Gibson Energy Inc.

Condensed Consolidated Financial Statements

June 30, 2017 and 2016

Gibson Energy Inc.

Condensed Consolidated Balance Sheet

(tabular amounts in thousands of Canadian dollars)

	June 30, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 53,129	$ 60,159
Trade and other receivables (note 5)	387,387	428,248
Inventories (note 6)	147,469	144,595
Income taxes receivable	9,873	8,057
Prepaid and other assets	12,972	17,976
Net investment in finance leases	2,053	2,325
Assets held for sale (note 4)	-	266,359
Total current assets	612,883	927,719
Non-current assets		
Property, plant and equipment (note 7)	1,613,752	1,643,294
Long-term prepaid and other assets	2,649	4,350
Net investment in finance leases	117,411	118,244
Deferred income tax assets	66,014	47,165
Intangible assets	56,145	66,086
Goodwill	452,004	454,489
Total non-current assets	2,307,975	2,333,628
Total assets	$ 2,920,858	$ 3,261,347
Liabilities		
Current liabilities		
Trade payables and accrued charges (note 8)	409,402	468,834
Dividends payable	47,075	46,772
Deferred revenue	12,548	9,833
Income taxes payable	20,657	-
Long-term debt – current portion (note 9)	38,948	-
Liabilities related to assets held for sale (note 4)	-	39,767
Total current liabilities	528,630	565,206
Non-current liabilities		
Long-term debt (note 9)	913,102	1,271,839
Convertible debentures	88,726	87,312
Provisions (note 10)	182,372	171,038
Other long-term liabilities	7,292	6,506
Deferred income tax liabilities	102,040	102,350
Total non-current liabilities	1,293,532	1,639,045
Total liabilities	1,822,162	2,204,251
Equity		
Share capital (note 11)	1,923,170	1,909,032
Contributed surplus	39,523	46,899
Accumulated other comprehensive income	187,803	201,089
Convertible debentures	7,023	7,151
Deficit	(1,058,823)	(1,107,075)
Total equity	1,098,696	1,057,096
Total liabilities and equity	$ 2,920,858	$ 3,261,347

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.

Condensed Consolidated Statement of Operations

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

	Three months ended June 30, 2017	Three months ended June 30, (Restated – note 4) 2016	Six months ended June 30, 2017	Six months ended June 30, (Restated - note 4) 2016
Revenue (note 13)	$ 1,480,196	$ 1,095,026	$ 2,929,758	$ 2,001,253
Cost of sales (note 12 and 15)	1,453,936	1,105,805	2,864,479	1,996,661
Gross profit (loss)	26,260	(10,779)	65,279	4,592
General and administrative expenses (note 13 and 15)	22,963	18,025	33,888	35,534
Impairment of goodwill	-	101,405	-	101,405
Other operating (income) loss	(998)	(277)	(2,695)	757
Income (loss) from operating activities	4,295	(129,932)	34,086	(133,104)
Interest expense	18,646	21,935	43,530	41,742
Interest income	(299)	(441)	(964)	(565)
Debt extinguishment costs (note 9)	2,010	-	51,337	-
Foreign exchange (gain) loss on long-term debt (note 9)	(7,170)	2,090	(12,098)	(45,705)
Loss before income taxes	(8,892)	(153,516)	(47,719)	(128,576)
Income tax recovery (note 14)	(3,369)	(21,148)	(32,288)	(31,783)
Net loss from continuing operations	(5,523)	(132,368)	(15,431)	(96,793)
Net (loss) income from discontinued operations, after tax (note 4 and 14)	-	(1,778)	157,756	6,756
Net (loss) income	$ (5,523)	$ (134,146)	$ 142,325	$ (90,037)
(Loss) earnings per share				
Basic loss per share from continuing operations	$ (0.04)	$ (1.01)	$ (0.11)	$ (0.73)
Basic (loss) earnings per share from discontinued operations	-	(0.01)	1.11	0.06
Basic (loss) earnings per share	$ (0.04)	$ (1.02)	$ 1.00	$ (0.67)
Diluted loss per share from continuing operations	$ (0.04)	$ (1.01)	$ (0.11)	$ (0.73)
Diluted (loss) earnings per share from discontinued operations	-	(0.01)	1.09	0.05
Diluted (loss) earnings per share	$ (0.04)	$ (1.02)	$ 0.98	$ (0.68)

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.

Condensed Consolidated Statement of Comprehensive Income (loss)

(tabular amounts in thousands of Canadian dollars)

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Net (loss) income	$ (5,523)	$ (134,146)	$ 142,325	$ (90,037)
Other comprehensive (loss) income				
Items that may be reclassified subsequently to consolidated statement of operations				
Exchange differences of translating foreign operations	(10,271)	1,454	(13,286)	(35,793)
Items that will not be reclassified to statement of operations				
Remeasurements of post-employment benefit obligation, net of tax	-	-	59	-
Other comprehensive (loss) income , net of tax	(10,271)	1,454	(13,227)	(35,793)
Comprehensive (loss) income	$ (15,794)	$ (132,692)	$ 129,098	$ (125,830)

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.

Condensed Consolidated Statement of Changes in Equity

(tabular amounts in thousands of Canadian dollars)

	Share capital (note 11)	Contributed surplus	Accumulated other comprehensive income (loss)	Convertible debentures	Deficit	Total Equity
Balance – January 1, 2016	$1,672,323	$ 34,959	$224,866	$ -	$ (765,147)	$1,167,001
Net loss	-		-	-	(90,037)	(90,037)
Other comprehensive loss, net of tax	-	-	(35,793)	-	-	(35,793)
Comprehensive loss	-	-	(35,793)	-	(90,037)	(125,830)
Stock based compensation	-	10,846	-	-	-	10,846
Reclassification of contributed surplus on issuance of awards under equity incentive plan	11,701	(11,701)	-	-	-	-
Issuance of common shares for cash, net of issue costs and deferred tax	222,772	-	-	-	-	222,772
Issuance of convertible debentures, net of issuance costs and deferred taxes	-	-	-	7,151	-	7,151
Dividends on common shares ($0.33 per common share)	-	-	-	-	(88,453)	(88,453)
Balance – June 30, 2016	$1,906,796	$ 34,104	$ 189,073	$ 7,151	$ (943,637)	$ 1,193,487
Balance – January 1, 2017	$ 1,909,032	$ 46,899	$201,089	$ 7,151	$(1,107,075)	$1,057,096
Net income	-	-	-	-	142,325	142,325
Other comprehensive loss, net of tax	-	-	(13,286)	-	59	(13,227)
Comprehensive (loss) income	-	-	(13,286)	-	142,384	129,098
Stock based compensation		5,682	-	-	-	5,682
Convertible debentures - tax		-	-	(128)	-	(128)
Proceeds from exercise of stock options	1,080	-	-	-	-	1,080
Reclassification of contributed surplus on issuance of awards under equity incentive plan	13,058	(13,058)	-	-	-	-
Dividends on common shares ($0.33 per common share)	-	-	-	-	(94,132)	(94,132)
Balance – June 30, 2017	$ 1,923,170	$ 39,523	$ 187,803	$ 7,023	$ (1,058,823)	$1,098,696

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.

Condensed Consolidated Statement of Cash Flows

(tabular amounts in thousands of Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2017	(Restated – note 4) 2016	2017	(Restated – note 4) 2016
Cash provided by (used in)				
Operating activities				
Income (loss) from operating activities	$ 4,295	$(129,932)	$ 34,086	$(133,104)
Items not affecting cash				
Depreciation of property, plant and equipment (note 7)	42,395	39,673	84,976	79,760
Amortization of intangible assets	7,512	19,940	13,218	30,592
Impairment of goodwill	-	101,405	-	101,405
Stock based compensation	6,827	7,490	5,682	10,846
Gain on sale of assets	(786)	(1,280)	(3,363)	(2,168)
Other	1,509	(690)	867	(1,358)
Net loss (gain) on financial instruments (note 15)	4,059	2,536	(270)	3,362
Changes in items of working capital:				
Trade and other receivables	20,788	(703)	39,885	17,584
Inventories	(12,291)	(28,832)	(3,698)	(8,487)
Other current assets	1,500	969	4,271	2,616
Trade payables and accrued charges	(28,751)	51,852	(23,659)	33,302
Deferred revenue	6,407	6,170	2,751	6,587
Income taxes	(1,061)	1,377	(335)	(11,608)
Net cash provided by operating activities from continuing operations	52,403	69,975	154,411	129,329
Net cash (used in) provided by operating activities from discontinued operations (note 4)	-	(7,177)	(7,589)	19,013
Net cash provided by operating activities	52,403	62,798	146,822	148,342
Investing activities				
Purchase of property, plant and equipment	(23,976)	(41,603)	(70,668)	(130,712)
Purchase of intangible assets	(1,968)	(1,353)	(3,617)	(10,647)
Proceeds from sale of assets	1,611	2,111	4,873	3,888
Net cash used in investing activities from continuing operations	(24,333)	(40,845)	(69,412)	(137,471)
Net cash (used in) provided by investing activities from discontinued operations (note 4)	(5,152)	(1,298)	427,815	(2,341)
Net cash (used in) provided by investing activities	(29,485)	(42,143)	358,403	(139,812)
Financing activities				
Payment of shareholder dividends	(47,057)	(41,743)	(93,829)	(82,106)
Interest paid	(784)	(2,005)	(55,131)	(46,679)
Proceeds from exercise of stock options	-	-	1,080	-
Issuance of common shares	-	230,090	-	230,090
Share issue costs	-	(9,747)	-	(9,747)
Issuance of convertible debentures, net of costs	-	96,386	-	96,386
Proceeds from issuance of long-term debt, net of issuance costs	(705)	-	344,895	-
Repayment of debt	-	-	(668,023)	-
Debt extinguishment costs paid	-	-	(35,460)	-
Proceeds from credit facilities	50,000	207,903	225,000	391,640
Repayment of credit facilities	(50,000)	(298,197)	(225,000)	(426,626)
Settlement of financial instruments not affecting operating activities (note 15)	-	-	(5,079)	-
Cash (used in) provided by financing activities	(48,546)	182,687	(511,547)	152,958
Effect of exchange rate on cash and cash equivalents	(974)	(70)	(708)	(1,832)
Net (decrease) increase in cash and cash equivalents	(26,602)	203,272	(7,030)	159,656
Cash and cash equivalents – beginning of period	79,731	39,159	60,159	82,775
Cash and cash equivalents – end of period	$ 53,129	$ 242,431	$ 53,129	$242,431

See accompanying notes to the condensed consolidated financial statements

1 General Information

Gibson Energy Inc. ("Gibsons" or the "Company") was incorporated pursuant to the Business Corporations Act (Alberta). The Company's common shares are traded on the Toronto Stock Exchange under the symbol "GEI".

Gibsons is engaged in the movement, storage, blending, processing and marketing and distribution of crude oil, condensate, natural gas liquids, water, oilfield waste and refined products. The Company also provides emulsion treating, water disposal, oil-field waste management services and propane distribution. The Company is incorporated in Alberta and domiciled in Canada. The address of the Company's principal place of business is 1700, 440 Second Avenue S.W., Calgary, Alberta, Canada.

2 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, as set out in IAS 34, "Interim Financial Reporting". The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB. These condensed consolidated financial statements were approved for issuance by the Company's board of directors ("Board") on August 1, 2017. These condensed consolidated financial statements are presented in Canadian dollars, the Company's functional currency, and all values are rounded to the nearest thousands of dollars, except where indicated otherwise. All references to $ are to Canadian dollars and references to U.S.$ are to United States dollars.

3 Changes in accounting policies and disclosures

New and amended standards adopted by the Company

The Company adopted the following new and revised standards, along with any consequential amendments. These changes were made in accordance with applicable transitional provisions.

- The annual improvements process addresses issues in the 2014-2016 reporting cycles include changes to IFRS 12 - *Disclosure of interests in other entities*. This improvement is effective for periods beginning on or after January 1, 2017. The adoption of these improvements did not have a material impact on the condensed consolidated financial statements.
- IAS 12 – *Income taxes* ("IAS 12"), has been amended to clarify (i) the requirements for recognizing deferred tax assets on unrealized losses; (ii) deferred tax where an asset is measured at a fair value below the asset's tax base, and (iii) certain other aspects of accounting for deferred tax assets. The amendment to IAS 12 is effective for years beginning on or after January 1, 2017. The adoption of this amendment did not have a material impact on the condensed consolidated financial statements.
- IAS 7 – *Statement of cash flows* ("IAS 7"), has been amended to require disclosures about changes in liabilities arising from financing activities, including both changes arising from cash-flows and non-cash changes. The amendment to IAS 7 is effective for years beginning on or after January 1, 2017. The adoption of this amendment did not have a material impact on the condensed consolidated financial statements, however additional disclosures will be included in the Company's 2017 annual financial statements.

New standards and interpretations issued but not yet adopted

The following accounting interpretations and standards were issued during the period:

- IFRIC 23 – *Uncertainty over income tax treatments* ("IFRIC 23"), has been amended to clarify how the recognition and measurement requirements of IAS 12, Income Taxes, are applied where there is uncertainty over income tax treatments. The amendment to IFRIC 23 is effective for years beginning on or after January 1, 2019. The Company has not currently assessed the impact of adopting this interpretation on its consolidated financial statements.
- IFRS 17 – *Insurance contracts* ("IFRS 17"), has been issued to clarify recognition and measurement accounting principles with respect to insurance contracts. The issuance of IFRS 17 is effective for years beginning on or after January 1, 2021. The Company has not currently assessed the impact of adopting this interpretation on its consolidated financial statements.

As disclosed in the 2016 year-end Financial Statements, the Company is currently evaluating the impact of IFRS 16, "Leases" ("IFRS 16") and IFRS 15, *"Revenue From Contracts With Customers*" ("IFRS 15").

IFRS 16 is effective for years beginning on or after January 1, 2019, however the early adoption of IFRS 16 is permitted if IFRS 15 has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. It is anticipated that the adoption of IFRS 16 will have a material impact on the Company's Consolidated Balance Sheets due to material operating lease commitments. For Lessor accounting, the Company anticipates that the accounting treatment remains materially the same. The Company is considering the early adoption of IFRS 16 effective January 1, 2018, concurrent with the adoption date of IFRS 15, however, the decision on early adoption has not been finalized.

For IFRS 15 and IFRS 16, the Company is in the process of developing an implementation plan to identify all contracts and arrangements which will fall within the scope of IFRS 15 and 16. The Company's management believes that it has sufficient resources allocated to the project to ensure timely implementation and has commenced its assessment of key contracts. Once all applicable contracts and arrangements are identified and reviewed, the Company will assess applicable impacts. These include, but are not limited to, impacts to (i) recognition and measurement of revenue and expenses on the Company's consolidated financial statements; (ii) company policies and business practices; (iii) information technology systems; (iv) key operating metrics; (v) internal controls; (vi) financial covenants; and (vii) significant judgments and estimations required. Progress towards the final impact determination of this standard remains consistent with the plan and includes the completion of the following: 1) scoping and review of lease and revenue contracts 2) identification of changes required 3) initial assessment of quantitative impacts 4) review and initial scoping of process changes and 5) development of technical position papers.

4 Assets and liabilities held for sale, and discontinued operations

On March 1, 2017, Gibsons granted an Option Right to Superior Plus LP ("Superior") to purchase Gibsons' Industrial Propane segment pursuant to the Option Agreement in exchange for an adjusted cash consideration of $434.8 million, at which time Superior exercised such Option Right. Gibsons will continue to operate the business based on the terms and covenants of the Option Agreement under the direction of the current management team, until 100% of the partnership units and shares (the "Securities") of the Canwest and Stittco businesses are transferred to Superior, which is expected to occur no later than the fourth quarter of 2017, subject to the receipt of customary regulatory approvals. Judgment was applied in accordance with IFRS 10 - *Consolidated Financial Statements ("IFRS 10")* and it was concluded that effective March 1, 2017, the Company does not have the rights and exposure to variable returns and the ability to affect the amount of returns. Accordingly, the Industrial Propane segment was derecognized as at March 1, 2017 and Gibsons recognized a gain on sale of $148.6 million, net of tax, as noted below.

(tabular amounts in thousands of Canadian dollars, except where noted)

Operating results related to the segment have been included in net income from discontinued operations in the condensed consolidated statement of operations. Comparative period balances of the condensed consolidated statement of operations and cash flows have been restated.

Purchase price	$ 412,000
Purchase price adjustments	22,806
Total cash consideration	434,806
Cash	(10,504)
Accounts receivable	(48,076)
Inventories	(7,240)
Prepaid expenses and other assets	(467)
Property, plant, and equipment	(137,673)
Intangible assets	(10,305)
Goodwill	(77,579)
Other long-term assets	(156)
Accounts payable and accrued liabilities	24,374
Other current liabilities	180
Deferred tax liability	13,860
Other non-current liabilities	989
Decommissioning liability	965
Net assets disposed	(251,632)
Costs to sell	(10,068)
Purchase price adjustment balance receivable	2,258
Gain on sale	175,364
Income tax provision on gain on sale	(26,809)
After-tax gain on sale	$ 148,555

The results of the discontinued operations are presented below:

	Three months ended June 30		Six months ended June 30	
	2017 [1]	2016	2017 [1]	2016
Revenue	$ -	$ 27,499	$ 58,296	$ 80,398
Cost of sales	-	29,806	44,678	70,939
Gross profit	-	(2,307)	13,618	9,459
Other operating loss (income)	-	114	(19)	320
Segment profit	-	(2,421)	13,637	9,139
Gain on sale [2]	-	-	175,364	-
Loss before taxes	-	(2,421)	189,001	9,139
Income tax (recovery) provision - current	-	(643)	30,970	3,461
Income tax (recovery) provision - deferred	-	-	275	(1,078)
Net income from discontinued operations, after tax	$ -	$ (1,778)	$ 157,756	$ 6,756

Supplemental cash flow information:

	Three months ended June 30,		Six months ended June 30,	
	2017 [1]	2016	2017 [1]	2016
		(in thousands)		
Cash (used in) provided by investing activities from discontinued operations				
Purchase of property, plant and equipment	$ -	$ (1,386)	$ (106)	$ (2,464)
Purchase of intangible assets	-	(101)	-	(389)
Proceeds from sale of assets	-	189	-	512
Proceeds on sale of discontinued operations	-	-	434,806	-
Transaction costs paid on sale of discontinued operations	(5,152)	-	(6,885)	-
Net cash provided by (used in) investing activities	$ (5,152)	$ (1,298)	$ 427,815	$ (2,341)

1. *The Company derecognized the Industrial Propane segment effective March 1, 2017, accordingly, results for six months ending June 30, 2017 represent the activity for the period January 1, 2017 to February 28, 2017.*

5 Trade and other receivables

	June 30, 2017	December 31, 2016
Trade receivables	$ 379,345	$ 410,325
Allowance for doubtful accounts	(1,216)	(1,124)
Trade receivables - net	378,129	409,201
Risk management assets (note 15)	2,410	6,218
Broker accounts receivable	2,319	5,329
Indirect taxes receivable	1,816	4,375
Other	2,713	3,125
	$ 387,387	$ 428,248

(tabular amounts in thousands of Canadian dollars, except where noted)

6 Inventories

	June 30, 2017	December 31, 2016
Crude oil	$ 69,777	$ 71,627
Diluent	2,103	1,371
Asphalt	14,393	16,546
Natural gas liquids	36,651	31,994
Wellsite fluids and distillate	10,280	8,556
Spare parts and other	14,265	14,501
	$ 147,469	$ 144,595

7 Property, plant and equipment

	Land & Buildings	Pipelines and Connections	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Cost:							
At January 1, 2017	$188,380	$209,454	$608,344	$457,871	$920,843	$104,868	$2,489,760
Additions	489	541	107	1,547	6,866	46,713	56,263
Disposals	(4,460)	-	(1,068)	(18,533)	(4,079)	-	(28,140)
Reclassifications	1,795	1,271	16,534	-	11,377	(30,977)	-
Change in decommissioning provision (note 10)	-	2,141	4,718	-	5,180	-	12,039
Effect of movements in exchange rates	(945)	-	(512)	(7,863)	(8,057)	(94)	(17,471)
At June 30, 2017	$185,259	$213,407	$628,123	$ 433,022	$ 932,130	$120,510	$2,512,451
Accumulated depreciation:							
At January 1, 2017	$31,778	$73,052	$96,609	$275,002	$370,025	-	$846,466
Depreciation	3,312	4,493	13,793	22,926	40,452	-	84,976
Disposals	(214)	-	(564)	(17,803)	(3,907)	-	(22,488)
Effect of movements in exchange rates	(136)	-	(225)	(5,272)	(4,622)	-	(10,255)
At June 30, 2017	$34,740	$77,545	$109,613	$274,853	$401,948	-	$898,699
Carrying amounts:							
At January 1, 2017	$ 156,602	$ 136,402	$511,735	$ 182,869	$ 550,818	$ 104,868	$1,643,294
At June 30, 2017	$150,519	$ 135,862	$518,510	$ 158,169	$ 530,182	$ 120,510	$1,613,752

Additions to property, plant and equipment includes capitalization of interest of $0.7 million and $3.3 million for the three months ended June 30, 2017 and 2016, respectively, and includes capitalization of interest of $1.6 million and $6.8 million for the six months ended June 30, 2017 and 2016, respectively.

(tabular amounts in thousands of Canadian dollars, except where noted)

8 Trade payables and accrued charges

Trade payables and accrued charges include the following items:

	June 30, 2017	December 31, 2016
Trade payables	$ 334,383	$ 376,767
Accrued compensation charges	18,172	18,566
Indirect taxes payable	2,628	4,403
Risk management liabilities (note 15)	7,023	11,901
Defined benefit plan obligations	510	510
Interest payable	24,749	41,623
Insurance payable	7,226	7,638
Other	14,711	7,426
	$ 409,402	$ 468,834

9 Loans and Borrowings

Revolving Credit Facility

The Company has established an unsecured revolving credit facility of up to $500.0 million (the "Revolving Credit Facility"), with a maturity date of March 7, 2022, the proceeds of which are available to provide financing for working capital and other general corporate purposes. In addition, the Company has three demand letter of credit facilities totaling $150.0 million.

The Revolving Credit Facility permits letters of credit, swingline loans and borrowings in Canadian dollars and U.S. dollars. Borrowings under the Revolving Credit Facility bear interest at a rate equal to Canadian Prime Rate or U.S. Base Rate or LIBOR or Canadian Bankers Acceptance Rate as the case may be plus an applicable margin. The applicable margin for borrowings under the Revolving Credit Facility is subject to step up and step down based on the Company's total debt leverage ratio. In addition, the Company must pay standby fees on the unused portion of the Revolving Credit Facility and customary letter of credit fees equal to the applicable margins based on the Company's total debt leverage ratio.

Effective March 7, 2017, the Company amended certain covenants related to the Revolving Credit Facility including, amongst other revisions, revising the maximum consolidated senior and the maximum consolidated total debt leverage ratios to 4.85 to 1.0 for the 2017 fiscal year, 4.25 to 1.0 for 2018 fiscal year and 4.0 to 1.0 thereafter. Furthermore, the maturity date of the Revolving Credit Facility has been extended from August 2020 to March 2022.

In addition, the Company is also required to maintain a minimum interest coverage ratio of no less than 2.5 to 1.0.

As at June 30, 2017, the Company was in compliance with all covenants under the Revolving Credit Facility. The Company had $nil drawn against the Revolving Credit Facility as at June 30, 2017 and December 31, 2016. The Company had issued letters of credit totalling $61.0 million and $48.4 million as at June 30, 2017 and December 31, 2016, respectively.

(tabular amounts in thousands of Canadian dollars, except where noted)

Long-term debt

	June 30, 2017	December 31, 2016
U.S.$211.2 million (U.S. $550 million – December 31, 2016) 6.75% Notes due July 15, 2021	$ 274,190	$ 738,485
$38.9 million ($250 million – December 31, 2016) 7.0% Notes due July 15, 2020	-	250,000
$300.0 million 5.375% Notes due July 15, 2022	300,000	300,000
$350.0 million 5.25% Notes due July 15, 2024	350,000	-
Unamortized issue discount and debt issue costs	(11,088)	(16,646)
Long-term debt: non-current portion	$ 913,102	$ 1,271,839
$38.9 million ($250 million – December 31, 2016) 7.0% Notes due July 15, 2020	38,948	-
Unamortized issue discount and debt issue costs	-	-
Long-term debt: current portion	$ 38,948	$ -

On March 22, 2017, the Company refinanced its existing U.S.$550.0 million 6.75% Notes and $250.0 million 7.00% Notes under which it repaid U.S.$338.8 million principal amount of 6.75% Senior Unsecured Notes due July 15, 2021 at a tender price of 105.13% (the "U.S.$ Notes") and $211.1 million principal amount of 7.00% Senior Unsecured Notes due July 15, 2020 at a tender price of 105.31% (the "C$ Notes") (the C$ Notes, U.S.$ Notes and $300.0 million 5.375% Notes, altogether referred to as the "Notes"). Concurrently with the closing of the tender offers of the C$ Notes and U.S.$ Notes, the Company issued $350.0 million 5.25% Senior Unsecured Notes due July 15, 2024 at an issue price of 100.0% plus accrued interest (the "New Notes"). Interest is payable semi–annually on January 15 and July 15 of each year the Notes and New Note are outstanding.

The Notes and New Notes agreements contain certain redemption options whereby the Company can redeem all or part of the Notes and New Notes, at prices set forth in the agreements, from proceeds of an equity offering or on the dates specified in the agreement. In addition, the Notes and New Notes holders have the right to require the Company to redeem the Notes and New Notes at the redemption prices set forth in the agreement in the event of a change in control or in the event certain asset sale proceeds are not re-invested in the time and manner specified in the agreement.

Concurrent with the completion of the refinancing of the Notes during Q1 2017, the Company recognized debt extinguishment costs of $49.3 million comprising unamortized debt issue discount and debt issue costs of $9.6 million, loss on financial instruments relating to long-term debt of $5.1 million and tender offer premium consideration of $34.6 million.

On July 17, 2017, the Company repaid the remaining $38.9 million of its C$ Notes, accordingly the principal balance has been classified within current liabilities as at June 30, 2017, and the Company recognized the remaining unamortized debt issue discount of $0.6 million and the tender offer premium consideration of $1.4 million as debt extinguishment costs as at June 30, 2017.

The Company's long-term debt contains non-financial covenants and customary events of default clauses. As of June 30, 2017 and December 31, 2016, the Company was in compliance with all of its covenants.

(tabular amounts in thousands of Canadian dollars, except where noted)

10 Provisions

The aggregate carrying amounts of the obligation associated with decommissioning and site restoration on the retirement of assets and environmental costs are as follows:

	Six months ended June 30, 2017	Year ended December 31, 2016
Opening balance	$ 171,038	$ 155,343
Settlements	(1,414)	(2,556)
Additions	301	22,997
Change in estimated future cash flows	-	(1,499)
Change in discount rate	11,259	(5,100)
Unwinding of discount	1,938	3,251
Liabilities transferred to held for sale (note 4)	-	(962)
Effect of changes in foreign exchange rates	(750)	(436)
Closing balance	$ 182,372	$ 171,038

In order to determine the current provision, the estimated future values were discounted using an average risk-free rate of 2.06% and 2.34% at June 30, 2017 and December 31, 2016, respectively. The provision is expected to be settled up to 40 years into the future.

11 Share capital

Common Shares – Issued and Outstanding

	Common Shares	
	Number of Common shares	Amount
At January 1, 2017	141,733,032	$ 1,909,032
Issuance in connection with the exercise of stock options	125,000	1,080
Issuance in connection with other equity awards	792,795	-
Reclassification of contributed surplus on issuance of awards under equity incentive plans	-	13,058
At June 30, 2017	142,650,827	$ 1,923,170

Share based compensation

A summary of activity under the equity incentive plan is as follows:

	Stock Options		Restricted Share Units	Performance Share Units	Deferred Share Units
	Number of shares	Weighted average exercise price (in dollars)	Number of Shares		
Balance at January 1, 2017	3,067,865	$ 24.24	1,112,791	1,530,320	196,582
Granted	1,191,571	17.48	820,965	450,144	212,894
Exercised and released for common shares	(125,000)	8.64	(639,723)	(135,892)	(17,180)
Forfeited	(582,893)	26.81	(71,630)	(380,554)	-
Balance at June 30, 2017	3,551,543	$ 22.10	1,222,403	1,464,018	392,296
Vested	2,168,984	$ 24.37	25,617	-	392,296

Per share amounts

The following table shows the number of shares used in the calculation of earnings (loss) per share:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	(in thousands)			
Weighted average common shares outstanding - basic....	142,618	131,121	142,237	128,675
Dilutive effect of:				
Stock options and other awards	-	-	-	-
Weighted average common shares outstanding - Diluted	142,618	131,121	142,237	128,675

The dilutive effect of 3.2 million and 3.1 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the three and six months ended June 30, 2017 have not been included in the determination of the weighted average number of common shares outstanding as the inclusion would be anti-dilutive to the net loss from continuing operations per share. The dilutive effect of 3.2 million and 3.1 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures have been included in the determination of the weighted average number of common shares outstanding for discontinued operations.

The dilutive effect of 4.2 million and 3.0 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the three and six months ended June 30, 2016 have not been included in the determination of the weighted average number of common shares outstanding as the inclusion would be anti-dilutive to the net loss from continuing operations per share. The dilutive effect of 4.2 million and 3.0 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures have been included in the determination of the weighted average number of common shares outstanding for discontinued operations.

12 Employee salaries and benefits

Employee salaries and benefits have been expensed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Salaries and wages...	$ 55,909	$ 51,517	$ 111,628	$ 108,981
Post-employment benefits	1,468	1,465	2,879	3,096
Share based compensation	6,827	7,491	5,682	10,847
Termination benefits	509	125	1,372	5,820
	$ 64,713	$ 60,598	$ 121,561	$ 128,744

Employee salaries and benefits have been expensed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Cost of sales..	$ 52,125	$ 48,866	$ 105,034	$ 108,974
General and administrative	12,588	11,732	16,527	19,770
	$ 64,713	$ 60,598	$ 121,561	$ 128,744

(tabular amounts in thousands of Canadian dollars, except where noted)

13 Revenue

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Products	$ 1,265,510	$ 915,402	$ 2,505,748	$ 1,612,028
Services	214,686	179,624	424,010	389,225
	$ 1,480,196	$ 1,095,026	$ 2,929,758	$ 2,001,253

14 Income tax (recovery) provision

The income tax (recovery) provision included in the condensed consolidated statement of operations is classified as follows:

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Current, from continuing operations	$ 3,616	$ 3,150	$ (11,366)	$ 6,245
Current, from discontinued operations (note 4)	-	(164)	30,970	3,461
	3,616	$ 2,986	20,115	9,706
Deferred, from continuing operations	(6,985)	(24,298)	(20,922)	(38,028)
Deferred, from discontinued operations (note 4)	-	(479)	275	(1,078)
	$ (6,985)	$ (24,777)	$ (21,153)	$ (39,106)
Total current and deferred, from continuing operations	(3,369)	(21,148)	(32,288)	(31,783)
Total current and deferred, from discontinued operations (note 4)	-	(643)	31,245	2,383
	$ (3,369)	$ (21,791)	$ (1,043)	$ (29,400)
Effective income tax rate	37.9%	14.0%	(0.1)%	24.6%

(tabular amounts in thousands of Canadian dollars, except where noted)

15 Financial instruments

Derivative financial instruments (recurring fair value measurements)

The following is a summary of the Company's risk management contracts outstanding:

	June 30, 2017		December 31, 2016	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Commodity futures	$ 681	$ 1,964	$ 595	$ 5,640
Commodity swaps	641	467	5,578	2,688
Commodity options	-	195	38	747
Equity swaps	-	5,027	-	1,686
Foreign currency forwards	1,082	444	-	1,411
Foreign currency options	6	-	7	3
Total	$ 2,410	$ 8,097	$ 6,218	$ 12,175
Less non-current portion:				
Equity swaps	-	1,074	-	226
Foreign currency forwards	-	-	-	48
	-	1,074	-	274
Current portion	$ 2,410	$ 7,023	$ 6,218	$ 11,901

During the six months ended June 30, 2017, the Company entered into U.S. dollar forward contracts to buy U.S. dollars on a notional amount of U.S.$310.0 million at a weighted average rate of $1.3504 for U.S.$1.00 settling on March 22, 2017. The value of the U.S. dollar forward contracts at settlement was $5.1 million.

During the three and six months ended June 30, 2017, the Company recognized an unrealized loss of $3.9 and $3.7 million, respectively, on its equity swaps. During the three and six months ended June 30, 2016, the Company recognized an unrealized gain of $1.1 and an unrealized loss of $0.7 million, respectively, on its equity swaps.

The fair value of financial instrument contracts by fair value hierarchy at June 30, 2017 was:

	Total	**Level 1**	**Level 2**	**Level 3**
Assets from financial instrument contracts				
Commodity futures	$ 681	$ 681	$ -	$ -
Commodity swaps	641	-	641	-
Commodity options	-	-	-	-
Equity swap	-	-	-	-
Foreign currency forward	1,082	-	1,082	-
Foreign currency options	6	-	6	-
Total assets	$ 2,410	$ 681	$ 1,729	$ -
Liabilities from financial instrument contracts				
Commodity futures	$ 1,964	$ 1,964	$ -	$ -
Commodity swaps	467	-	467	-
Commodity options	195	-	195	-
Equity swaps	5,027	5,027	-	-
Foreign currency forwards	444		444	-
Total liabilities	$ 8,097	$ 6,991	$ 1,106	$ -

(tabular amounts in thousands of Canadian dollars, except where noted)

The fair value of financial instrument contracts by fair value hierarchy at December 31, 2016 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity futures	$ 595	$ 595	$ -	$ -
Commodity swaps	5,578	-	5,578	-
Commodity options	38	-	38	-
Foreign currency options	7	-	7	-
Total assets	$ 6,218	$ 595	$ 5,623	$ -
Liabilities from financial instrument contracts				
Commodity futures	$ 5,640	$ 5,640	$ -	$ -
Commodity swaps	2,688	-	2,688	-
Commodity options	747	-	747	-
Equity swaps	1,686	1,686	-	-
Foreign currency forwards	1,411	-	1,411	-
Foreign currency options	3	-	3	
Total liabilities	$ 12,175	$ 7,326	$ 4,849	$ -

The impact of the movement in the fair value of financial instruments has been expensed in the consolidated statement of operations as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Cost of sales gain (loss)	$ (160)	$ 1,395	$ 3,955	$ 4,071
General and administrative gain (loss)	(3,899)	1,141	(3,685)	(709)
Foreign exchange loss on financial instruments related to long-term debt (note 9)	-	-	(5,079)	-
	$ (4,059)	$ 2,536	$ (4,809)	$ 3,362

As at June 30, 2017 and December 31, 2016, the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was $977.3 million and $1,336.8 million, respectively.

As at June 30, 2017 and December 31, 2016, the fair value of the Debentures based on period end trading prices on the secondary market (Level 2) was $104.0 million and $109.0 million, respectively.

Sensitivity

If the Canadian dollar strengthened or weakened by 5% relative to the U.S. dollar and all other variables, in particular interest rates, remain constant, the impact on net income and equity would be as follows:

	June 30, 2017	June 30, 2016
U.S. Dollar Forwards and Options		
Favorable 5% change	$ 1,158	$ 1,141
Unfavorable 5% change	(1,178)	(1,164)

The movement is a result of a change in the fair value of U.S. dollar forward contracts and options.

The impact of translating the net assets of the Company’s U.S operations into Canadian dollars is excluded from this sensitivity analysis.

(tabular amounts in thousands of Canadian dollars, except where noted)

The following table summarizes the impact to net income and equity due to a change in fair value of the Company's derivative positions because of fluctuations in commodity prices leaving all other variables constant, in particular, foreign currency rates. The Company believes that a 15% volatility in crude oil and NGL related prices is a reasonable assumption.

	June 30, 2017	June 30, 2016
Crude oil and NGL related prices		
Favorable 15% change	$ 7,265	$ 7,306
Unfavorable 15% change	(7,122)	(5,924)

The Company is exposed to changes in the Company's share price with respect to equity swap contracts. If the Company's share price increased or decreased by 10%, the impact on net income and equity would be as follows:

	June 30, 2017	June 30, 2016
Equity Swaps		
Favorable 10% change	$ 1,778	$ 603
Unfavorable 10% change	(1,778)	(603)

Set out below is a maturity analyses of certain of the Company's financial contractual obligations as at June 30, 2017. The maturity dates are the contractual maturities of the obligations and the amounts are the contractual undiscounted cash flows.

	On demand or within one year	Between one and five years	After five years	Total
Trade payables and accrued charges, excluding derivative financial instruments and accrued interest	$ 377,630	$ -	$ -	$ 377,630
Dividend payable	47,075	-	-	47,075
Long-term debt	38,948	274,190	650,000	963,138
Debentures (debt and equity component)	-	100,000	-	100,000
Interest on long-term debt and Debentures	60,219	219,374	50,947	330,540
Commodity futures	1,964	-	-	1,964
Commodity swaps	467	-	-	467
Commodity options	195	-	-	195
Equity swap	3,953	1,074	-	5,027
Foreign currency forwards	444	-	-	444
	$ 530,895	$ 594,638	$ 700,947	$ 1,826,480

16 Segmental information

The Company has defined its operations into the following operating segments: (1) Infrastructure, (2) Logistics, (3) Wholesale, and (4) Other.

(1) **Infrastructure** includes a network of midstream infrastructure assets that includes oil terminals, rail loading and unloading facilities, injection stations, gathering pipelines and processing facilities that collect, store, and process oil and other liquid hydrocarbon production and by-products before eventual distribution to end-use markets. The primary facilities within this segment include the terminals located at Edmonton and Hardisty, which are the principal hubs for aggregating and exporting oil and refined products out of the Western Canadian Sedimentary Basin (WCSB); gathering pipelines, which are connected to the Hardisty Terminal; injection stations, which are located in the United States; a crude oil processing facility in Moose Jaw, Saskatchewan, and processing, recovery, and disposal terminals (PRD) located throughout Western Canada and the Northern United States. The PRD business is dependent upon the drilling activity in WCSB, Bakken and the Northern U.S. As a result, the PRD business is impacted by seasonality due to road bans as part of spring break-up.

(2) **Logistics** includes a suite of logistical wellsite services that enable oil and liquids production to access fixed midstream infrastructure. This segment provides transportation and related services that allow the Company to service its customers' needs several times between the wellhead and the end market, and includes providing hauling services for crude, condensate, propane, butane, asphalt, methanol, sulfur, petroleum coke, gypsum, emulsion, waste water and drilling fluids for many of North America's leading oil and gas producers. Additionally, the Company also provides several ancillary services to production companies. Generally, the segment's second quarter results are impacted by road bans and other restrictions which impact overall activity levels in the WCSB and the Northern U.S., and, therefore, negatively impact the business. Also, for certain services and geographical regions, the activity is generally the lowest in the winter months when daylight hours are shorter.

(3) **Wholesale** includes the purchasing, selling, storing and blending of hydrocarbon products, including crude oil, NGL's, road asphalt, roofing flux, frac oils, light and heavy straight run distillates, combined vacuum gas oil, and an oil based mud product. This segment earns margins by providing aggregation services to producers and/by capturing quality, locational or time-based arbitrage opportunities. Canadian road asphalt activity, related to Refined Products, is affected by the impact of weather conditions on road construction. Road asphalt demand peaks during the summer months when most of the road construction activity in Canada takes place. In the off peak demand months for road asphalt, the demand for roofing flux continues. Demand for wellsite fluids is dependent on overall well drilling and completion activities, with activity normally the busiest in the winter months. Demand for propane and other NGLs is also highest in the colder months of the year.

(4) **Other** includes the provision of other services to the oil and gas industry including exploration support services and accommodation services.

This reporting structure provides a direct connection between the Company's operations, the services it provides to customers and the ongoing strategic direction of the Company.

These reportable segments of the Company have been derived because they are the segments: (a) that engage in business activities from which revenues are earned and expenses are incurred; (b) whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to each segment and assess its performance; and (c) for which discrete financial information is available. The Company has aggregated certain operating segments into the above noted reportable segments through examination of the Company's performance which is based on the similarity of the goods and services provided and economic characteristics exhibited by these operating segments.

Accounting policies used for segment reporting are consistent with the accounting policies used for the preparation of the Company's condensed consolidated financial statements. Inter-segmental transactions are eliminated upon consolidation and the Company does not recognize margins on inter-segmental transactions.

(tabular amounts in thousands of Canadian dollars, except where noted)

Three months ended June 30, 2017

	Infrastructure	Logistics	Wholesale	Other	Total
Statement of operations					
Revenue					
External	$ 54,096	$ 125,004	$ 1,297,445	$ 3,651	$ 1,480,196
Inter-segmental	32,107	10,273	100,719	63	143,162
External and inter-segmental	86,203	135,277	1,398,164	3,714	1,623,358
Segment profit	$ 58,050	$ 11,684	$ 4,258	$ 40	$ 74,032
Corporate & other reconciling items					
General and administrative					13,155
Depreciation of property, plant and equipment					42,395
Amortization of intangible assets					7,512
Stock based compensation					6,827
Corporate foreign exchange loss					(152)
Interest expense					18,646
Interest income					(299)
Debt extinguishment costs					2,010
Foreign exchange gain on long-term debt					(7,170)
Net loss from continuing operations before income tax					(8,892)
Income tax recovery					(3,369)
Net loss from continuing operations					(5,523)
Net income from discontinued operations (Note 4)					-
Net loss from operations					$ (5,523)

Three months ended June 30, 2016 (restated [1])

	Infrastructure	Logistics	Wholesale	Other	Total
Statement of operations					
Revenue					
External	$ 45,358	$ 99,564	$ 948,427	$ 1,677	$ 1,095,026
Inter-segmental	23,895	12,012	60,707	49	96,663
External and inter-segmental	69,253	111,576	1,009,134	1,726	1,191,689
Segment profit	$ 43,864	$ 3,163	$ 780	$ (178)	$ 47,629
Corporate & other reconciling items					
General and administrative					8,142
Depreciation of property, plant and equipment					39,673
Amortization of intangible assets					19,940
Impairment of goodwill					101,405
Stock based compensation recovery					7,490
Corporate foreign exchange loss					911
Interest expense					21,935
Interest income					(441)
Foreign exchange loss on long-term debt					2,090
Net loss from continuing operations before income tax					(153,516)
Income tax recovery					(21,148)
Net loss from continuing operations					(132,368)
Net loss from discontinued operations (Note 4)					(1,778)
Net loss from operations					$ (134,146)

(tabular amounts in thousands of Canadian dollars, except where noted)

Six months ended June 30, 2017

	Infrastructure	Logistics	Wholesale	Other	Total
Statement of operations					
Revenue					
External	$ 107,677	$ 239,985	$ 2,574,378	$ 7,718	$ 2,929,758
Inter-segmental	64,152	22,182	210,413	93	296,840
External and inter-segmental	171,829	262,167	2,784,791	7,811	3,226,598
Segment profit	$ 118,312	$ 20,265	$ 22,174	$ 47	$ 160,798
Corporate & other reconciling items					
General and administrative					22,460
Depreciation of property, plant and equipment					84,976
Amortization of intangible assets					13,218
Stock based compensation					5,682
Corporate foreign exchange loss					376
Interest expense					43,530
Interest income					(964)
Debt extinguishment costs					51,337
Foreign exchange gain on long-term debt					(12,098)
Net income from continuing operations before income tax					(47,719)
Income tax recovery					(32,288)
Net loss from continuing operations					(15,431)
Net income from discontinued operations (Note 4)					157,756
Net income from operations					$ 142,325

Six months ended June 30, 2016 (restated [1])

	Infrastructure	Logistics	Wholesale	Other	Total
Statement of operations					
Revenue					
External	$ 90,728	$ 226,506	$ 1,676,374	$ 7,645	$ 2,001,253
Inter-segmental	50,148	25,119	118,533	107	193,907
External and inter-segmental	140,876	251,625	1,794,907	7,752	2,195,160
Segment profit	$ 92,225	$ 12,846	$ 5,945	$ 360	$ 111,376
Corporate & other reconciling items					
General and administrative					20,164
Depreciation of property, plant and equipment					79,760
Amortization of intangible assets					30,592
Impairment of goodwill					101,405
Stock based compensation					10,846
Corporate foreign exchange loss					1,713
Interest expense					41,742
Interest income					(565)
Foreign exchange gain on long-term debt					(45,705)
Net income from continuing operations before income tax					(128,576)
Income tax recovery					(31,783)
Net loss from continuing operations					(96,793)
Net income from discontinued operations (Note 4)					6,756
Net loss from operations					$ (90,037)

(tabular amounts in thousands of Canadian dollars, except where noted)

The breakdown of additions to property, plant and equipment and intangible assets, including through business combinations, by reportable segments are as follows:

	Six months ended June 30			
	2017		2016 (Restated) [1]	
	Property, plant and equipment	Intangible Assets	Property, plant and equipment	Intangible Assets
Infrastructure	$ 49,423	$ 2,128	$ 110,537	$ 1,590
Logistics	4,937	86	5,591	1,236
Wholesale	86	-	-	70
Corporate & other	1,763	1,731	598	2,103
	$ 56,209	$ 3,945	$ 116,726	$ 4,999

1. *Comparative period was restated to reflect the results of continuing operations separately from discontinued operations.*

Geographic Data

Based on the location of the end user, approximately 20% and 22% of revenue was from customers in the United States for the three and six months ended June 30, 2017, respectively and approximately 21% and 24% for the three and six months ended June 2016, respectively.

The Company's non-current assets, excluding investment in finance leases and deferred tax assets, are primarily concentrated in Canada with 14% and 16% in the United States at June 30, 2017 and December 31, 2016, respectively.

17 Subsequent Events

On July 17, 2017, the Company repaid the remaining $38.9 million of its C$ Notes. Refer to note 9 for details.

On August 1, 2017, the Board declared a quarterly dividend of $0.33 per common share for the three months ended September 30, 2017 on its outstanding common shares. The dividend is payable on October 17, 2017 to shareholders of record at the close of business on September 29, 2017.