INTER PIPELINE LTD.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2016

February 16, 2017

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PRESENTATION OF INFORMATION

Unless otherwise noted, the information contained in this Annual Information Form is given at or for the year ended December 31, 2016. Amounts are expressed in Canadian dollars unless otherwise indicated. Financial information is presented in accordance with Canadian generally accepted accounting principles (“**GAAP**”) applicable to public enterprises at the relevant time, which, for certainty, for financial years beginning on or after January 1, 2011, is International Financial Reporting Standards applicable to public enterprises.

Unless the context indicates otherwise, a reference in this Annual Information Form to “**Inter Pipeline**”, the “**Corporation**” or the “**Company**” includes Inter Pipeline Ltd. and its material subsidiaries through which its various business operations are conducted, as the context requires.

Certain portions of Inter Pipeline's audited consolidated financial statements (“**Financial Statements**”) and Management's Discussion and Analysis (“**MD&A**”) for the year ended December 31, 2016 are incorporated by reference into this Annual Information Form as indicated herein. The Financial Statements and MD&A are available on SEDAR at www.sedar.com.

Certain terms used in this Annual Information Form and in certain schedules attached hereto which are capitalized and not otherwise defined have the meanings set forth in Schedule ”A” – “Glossary of Terms” attached hereto and certain abbreviations and conversions are set forth in Schedule “B” – “Abbreviations and Conversions” attached hereto.

FORWARD-LOOKING INFORMATION

Certain information contained herein may constitute forward-looking statements that involve known and unknown risks, assumptions, uncertainties and other factors. Forward-looking statements in this Annual Information Form include, but are not limited to, statements regarding: (i) the timing, costs and completion dates of Inter Pipeline's current and future projects, including the pipeline connections to FCCL's Narrows Lake project, Pembina Pipeline, North West Redwater Partnership and the Kirby North oil sands project, and the construction of new storage tanks in the United Kingdom, (ii) Inter Pipeline's belief that production from the Cold Lake Founders transported on the Cold Lake pipeline system will exceed previously applicable take-or-pay thresholds, (iii) the ability of Inter Pipeline to successfully market available surplus capacity on its pipeline systems to new shippers, and (iv) the likelihood of Inter Pipeline land leases and associated rights upon expiry. Readers are cautioned not to place undue reliance on forward-looking statements, as such statements are not guarantees of future performance. Inter Pipeline in no manner represents that actual results, levels of activity and achievements will be the same in whole or in part as those set out in the forward-looking statements herein. Such information, although considered reasonable by Inter Pipeline at the time of preparation, may later prove to be incorrect and actual results may differ materially from those anticipated in the statements made. For this purpose, any statements that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements often contain terms such as "may", "will", "should", "anticipate", "expects" and similar expressions. Such assumptions, risks, uncertainties and other factors include, but are not limited to, risks and assumptions associated with operations, such as Inter Pipeline's ability to successfully implement its strategic initiatives and achieve expected benefits, including the further development of its pipeline systems and other facilities; assumptions concerning operational reliability; Inter Pipeline's ability to maintain its investment grade credit ratings; the availability and price of labour, equipment and construction materials; the status, credit risk and continued existence of customers having contracts with Inter Pipeline and its affiliates; availability of energy commodities; volatility of and assumptions regarding prices of energy commodities; competitive factors, pricing pressures and supply and demand in the oil and gas transportation, natural gas liquids extraction and storage industries; assumptions based upon Inter Pipeline's current guidance; fluctuations in currency and interest rates; inflation; the ability to access sufficient capital from internal and external sources; risks and uncertainties associated with Inter Pipeline's ability to maintain its current level of cash dividends to its shareholders; risks inherent in Inter Pipeline's Canadian and foreign operations; risks of war, hostilities, civil insurrection, instability and political and economic conditions in or affecting countries in which Inter Pipeline and its affiliates operate; severe weather conditions; terrorist threats; risks associated with technology; Inter Pipeline's ability to generate sufficient cash flow from operations to meet its current and future obligations; Inter Pipeline's ability to access external sources of debt and equity capital; general economic and business conditions; the potential delays of and costs of overruns on construction projects, including, but not limited to Inter Pipeline's current projects and future expansions of Inter Pipeline's pipeline systems; risks associated with the failure to finalize formal agreements with counterparties in circumstances where letters of intent or similar agreements have been executed and announced by Inter Pipeline; Inter Pipeline's ability to make capital investments and the amounts of capital investments; changes in laws and regulations, including environmental, regulatory and taxation laws, and the interpretation of such changes to Inter Pipeline's business; the risks associated with existing and potential or threatened future lawsuits and regulatory actions against Inter Pipeline and its affiliates; increases in maintenance, operating or financing costs; availability of adequate levels of insurance; difficulty in obtaining necessary regulatory approvals or land access rights and maintenance of support of such approvals and rights; the realization of the anticipated benefits of acquisitions; and such other risks and uncertainties described from time to time in Inter Pipeline's reports and filings with the Canadian securities authorities. The impact of any one assumption, risk, uncertainty or other factor on a particular forward-looking statement cannot be determined with certainty, as these are interdependent and Inter Pipeline's future course of action depends on management's assessment of all information available at the relevant time. ***Readers are cautioned that the foregoing list of assumptions, risks, uncertainties and factors is not exhaustive. See "Risk Factors". The forward-looking statements contained in this Annual Information Form are made as of the date of this document and, except to the extent expressly required by applicable securities laws and regulations, Inter Pipeline assumes no obligation to update or revise forward-looking statements made herein or otherwise, whether as a result of new information, future events, or otherwise. The forward-looking statements contained in this document and all subsequent forward-looking statements, whether written or oral, attributable to Inter Pipeline or persons acting on Inter Pipeline's behalf are expressly qualified in their entirety by these cautionary statements.***

NON-GAAP FINANCIAL MEASURES

This Annual Information Form and certain documents incorporated by reference herein make reference to certain financial measures that are not recognized by GAAP. Non-GAAP financial measures do not have standardized meanings prescribed by GAAP and therefore may not be comparable to similar measures presented by other issuers. Investors are cautioned that these non-GAAP financial measures should not be construed as alternatives to other measures of financial performance calculated in accordance with GAAP. For information regarding the non-GAAP financial measures used by Inter Pipeline, see "Non-GAAP Financial Measures" in Inter Pipeline's MD&A for the year ended December 31, 2016, which section is incorporated by reference herein. The Financial Statements and MD&A are available on SEDAR at www.sedar.com.

CORPORATE STRUCTURE

Name, Address and Incorporation

Inter Pipeline Ltd.

Head and Registered Office:
Suite 3200, 215 – 2nd Street S.W.
Calgary, Alberta T2P 1M4

Inter Pipeline was formed under the *Business Corporations Act* (Alberta) (the "**ABCA**") pursuant to an amalgamation on September 2, 2013 and is the corporate successor of the Partnership.

Corporate History

Partnership

Prior to September 1, 2013, Inter Pipeline carried on business as Inter Pipeline Fund (the "**Partnership**"), a limited partnership established pursuant to the laws of Alberta.

Internalization

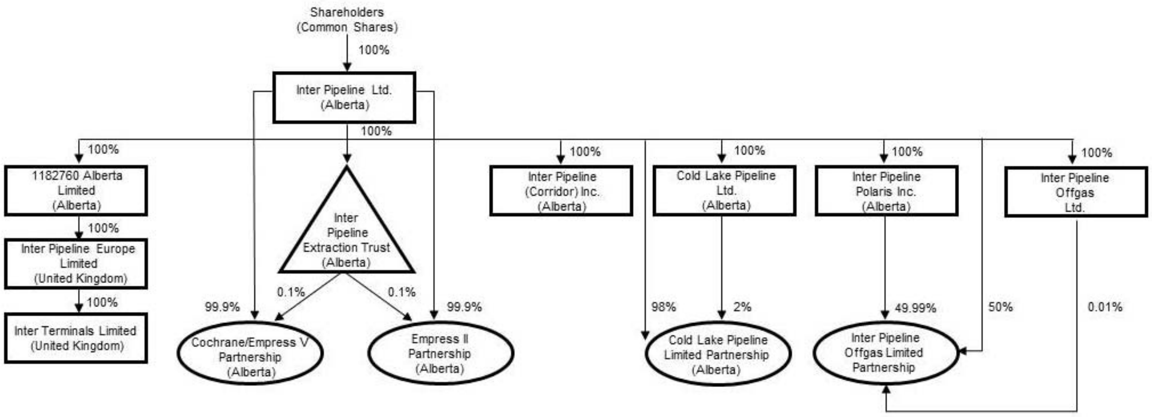
On June 1, 2013, Inter Pipeline completed several internal transactions related to the restructuring of its then limited partnership structure which were designed to eliminate all future management, acquisition, divestiture and incentive fees payable to an external manager and position the Partnership for conversion to a corporation. Those transactions included the acquisition of all of the issued and outstanding shares of Pipeline Assets Corp., the sole shareholder of Inter Pipeline's general partner, Pipeline Management Inc., for consideration valued at $340 million plus adjustments of approximately $8.6 million.

Corporate Conversion

On September 1, 2013, Inter Pipeline converted to a dividend paying corporation named "Inter Pipeline Ltd.". The conversion occurred pursuant to a plan of arrangement under Section 193 of the ABCA that was voted upon by unitholders at a special meeting held on August 22, 2013.

Intercorporate Relationships

The following chart sets forth the ownership structure of Inter Pipeline and the intercorporate relationships among Inter Pipeline and certain of its subsidiaries. The chart does not include all subsidiaries of Inter Pipeline. The assets and revenues of such excluded subsidiaries do not exceed 10% individually, or 20% in the aggregate, of the total consolidated assets or total consolidated revenues of Inter Pipeline as at and for the year ended December 31, 2016. Also set forth is the percentage of votes attached to all voting securities of the subsidiary which are beneficially owned, or controlled or directed, directly or indirectly, by Inter Pipeline and where the subsidiary was incorporated, continued, formed or organized.



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The general development of Inter Pipeline's business over the last three completed financial years that includes events, such as acquisitions or dispositions, or conditions that have had an influence on that development, is described below.

Board of Directors and Senior Management Changes

Effective January 1, 2014, there were several changes to the composition of Inter Pipeline's board of directors and senior management team. Richard Shaw, an independent director, was appointed Chairman of the board, while the previous Chairman, John Driscoll, retired. David Fesyk, the previous President and Chief Executive Officer, was appointed Executive Vice Chairman, and Christian Bayle, the previous Chief Operating Officer, was appointed President and Chief Executive Officer. Alison Taylor Love joined the board and is the Chair of Inter Pipeline's governance committee and a member of the compensation committee. These changes were made to enhance Inter Pipeline's corporate governance structure and are consistent with its internal succession plans.

On March 1, 2014, Brent Heagy joined Inter Pipeline as Chief Financial Officer, following Bill van Yzerloo’s retirement in February 2014.

In June 2014, Jeff Marchant was appointed Senior Vice President, Transportation; Jim Madro was appointed Senior Vice President, Operations; and Cory Neufeld was appointed Vice President, Oil Sands Pipeline Development.

On August 6, 2015, Margaret McKenzie joined the board and is a member of Inter Pipeline’s audit and compensation committees.

On January 1, 2016, Jim Arsenych, the previous Vice President, Legal, was appointed Chief Compliance Officer and Anita Dusevic Oliva, the previous Senior Legal Counsel and Corporate Secretary, was appointed Vice President, Legal.

On March 1, 2016, Spil Kousinioris joined Inter Pipeline as Vice President, Corporate Development.

On June 30, 2016, David Fesyk retired as Executive Vice Chairman of Inter Pipeline. Mr. Fesyk served as President and Chief Executive Officer of Inter Pipeline for over 16 years following its initial public offering in 1997. Mr. Fesyk continues to serve as a director of Inter Pipeline and its wholly-owned subsidiary, Inter Pipeline Europe Limited.

On September 23, 2016, concurrent with the acquisition of Williams Canada, David Chappell joined Inter Pipeline as Senior Vice President, Petrochemical Development. Mr. Chappell was formerly the President of Williams Canada.

Effective January 1, 2017, Christian Bayle joined the board of directors.

Oil Sands Transportation Business Segment Developments

Joint Cold Lake and Polaris Pipeline System Developments

Canadian Natural

In connection with the acquisition of the 15% interest in the Cold Lake pipeline system owned by Canadian Natural, described below in the *Cold Lake Pipeline System Developments Section*, Inter Pipeline entered into a long-term take-or-pay agreement with Canadian Natural to transport Diluent and Bitumen Blend for the Kirby North oil sands project. The agreement will require the construction of a new $125 million pipeline connection to the Kirby North production facility owned by Canadian Natural which has a targeted in-service date in the first quarter of 2020.

Cold Lake Pipeline System Developments

On December 16, 2016, Inter Pipeline acquired the 15% interest in the Cold Lake pipeline system owned by Canadian Natural for $527.5 million, subject to closing adjustments, consisting of $350 million in cash and $177.5 million through the issuance of 6,417,740 Inter Pipeline common shares. As a result of the acquisition, Inter Pipeline now owns a 100% interest in the Cold Lake pipeline system.

Polaris Pipeline System Developments

JACOS/Nexen

On June 16, 2014, Inter Pipeline announced the execution of 20-year take-or-pay agreements with JACOS and Nexen to transport 7,000 b/d of Diluent on the Polaris pipeline system for their jointly-owned Hangingstone oil sands project. The facilities constructed to provide the Diluent transportation service were completed in the first quarter of 2016 at a cost of approximately $25 million.

Pembina and North West Redwater Partnership

In the first quarter of 2016, Inter Pipeline entered into two long-term connection agreements to further enhance the delivery and receipt options of its oil sands pipeline systems with Pembina Pipeline and North West Redwater Partnership. Inter Pipeline expects to invest approximately $23 million with respect to these projects, which are expected to be ready for commercial service in mid-2017.

Conventional Oil Pipelines Business Segment Developments

In July 2015, Inter Pipeline completed an expansion of its Mid-Saskatchewan pipeline system providing additional transportation capacity for Light Sweet Crude Oil from producing fields in the Kindersley area to Inter Pipeline's Kerrobert terminal. The approximately $100 million capital cost of the expansion was supported by the execution of take-or-pay agreements with five oil producers having terms ranging from four to 10 years.

In the fourth quarter of 2016, Inter Pipeline announced the completion of a 400,000 bbl storage tank expansion at its Kerrobert terminal on the Mid-Saskatchewan pipeline system at a cost of approximately $59 million. The tanks will be used for both operational and merchant storage.

In the fourth quarter of 2016, Inter Pipeline announced the execution of a 10-year agreement with CHS Inc. for the transportation of 32,500 b/d of crude oil on the Bow River pipeline system effective January 1, 2017.

NGL Processing Business Segment Developments

Williams Canada Acquisition

On September 23, 2016, Inter Pipeline acquired the outstanding shares of Williams Canada for aggregate cash consideration of $1.35 billion. See "Significant Acquisitions".

Bulk Liquid Storage Business Segment Developments

Swedish Oil Terminals Acquisition

On June 10, 2015, Inter Pipeline announced the completion of the acquisition of four petroleum and petrochemical storage terminals in Sweden from a subsidiary of Koninklijke Vopak N.V. for approximately $131 million, excluding customary closing adjustments. The transaction increased Inter Pipeline's total storage capacity in Europe by 40% to approximately 27 million bbls.

Germany Expansion

In the first quarter of 2016, work was substantially completed on the construction of six new storage tanks in Germany for a total cost of approximately $9 million. These new tanks provide 57,000 bbls of high value chemical storage, with the majority of the new capacity contracted under multi-year agreements.

United Kingdom Expansion

In the third quarter of 2016, Inter Terminals executed two long-term contracts to provide a total of 175,000 bbls of new chemical storage capacity at its Seal Sands Terminal in the United Kingdom. Five new storage tanks will be constructed at a cost of approximately $25 million, with the new capacity expected to be in-service by mid-2017.

Significant Acquisitions

Other than the Williams Canada acquisition described below, Inter Pipeline did not complete any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of National Instrument 51-102.

Williams Canada Acquisition

On September 23, 2016, Inter Pipeline acquired the outstanding shares of Williams Canada for aggregate cash consideration of $1.35 billion, subject to closing adjustments, from The Williams Companies International Holdings B.V. and Williams Energy Canada LP pursuant to two share purchase agreements dated August 8, 2016.

For further information regarding Inter Pipeline's acquisition of Williams Canada, please see the Business Acquisition Report filed by Inter Pipeline on October 6, 2016, which is incorporated by reference herein. The Business Acquisition Report is available on SEDAR at www.sedar.com.

Potential Acquisitions, Issuance of Securities and Financings

Inter Pipeline continues to evaluate potential acquisitions of petroleum transportation, bulk liquid storage and NGL processing assets, other energy infrastructure related assets and/or companies and other strategic acquisitions as part of its ongoing acquisition program. Inter Pipeline regularly evaluates potential acquisitions, which individually or together could be material. As of the date hereof, Inter Pipeline has not reached agreement on the price or terms of any potential material acquisition. Inter Pipeline cannot predict whether any current or future opportunities will result in one or more acquisitions for Inter Pipeline. Inter Pipeline may, in the future, issue securities in connection with acquisitions or otherwise and complete financings of equity or debt (which may be convertible into equity) for purposes that may include financing of acquisitions, Inter Pipeline's operations and capital expenditures and repayment of indebtedness. See “Possible Failure to Realize Anticipated Benefits of Acquisitions” and “Issues of Additional Common Shares; Dilution” in “Risk Factors” in the MD&A for the year ended December 31, 2016, which sections are incorporated by reference herein.

DESCRIPTION OF THE BUSINESS

General

Inter Pipeline is engaged in the business of petroleum transportation, NGL processing and bulk liquid storage through the ownership and operation of energy infrastructure assets in western Canada, the United Kingdom, Denmark, Germany, Ireland and Sweden. See “Risk Factors”.

Inter Pipeline has four operating business segments that are reportable segments: the oil sands transportation business; the conventional oil pipelines business; the NGL processing business; and the bulk liquid storage business.

The revenues for each of Inter Pipeline's four reportable segments for the years ended December 31, 2016 and 2015 are contained in the section “Performance Overview” in the MD&A for the year ended December 31, 2016, which section is incorporated by reference herein, and note 7 of the Financial Statements for the year ended December 31, 2016, which note is incorporated by reference herein.

Oil Sands Transportation Business Segment

Business Overview

Inter Pipeline's oil sands transportation business segment involves the transportation of petroleum products and related blending and handling services in northern Alberta, and is comprised of the 100% owned Cold Lake, Corridor and Polaris pipeline systems. Oil sands transportation services are generally provided to shippers pursuant to long-term contracts that provide for a defined annual capital fee and the recovery of all or substantially all operating costs, and do not involve exposure to commodity price fluctuations. With the exception of the Cold Lake pipeline system as discussed below, such contracts do not involve exposure to throughput volumes.

Cold Lake Pipeline System

System Overview

The Cold Lake pipeline system is a Bitumen Blend and Diluent pipeline system which (i) gathers Bitumen Blend produced in the Cold Lake area of Alberta and transports it to major petroleum terminalling hubs at Edmonton and Hardisty, Alberta, and (ii) transports Diluent from the Strathcona region of Alberta to the Cold Lake area. The system has a current total Bitumen Blend throughput capacity of 1.2 million b/d and an ultimate total Bitumen Blend throughput capacity of 1.9 million b/d. Bitumen Blend storage capacity on the system is approximately 376,000 bbls. Inter Pipeline has installed surplus mainline capacity on the Cold Lake pipeline system which is available for new third party shippers, and Inter Pipeline continues to pursue development opportunities in this regard.

Transportation Services

The Cold Lake pipeline system has aggregate Bitumen Blend capacity commitments of approximately 604,000 b/d and transported approximately 558,500 b/d of Bitumen Blend in 2016, of which Imperial Oil, FCCL Partnership and Canadian Natural (collectively referred to as the "**Cold Lake Founders**") accounted for 38%, 34% and 26%, respectively.

Shipper	**Project**	**Primary Term Expiration**	**Capacity Commitment (b/d)**
FCCL Partnership	Foster Creek Narrows Lake	2034	500,000
Canadian Natural	Kirby South Kirby North(1)	Not disclosed	90,000
Osum	Orion	Not disclosed	14,000
Total			**604,000**

Notes:

(1) The Kirby North oil sands project is expected to be in-service in the first quarter of 2020 and will increase capacity commitments on the Cold Lake pipeline system by 30,000 b/d.

Cold Lake Founders

In addition to the aggregate capacity commitments on the Cold Lake pipeline system, the Cold Lake Founders transport Bitumen Blend and Diluent on the Cold Lake pipeline system pursuant to the Cold Lake Transportation Service Agreement which provides Inter Pipeline with a defined per barrel capital fee that is tied to the volume transported through the pipelines and facilities that comprise the Cold Lake pipeline system. Take-or-pay provisions resulting in minimum annual toll revenues from the Cold Lake pipeline system were in effect until the end of 2011. As of January 1, 2012, the aforementioned capital fee was no longer subject to a minimum take-or-pay threshold. However, because the Cold Lake Founders have advanced their projects to the point where both the current and forecast production is in excess of the prior take-or-pay thresholds, the expiry of such provisions has not had a material impact on Inter Pipeline's financial results. The Cold Lake Transportation Service Agreement also provides for the recovery of substantially all operating costs and for a structured return on certain additional capital investments.

Bitumen Blend volumes that are shipped by the Cold Lake Founders pursuant to the Cold Lake Transportation Service Agreement are produced from a reserves dedication area and all such reserves are generally committed to the Cold Lake pipeline system. The Cold Lake Founders have the option to utilize alternative transportation services (if certain minimum volume levels are maintained) subject to Inter Pipeline's right to match the alternative proposal.

FCCL Partnership

The Bitumen Blend delivery facilities for the Narrows Lake project have been deferred and no material capital is being spent on the Narrows Lake project by Inter Pipeline at this time. However, Inter Pipeline does not expect that the deferral will have a negative impact on the future long-term EBITDA from the project.

Other Services

Bruderheim Energy Terminal Ltd.

Inter Pipeline transports 100,000 b/d of Bitumen Blend from the Cold Lake pipeline system to a unit train rail loading facility near Bruderheim, Alberta which is owned by Bruderheim Energy Terminal Ltd. ("**BETL**"), a subsidiary of Cenovus. The transportation is provided on a separate pipeline lateral and associated facilities which have an ultimate capacity of approximately 320,000 b/d.

Corridor Pipeline System

System Overview

The Corridor pipeline system is a Bitumen Blend, Diluent and products pipeline system. The Bitumen Blend and Diluent portions of the system (i) transport Bitumen Blend from the Muskeg River mine near Fort McMurray, Alberta to the Scotford upgrader located northeast of Edmonton, Alberta, and (ii) transport Diluent from the Scotford upgrader back to the Muskeg River mine. The products portion of the system transports upgraded products and feedstock materials between the Scotford upgrader and pipeline terminals in Edmonton. The system has a current total Bitumen Blend throughput capacity of 465,000 b/d and an ultimate total Bitumen Blend throughput capacity of 1,400,000 b/d. Bitumen Blend storage capacity on the system is approximately 2.5 million bbls and Diluent storage capacity is approximately 950,000 bbls. Inter Pipeline is also the owner of all line fill for the Corridor pipeline system.

Transportation Services

The Corridor pipeline system provides transportation services for the Athabasca Oil Sands Project ("**AOSP**") near Fort McMurray which is owned by Shell, Chevron, and Marathon (collectively referred to as the "**Corridor Shippers**"). Shell, Chevron and Marathon respectively own 60%, 20% and 20% of the produced volumes transported on the Corridor pipeline system which transported approximately 378,800 b/d of Bitumen Blend and products in 2016.

Corridor Firm Service Agreement

The Corridor pipeline system is operated pursuant to a long-term take-or-pay contract, the Corridor Firm Service Agreement, with the Corridor Shippers who are contractually obligated to utilize the Corridor pipeline system for the transportation of all Bitumen Blend and Diluent used or produced at the Muskeg River and Jackpine mines, as well as for any future expansion of the AOSP to include mine sites not in production today, subject to certain conditions. The initial term of the Corridor Firm Service Agreement is 25 years, extending through 2028 with options for further extensions. Revenue is established utilizing a traditional rate base approach, providing recovery for substantially all operating costs, rate base depreciation, taxes, debt financing costs and providing for a return on equity. Inter Pipeline's cash flow is not dependent on volume throughput and is not impacted by commodity prices. Individual commitments of the Corridor Shippers under the Corridor Firm Service Agreement are proportionate to their ownership interests in the AOSP. Inter Pipeline can market excess capacity on the Corridor pipeline system to third parties, subject to the approval of the Corridor Shippers.

Polaris Pipeline System

System Overview

The Polaris pipeline system is a Diluent pipeline system which (i) transports Diluent from the Edmonton area to the Athabasca and Cold Lake areas of Alberta, and (ii) provides metering services for Bitumen Blend at its terminal in the Lamont area of Alberta. The system has a current total throughput capacity of 879,000 b/d and an ultimate total throughput capacity of 1.3 million b/d. Inter Pipeline has installed surplus mainline capacity on the Polaris pipeline system which is available for new third party shippers, and Inter Pipeline continues to pursue development opportunities in this regard.

Transportation Services

The Polaris pipeline system has aggregate Diluent capacity commitments of approximately 546,000 b/d and transported approximately 158,600 b/d of Diluent in 2016, of which FCCL Partnership, Imperial Oil and Suncor accounted for 36%, 36% and 11%, respectively.

Shipper	Project	Primary Term Expiration	Capacity Commitment (b/d)
Imperial Oil	Kearl	2037	120,000
Husky/BP	Sunrise	2033	30,000
Suncor	East Tank Farm	2018	10,000
FCCL Partnership	Foster Creek Christina Lake Narrows Lake	2034	350,000
Canadian Natural	Kirby South Kirby North(1)	Not disclosed	24,000
JACOS/Nexen	Hangingstone	2036	7,000
AOC	Hangingstone	2040	4,500
Total (to nearest thousand)			**546,000**

Notes:

(1) The Kirby North oil sands project is expected to be in-service in the first quarter of 2020 and will increase capacity commitments on the Polaris pipeline system by 8,000 b/d.

FCCL Partnership

The Diluent delivery facilities for the Narrows Lake project have been deferred and no material capital is being spent on the Narrows Lake project by Inter Pipeline at this time. However, Inter Pipeline does not expect that the deferral will have a negative impact on the future long-term EBITDA from the project.

Conventional Oil Pipelines Business Segment

Business Overview

Inter Pipeline's conventional oil pipelines business segment involves the transportation of petroleum products and related blending and handling services, and includes the Bow River pipeline system, the Central Alberta pipeline system, the Mid-Saskatchewan pipeline system and all midstream marketing activities. In aggregate, Inter Pipeline’s three conventional oil pipeline systems have total current throughput capacity of 404,000 b/d and transported 200,700 b/d of Crude Oil in 2016.

Bow River Pipeline System

System Overview

The Bow River pipeline system is a Crude Oil gathering and transmission pipeline system which (i) gathers Crude Oil from established producing fields in southeastern Alberta and transports it to Hardisty, Alberta, as well as Milk River, Alberta, and (ii) transports Crude Oil from terminals at Hardisty, Alberta to Milk River, Alberta as part of a separate transmission system. Crude Oil gathered by the Bow River pipeline system may be delivered north to the Gibson Hardisty terminal which has connections to the Enbridge pipeline system, the Husky terminal and the Express pipeline system. Gathered Crude Oil is also delivered south to the Plains Midstream-owned pipeline at Milk River, Alberta, which has connections to pipelines delivering to refineries in the Rocky Mountain region of the United States. The system has a current total throughput capacity of approximately 180,000 b/d and tank storage capacity of approximately 464,500 bbls.

In addition to these deliveries, Crude Oil is shipped south from Hardisty, Alberta to Milk River, Alberta and ultimately to refining markets in Montana on a segregated pipeline that was established as part of a Bow River pipeline system expansion project completed in early 2010. Inter Pipeline is contracted on a take-or-pay basis to deliver approximately 32,500 b/d on this segregated pipeline until the end of 2026.

Transportation Services

The Bow River pipeline system transported approximately 90,200 b/d of Crude Oil and served approximately 67 producers and 22 shippers in 2016. Production volumes from facilities operated by Cenovus, Canadian Natural and Husky together accounted for 27%, 20% and 9%, respectively, of the throughput volumes on the Bow River pipeline system in 2016. CHS, Cenovus and Canadian Natural were the shippers of record for 37%, 19% and 12%, respectively, of the throughput volumes on the Bow River pipeline system in 2016.

Central Alberta Pipeline System

System Overview

The Central Alberta pipeline system is a Light Sour Crude Oil gathering pipeline system which gathers Crude Oil from established producing fields in south central Alberta and transports it to the Enbridge pipeline system, Kinder Morgan North 40 terminal, and the Kinder Morgan Trans Mountain pipeline at Edmonton. The system has a current total throughput capacity of approximately 73,900 b/d and tank storage capacity of approximately 113,700 bbls.

Transportation Services

The Central Alberta pipeline system transported approximately 28,600 b/d of Crude Oil and served 53 producers and 23 shippers in 2016. Production volumes from facilities operated by Whitecap, Canadian Natural and Tervita together accounted for 16%, 8% and 5%, respectively, of the throughput volumes on the Central Alberta pipeline system in 2016. Shell, Trafigura and Gibson were the shippers who together accounted for 14%, 11% and 11%, respectively, of the throughput volumes on the Central Alberta pipeline system in 2016.

Mid-Saskatchewan Pipeline System

System Overview

The Mid-Saskatchewan pipeline system is a Crude Oil gathering system which gathers Crude Oil from established oil fields near Kindersley and Kerrobert, Saskatchewan and transports it to the Enbridge pipeline system at Kerrobert. The system has a current total throughput capacity of approximately 150,100 b/d and tank storage capacity of approximately 798,600 bbls.

Transportation Services

The Mid-Saskatchewan pipeline system transported approximately 81,900 b/d of Heavy Blend Crude Oil and Light Sweet Crude Oil and served approximately 27 producers and 17 shippers in 2016. Production volumes from facilities operated by Teine, Northern Blizzard and Whitecap together accounted for 24%, 11% and 10%, respectively, of the throughput volumes on the Mid-Saskatchewan pipeline system in 2016. Teine, Northern Blizzard and Tidal accounted for 13%, 12% and 10%, respectively, of the shipper throughput volumes on the Mid-Saskatchewan pipeline system in 2016.

Midstream Marketing Activities

Inter Pipeline carries out midstream marketing activities related to the optimization of crude streams and leasing merchant storage that generate enhanced revenue, as well as pipeline balancing activities, on Inter Pipeline's conventional oil pipeline assets. In mid-2016, Inter Pipeline commenced a lease purchasing business for the purpose of leveraging existing assets to attract incremental volume from the wellhead to our conventional pipeline systems in order to fully optimize tariff revenue. Marketing margins can vary from period to period with fluctuating commodity prices; however, marketing activities are managed to capture incremental value on Inter Pipeline's Crude Oil streams without exposing Inter Pipeline to downside financial risks or negatively impacting the revenue generated from transportation services.

Other Matters Related to the Conventional Oil Pipelines Business

Seasonality

The conventional gathering systems generally experience reduced volumes during the spring months as a result of weight restrictions on roads and producers conducting maintenance on their facilities. The magnitude and duration of road weight restrictions are dependent upon spring weather conditions. Road restrictions and facility maintenance can also impact gathering pipeline receipts during the fall months, although the impact on throughput is generally less pronounced than during the spring months.

Competitive Conditions

The majority of petroleum volumes are transported on the conventional gathering systems under short term contracts with a fixed tolling arrangement and no volume commitment made by the shipper. Inter Pipeline has traditionally faced little "pipe-on-pipe" competition in the regions it serves. Trucking or rail are generally the transportation alternatives for producers and shippers. However, Inter Pipeline's customers are continually evaluating different transportation options which requires Inter Pipeline to ensure its tolling arrangements are competitive with both current and potential alternatives.

Other Matters Related to the Pipelines

The following commentary is applicable to both the oil sands transportation business segment and the conventional oil pipelines business segment.

Pipeline Rights-of-Way and Land Tenure

The majority of Inter Pipeline's assets comprising the Pipelines are pipelines located across lands owned by third parties. Inter Pipeline's rights to such land are held pursuant to long-term leases, easements, rights-of-way, permits or licenses from landowners or governmental authorities permitting the use of such lands for the construction and operation of such facilities. Certain critical facilities, including pump stations and storage facilities, are situated on land which Inter Pipeline owns.

Environmental Matters

In the past five years, the Pipelines have experienced two environmental incidents involving expenses in excess of $500,000 per incident. These incidents resulted in the release of approximately 36 cubic metres of hydrocarbons. The causes of these incidents were mechanical contact and pipeline corrosion. In each case, the further release of hydrocarbons was promptly stopped upon detection of the release, and recovery, repair and remediation steps were initiated. Dependent on various conditions surrounding a new release, Inter Pipeline will attempt to remediate a contaminated site as soon as practically possible. Certain conditions may require a longer term remediation plan to be implemented, in coordination with local regulators and landowners. Steps continue to be taken to reduce the risk of similar incidents and to minimize the volume of product released prior to detection and shutdown. In addition to maintaining a team of trained personnel and owning its own spill response equipment, Inter Pipeline is also an active member of the Western Canadian Spill Services Ltd. cooperative, which provides training in hydrocarbon spill response, containment and recovery and also provides the required equipment and contractor-resources to deal with hydrocarbon spills. Inter Pipeline is also an active member of the Canadian Energy Pipeline Association (CEPA) Mutual Emergency Assistance Agreement program, which allows Inter Pipeline to draw from 11 other CEPA member companies' spill response resources. Currently, Inter Pipeline has records of 10 cases where environmental remediation efforts will cost in excess of $500,000. Inter Pipeline estimates that the future cost to remediate these sites is approximately $13.4 million. This cost is expected to be incurred over a number of years.

Pipeline Integrity

All petroleum pipeline systems are required to meet design, construction, operating and maintenance standards established by the Canadian Standards Association and the provincial regulators responsible for pipelines which, in Inter Pipeline's case, are the Alberta Energy Regulator in Alberta and the Ministry of the Economy in Saskatchewan. Inter Pipeline has programs in place that promote sound operating practices and believes that the Pipelines are currently in material compliance with all material environmental laws and regulations.

Inter Pipeline has an integrity management program that includes, among other things, key elements such as in-line inspection, cathodic protection, internal corrosion control, crossing inspections and leak detection. In-line inspection plays a significant role in pipeline integrity management and is used to detect anomalies in pipelines, which are then evaluated and repaired as necessary. As part of Inter Pipeline's annual integrity program, line segments are prioritized for inspection using a formal risk assessment process, which considers pipeline risk factors, such as external and internal corrosion, natural force damage, design and materials of construction, and third party damage potential. In the last five years, approximately 4,900 kilometres of the Pipelines have been internally inspected.

Pipeline Remote Monitoring and Control

The Pipelines are currently remotely monitored 24 hours per day, seven days per week, at Inter Pipeline's control centre located in Sherwood Park, Alberta. In accordance with regulatory requirements and to promote safe and efficient operations, the control centre has monitoring systems to detect and react to pressure variations and volume imbalances, which may signal a pipeline leak, and the control centre operators have the ability to stop pumps and isolate the flow of petroleum on certain pipeline segments, if necessary.

The Pipelines currently communicate with the Sherwood Park control centre using field radio links, leased telephone lines, managed frame relay services and satellite data transmission. All of the data links are directly connected from a pipeline to the Sherwood Park control centre. A separate standby communications circuit, with automatic switchover on failure, is available for most critical stations.

Additional monitoring includes weekly or bi-weekly aerial surveillance of the high volume mainline segments, and monthly aerial surveillance of the lower volume gathering segments. Periodic ground inspections of surface facilities, surface and subsurface inspections of water course crossings, and inspections of other critical or sensitive areas are also completed from time to time.

NGL Processing Business Segment

Business Overview

Inter Pipeline's NGL processing business segment is comprised of both straddle plants and offgas extraction facilities.

Straddle plants consist of a 100% ownership interest in the Cochrane and Empress II straddle plants and a 50% ownership interest in the Empress V straddle plant (collectively, the "**Straddle Plants**"). The Straddle Plants at Cochrane and Empress are located on the western and eastern legs, respectively, of the Nova Gas Transmission Limited and Foothills pipeline systems (collectively the "**TransCanada Alberta System**"), near export points from the Province of Alberta. Natural gas entering the Straddle Plants is processed to extract NGL which are sold to buyers pursuant to long-term contracts.

Offgas extraction facilities consist of 100% ownership interests in: (i) two offgas plants located near Fort McMurray, Alberta adjacent to oil sands upgrading facilities owned by Canadian Natural and Suncor (collectively the "**Offgas Plants**"); (ii) an ethane-plus fractionation plant and related cavern storage facilities located near Redwater, Alberta (the "**Redwater Olefinic Fractionator**"); and (iii) a pipeline system which connects the Offgas Plants to the Redwater Olefinic Fractionator (the "**Boreal Pipeline System**"). Offgas entering the Offgas Plants is processed to extract an ethane-plus mixture of NGL which is transported to the Redwater Olefinic Fractionator via the Boreal Pipeline System before being further processed into products which are sold to buyers pursuant to both long-term and short term contracts.

Industry Overview

NGL Processing

The Canadian NGL industry involves the production, transportation and marketing of paraffinic NGL products such as ethane, propane, butane, pentanes-plus and olefinic NGL products such as ethylene, propylene, alky feed and olefinic condensate. In Canada, most NGL are extracted from natural gas prior to its sale to end use customers, with the remainder derived from the processing of offgas and the refining of Crude Oil. The profitability of NGL extracted from natural gas or offgas is based on the products extracted being of greater economic value as separate commodities than as components of natural gas or offgas.

NGL extracted from natural gas is recovered primarily at two distinct types of plants: mainline straddle plants and natural gas field plants. Mainline straddle plants, including Inter Pipeline's Straddle Plants, are large-scale plants located in close proximity to major gas transmission pipelines. On the western leg of the TransCanada Alberta System, natural gas is processed by either the Cochrane straddle plant or the Harmattan facility prior to being exported from Alberta to British Columbia, the United States Pacific Northwest and California. On the eastern leg of the TransCanada Alberta System, natural gas is processed by any one of six straddle plants located near Empress, Alberta, including the Empress II straddle plant and the Empress V straddle plant, prior to being exported from Alberta to eastern Canada and the United States Midwest.

Due to the scope and efficiency of their operations, straddle plants are equipped to remove significantly higher proportions of ethane and other NGL than can typically be removed by a field plant. Straddle plants produce NGL by either cooling the gas stream to a very low temperature (referred to as the turbo expander process) or by using a lean oil process to absorb NGL. Straddle plants recover ethane as a single product and propane and all heavier hydrocarbons as a mixture designated as "propane-plus". Natural gas field plants, in addition to removing impurities such as water, sulphur and carbon dioxide from raw natural gas to meet the quality specifications of major natural gas pipeline systems, are generally able to recover heavier NGL from the gas stream including all pentanes-plus and some propane and butane. A number of field plants have the ability to extract ethane. The NGL extracted are generally removed in mixtures as either ethane-plus or propane-plus.

Offgas is a by-product gas stream created when oil sands bitumen is heated to high temperatures through the coking process used in bitumen upgrading and is rich in NGL, including olefins, which are higher value petrochemicals that do not naturally occur in large quantities. NGL extracted from offgas is recovered by the Offgas Plants located near oil sands upgrading facilities. The Offgas Plants owned by Inter Pipeline are the only two oil sands upgrader offgas plants in Canada and extract a mixture of ethane-plus. This mixture is further processed into separate products at the Redwater Olefinic Fractionator. After the ethane-plus is removed by the Offgas Plants, the residual offgas is returned to the oil sands upgraders where it is consumed as fuel. The extraction of the ethane-plus prior to consumption of the residue offgas as fuel results in reduced greenhouse gas and sulphur dioxide emissions for the oil sands upgrading facilities.

Extraction Rights

Straddle plants in western Canada contract with shippers on the TransCanada Alberta System for the right to reprocess natural gas for the purpose of extracting NGL. These shippers are comprised of producers, aggregators and end-users. The extraction contracts provide compensation through a variety of structures, including fixed premium contracts, Frac Spread-based arrangements, arrangements tied to the intra-Alberta natural gas price, profit sharing arrangements and toll processing arrangements, among others. The duration of extraction contracts may vary from short term to multiple years.

Extraction rights for the Offgas Plants are granted pursuant to long-term contracts with the owners of oil sands upgrading facilities. Such contracts provide compensation through both fixed premium and profit sharing arrangements.

Shrinkage Gas

In order to produce NGL the producing facility must purchase natural gas, referred to as Shrinkage Gas, to compensate the owner of the natural gas or offgas that is processed for the energy removed from the gas stream when NGL are removed through the extraction process. The cost of the Shrinkage Gas, which is the largest cost component in the production of NGL, is typically tied to a benchmark natural gas price based on a combination of daily spot prices and monthly index natural gas prices.

Fractionation

NGL mixtures such as ethane-plus or propane-plus must be transported to fractionation facilities in Canada and the United States for further processing into separate products. In general, most fractionation of NGL mixes occurs at market hubs with a large concentration of fractionation plants. Major NGL fractionation market hubs are located in Edmonton, Alberta; Sarnia, Ontario; Conway, Kansas; and Mont Belvieu, Texas. NGL produced from natural gas processing is fractionated into ethane, propane, butane and pentanes-plus products. Ethane-plus produced from offgas processing is fractionated at the Redwater Olefinic Fractionator into an ethane-ethylene mixture as well as propane, polymer grade propylene, normal butane, alky feed and olefinic condensate. Once fractionated, the segregated products are sold and then transported to end-user markets by pipeline, truck or rail.

Transportation

The efficient movement of NGL in western Canada requires significant infrastructure, including transportation assets (pipelines, trucks, and rail cars), storage facilities and terminals (rail and truck). Currently, the most efficient and the lowest cost means for moving NGL to market is by pipeline. The western Canadian NGL sector has an extensive pipeline network for the transportation of NGL from extraction plants to fractionation facilities, petrochemical complexes, and underground storage facilities.

Ethane extracted at Alberta's straddle plant locations, including Empress and Cochrane, is transported on the Alberta Ethane Gathering System for delivery to petrochemical producers in the Joffre and Edmonton areas. Propane-plus mix produced at the Cochrane straddle plant is transported to Edmonton via the Co-Ed pipeline. Propane-plus mix produced at the Empress II straddle plant and the Empress V straddle plant is transported on the Kerrobert pipeline to Kerrobert, Saskatchewan. From Kerrobert, the propane-plus is transported on the Enbridge pipeline system to Sarnia, Ontario, where it is fractionated and sold.

The ethane-plus produced at the Offgas Plants is transported on the Boreal Pipeline System to the Redwater Olefinic Fractionator for fractionation into various products, following which the ethane-ethylene mixture is transported on the Joffre Feedstock Pipeline to a petrochemical producer in the Joffre area. Propane, propylene, butane, alky feed and olefinic condensate are transported via rail, pipeline or truck to buyers in Canada and the United States.

Markets

NGL have numerous end uses. While NGL are generally used directly as an energy product and as a feedstock for the petrochemical and Crude Oil refining industries, the specific uses for NGL vary substantially by product. Ethane and ethane-ethylene are used primarily as feedstock for the petrochemical industry, with ethane also used as a potential miscible flood agent for enhanced Crude Oil recovery operations. A significant amount of the ethane and ethane-ethylene produced in the Western Canadian Sedimentary Basin is sold through long-term contracts for feedstock to Alberta's petrochemical industry. Propane is sold to multiple end-user markets including home and commercial heating, crop drying, food processing, cooking and motor fuel. Polymer grade propylene is used as a feedstock for the petrochemical industry to produce a large variety of products including various types of plastics. Butane and alky feed are used primarily in gasoline and Crude Oil blending. Pentanes-plus is used as a Diluent to decrease the viscosity of Heavy Crude Oil and Bitumen for shipment through pipelines and as a refinery feedstock. Olefinic condensate, after treating, can also be used as a Diluent and as a refinery feedstock within North America.

NGL Processing Facilities

Cochrane Straddle Plant

The Cochrane straddle plant is 100% owned and operated by Inter Pipeline and extracts and fractionates NGL into ethane and propane-plus. The Cochrane straddle plant has a processing design capacity of 2.5 bcf/d of natural gas to recover approximately 100,000 b/d of NGL, of which 65,000 b/d are ethane and 35,000 b/d are propane-plus, and processes a significant portion of available gas on the western leg of the TransCanada Alberta System. By production capacity, the Cochrane straddle plant is the largest facility of its type in Canada. It consists of five parallel production trains for the extraction of ethane and propane-plus, comprised of three turbo expander trains and two lean oil absorption trains. This multi-train configuration provides significant operating flexibility for the facility. The Cochrane straddle plant has gas turbine compressors to recompress gas into the TransCanada Alberta System and also has two redundant electrically driven compressors. Both electrically driven compressors are used instead of the gas turbine compressors when it is more economic to do so. This flexibility enables costs to be optimized by utilizing the least expensive energy source at the time.

Empress II Straddle Plant

The Empress II straddle plant, which is operated by Plains Midstream, and is 100% owned by Inter Pipeline, extracts and fractionates NGL into ethane and propane-plus. The Empress II straddle plant operates two operationally flexible parallel turbo expander trains and has a total processing design capacity of 2.6 bcf/d of natural gas to recover approximately 65,000 b/d of NGL, of which 40,000 b/d is ethane and 25,000 b/d is propane-plus. By production capacity, the Empress II straddle plant is the largest of the six extraction plants located at Empress, Alberta.

Empress V Straddle Plant

The Empress V straddle plant, which is operated by Plains Midstream and commenced operations in 2000, is the newest of the six straddle plants located near Empress, Alberta and extracts and fractionates NGL into ethane and propane-plus. Inter Pipeline owns a 50% interest in the Empress V straddle plant and Plains Midstream owns the remaining 50% interest. The Empress V straddle plant's extraction process involves a single train turbo expander with a total processing capacity of 1.1 bcf/d of natural gas to recover approximately 39,000 b/d of NGL, of which 27,000 b/d are ethane and 12,000 b/d are propane-plus.

Offgas Plants

The Offgas Plant located at the Suncor oil sands upgrading facility commenced operations in 2002 and is 100% owned by Inter Pipeline. It has a processing design capacity of 125 mmcf/d of offgas to recover approximately 25,000 b/d of ethane-plus mixture.

The Offgas Plant located at the Canadian Natural oil sands upgrading facility commenced operations in 2016 and is 100% owned by Inter Pipeline. It has a processing design capacity of 83 mmcf/d of offgas to recover approximately 15,000 b/d of ethane-plus mixture.

Boreal Pipeline System

The Boreal Pipeline System has a current throughput capacity of 43,000 b/d of ethane-plus mixture and can be expanded to up to approximately 125,000 b/d through the addition of pumping stations.

Redwater Olefinic Fractionator

The Redwater Olefinic Fractionator has a fractionation design capacity of approximately 40,000 b/d of ethane-plus mixture and associated storage capacity of over 1 million bbls.

Marketing Arrangements

The NGL processing business segment has three types of NGL sales contracts: cost-of-service, fee-based and commodity-based arrangements.

Cost-of-service contracts generally provide for a return on invested capital and recovery of substantially all operating costs, including Shrinkage Gas. This form of contract provides the most stable cash flow of the three contract types, as agreements are not typically impacted by volume or commodity price fluctuations. The Empress II straddle plant's ethane and propane-plus production is sold to NOVA Chemicals and Plains Midstream, respectively, pursuant to long-term cost-of-service contracts. In addition, propane-plus produced at the Empress V straddle plant is sold to Plains Midstream pursuant to a long-term cost-of-service contract.

Fee-based contracts are generally subject to throughput volume and operating cost exposure, but not commodity price fluctuations. These contracts provide for stable cash flows derived from charging a fixed fee associated with each barrel of NGL produced, which fee includes a component for recovery of operating costs. There is no commodity price exposure associated with this type of contract with the main variable affecting cash flow arising from changes in production volumes. The Cochrane straddle plant's ethane production is currently sold to NOVA Chemicals pursuant to a long-term, fee-based contract extending until the end of 2024 and to Dow Chemicals pursuant to a long-term, fee-based contract. Ethane produced at the Empress V straddle plant is sold to Dow Chemicals pursuant to a long-term, fee-based contract. Offgas derived ethane-ethylene is sold to NOVA Chemicals under a long-term fee-based contract with commodity-based upside. These major petrochemical producers operate facilities at Joffre, Alberta and Fort Saskatchewan, Alberta that convert ethane into ethylene.

The return to Inter Pipeline from commodity-based contracts is affected by the difference in price between natural gas and the NGL produced, often referred to as Frac Spread, and production volume. The impact on a facility's profit margins under a commodity-based contract can be significant when changes in the prices of NGL and natural gas occur at different rates.

Commodity-based contracts at the Cochrane straddle plant are generally subject to volume, operating cost and commodity price fluctuations. They provide for a variable price based on the commodity value less all costs to produce the NGL, resulting in sharing of profits from the sale of NGL between the NGL processing business and the purchaser. Included in the calculation are costs of bringing the NGL to market, including extraction rights, Shrinkage Gas, fractionation and marketing costs. Propane-plus produced at the Cochrane straddle plant is sold to Plains Midstream under a long-term commodity-based contract.

Commodity-based contracts at the Redwater Olefinic Fractionator are subject to volume and commodity price fluctuations. The NGL produced at the Redwater Olefinic Fractionator are sold under shorter term commodity-based contracts, with the exception of the ethane-ethylene mixture, as noted above. Counterparties include various US and Canadian energy marketers and refiners.

Other Matters Related to NGL Processing

Ethane Market Environment

The western Canadian ethane business is characterized by both a small number of product suppliers, which are the owners of the major extraction plants, and a small number of purchasers, which are the major petrochemical producers and enhanced Crude Oil recovery project operators in Alberta. The Canadian market is largely insulated from the supply and demand forces of the considerably larger United States ethane market. This is due to a number of reasons, including that most of the ethane production in Canada is tied to long-term sales contracts with the major purchasers. There is currently no transportation system to transport ethane from Western Canada into the United States. In 2014, the Vantage ethane pipeline system came into service and imports ethane from the northern United States into Alberta. It currently has a capacity to import approximately 40,000 b/d of ethane and was expanded to increase its capacity to approximately 68,000 b/d of ethane in the third quarter of 2016. Despite this development, the Canadian ethane market is not expected to be materially impacted by external markets. Since the export of ethane to the United States has historically tended to be uneconomic, ethane is priced within the province and not by marginal sales to the United States Midwest or Gulf Coast markets.

Differences in market structure between Canada and the United States are important factors that influence the competitiveness of the Alberta ethane industry. First, the United States market is characterized by a large number of ethane buyers and sellers, as well as significant transportation capacity from major supply hubs that has created an actively traded and quoted liquid ethane market in the United States. Second, ethane production is relatively responsive to changes in the quoted ethane price, unlike in Canada, where production and pricing are typically governed by long-term cost-of-service or fee-based contracts. Third, while the Canadian petrochemical industry is generally equipped to only use ethane and limited volumes of propane in the production of its chemical products, United States Gulf Coast petrochemical producers utilize a variety of liquid feedstock to generate petrochemical output.

Propane-Plus Market Environment

The market for propane-plus differs from that of ethane in Alberta, as it is characterized by a large number of producers and buyers. As a result, a liquid market for propane-plus products exists in a number of major North American hubs, including Sarnia, Conway and Mont Belvieu, and product prices are openly available. The marginal price setting market for propane-plus is the United States Gulf Coast, where product is either exported, or large domestic petrochemical consumers have the ability to switch between NGL and Crude Oil based feedstock. Differences between the propane-plus prices quoted at each of the major hubs are a result of the many modes of transporting product from supply centres to the market.

Ethane-Plus Market Environment

The markets for NGL produced from the ethane-plus mixture at the Redwater Olefinic Fractionator vary depending on the product. The ethane-ethylene has similar markets as described above for ethane since the additional ethylene is the raw material used by the petrochemical industry to produce polyethylene, a widely used plastic. As a result, consumers of ethane are also typically consumers of the ethane-ethylene mix. The propane-plus market described above also reflects the markets for the offgas derived propane and butane produced at the Redwater Olefinic Fractionator. The propylene market is US based and is also characterized by a large number of producers predominantly, but not exclusively, located in the US Gulf Coast area. Propylene is a petrochemical building block used in the production of polypropylene, propylene oxide, and other derivatives. Propylene prices have historically trended with crude oil prices. Alky feed is used in refinery alkylation which produces octane additives for gasoline. The octane additives market is a highly liquid market throughout North America, concentrated in those areas with large refining operations. The market for olefinic condensate is limited to buyers that can accommodate the olefinic components in the condensate. Pricing for olefinic condensate is usually at a discount to conventional condensate prices due to the additional process required to remove the olefinic components.

Seasonality

The Straddle Plants are dependent on natural gas flows through the TransCanada Alberta System. Exported gas volumes are typically subject to seasonal demands. As a result of seasonality, natural gas processed and NGL produced by the Straddle Plants are generally higher in the winter months and lower in the summer months. In addition to seasonal variations of NGL volumes, the propane-plus market price is generally higher in the winter months and lower in the summer months.

The Offgas Plants are not typically impacted by seasonal demands; however, volumes produced are dependent on offgas supply from the oil sands upgraders in the Fort McMurray area. Offgas supply can be impacted by the operations of the associated third party oil sands upgraders, such as planned and unplanned maintenance, or downstream issues. Similar to propane-plus from the Straddle Plants, market price for both propane and butane from the Redwater Olefinic Fractionator is generally higher in the winter months.

Environmental Matters

In the past five years, the NGL Processing Facilities have not experienced any significant environmental incidents involving expenses in excess of $500,000.

Bulk Liquid Storage Business Segment

Business Overview

Inter Pipeline's bulk liquid storage business segment is headquartered in the United Kingdom and operates under the name Inter Terminals. Its core business involves owning and operating 16 petroleum and petrochemical storage terminals across Europe (United Kingdom, Ireland, Germany, Denmark and Sweden).

Country	**Location**	**Terminals**	**Aggregate Storage Capacity**
United Kingdom	East Coast	five	6.10 million bbls
Ireland	Shannon estuary	one	0.09 million bbls
Germany	Mannheim, Rhine River	two	1.97 million bbls
Denmark	Various, coastal	four	11.49 million bbls
Sweden	Various, coastal	four	7.42 million bbls
Total (to nearest million)			27 million bbls

Industry Overview

Refinery and chemical complex operators and oil traders own a significant portion of the bulk liquid storage infrastructure in Europe and use much of that capacity for their proprietary storage needs. Independent storage providers such as Inter Terminals receive, store and redeliver bulk liquids and gases on behalf of third parties and, as such, do not own the products that are stored.

Storage Facilities

Inter Terminals' storage facilities are strategically located close to established global market hubs, including the "ARA Hub" (located in Amsterdam and Rotterdam, Netherlands and Antwerp, Belgium), product delivery channels, local and regional refineries, and chemical production facilities (including one of the world's largest chemical production facilities, operated by BASF at Ludwigshafen, Germany). Certain of Inter Terminals' facilities maintain pipeline connections to key customers.

The success of Inter Terminals is highly dependent on its regional positioning at port locations, as well as its ability to accommodate a broad range of storage products. Inter Terminals' facilities predominantly serve the oil, chemical and biofuel markets, although individual terminals may specialize in particular product groups and service offerings. The market for storage of oil products can be significantly affected by futures pricing in the relevant oil products markets. "**Contango**" means a market condition in which futures prices for a product are higher in future delivery months, therefore resulting in storage of such product for a period of time being likely to be more beneficial than immediate sale of such product. "**Backwardation**" means a market condition in which futures prices for a product are lower in future delivery months, therefore resulting in storage of such product for a period of time being likely to be less beneficial than immediate sale of such product. A Contango market, often caused by over-supply versus a reduction in demand, can lead to an increased demand for storage capacity to store product while waiting to deliver it into the market at the higher futures price, thereby creating a favourable market structure for the storage facilities owned by Inter Terminals that serve this sector, resulting in higher utilization levels.

Customers and Storage Products

Inter Terminals provides storage and product handling services to a diversified customer base with the largest single customer in 2016 accounting for approximately 14% of revenue and the largest five customers accounting for approximately 38% of revenue in aggregate.

In 2016, approximately 65% of storage revenue derived from oil products, 26% from chemical products and 9% from biofuel products. Markets served by Inter Terminals can be categorized as storage of both feedstock and production for local and regional refining and chemical operations, regional distribution, Contango market storage, Build Bulk and Break Bulk, bunkering, strategic storage, and blending and other handling and ancillary services.

Commercial Arrangements

Typical storage contracts contain a combination of fixed storage fees for access to storage capacity and throughput-based revenue. Fixed storage fees accounted for approximately 70% of storage revenue in 2016, with the remainder dependent on the movement of liquids and gases through the terminals, reservation fees for access to storage capacity, and other handling and ancillary services. In 2016, approximately 45% of storage revenue derived from contracts that have greater than one year until the expiry of their minimum duration. The revenue-weighted average remaining contract duration at December 31, 2016 was approximately 20 months.

Other Matters Related to the Bulk Liquid Storage Business

Land Tenure

The main parcels of land on which the terminals are situated are either owned by Inter Terminals or are leased from third parties under long-term lease agreements. In addition to the main parcels of land, terminals typically rely upon a series of leases, easements, rights-of-way, permits or licenses for access, pipeline routes, jetties and other similar rights. Inter Terminals believes that it is well positioned to renew the land leases and associated easements, rights-of-way, permits or licenses at the terminals upon expiry. There is no guarantee, however, that the renewals will occur. See "Risks Associated with the Bulk Liquid Storage Business – Land Lease Renewals" in "Risk Factors", in the MD&A for the year ended December 31, 2016, which section is incorporated by reference herein.

Environmental Matters

In the past five years, Inter Terminals' storage facilities have not experienced any significant environmental incidents involving expenses in excess of $500,000.

Only limited environmental investigations have been conducted at most terminals and, as a result, limited information is available with respect to historical contamination. However, there are known areas of product contamination at several of the terminals, although remediation is currently only required to be undertaken at the South terminal in Mannheim and such remediation has been ongoing for several years. Due to the lengthy operating history of the terminals, and previous use of the land now occupied by the terminals, it is possible that there are additional areas of potential contamination that are undetected. Potentially substantial costs and liabilities for Inter Terminals may occur if regulators were to require the remediation of either known areas of contamination or other areas of significant contamination not yet identified. Such costs and liabilities will be dependent on a variety of factors, including, but not limited to, the composition and extent of any contamination and its ability and likelihood to cause harm to the environment. Any terminal development work requiring groundworks within contaminated areas may also result in the requirement for remediation.

Excise Warehousing – United Kingdom, Germany & Sweden

All terminals in the United Kingdom, Germany and Sweden operate approved excise warehouses, thereby permitting customers' products to be stored and/or processed (i.e., blending, marking, denaturing of alcohol) on a duty-suspended basis. Management systems are in place to reconcile and report stock levels, transactions and duty liability.

Customs Regulations – Denmark & Sweden

The Danish and Swedish terminals are authorized to act as a customs warehouse, enabling customers to store certain oil products for re-export on a customs and excise duty-suspended basis. The Danish and Swedish tax authorities require Inter Terminals to act as the customers' tax representative when providing customs warehousing services. The Swedish terminals also provide an in-house customs clearance service, acting as the agent for their customers to provide this service.

The Danish and Swedish businesses both hold an Authorized Economic Operator certificate, which is a European Union-developed certification of internal procedures to improve transactional efficiency and reduce risks in connection with the handling of customs and excise bonded goods.

Health, Safety and Environment

The terminals comprising Inter Terminals have well defined emergency response plans, which are regularly tested and are in full compliance with local legislation derived from the European Union Seveso directive. Most of the terminals are categorized as upper tier terminals under such legislation and consequently have submitted comprehensive safety reports to the regulatory authorities demonstrating compliance.

Inter Terminals has well established rolling five year capital expenditure plans, which are reviewed on an annual basis, and which are designed to ensure the continuing integrity of its operating facilities and assets, and compliance with relevant environmental, health and safety legislation.

Employees

As at December 31, 2016, Inter Pipeline had 1136 employees, of which 443 are directly employed by Inter Terminals.

Social and Environmental Policies

Inter Pipeline has implemented certain social and environmental policies that are fundamental to Inter Pipeline's operations, including its Code of Ethics; Environmental, Health and Safety Policy (the "**EH&S Policy**") and its Respectful Workplace Policy; in addition to the organization's Core Values and Stakeholder Relations Policy. Inter Pipeline requires employees to annually review and confirm their understanding of specific policies, including certain policies described below, and requires contractors to do the same when necessary or appropriate.

Code of Ethics

Inter Pipeline's reputation and credibility is based upon its total commitment to ethical business practices and all employees, contractors and other representatives of Inter Pipeline are expected to conduct themselves with the highest ethical standards. Inter Pipeline has established a Code of Ethics to reflect such principles pursuant to which all employees, contractors and representatives of Inter Pipeline are required to act with honesty and integrity and be respectful towards customers, employees, shareholders and others with whom Inter Pipeline conducts business; and strive for excellence and professionalism in their activities.

EH&S Policy

Inter Pipeline's EH&S Policy outlines its values and commitments with respect to environmental, health and safety matters. The EH&S Policy is reviewed on an annual basis by the environmental, health and safety committee of the board of directors and amended as deemed necessary. It is also reviewed with the employees in Inter Pipeline's operations group on a regular basis. The EH&S Policy applies to any activity undertaken by or on behalf of Inter Pipeline (excluding activities undertaken by Inter Pipeline's European subsidiaries, which conduct their operations in accordance with distinct environmental, health and safety policies implemented pursuant to the regulations in force in their jurisdictions of operation), in respect of Inter Pipeline's operations. It provides that Inter Pipeline will manage all operations in a manner that protects the health and safety of employees, contractors, the public and the environment, while complying with, and where appropriate, exceeding applicable laws, regulations, industry and internal standards and stakeholder expectations. The EH&S Policy also provides that Inter Pipeline will continually improve safety and environmental performance by proactively evaluating its operations to identify hazards, assess priorities, and implement programs and practices to reduce the number and severity of safety and environmental incidents towards a goal of zero incidents. It emphasizes that positive safety and environmental performance is essential to the success of Inter Pipeline and its employees and that safety and environmental performance comes first, regardless of the scale or urgency of the job. The EH&S Policy also stipulates that employees must be provided with the training and tools necessary for them to perform their jobs safely and in conformance with regulatory requirements and Inter Pipeline's requirements.

Accountability for the implementation of the EH&S Policy is at the operational level within Inter Pipeline's business units which have established processes and programs to evaluate and minimize environmental, health and safety risks. In this regard, a number of related policies and procedures have been implemented by Inter Pipeline's operations group, including a Drug and Alcohol Policy, Management of Change Policy, and Work Initiation Standard. The environmental, health and safety committee of the board of directors of Inter Pipeline monitors compliance with the EH&S Policy. In addition, a joint environmental, health and safety committee, consisting of employees and management, meets on a regular basis to enhance environmental, health and safety performance throughout the organization through various initiatives.

Respectful Workplace Policy

Inter Pipeline's Respectful Workplace Policy outlines Inter Pipeline's commitment to providing a workplace in which all individuals are treated with respect and dignity and outlines Inter Pipeline's vision of a respectful workplace where acceptance, cooperation, courteousness, honesty, integrity and personal accountability are emphasized in order for all employees to achieve excellence. The policy provides that every person has the right to work in an environment that is safe, healthy and free from harassment, which includes an environment free from discrimination, violence, personal harassment and sexual harassment.

Core Values

Inter Pipeline has established formalized Core Values outlining the employee qualities and cultural elements that Inter Pipeline values, including the following: honesty and integrity, teamwork, the pursuit of excellence, personal accountability, and entrepreneurial spirit.

Stakeholder Relations Policy

Inter Pipeline's Stakeholder Relations Policy formally establishes Inter Pipeline's commitment to meaningful and ethical interactions with its stakeholders in order to ensure that safety, environmental, economic or social impacts resulting from Inter Pipeline's business activities are addressed in a timely and effective manner. In addition, the policy outlines that Inter Pipeline will build lasting relationships by acting responsibly with respect to the needs of its stakeholders.

Whistleblower Policy

Inter Pipeline's Whistleblower Policy supports Inter Pipeline's commitment to the highest standards of professional and ethical business practices by providing a forum in which concerns regarding questionable actions or business practices, including the suspected violation of other Inter Pipeline policies or procedures, can be raised without fear of any retaliation. The policy seeks to encourage concerns to be raised for investigation by establishing a framework for reporting concerns to immediate supervisors, executive management or a confidential Whistleblower Hotline, on a confidential basis if requested.

RISK FACTORS

A discussion of Inter Pipeline's risk factors is contained in the section entitled "Risk Factors" in the MD&A for the year ended December 31, 2016, which section is incorporated by reference herein. Also see other documents filed by Inter Pipeline from time to time on SEDAR at www.sedar.com.

DIVIDENDS

Inter Pipeline pays regular monthly dividends, currently established at $0.135 per Common Share, following increases of $0.005, $0.0075, $0.015 per Common Share per month, announced on November 3, 2016, November 5, 2015 and November 6, 2014, respectively. The dividend for each month is based on a record date within ten days prior to the last day of the month and is paid on or about the 15th day of the following month.

In 2016, 2015 and 2014, Inter Pipeline paid annual cash dividends of $1.5700, $1.4850 and $1.3200 per Common Share, respectively.

Inter Pipeline's credit agreements may, in certain circumstances, restrict Inter Pipeline's ability to pay dividends to its Common Shareholders. See "Risk Factors" for a description of other circumstances in which Inter Pipeline's ability to pay dividends on its Common Shares may be affected.

A discussion of Inter Pipeline's dividend policy is contained in the section entitled "Dividends to Shareholders" in the MD&A for the year ended December 31, 2016, which section is incorporated by reference herein.

DESCRIPTION OF CAPITAL STRUCTURE

Description of Common Shares

The holders of Common Shares are entitled to: notice of, to attend and to one (1) vote per share held at any meeting of the shareholders of the Corporation (other than meetings of a class or series of shares of the Corporation other than the Common Shares as such); receive dividends as and when declared by the board of directors of the Corporation on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to all shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of dividends; and subject to the rights, privileges, restrictions and conditions attaching to any shares ranking senior to the Common Shares in respect of priority in the distribution of assets upon liquidation, dissolution or winding-up of the Corporation or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

Description of Class A Preferred Shares

Subject to certain limitations, the board may, from time to time, issue Class A Preferred Shares (the "**Class A Preferred Shares**") in one or more series and determine for any such series, its designation, number of shares and respective rights, privileges, restrictions and conditions. The Class A Preferred Shares as a class have, among others, the provisions described below.

Each series of Class A Preferred Shares shall rank on parity with every other series of Class A Preferred Shares, and shall have priority over the Common Shares and any other class of shares ranking junior to the Class A Preferred Shares with respect to redemption, the payment of dividends, the return of capital and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation. The Class A Preferred Shares of any series may also be given such preferences, not inconsistent with the provisions thereof, over the Common Shares and over any other class of shares ranking junior to the Class A Preferred Shares, as may be determined by the board.

If any cumulative dividends or amounts payable on a return of capital in the event of the liquidation, dissolution or winding-up of the Corporation in respect of a series of Class A Preferred Shares are not paid in full, the Class A Preferred Shares of all series shall participate rateably in: (a) the amounts that would be payable on such shares if all such dividends were declared at or prior to such time and paid in full; and (b) the amounts that would be payable in respect of the return of capital as if all such amounts were paid in full; provided that if there are insufficient assets to satisfy all such claims, the claims of the holders of the Class A Preferred Shares with respect to repayment of capital shall first be paid and satisfied and any assets remaining shall be applied towards the payment and satisfaction of claims in respect of dividends. After payment to the holders of any series of Class A Preferred Shares of the amount so payable, the holders of such series of Class A Preferred Shares shall not be entitled to share in any further distribution of the property or assets of the Corporation in the event of the liquidation, dissolution or winding up of the Corporation.

Holders of any series of Class A Preferred Shares will not be entitled (except as otherwise provided by law and except for meetings of the holders of Class A Preferred Shares or a series thereof) to receive notice of, attend at, or vote at any meeting of shareholders of the Corporation, unless the board shall determine otherwise in the terms of a particular series of Class A Preferred Shares, in which case voting rights shall only be provided in circumstances where the Corporation shall have failed to pay a certain number of dividends on such series of Class A Preferred Shares, which determination and number of dividends and any other terms in respect of such voting rights, shall be determined by the board and set out in the designations, rights, privileges, restrictions and conditions of such series of Class A Preferred Shares. As at December 31, 2016, there were no Class A Preferred Shares outstanding.

Credit Ratings

Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

Descriptions of rating agencies' credit ratings concerning Inter Pipeline and certain of its subsidiaries are set out below.

DBRS Limited (“DBRS”)

The DBRS long-term debt rating scale provides an opinion on the risk of default, meaning the risk that an issuer will fail to satisfy its financial obligations in accordance with the terms under which an obligation has been issued. Ratings are based on quantitative and qualitative considerations relevant to the issuer, and the relative ranking of claims. All rating categories, other than AAA and D, contain subcategories “(high)” or “(low)”. The absence of either a “(high)” or “(low)” designation indicates the rating is in the middle of the category.

DBRS has assigned Inter Pipeline (Corridor) Inc. an A issuer rating which is the third highest of ten categories for long-term debt. DBRS has also assigned Inter Pipeline (Corridor) Inc.'s senior unsecured debentures an A rating. In DBRS' view, an A rating has good credit quality. The capacity for the payment of financial obligations is substantial, but of lesser credit quality than that of AA rated entities. Entities in the A category may be vulnerable to future events, but qualifying negative factors are considered manageable. DBRS has assigned Inter Pipeline a BBB (high) issuer rating, which is the fourth highest of ten categories for long-term debt. DBRS has also assigned Inter Pipeline's issued and outstanding senior unsecured medium term notes a BBB (high) rating. In DBRS' view, a BBB rating has adequate credit quality. The capacity for the payment of financial obligations is considered acceptable, but the entity may be vulnerable to future events.

The DBRS commercial paper and short term debt rating scale provides an opinion on the risk that an issuer will not meet its short term financial obligations in a timely manner. Ratings are based on quantitative and qualitative considerations relevant to the issuer and the relative ranking of claims. The R-1 and R-2 rating categories are further denoted by the subcategories “(high)”, “(middle)”, and “(low)”.

DBRS has assigned Inter Pipeline (Corridor) Inc.'s commercial paper program a rating of R-1 (low), which is the third highest of ten categories for short term debt. In DBRS' view, short term debt rated R-1 (low) has good credit quality. The capacity for the payment of short term financial obligations as they fall due is substantial. Overall strength is not as favourable as entities in higher rating categories. Entities in this category may be vulnerable to future events, but qualifying negative factors are considered manageable.

Moody's Investor Services (“Moody's”)

Moody's long-term ratings are forward looking opinions of the relative credit risks of financial obligations. Long term ratings are assigned to issuers or obligations with an original maturity date of one year or more and reflect both on the likelihood of a default on contractually promised payments and the expected financial loss suffered in the event of default. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification, from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. The A2 rating assigned to Inter Pipeline (Corridor) Inc.'s senior unsecured debentures is the third highest of nine rating categories for long-term obligations. Obligations rated A are considered upper-medium grade and are subject to low credit risk.

Standard & Poor's ("S&P")

S&P has a different rating scale for issuers compared to specific long-term debt issues.

Issuer Credit Rating

An S&P issuer credit rating is a forward-looking opinion of an obligor's overall creditworthiness. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. Issuer credit ratings can be either long-term or short term. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (–) sign to show relative standing within the major rating categories.

S&P has assigned Inter Pipeline (Corridor) Inc. an A issuer credit rating, which is the third highest of eight rating categories for long-term issuer credit ratings. In S&P's view, an obligor rated A has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories. S&P has assigned Inter Pipeline an issuer credit rating of BBB+, which is the fourth highest of eight ratings categories for long-term issuer credit ratings. In S&P's view, an obligor rated BBB has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

Issue Credit Rating

An S&P issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion reflects S&P's view of the obligor's capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default. Issue ratings from AA to CCC may be modified by the addition of a plus (+) or minus (–) sign to show relative standing within the major rating categories.

S&P has assigned Inter Pipeline (Corridor) Inc.'s senior unsecured debentures an A credit rating, which is the third highest of ten rating categories for long-term debt issues. In S&P's view, an obligation rated A is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

S&P has assigned Inter Pipeline's senior unsecured medium term notes a BBB+ rating, which is the fourth highest of ten ratings categories for long-term debt issues. In S&P's view, an obligation rated BBB exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Payments to Credit Rating Organizations

Inter Pipeline has made payments to, and reasonably expects, from time to time, to continue to make payments to the credit rating organizations set forth above for the provision of the related ratings and other services.

Additional Information

Further discussion regarding Inter Pipeline's capital structure is contained in the section entitled "Liquidity and Capital Resources" in the MD&A for the year ended December 31, 2016, which section is incorporated by reference herein.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and posted for trading on the TSX under the trading symbol "IPL". The following table sets forth the closing price range and the aggregate volume of trading of the Common Shares, as reported by the TSX, for the periods indicated:

Period (2016)	High ($)	Low ($)	Volume
January	22.70	19.21	21,753,787
February	24.82	20.45	19,677,510
March	26.75	24.72	17,259,466
April	26.91	25.87	13,595,391
May	27.07	25.15	15,807,578
June	28.30	26.08	13,175,065
July	28.01	26.85	8,960,731
August	28.74	27.06	21,568,847
September	28.65	26.50	16,795,884
October	28.66	27.59	12,672,348
November	27.78	26.21	17,626,276
December	29.85	27.43	19,481,521

Prior Sales

Other than as set forth in note 15 of the Financial Statements for the year ended December 31, 2016, which note is incorporated by reference herein, there are no other classes of securities of Inter Pipeline that are outstanding but not listed or quoted on a market place that have been issued by Inter Pipeline during the most recently completed financial year.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the knowledge of management of the Corporation as at December 31, 2016, the following securities of the Corporation were held in escrow or subject to contractual restrictions on transfer:

Designation of Class	Number of Securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of Class
Common Shares[(1)]	6,417,740	1.7%

Note:

(1) These Common Shares are subject to a contractual restriction on transfer whereby they are not to be sold, transferred, assigned, conveyed, distributed or otherwise disposed of or encumbered until June 16, 2017, subject to certain limited exceptions.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets forth the name, province or state, and country of residence of all directors and executive officers of Inter Pipeline, their respective positions and offices held with Inter Pipeline including, in the case of directors, their membership in any committee of the board, their respective principal occupations during the five preceding years, the period or periods during which each director has served as a director and certain additional information. The directors have been appointed to hold office until the next annual general meeting of the shareholders of Inter Pipeline or until their successor are duly elected or appointed, unless their offices are earlier vacated. As of the date of this Annual Information Form, the directors and executive officers of Inter Pipeline as a group beneficially owned, or controlled or directed, directly or indirectly, 2,378,990 Common Shares representing 0.64% of all outstanding Common Shares.

Name, Province or State and Country of Residence and Positions and Offices held with Inter Pipeline	Biography	Director Since/Appointment to Current Office
Richard Shaw Alberta, Canada Independent Director, Chairman of the Board	Mr. Shaw, 71, is a former senior partner in the Business Law Group of McCarthy Tétrault LLP. His legal practice at McCarthy Tétrault broadly included the stewardship of matters related to corporate governance, corporate finance, mergers and acquisitions and securities law. Through his professional corporation, he continues to provide legal advisory services. Mr. Shaw has extensive experience with respect to corporate governance practices in Canada, having served as a director on the national board of the Institute of Corporate Directors and the chair of its Calgary Chapter. He is a former lecturer in the Director Education Program at the Haskayne School of Business at the University of Calgary and past Chair of the Board of Governors of Mount Royal University. He is a director of Enmax Corporation and serves as the lead independent member on the Alberta Securities Commission. In the past, he has served as a Governor and Acting Vice Chair of the Glenbow Museum.	March 31, 2009 / Appointed Chairman January 1, 2014
David W. Fesyk Alberta, Canada Director, Chair of the EH&S Committee	Mr. Fesyk, 54, served as President and CEO of Inter Pipeline from its inception in November 1997, until January 1, 2014, following which time he served as Executive Vice Chairman until his retirement in June 2016. Mr. Fesyk continues to serve as a director of Inter Pipeline Europe Limited, a subsidiary of Inter Pipeline. From April 1991 to November 2002, Mr. Fesyk was employed by various affiliates of Koch Industries, Inc. During his tenure at Koch, he held several senior executive positions including Vice President, Transportation, Koch Petroleum Canada, LP, President, Koch Canada Ltd., and President and CEO, Koch Pipelines Canada Ltd. He also served as director of South Saskatchewan Pipeline Company. Prior to joining Koch, Mr. Fesyk was employed by Esso Petroleum Canada Ltd. and various geological consulting firms where he gained experience in both the upstream and downstream sectors of the oil and gas industry. Mr. Fesyk holds a Bachelor of Science degree from Arizona State University and a Master of Business	January 1, 2014

Name, Province or State and Country of Residence and Positions and Offices held with Inter Pipeline	Biography	Director Since/Appointment to Current Office
	Administration degree from the University of Calgary.	
Lorne E. Brown Arizona, United States Independent Director, Member of the EH&S Committee, Member of the Audit Committee	Mr. Brown, 74, has over 35 years of experience in the areas of energy transportation, refining, marketing and business development. Mr. Brown served as Vice President, Raw Material Supply at CHS Inc., a diversified energy, agriculture and food processing company, until his retirement from that position in 2007. His tenure at CHS Inc. began in 1982, during which time he was responsible for various aspects of CHS's business, including the purchase of optimal raw material feedstock requirements at the CHS oil refinery in Laurel, Montana, the oversight of commodity trading activity related to refinery feedstock requirements and the supply and marketing of partially processed product streams, coordination of transportation agreements for raw material supply on pipelines, development of key customer relationships and CHS's long-range strategic plans. Between 1969 and 1981, Mr. Brown was an accounting manager and a marketing representative in the supply and transportation division of Union Oil Company of Canada Ltd.	February 22, 2007
Duane E. Keinick Alberta, Canada Independent Director, Chair of the Compensation Committee, Member of the Governance and EH&S Committees	Mr. Keinick, 70, had a distinguished career at Canadian Imperial Bank of Commerce, spanning 39 years. Mr. Keinick joined the oil and gas group in 1982 as Vice President advancing to Senior Vice President in 1986 where he had global responsibility for the bank's energy business. In 1998, Mr. Keinick was appointed as Senior Vice President and Managing Director of CIBC World Markets Inc. where he advised on major oil and gas transactions over the seven years leading to his retirement at the end of December 2005. Mr. Keinick has sat on several public company boards and many charitable and industry boards in the past. Mr. Keinick holds a Bachelor of Arts degree from the University of Calgary.	February 6, 2008
Alison Taylor Love Alberta, Canada Independent Director, Chair of the Governance Committee, Member of the Compensation Committee	Ms. Love, 63, has over 30 years of experience as a corporate and securities lawyer, including extensive experience advising boards of directors. Most recently and until her retirement in 2013, she served as Corporate Secretary, Chief Compliance Officer and Vice President at Enbridge Inc. Prior to joining Enbridge Inc. in 2005, she served as Corporate Secretary of TransAlta Corporation and its subsidiary companies from 2002 to 2005. Ms. Love also served as Vice President Law, General Counsel and Corporate Secretary at Canadian Pacific Limited while employed with that organization from 1998 to 2001. Ms. Love has been involved with a number of community organizations and not-for-profit boards. She currently serves on the Board of Governors of the University of Calgary, as well as several of its committees. Ms. Love previously served as the Chair of the board of directors of the Calgary Foundation and on the boards of	January 1, 2014

Name, Province or State and Country of Residence and Positions and Offices held with Inter Pipeline	Biography	Director Since/Appointment to Current Office
	directors of the Alberta Shock Trauma Air Rescue Society (STARS), the United Way of Calgary and area and the Heritage Park Society. She holds a law degree from Dalhousie University and a Bachelor of Arts degree from the University of Saskatchewan.	
Margaret A. McKenzie Alberta, Canada Independent Director, Member of the Audit and Compensation Committees	Ms. McKenzie, 55, brings over 25 years of financial experience in the energy sector to Inter Pipeline, most recently as Chief Financial Officer of Range Royalty Management Ltd., a private entity focused on acquiring oil and natural gas royalties in Western Canada. Prior to being one of the founders of Range Royalty Management, Ms. McKenzie was the Vice President, Finance and Chief Financial Officer of Profico Energy Management Ltd. from 2000 to 2006. Previous roles include eight years with Renaissance Energy Ltd. in various finance and treasury roles and four years with a large public accounting firm. Ms. McKenzie holds a Bachelor of Commerce (Distinction) degree from the University of Saskatchewan and has been a member of the Institute of Chartered Accountants of Alberta since 1985. She obtained her ICD.D designation from the Institute of Corporate Directors in 2013. In addition to Inter Pipeline, Ms. McKenzie currently sits on the boards of Bonavista Energy Corporation, Encana Corporation and PrairieSky Royalty Ltd.	August 1, 2015
William D. Robertson Alberta, Canada Independent Director, Chair of the Audit Committee, Member of the Compensation and Governance Committees	Mr. Robertson, 72, is a Fellow Chartered Accountant and was formerly the lead oil and gas specialist at Price Waterhouse and PriceWaterhouseCoopers in Calgary. After enjoying a 36 year career with the firm, Mr. Robertson retired from practice in 2002. Prior to this, he served on the CIM Petroleum Society Standing Committee on Reserve Definitions, as well as a number of other committees overseeing the practice of accounting in Alberta. Mr. Robertson previously served on the boards of Argent Energy Ltd., Endev Energy Inc., Cinch Energy Inc., and Harvest Oil Corp., and was a member of the audit committee of the University of Calgary. Mr. Robertson graduated with a Bachelor of Commerce degree from the University of Alberta.	June 16, 2003
Brant Sangster Alberta, Canada Independent Director, Member of the Audit and EH&S Committees	Mr. Sangster, 70, is an accomplished executive within the Canadian oil and gas industry. During his 40 year career, Mr. Sangster held senior positions with Petro-Canada and Imperial Oil Limited in the areas of refining operations, natural gas liquids, petroleum marketing, strategic planning and corporate development. Prior to retirement, he held the position of Senior Vice President, Oil Sands at Petro-Canada. Mr. Sangster also sits on the board of Titanium Corporation. He obtained his ICD.D designation from the Institute of Corporate Directors in 2014.	March 31, 2009

Christian Bayle Alberta, Canada Director, President and Chief Executive Officer	Mr. Bayle, 48, joined Inter Pipeline in 1997 and has held a number of positions of increasing responsibility. He was appointed Vice President, Operations, in January 2002 and assumed the role of Vice President, Corporate Development, in March 2005. In December of 2008, he was appointed Senior Vice President, Corporate Development. In March 2011, he was appointed Chief Operating Officer, and on January 1, 2014, he was appointed President and Chief Executive Officer. Prior to this, Mr. Bayle held various engineering positions within Sherritt International Corporation. Mr. Bayle received a Bachelor of Mechanical Engineering degree from the University of Alberta in 1992 and a Masters in Engineering Management from the same university in 1993. He holds a professional engineering designation and is a member of APEGA.	January 1, 2017 (Director) January 1, 2014 (President and Chief Executive Officer)
Brent Heagy Alberta, Canada Chief Financial Officer	Mr. Heagy joined Inter Pipeline as Chief Financial Officer effective March 1, 2014. He previously served as Chief Financial Officer at Athabasca Oil Corporation, and prior thereto was Senior Vice President, Finance and Chief Financial Officer of Provident Energy Ltd., the entity resulting from the reorganization of Provident Energy Trust into a corporate structure in January, 2011. In a career spanning more than 30 years, Mr. Heagy has extensive experience in the areas of corporate finance, accounting, risk management and strategic leadership. He holds a Bachelor of Commerce degree from the University of Saskatchewan and is a chartered accountant.	March 1, 2014
Jeffrey Marchant Alberta, Canada Senior Vice President, Transportation	Mr. Marchant, Senior Vice President, Transportation, joined Inter Pipeline in 1998 and has held a number of positions of increasing responsibility in the areas of operations, engineering and business development. He was appointed Vice President, Corporate Planning in November 2006, Vice President, Oil Sands Development in August 2007, Vice President, Transportation in January 2012, and assumed his current position as Senior Vice President, Transportation in June 2014. Prior to joining Inter Pipeline, Mr. Marchant held various engineering positions with Gulf Canada Resources and Koch Exploration. He received a Bachelor of Chemical Engineering degree from the University of Alberta in 1992. Mr. Marchant holds a professional engineering designation and is a member of APEGA.	June 1, 2014
James Madro Alberta, Canada Senior Vice President, Operations	Mr. Madro joined Inter Pipeline in 2003 and has held a number of positions of increasing responsibility in the areas of engineering and operations. Prior to being appointed Senior Vice President, Operations in June of 2014, Mr. Madro held the position of Vice President Operations since December of 2008, and was previously General Manager, Major Projects and Engineering where he was responsible for various growth related projects, most notably the $1.8 billion expansion of the Corridor pipeline system. Mr. Madro held various operations and engineering management	June 1, 2014

	positions with Gibson Energy and Koch Pipelines prior to joining Inter Pipeline. He received a Bachelor of Chemical Engineering degree from the University of Alberta in 1992. Mr. Madro holds a professional engineering designation and is a member of APEGA and APEGS.	
David Chappell Alberta, Canada Senior Vice President, Petrochemical Development	Prior to joining Inter Pipeline, Mr. Chappell was most recently the president of Williams Canada. Mr. Chappell joined Williams in 2000, and during his tenure served in various leadership roles, progressing from director to president of the Canadian business in 2012. He has more than 30 years of experience in the energy industry and graduated from the University of Saskatchewan with a Bachelor of Science degree in Mechanical Engineering, and later completed the Executive Development Program at the University of Calgary. Mr. Chappell has worked in the areas of natural gas marketing, straddle plants, natural gas liquids and basic petrochemicals. He served on the board of the Energy Council of Canada for many years. Mr. Chappell was a founder of and helped launch the Resource Diversification Council (RDC) in Alberta, and currently serves as Vice Chair of the RDC.	September 23, 2016
Jim Arsenych Alberta, Canada Chief Compliance Officer	Jim Arsenych was appointed to the role of Chief Compliance Officer in January 2016 and is responsible for monitoring and ensuring Inter Pipeline is in compliance with the laws, regulations, and policies that govern its business activities. Mr. Arsenych previously held the role of Vice President, Legal since June 2006 after joining Inter Pipeline as Associate General Counsel in July 2004. He has over 30 years of experience in the oil and gas industry since joining Petro-Canada as legal counsel in 1986. Before joining Inter Pipeline, he held positions as associate general counsel of three major international pipeline corporations and actively participated as the legal representative on management teams for these corporations. Mr. Arsenych has extensive experience in extraction and midstream law, finance, banking, securities, derivatives, corporate secretarial, mergers and acquisitions, construction, and Western Canada frontier and international oil and gas law. He received his Master of Business Administration degree from the Richard Ivey School of Business at the University of Western Ontario and his law degree from the University of Saskatchewan. Mr. Arsenych is a member of the Alberta and Saskatchewan law societies and is a former director of the Canadian Energy Law Foundation.	January 1, 2016
Anita Dusevic Oliva Alberta, Canada Vice President, Legal	Ms. Dusevic Oliva was appointed to the role of Vice President, Legal in January 2016 and is responsible for the coordination and delivery of primary legal services to Inter Pipeline, including commercial, securities, litigation and corporate secretarial support. She was previously in the role of Senior Legal Counsel and Corporate Secretary. Prior to joining Inter Pipeline, Ms. Dusevic Oliva acted as legal counsel at Anadarko Canada Corporation and was an associate in the energy group at the Calgary office of a national law firm. She has extensive experience in various areas of the law,	January 1, 2016

	including mergers and acquisitions, corporate governance, securities, oil and gas, construction, labour and employment, and regulatory law. Ms. Dusevic Oliva received her Bachelor of Arts degree in 1999 and her Juris Doctor degree in 2002 from the University of Calgary and is a member of the Law Society of Alberta. She is a former director of the Canadian Energy Law Foundation and is currently a director of the Calgary Inter-Faith Food Bank.	
Cory Neufeld Alberta, Canada Vice President, Oil Sands Pipeline Development	Mr. Neufeld joined a predecessor of Inter Pipeline in 1996 and has held a number of positions of increasing responsibility in the areas of operations, engineering and business development. Prior to being appointed Vice President, Oil Sands Pipeline Development in June 2014, Mr. Neufeld held the position of Director, Business Development from August 2007 and General Manager, Oil Sands Pipeline Development from January 2012. He received a Bachelor of Science in Mechanical Engineering from the University of Saskatchewan in 1996. Mr. Neufeld holds a professional engineering designation and is a member of APEGA and APEGS.	June 1, 2014
Bernard Perron Alberta, Canada Vice President, Project Development	Mr. Perron was appointed Vice President, Project Development in January 2013. He is responsible for the execution of organic growth projects. During his 20 year career in the pipeline industry, Mr. Perron has overseen the execution of major pipeline and facility projects in Canada and internationally. Mr. Perron joined Inter Pipeline in 2008 as General Manager, Project Development where he successfully led the project development team through a period of significant growth. Mr. Perron received an Engineering degree in 1991 from L'École Polytechnique de Montréal, and a Master of Business Administration degree in 2010 from Queen's University. He holds a professional engineering designation and is a member of APEGA.	January 1, 2013
Jeremy Roberge Alberta, Canada Vice President, Capital Markets	Jeremy Roberge was appointed Vice President, Capital Markets in February 2006 after joining Inter Pipeline as Treasurer in June 2004. He is responsible for Inter Pipeline's capital market financings, treasury, credit risk, communications and investor relations activities. Prior to joining Inter Pipeline, Mr. Roberge spent several years in investment banking involved with corporate finance, strategic planning, mergers and acquisitions and related capital market activities. Mr. Roberge graduated from the University of Calgary with a Bachelor of Commerce Honours degree and completed his Master of Business Administration degree from the Richard Ivey School of Business at the University of Western Ontario.	February 23, 2006
Spil Kousinioris Alberta, Canada Vice President, Corporate Development	Spil Kousinioris was appointed Vice President, Corporate Development on March 1, 2016. Prior to his time with Inter Pipeline, Mr. Kousinioris held the position of Senior Vice President, Mergers & Acquisitions with Ernst & Young, and was previously an advisor for the Royal Bank of Canada in both oil and gas commercial banking and strategic finance. Mr. Kousinioris holds a BA in Economics from the	March 1, 2016

University of Calgary, an MBA from the University of Toronto and is a CFA charterholder.

Cease Trade Orders

To the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons) is, as of the date of this Annual Information Form, or was within 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including the Company), that: (a) was subject to a cease trade order (including a management cease trade order), an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (collectively, an "**Order**"), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

Other than as described below, to the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company: (a) is, as of the date of this Annual Information Form, or has been within the 10 years before the date of this Annual Information Form, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (b) has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

William D. Robertson, a director of Inter Pipeline, was previously a director of Argent Energy Ltd., which is the administrator of Argent Energy Trust ("**Argent**"). On February 17, 2016, Argent and its subsidiaries were granted creditor protection under the *Companies' Creditors Arrangement Act* (Canada) by the Court of Queen's Bench of Alberta and FTI Consulting Canada Ltd. was appointed as the monitor of such entities in connection with these proceedings. On June 30, 2016, all of the directors of Argent Energy Ltd. resigned. The CCAA proceedings relating to Argent were terminated on August 31, 2016 and Argent was assigned into bankruptcy on September 2, 2016. FTI Consulting Canada Ltd. has been appointed as the trustee in bankruptcy.

Margaret McKenzie was a director of Endurance Energy Ltd. ("**Endurance**"), a corporation engaged in the exploration and production of natural gas. Ms. McKenzie resigned as a director of Endurance on March 31, 2016. On May 30, 2016, Endurance filed for creditor protection under the *Companies Creditors' Arrangement Act* (Canada).

Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company (nor any personal holding company of any of such persons), or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain directors of Inter Pipeline are also directors of other entities engaged in the oil and gas business generally. As a result, situations may arise where the interests of such directors conflict with their interests as directors of other companies. The resolution of such conflicts is governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best interests of the Company. Conflicts, if any, will be handled in a manner consistent with the procedures and remedies set forth in the ABCA. The ABCA provides that, in the event that a director has a material interest in, or is party to, a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

AUDIT COMMITTEE

Audit Committee

The audit committee consists of Messrs. Robertson, Brown and Sangster and Ms. McKenzie, all of whom are financially literate and all of whom are independent directors. Mr. Robertson, F.C.A., who has extensive experience in public accounting practice and audit procedures, chairs the committee. Each of Messrs. Brown and Sangster and Ms. McKenzie has had extensive work experience in public companies, including job responsibilities that required evaluation of financial statements for entities involved in businesses similar to the businesses undertaken by Inter Pipeline. Each of Messrs. Brown and Sangster and Ms. McKenzie has completed university level courses in financial analysis. The charter of the audit committee, which is attached as Schedule “C” hereto, specifically outlines its responsibilities and duties. These include monitoring the integrity of the financial reporting process and the system of internal controls, and pre-approving all non-audit services to be provided to Inter Pipeline by external auditors. The charter provides that the committee will have responsibility for oversight of the external auditors who shall report directly to the audit committee. The charter directs that all audit committee members shall be financially literate with a working familiarity with basic finance and accounting practices and at least one member shall have accounting or related financial management expertise.

Inter Pipeline has not relied on any exemptions from the requirements of National Instrument 52-110 in 2016 and there have been no instances in 2016 in which the directors did not adopt a recommendation of the audit committee to nominate or compensate an external auditor. Engagement of outside auditors for non-audit services requires the prior approval of the audit committee.

Fees

The following table outlines the fees billed by external auditors to Inter Pipeline in the last two fiscal years, categorized by audit fees, audit-related fees, tax fees and all other fees and includes a description of the nature of services comprising such fees.

($ thousands)	**2016**	**2015**
Audit fees (1)	1,986	1,814
Audit related fees (2)	24	30
Tax fees (3)	501	896
All other fees	-	-
Total	**2,511**	**2,740**

Notes:

(1) Relates primarily to fees associated with the audit of the consolidated Financial Statements, prospectus-related work (including French translation) and Canadian Public Accountability Board fees.
(2) Relates primarily to fees and travel expenses for foreign subsidiary audits and reviews
(3) Relates primarily to fees associated with general tax planning and compliance.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

Legal proceedings, arbitrations and regulatory actions are part of doing business. While the Corporation cannot predict the final outcomes of proceedings and actions with certainty, management does not expect any current proceeding or action to have a material impact on the Corporation's consolidated financial position, results of operations or liquidity. The Corporation is not aware of any potential legal proceeding or action that would have a material impact on Inter Pipeline's consolidated financial position, results of operations or liquidity. See "Risk Factors".

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There is no material interest, direct or indirect, of any (a) director or executive officer of Inter Pipeline; (b) person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of Inter Pipeline's voting securities; and (c) associate or affiliate of any of the persons or entities referred to in (a) or (b); in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect Inter Pipeline, other than as disclosed elsewhere in this Annual Information Form.

TRANSFER AGENT AND REGISTRAR

Inter Pipeline's transfer agent and registrar is Computershare Trust Company of Canada at its principal offices in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by Inter Pipeline within the most recently completed financial year, or before the most recently completed financial year which are still in effect, are the following:

- The amended and restated credit agreement of Inter Pipeline Ltd. dated September 2, 2013.
- The amended and restated credit agreement of Inter Pipeline (Corridor) Inc. dated December 15, 2011.

Copies of these documents have been filed on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

Names of Experts

The only person or company who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by Inter Pipeline during, or relating to, Inter Pipeline's most recently completed financial year, and whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company, is Ernst & Young LLP, Inter Pipeline's independent auditors and Williams Canada’s independent auditors.

Interest of Experts

Ernst & Young LLP is independent of Inter Pipeline within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information relating to Inter Pipeline can be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Inter Pipeline's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in Inter Pipeline's information circular dated March 21, 2016 for the most recent annual meeting of security holders that involved the election of directors on May 9, 2016. Additional financial information is contained in Inter Pipeline's Financial Statements and the related MD&A for Inter Pipeline's most recently completed financial year.

SCHEDULE "A" – GLOSSARY OF TERMS

"**ABCA**" means the Alberta *Business Corporations Act*, RSA 200, c. B-9;

"**AOC**" means Athabasca Oil Corporation, or a subsidiary or affiliate of Athabasca Oil Corporation, as applicable and as the context requires;

"**AOSP**" means the Athabasca Oil Sands Project, owned by Shell, Chevron, and Marathon;

"**Backwardation**" means a market condition in which futures prices for a product are lower in future delivery months, therefore resulting in storage of such product for a period of time being potentially less beneficial than immediate sale of such product;

"**BETL**" means Bruderheim Energy Terminal Ltd., a subsidiary of Cenovus;

"**Bitumen**" means a tar-like form of Crude Oil, often found in deposits containing significant amounts of sand, that must be heated or diluted before it will flow;

"**Bitumen Blend**" means Bitumen that has been blended with Diluent in order for it to be transported by pipeline;

"**Boreal Pipeline System**" means the pipeline previously owned by Williams Canada which connects the two Offgas Plants to the Redwater Olefinic Fractionator;

"**BP**" means BP Canada Energy Group ULC, or a subsidiary or affiliate of BP Canada Energy Group ULC, as applicable and as the context requires;

"**Break Bulk**" means large shipments of product being segregated at a storage facility to create smaller shipments appropriate for smaller transportation vessels;

"**Build Bulk**" means small shipments of product being aggregated at a storage facility to create larger shipments appropriate for larger transportation vessels;

"**Canadian Natural**" means Canadian Natural Resources Limited, or a subsidiary or affiliate of Canadian Natural Resources Limited, as applicable and as the context requires;

"**Canexus**" means Canexus Corporation, or a subsidiary or affiliate of Canexus Corporation, as applicable and as the context requires;

"**Cenovus**" means Cenovus Energy Inc., or a subsidiary or affiliate of Cenovus Energy Inc., as applicable and as the context requires;

"**Chevron**" means Chevron Canada Limited, or a subsidiary or affiliate of Chevron Canada Limited, as applicable and as the context requires;

"**Class A Preferred Shares**" means Class A Preferred Shares of the Corporation;

"**Cold Lake Founders**" means Imperial Oil, FCCL Partnership and Canadian Natural;

"**Cold Lake Transportation Service Agreement**" means the agreement dated October 5, 2000 between Cold Lake Pipeline Limited Partnership and the Cold Lake Founders;

"**Common Share**" means common shares of the Corporation and "**Common Shareholders**" means holders of Common Shares;

"**Condensate**" means a mixture of hydrocarbons consisting primarily of pentanes and heavier liquids extracted from natural gas;

"**Contango**" means a market condition in which futures prices for a product are higher in future delivery months, therefore resulting in storage of such product for a period of time being potentially more beneficial than immediate sale of such product;

"**Corridor Firm Service Agreement**" means the long-term take-or-pay contract among Inter Pipeline, Inter Pipeline (Corridor) Inc. and the Corridor Shippers, pursuant to which the Corridor pipeline system is operated;

"**Corridor Shippers**" means, collectively, Shell, Chevron, and Marathon;

"**Crude Oil**" means a mixture of hydrocarbons that exists in a liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities;

"**Diluent**" means a lower density fluid used to blend with heavy oil or Bitumen in order to reduce viscosity and density. Condensate is the most commonly used Diluent for pipeline transportation of heavy oil or Bitumen;

"**Dow Chemicals**" means Dow Chemical Canada ULC, or a subsidiary of affiliate of Dow Chemical Canada ULC, as applicable and as the context requires;

"**EBITDA**" means net income before total interest less capitalized interest, income taxes, depreciation and amortization;

"**Enbridge**" means Enbridge Inc., or a subsidiary or affiliate of Enbridge Inc., as applicable and as the context requires;

"**FCCL Partnership**" means a 50/50 partnership between ConocoPhillips and Cenovus;

"**Frac Spread**" means the difference in price between natural gas and the applicable NGL products, generally expressed in US$ per US gallon;

"**Financial Statements**" means Inter Pipeline's audited consolidated financial statements;

"**GAAP**" means Canadian generally accepted accounting principles;

"**Gibson**" means Gibson Energy Inc., or a subsidiary or affiliate of Gibson Energy Inc., as applicable and as the context requires;

"**Heavy Blend Crude Oil**" means Heavy Crude Oil that has been blended with Diluent in order for it to be transported by pipeline;

"**Heavy Crude Oil**" means Crude Oil with a typical density between 904 kilograms per cubic metre (kg/m3) and 940 kilograms per cubic metre (kg/m3), and typical viscosity between 100 and 350 square millimetres per second (mm2/s);

"**Husky**" means Husky Energy Inc., or a subsidiary or affiliate of Husky Energy Inc., as applicable and as the context requires;

"**hydrocarbons**" means organic compounds containing only carbon and hydrogen;

"**Imperial Oil**" means Imperial Oil Limited, or a subsidiary or affiliate of Imperial Oil Limited, as applicable and as the context requires;

"**Inter Pipeline**", the "**Corporation**" or the "**Company**" means Inter Pipeline Ltd. and may include its affiliates and subsidiaries as the context requires;

"**Inter Terminals**" means Inter Terminals Limited and its subsidiaries;

"**JACOS**" means Japan Canada Oil Sands Limited, or a subsidiary or affiliate of Japan Canada Oil Sands Limited, as applicable and as the context requires;

"**Kinder Morgan**" means Kinder Morgan Inc., or a subsidiary or affiliate of Kinder Morgan Inc., as applicable and as the context requires;

"**Light Crude Oil**" means Crude Oil with a typical density of between 800 kilograms per cubic metre (kg/m3) and 876 kilograms per cubic metre (kg/m3), and typical viscosity between 2 square millimetres per second (mm2/s) and 20 square millimetres per second (mm2/s);

"**Light Sour Crude Oil**" means Light Crude Oil with a sulphur content of more than 0.5% by weight;

"**Light Sweet Crude Oil**" means Light Crude Oil with a sulphur content of less than 0.5% by weight;

"**Marathon**" means Marathon Oil Canada Corporation, or a subsidiary or affiliate of Marathon Oil Canada Corporation, as applicable and as the context requires;

"**MD&A**" means Management's Discussion and Analysis;

"**Nexen**" means Nexen Energy ULC, a wholly owned subsidiary of CNOOC Limited, or a subsidiary or affiliate of Nexen Energy ULC, as applicable and as the context requires;

"**NGL**" means paraffinic natural gas liquids, consisting of any one of ethane, propane, butane and Condensate, and olefinic natural gas liquids, consisting of any one of ethylene, propylene, alky feed and olefinic condensate, as well as any combination thereof;

"**NGL Processing Facilities**" means the Straddle Plants, the Offgas Plants, the Boreal Pipeline System and the Redwater Olefinic Fractionator;

"**NOVA Chemicals**" means NOVA Chemicals Corporation, or a subsidiary or affiliate of NOVA Chemicals Corporation, as applicable and as the context requires;

"**Offgas Plants**" means the offgas plants located near Fort McMurray, Alberta that are capable of extracting approximately 40,000 b/d of NGL from the upgrader offgas;

"**Osum**" means Osum Oil Sands Corp., or a subsidiary or affiliate of Osum Oil Sands Corp., as applicable and as the context requires;

"**Partnership**" means Inter Pipeline Fund, a limited partnership formerly established under the laws of Alberta and predecessor to Inter Pipeline;

"**petroleum**" means the liquid hydrocarbon product of oil wells, gas wells, oil or gas processing plants, oil sands, natural gas Condensates or a mixture of such products;

"**Pembina Pipeline**" means Pembina Pipeline Corporation, through its wholly-owned subsidiary Pembina Midstream Limited Partnership;

"**Pipelines**" means Inter Pipeline's right, title and interest in the Bow River pipeline system, the Central Alberta pipeline system, the Mid-Saskatchewan pipeline system, the Cold Lake pipeline system, the Corridor pipeline system, the Polaris pipeline system, the Boreal Pipeline System, and certain miscellaneous assets used in connection with the operation of those pipeline systems;

"**Plains Midstream**" means Plains Midstream Canada ULC, an indirect subsidiary of Plains All American Pipeline, L.P., or a subsidiary or affiliate of Plains Midstream Canada ULC, as applicable and as the context requires;

"**Redwater Olefinic Fractionator**" means the olefinic fractionation plant located near Redwater, Alberta and formerly owned by Williams Canada which separates an ethane-plus mixture into higher value products including propane, polymer grade propylene, normal butane, alky feed, olefinic condensate and an ethane-ethylene mixture as well as supporting caverns capable of storing over one million barrels of NGL;

"**Shell**" means Shell Canada Energy, by its managing partner, Shell Canada Limited, or a subsidiary or affiliate of Shell Canada Energy;

"**Shrinkage Gas**" means the natural gas supplied by an NGL extractor to replace energy shrinkage for the benefit of the shipper(s) whose gas has had NGL removed;

"**Suncor**" means Suncor Energy Inc., or a subsidiary or affiliate of Suncor Energy Inc., as applicable and as the context requires;

"**Straddle Plants**" means Inter Pipeline's 100% ownership interests in the Cochrane and Empress II straddle plants and its 50% ownership interest in the Empress V straddle plant;

"**TransCanada Alberta System**" means the TransCanada Pipelines Alberta Gas Transmission System, which consists of the Nova Gas Transmission Limited and Foothills pipeline systems;

"**TSX**" means the Toronto Stock Exchange; and

"**Williams Canada**" means all of the Canadian subsidiaries of The Williams Companies Inc. and Williams Partners L.P., specifically Williams Energy Canada ULC, Williams Horizon Offgas ULC, Williams Energy Canada Development ULC, Williams Canada Propylene ULC and Williams Canada Employees Services Inc., which were acquired by Inter Pipeline on September 23, 2016.

SCHEDULE "B" – ABBREVIATIONS AND CONVERSIONS

In this Annual Information Form, the following abbreviations have the indicated meanings.

bbl and bbls	barrel and barrels, each barrel representing 34.973 Imperial gallons or 42 U.S. gallons
b/d	barrels per day
bcf/d	billion cubic feet per day

The following table sets forth certain standard conversions between Standard Imperial Units and the International Systems of Units (or metric Units).

To Convert From	To	Multiply By
cubic metres	cubic feet ("ft³")	35.4940
barrels	cubic metres ("m³")	0.1590
cubic metres ("m³")	barrels	6.2898
inches	centimetres	2.5400
centimetres	inches	0.3937
feet	metres	0.3048
metres	feet	3.2808
miles	kilometres	1.6093
kilometres	miles	0.6214
acres	hectares	0.4047
hectares	acres	2.4711
pounds/square inch (psig)	kilopascals (kPa)	6.8948
kilopascals (kPa)	pounds/square inch (psig)	0.1450

SCHEDULE "C" – AUDIT COMMITTEE CHARTER AND TERMS OF REFERENCE

INTER PIPELINE LTD.

AUDIT COMMITTEE

CHARTER AND TERMS OF REFERENCE

General

This document establishes the charter and terms of reference for the Audit Committee of the Board of Directors of Inter Pipeline Ltd. (the "**Company**").

The Audit Committee's responsibilities relate to the Company and this document is intended to apply to the Company and to all of its subsidiaries and affiliates.

Responsibilities and Processes

The Audit Committee (the "**Committee**") is appointed by the Board of Directors (the "**Board**") to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting matters. The Committee will carry out the responsibilities of an audit committee as are prescribed by law from time to time and, without limitation, will:

- Review the Company's quarterly and annual financial statements, MD&A and earnings news releases before such information is publicly disclosed. This review will include a discussion with management and the external auditors of significant issues regarding the financial results, accounting principles, practices and management estimates and judgments.
- Ensure that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements and periodically assess those procedures.
- Make recommendations to the Board with respect to external auditors as well as compensation to be paid to such auditors.
- Pre-approve all non-audit services to be provided to the Company by the external auditors.
- Monitor the integrity of the financial reporting process and the system of internal controls that management and the Board have established.
- Review on a quarterly basis the process and progress of the Company in evaluating the internal control system to ensure readiness to comply with the required officer certifications of the effectiveness of internal controls in the timeframes prescribed by law.
- On a quarterly basis receive and consider updates by management with respect to the Company's hedging program and the extent of hedges outstanding.
- Monitor the management of the principal risks that could impact the financial reporting of the Company.
- Review and approve the annual Audit Plan, process, results and performance of the independent external auditors.
- Review and approve the annual Internal Audit Plan.
- Review and approve the Internal Audit Charter annually.

- Review and reassess this Charter and Terms of Reference at least annually to determine whether revisions are necessary. The Committee shall periodically self-assess its performance and effectiveness in fulfilling its role.

- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.

- Review any changes in accounting policy.

- Obtain and review summaries of significant or unusual transactions, and other potentially complex matters whose treatment in the financial statements merits advance consideration.

- Review the Annual Information Form and any Information Circular.

- Review and respond to any complaints received by the Company regarding accounting, internal controls, or auditing matters including anonymous submissions by employees. Monitor the "whistleblower" process and report all complaints and their disposition to the Board at least annually.

- Review all material written communications between the external auditors and management, including the annual management representation letter and summary of unrecorded differences.

- Review and approve any hiring policies regarding partners, employees and former partners and employees of the present and any former external auditors.

The Committee shall have the authority to conduct any investigation appropriate to fulfilling its responsibilities and it has direct access to anyone in the organization and to the external auditors who will report directly to the Committee. The Committee has the authority to engage, at the Company's expense, independent counsel and other advisors, as it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Audit Committee and to communicate directly with any internal and external auditors. The Chair of the Committee shall have the authority to approve the engagement of, and compensation to be paid to, independent counsel and other advisors by the Company's internal auditors in order for said auditors to carry out their duties.

Composition and Meetings

The Committee shall consist of at least three directors, all of whom shall be independent directors. All Committee members shall be financially literate with a working familiarity with basic finance and accounting practices, and at least one member shall have accounting or related financial management expertise.

Members of the Committee as well as the Chair shall be appointed annually by the Board.

The Committee shall meet at least quarterly, or more frequently as deemed necessary by the Chair. The Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee shall meet privately at least quarterly with management as well as the external auditors to discuss any matters that the Committee or each of these groups believes should be discussed. The Committee may meet privately with the Company's internal auditors as the Committee deems necessary or if requested by the Company's internal auditors.

A quorum for a meeting of the Committee shall consist of a simple majority of the members of the Committee. Meetings may be held by conference call with the consent of the Committee.

A report in respect of each meeting of the Committee will be provided to the Board. Supporting schedules and information reviewed by the Committee will be available for examination by any Director upon request to the Secretary of the Committee.

External Auditors

The Committee shall have responsibility for oversight of the external auditors who shall report directly to the Committee. The Committee shall be provided with any reports by the external auditors with respect to recommendations regarding internal controls and shall review such reports with the auditors and management and have a clear understanding of steps proposed to be taken to deal with any issues which may arise in such reports. The external auditors shall receive notice of every meeting of the Committee.

The Committee shall annually evaluate the external auditors, in conjunction with management, prior to making a recommendation to the Board regarding the Board's determination of whether to recommend the auditors to the Company's shareholders for appointment at the Company's next annual general meeting of shareholders. This evaluation will encompass an assessment of the qualifications and performance of the external auditors; the quality and candor of the external auditors' communications with the Committee and the Company; and the external auditors' independence, objectivity and professional skepticism.