDEWATER MIDSTREAM AND INFRASTRUCTURE LTD. ANNOUNCES SECOND QUARTER 2016 RESULTS

CALGARY, August 15, 2016 - Tidewater Midstream and Infrastructure Ltd. ("**Tidewater**" or the "**Company**") (TSXV: TWM) is pleased to announce that it has filed its unaudited condensed consolidated interim financial statements and Management's Discussion and Analysis **("MD&A")** for the period ended June 30, 2016.

## Highlights

- Tidewater delivered strong financial results in the second quarter of 2016, generating adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA")[1] of $9.3 million, as compared to a loss of $190,722 in the same quarter last year, when Tidewater had not yet commenced operations. Tidewater's EBITDA is supported by take or pay contracts, which has mitigated the reduced throughput volumes the Company experienced in the second quarter of 2016.

- Net earnings were $3.2 million ($0.01 per share) for the second quarter of 2016, compared to a loss of $554,000 (($0.05) per share) in the same period in 2015.

- Tidewater is pleased to announce that it has entered into a take or pay agreement with a new customer, who is a well-capitalized medium sized producer, for approximately all of the current spare capacity at the Brazeau River Complex ("BRC") on a two-year basis commencing in the fourth quarter of 2016. Tidewater continues to work with the new customer on a longer term arrangement and the Company will also market all related NGLs for the producer, which is consistent with Tidewater's goal of working with producers to achieve improved NGL netback pricing, while also diversifying its customer base and strengthening its related contracts.

- Tidewater has also entered into an agreement to acquire a 100% working interest in a 33MMcf/d sour, deep-cut gas processing facility ("Acheson Gas Plant"), 250km of related pipelines and 600 acres of heavy industrial land at west Edmonton, directly adjacent to the

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1 Refer to "Non-GAAP and additional GAAP Measures"

Canadian National rail line, for total cash consideration of $11 million, which includes a five to ten year take or pay agreement with the related upstream production. The Acquisition directly connects to Tidewater's existing Edmonton area infrastructure and creates significant near term synergies that optimize Tidewater's Edmonton area NGL and natural gas network. Tidewater plans to commence construction of its first NGL rail transloading facility immediately for approximately $6 million. Tidewater expects the asset will generate approximately $4 million of incremental annual EBITDA commencing late in the first quarter of 2017.

- Inclusive of the above acquisition, Tidewater commenced its previously disclosed $85 - $125 million capital/acquisition program, which will extend over the next 12 to 18 months and is expected to deliver an incremental $20 - $30 million of EBITDA per year while maintaining a strong balance sheet with debt to EBITDA of approximately 1 to 1.5 times. Tidewater has now allocated $60 - $65 million of the capital program and anticipates this will generate $15 - $16 million of annual incremental EBITDA once the projects are fully commissioned at various stages in 2017. Tidewater continues to pursue several other acquisitions and organic capital projects as the current commodity environment continues to be an opportune time to acquire assets as well as build out infrastructure in Western Canada.

Selected financial and operating information is outlined below and should be read with Tidewater's unaudited condensed interim financial statements and related MD&A which are available at www.sedar.com and on our website at www.tidewatermidstream.com.

## Financial Overview

***(In thousands of Canadian dollars, except per share data)***

| | Three-months ended June 30, | | Six months ended June 30, | For the period from February 4, to June 30, |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| Total revenues | $ 25,698 | $ 8 | $ 44,036 | $ 8 |
| Income (loss) for the period | $ 3,169 | $ (554) | $ 9,077 | $ (630) |
| Earnings (loss) per common share – basic and diluted | $ 0.01 | $ (0.05) | $ 0.04 | $ (0.07) |
| EBITDA[1] | $ 8,448 | $ (803) | $ 18,000 | $ (879) |
| Adjusted EBITDA[2] | $ 9,290 | $ (190) | $ 16,580 | $ (243) |
| Adjusted EBITDA per common share - basic and diluted[2] | $ 0.03 | $ (0.02) | $ 0.07 | $ (0.03) |
| Total cash and cash equivalents | $ 17,029 | $ 3,355 | $ 17,029 | $ 3,355 |
| Total assets | $ 475,301 | $ 18,439 | $ 475,301 | $ 18,439 |
| Total acquisitions | $ 12,580 | $ - | $ 147,818 | $ - |
| Total capital expenditures | $ 3,926 | $ 1,119 | $ 6,786 | $ 1,119 |
| Bank debt | $ - | $ 10,000 | $ - | $ 10,000 |
| Total non-current financial liabilities | $ 86,138 | $ 184 | $ 86,138 | $ 184 |
| Working capital surplus (deficiency) | $ 37,646 | $ (4,592) | $ 37,646 | $ (4,592) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Cash flow from operating activities[3] | $ | 9,273 | $ | (190) | $ | 15,965 | $ | (243) |
| Cash flow from operating activities per common share – basic and diluted[3] | $ | 0.03 | $ | (0.02) | $ | 0.07 | $ | (0.03) |
| Distributable cash flow[4] | $ | 9,089 | $ | (190) | $ | 15,781 | $ | (243) |
| Distributable cash flow per common share[4] | $ | 0.03 | $ | (0.02) | $ | 0.07 | $ | (0.03) |
| Dividends declared | $ | 2,846 | $ | - | $ | 5,617 | $ | - |
| Dividends declared per common share | $ | 0.01 | $ | - | $ | 0.02 | $ | - |
| Total common shares outstanding (000s) | | 284,158 | | 11,780 | | 284,158 | | 11,780 |
| Total RSUs outstanding (000s) | | 4,244 | | 1,100 | | 4,244 | | 1,100 |
| Total Options outstanding (000s) | | 3,373 | | - | | 3,373 | | - |

Notes:

1 EBITDA is calculated as income or loss before finance costs, taxes, depreciation and amortization. EBITDA is not a standard measure under GAAP. See "Non-GAAP Financial Measures" beginning on page 13 of the MD&A for a reconciliation of EBITDA to its most closely related GAAP measure.

2 Adjusted EBITDA is calculated as EBITDA adjusted for incentive compensation, unrealized gains/losses, non-cash items and items that are 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 period ended June 30, 2016. Adjusted EBITDA and Adjusted EBITDA per common share are not standard measures under GAAP. See "Non-GAAP Financial Measures" beginning on page 13 of the MD&A for a reconciliation of Adjusted EBITDA and Adjusted EBITDA per common share to their most closely related GAAP measures.

3 Cash flow from operating activities is calculated as net cash used in operating activities before changes in non-cash working capital less any long term incentive plan expenses. Cash flow from operating activities per common share is calculated as cash flow from operating activities divided by the weighted average number of common shares outstanding for the period ended June 30, 2016. Cash flow from operating activities and cash flow from operating activities per common share are not standard measures under GAAP. See "Non-GAAP Financial Measures" beginning on page 13 of the MD&A for a reconciliation of cash flow from operating activities and cash flow from operating activities per common share to their most closely related GAAP measures.

4 Distributable cash flow is calculated as net cash used in operating activities before changes in non-cash working capital and after any expenditures that use cash from operations. Distributable cash flow per common share is calculated as distributable cash flow over the weighted average number of common shares outstanding for the period ended June 30, 2016. Distributable cash flow and distributable cash flow per common share are not standard measures under GAAP. See "Non-GAAP Financial Measures" beginning on page 13 of the MD&A for a reconciliation of distributable cash flow and distributable cash flow per common share to their most closely related GAAP measures.

## Strategic Acquisition

Tidewater is pleased to announce that it has entered into an Acquisition Agreement with Cedar Creek Energy Ltd. ("Cedar Creek"), a related party, to acquire a 100% working interest in the Acheson deep cut gas processing plant with total aggregate capacity of 33 MMcf/d of gas processing capability, a 100% working interest in approximately 250km of related pipeline networks and 600 acres of heavy industrial land at Edmonton (the "Acquisition") for total consideration of $11 million. 440 acres of the heavy industrial land sits directly adjacent to Canadian National rail line with the Transmountain pipeline right of way residing on the additional 160 acres. The value of the 600 acres of heavy industrial land at Edmonton is estimated to be $15 - $30 million and was appraised at approximately $50 million in 2008.

The Acquisition is strategically located around Edmonton and includes significant existing Tidewater pipelines that interconnect with the newly acquired asset. Tidewater plans to immediately commence permitting and construction of its first rail facility on these lands for an estimated cost of $6 million. Tidewater anticipates to load/offload its first railcars in the latter part of the first quarter of 2017. Tidewater is currently railing in NGLs from refiners through a third party rail facility and trucking the NGLs to the BRC. Tidewater anticipates a significant improvement in margins in eliminating third party rail transloading fees and eliminating trucking costs as well as having reduced pipeline tariffs at the acquired assets. Tidewater anticipates the acquired asset will generate approximately $4 million of annualized EBITDA commencing late in the first quarter of 2017. The Company now has four operated gas plants on the Pembina Brazeau pipeline system which will create significant synergies. The Acquisition is expected to close late in the third quarter of 2016.

Cedar Creek is a related party by virtue of five Tidewater officers who are shareholders and directors of the entity, and who are committed to pursuing the divesture of the upstream assets to eliminate any perceived conflict of interest. The Cedar Creek management team is completely independent of the Tidewater Board and management. Tidewater's Board of Directors including the CEO, have no direct or indirect interest in Cedar Creek. Tidewater's Board and management team did not feel the upstream assets and related commodity price exposure and liability were suitable for the Company or consistent with its strategy. Tidewater has signed a reserve dedication which includes a five to ten year take or pay arrangement with Cedar Creek so as to process their natural gas and market the related NGLs. Tidewater strongly feels this is an extremely opportunistic acquisition and is immediately synergistic to current and future operations of the Company and could become a major energy hub in Alberta in the years to come. This includes the potential for propylene and polypropylene production and/or iso-octane production as Tidewater has received several expressions of interest from various offtake parties who Tidewater management has worked with in the past for these products.

Additionally, CIBC provided an opinion to the Tidewater Board of Directors to the effect that, as of the date of such opinion and subject to the assumptions, limitations and qualifications contained therein, the consideration to be paid by Tidewater pursuant to the Acquisition Agreement is fair, from a financial point of view, to the Company.

The Acquisition constitutes a "related party transaction" as such term is defined under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101″). The Company is relying on the exemptions from the formal valuation and minority approval requirements under MI 61- 101. The Company is exempt from the formal valuation requirement of MI 61-101 in reliance on sections 5.5(a) and (b) of MI 61-101 as the fair market value of the transaction, insofar as it involves interested parties, is not more than the 25% of the Company's market capitalization, and no securities of the Company are listed or quoted for trading on prescribed stock exchanges or stock markets. Additionally, the Company is exempt from minority shareholder approval relying on section 5.7(1)(a) of MI 61-101. The Board deliberated on the Acquisition as a group as none of the Board members were related to Cedar Creek.

Closing of the Acquisition is subject to customary conditions, including the acceptance of the TSX Venture Exchange.

Tidewater continues to evaluate several other acquisitions as the company continues to see the current commodity environment as an extremely opportunistic time to acquire oil and gas infrastructure in key strategic locations as well as build out infrastructure within Western Canada.

Tidewater continues to progress on its own operated export terminal on the west coast and although the assessment is ongoing and its outcome remains uncertain, Tidewater is encouraged by the progress to date and continues to have multiple potential options.

**Outlook**

Through the first six-months of 2016, the difficult economic environment continued in the energy sector with AECO natural gas prices seeing record lows resulting in some producer shut-ins, a continued reduction in drilling activity and natural production declines. However, in the third quarter of 2016, natural gas prices have strengthened and drilling activity has started to improve in areas throughout the Deep Basin and around Tidewater facilities. Throughput at the BRC has been reduced by approximately 30% however the EBITDA impact to Tidewater across all facilities has been in the range of 5-10% as the majority of the BRC is backed by take-or-pay contracts.

The BRC continues to see significant offsetting activity and Tidewater is pleased to announce that it has entered into a take or pay agreement with a new customer who is a well capitalized, medium sized producer for approximately all of the current spare capacity at the BRC on a two year basis commencing in the fourth quarter of 2016. Tidewater continues to work with the new customer on a longer term arrangement and Tidewater will also market all related NGLs for the producer, which is consistent with Tidewater's goal of working with producers to achieve improved NGL netback pricing, while also diversifying its customer base and strengthening its related contracts. Tidewater continues to increase the volume of NGLs it is marketing and continues to improve realized NGL prices for its producer customers.

Tidewater facilities continue to be affected by TransCanada compressor maintenance and restrictions which may impact third quarter EBITDA. Current and planned Pembina natural gas liquids pipeline disruptions also continue to have a slight impact to Tidewater's financial results, however the Company expects these disruptions to be resolved in late 2016. Tidewater sees significant per share EBITDA growth beginning in the late third quarter and fourth quarter of 2016 and into 2017 and remains confident its previously announced capital program of $85 - $125 million over the next 12 to 18 months will generate an incremental $20 - $30 million per year of EBITDA, while maintaining a strong balance sheet with debt to EBITDA of approximately 1 to 1.5 times. Tidewater expects its third quarter Adjusted EBITDA to be approximately $9.5 - $10.5 million and its fourth quarter Adjusted EBITDA to be approximately $11 - $12 million.

**Capital Program**

On May 26, 2016, Tidewater disclosed a capital program of $85 - $125 million generating EBITDA of $20 - $30 million. Tidewater remains confident in its ability to execute on the related projects and deliver the aforementioned returns.

- The $11 million Acheson Gas Plant acquisition inclusive of the operated rail facility construction (approximately $6 million) for a total expenditure of $17 million, with a commencement date of operations planned for late in the first quarter of 2017 and annualized EBITDA contribution of $4 million.

- Tidewater has completed detailed engineering on a 10,000 bbl/d fractionation facility at the BRC, which is backed by existing throughput commitments and take or pay contracts and anticipates the 10,000 bbls/d fractionation plant to cost approximately $25 - $27 million and generate annualized EBITDA of $6 - $7 million, inclusive of incremental propane retail marketing income, which will commence in the second quarter of 2017. Tidewater plans to have the flexibility to produce either premium HD2 or HD5 propane at its fractionation facility.

- Tidewater also plans to relocate the currently idled 40 MMcf/d deep cut turbo expander from the Edmonton area assets acquired on January 4, 2016 for a cost of approximately $12 -$15 million and expects the plant to generate an incremental $3 million of EBITDA commencing in the second quarter of 2017.
- Tidewater has commenced construction of phase one of its TransCanada and Alliance connected infrastructure and related natural gas liquids hub and natural gas storage project and anticipates a capital cost of $6 million to generate approximately $2 million of annualized EBITDA commencing in the first quarter of 2017. Further, Tidewater has received multiple term sheets from investment grade counterparties and potential financial partners to move to phase two and develop a large scale Montney infrastructure/egress hub near Grande Prairie and expects to make a final investment decision in the next 30-60 days.

Tidewater continues to pursue several other acquisitions as the current commodity environment continues to be an opportune time to acquire assets as well as build out infrastructure in Western Canada.

**Stock Options and RSUs**

The Company has approved a grant of 1,324,500 restricted share units ("RSU") and 1,199,500 stock options to directors, officers, employees and consultants of the Company. The options will have an exercise price equal to the price per common share on the date of grant, will vest over a period of three years, and will expire five years from the date of grant. The Company has determined that exemptions from the various requirements of TSX Venture Exchange Policies are available for the granting of the options and RSUs.

**About Tidewater**

Tidewater was incorporated under the Alberta Business Corporations Act on February 4, 2015 to pursue the purchase, sale and transportation of natural gas liquids ("NGLs") throughout North America and export to overseas markets. Tidewater is engaged in the acquisition of oil and gas infrastructure, including gas plants, pipelines, NGLs by rail, export terminals and storage facilities. Tidewater continues to investigate opportunities with North American producers and mid-streamers for the acquisition and operation of such infrastructure assets.

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

*Advisory Regarding Forward-Looking Statements*

In the interest of providing Tidewater's shareholders and potential investors with information regarding Tidewater, including management's assessment of Tidewater's future plans and operations, certain statements in this press release are “forward-looking statements” within the meaning of the United States *Private Securities Litigation Reform Act* of 1995 and “forward-looking information” within the meaning of applicable Canadian securities legislation (collectively, “forward-looking statements”). In some cases, forward-looking statements can be identified by terminology such as “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “forecast”, “intend”, “may”, “objective”, “ongoing”, “outlook”, “potential”, “project”, “plan”, “should”, “target”, “would”, “will” or similar words suggesting future outcomes, events or performance. The forward-looking statements contained in this press release speak only as of the date thereof and are expressly qualified by this cautionary statement.

Specifically, this press release contains forward-looking statements relating to but not limited to: our business strategies, plans and objectives. These forward-looking statements are based on certain key assumptions regarding, our ability to execute on our business plan, our operating activities and current industry conditions, laws and regulations continuing in effect (or, where changes are proposed, such changes being adopted as anticipated). Readers are cautioned that such assumptions, although considered reasonable by Tidewater at the time of preparation, may prove to be incorrect.

Actual results achieved will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors.

The above summary of assumptions and risks related to forward-looking statements in this press release has been provided in order 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.

*TSX Venture Exchange*



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