Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

March 5, 2018

Independent Auditor's Report

To the Shareholders of Gibson Energy Inc.

We have audited the accompanying consolidated financial statements of the Gibson Energy Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Gibson Energy Inc. and its subsidiaries as at December 31, 2017 and December 31, 2016 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

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Gibson Energy Inc.

Consolidated Balance Sheets

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

	December 31, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 32,138	$ 60,159
Trade and other receivables (note 5)	494,901	428,248
Inventories (note 6)	169,957	144,595
Income taxes receivable	11,102	8,057
Prepaid and other assets	18,401	17,976
Net investment in finance leases (note 7)	1,828	2,325
Assets held for sale (note 8)	-	266,359
Total current assets	728,327	927,719
Non-current assets		
Property, plant and equipment (note 9)	1,619,688	1,643,294
Long-term prepaid and other assets (note 10)	7,364	4,350
Net investment in finance leases (note 7)	118,020	118,244
Deferred income tax assets (note 19)	75,221	47,165
Intangible assets (note 11)	33,849	66,086
Goodwill (note 12)	381,965	454,489
Total non-current assets	2,236,107	2,333,628
Total assets	$ 2,964,434	$ 3,261,347
Liabilities		
Current liabilities		
Trade payables and accrued charges (note 15)	500,662	468,834
Dividends payable (note 18)	47,257	46,772
Deferred revenue	7,013	9,833
Liabilities related to assets held for sale (note 8)	-	39,767
Total current liabilities	554,932	565,206
Non-current liabilities		
Long-term debt (note 13)	1,118,119	1,271,839
Convertible debentures (note 14)	89,919	87,312
Provisions (note 16)	183,527	171,038
Other long-term liabilities (note 17)	6,512	6,506
Deferred income tax liabilities (note 19)	100,823	102,350
Total non-current liabilities	1,498,900	1,639,045
Total liabilities	2,053,832	2,204,251
Equity		
Share capital (note 18)	1,932,103	1,909,032
Contributed surplus	48,706	46,899
Accumulated other comprehensive income	174,186	201,089
Convertible debentures (note 14)	7,023	7,151
Deficit	(1,251,416)	(1,107,075)
Total equity	910,602	1,057,096
Total liabilities and equity	$ 2,964,434	$ 3,261,347

Commitments and contingencies (note 29)

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors:

(signed) "James M. Estey"
James M. Estey (Director)

(signed) "Marshall L. McRae"
Marshall L. McRae (Director)

Gibson Energy Inc.

Consolidated Statements of Operations

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

	Year ended December 31,	
Continuing operations	**2017**	**2016**
Revenue (note 20)	$ 6,100,839	$ 4,594,181
Cost of sales (notes 1, 21 and 22)	6,013,889	4,569,374
Gross profit	86,950	24,807
General and administrative expenses (notes 1, 21 and 22)	85,144	69,818
Impairment of goodwill (note 12)	69,414	130,052
Other operating income (note 23)	(4,791)	(3,257)
Operating loss	(62,817)	(171,806)
Finance costs, net (note 13)	119,066	62,811
Loss before income taxes	(181,883)	(234,617)
Income tax recovery (note 19)	(66,168)	(56,450)
Net loss from continuing operations	$ (115,715)	$ (178,167)
Net income from discontinued operations, after tax (note 8)	159,850	18,453
Net income (loss)	$ 44,135	$ (159,714)
Earnings/(loss) per share (note 24)		
Basic loss per share from continuing operations	$ (0.81)	$ (1.32)
Basic earnings per share from discontinued operations	1.12	0.14
Basic earnings (loss) per share	$ 0.31	$ (1.18)
Diluted loss per share from continuing operations	$ (0.81)	$ (1.32)
Diluted earnings per share from discontinued operations	1.10	0.13
Diluted earnings (loss) per share	$ 0.29	$ (1.18)

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statements of Comprehensive Income (Loss)

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

	Year ended December 31, 2017	Year ended December 31, 2016
Net income (loss)	$ 44,135	$ (159,714)
Other comprehensive loss		
Items that may be reclassified subsequently to statement of operations		
Exchange differences on translating foreign operations – continuing operations	(26,903)	(23,777)
Items that will not be reclassified to statement of operations		
Remeasurements of post-employment benefit obligation, net of tax	(6)	(220)
Other comprehensive loss, net of tax	(26,909)	(23,997)
Comprehensive income (loss)	$ 17,226	$ (183,711)

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statements of Changes in Equity

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

	Share capital (note 18)	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	-	-	-	-	(159,714)	(159,714)
Other comprehensive loss, net of tax	-	-	(23,777)	-	(220)	(23,997)
Comprehensive loss	-	-	(23,777)	-	(159,934)	(183,711)
Stock based compensation		24,876	-	-	-	24,876
Proceeds from exercise of stock options	1,001	-	-	-	-	1,001
Reclassification of contributed surplus on issuance of awards under equity incentive plan	12,936	(12,936)	-	-	-	-
Issuance of common shares for cash, net of issue costs and tax	222,772	-	-	-	-	222,772
Issuance of convertible debentures, net of issuance costs and tax (note 14)	-	-	-	7,151	-	7,151
Dividends on common shares ($0.33 per common share)	-	-	-	-	(181,994)	(181,994)
Balance – December 31, 2016	$1,909,032	$ 46,899	$ 201,089	$ 7,151	$(1,107,075)	$ 1,057,096
Net income	-	-	-	-	44,135	44,135
Other comprehensive loss, net of tax	-	-	(26,903)	-	(6)	(26,909)
Comprehensive (loss) income	-	-	(26,903)	-	44,129	17,226
Stock based compensation	-	22,056	-	-	-	22,056
Convertibles debentures – tax		-	-	(128)	-	(128)
Proceeds from exercise of stock options	2,822	-	-	-	-	2,822
Reclassification of contributed surplus on issuance of awards under equity incentive plan	20,249	(20,249)	-	-	-	-
Dividends on common shares ($0.33 per common share)	-	-	-	-	(188,470)	(188,470)
Balance – December 31, 2017	$1,932,103	$ 48,706	$174,186	$ 7,023	$(1,251,416)	$ 910,602

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statements of Cash Flows

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

	Year ended December 31, 2017	2016
Cash flows from operating activities		
Net loss from continuing operations	$ (115,715)	$ (178,167)
Adjustments for non-cash items (note 31)	363,383	400,775
Changes in items of working capital (note 31)	(43,117)	(32,491)
Income taxes received (paid), net (note 31)	419	(14,635)
Cash provided by operating activities from continuing operations	204,970	175,482
Cash (used in) provided by discontinued operations (note 8)	(7,591)	32,084
Net cash inflow from operating activities	**197,379**	**207,566**
Cash flows from investing activities		
Purchase of property, plant and equipment	(169,418)	(240,992)
Purchase of intangible assets	(6,548)	(13,588)
Proceeds on sale of assets	8,630	11,387
Cash used in investing activities from continuing operations	(167,336)	(243,193)
Cash provided by (used in) discontinued operations (note 8)	423,156	(3,507)
Net cash inflow (outflow) from investing activities	**255,820**	**(246,700)**
Cash flows from financing activities		
Payment of shareholder dividends	(187,985)	(175,586)
Interest paid, net	(87,177)	(88,969)
Proceeds from exercise of stock options	2,822	1,000
Issuance of common shares, net of cost	-	219,817
Issuance of convertible debentures, net of costs	-	96,293
Proceeds from issuance of long-term debt, net of cost	590,452	-
Repayment of long-term debt, net of cost	(1,024,007)	-
Proceeds from credit facilities	1,016,412	446,790
Repayment of credit facilities	(786,232)	(481,789)
Settlement of financial instruments not affecting operating activities (note 13)	(2,218)	-
Cash (used in) provided by financing activities from continuing operations	(477,933)	17,556
Cash from discontinued operations (note 8)	-	-
Net cash (outflow) inflow from financing activities	**(477,933)**	**17,556**
Net decrease in cash and cash equivalents	(24,734)	(21,578)
Effect of exchange rate on cash and cash equivalents	(3,287)	(1,038)
Cash and cash equivalents – beginning of year	60,159	82,775
Cash and cash equivalents – end of year	**$ 32,138**	**$ 60,159**

See accompanying notes to the consolidated financial statements

See note 31 for supplemental disclosures and reconciliation of movements of financial liabilities to cash flows arising from financing activities

1 Description of the business and segmented disclosure

Gibson Energy Inc. (“Gibson”, 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”.

Gibson is engaged in the movement, storage, optimization, 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 and oil-field waste management services. 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.

The Company had the following principal subsidiaries as at December 31, 2017:

Name	Nature of entity	Name	Nature of business
Gibson Energy Inc.	Ultimate Parent Company	Gibson Energy Partnership	Transportation and Storage
Gibson Energy ULC	Holding Company	Gibson Transportation Ltd.	Transportation
Gibson (U.S) Acquisitionco Corp.	Holding Company	Gibson Gas Liquids ULC	Wholesale
Gibson (U.S) Holdco Corp.	Holding Company	Moose Jaw Refinery ULC	Fluids and Refining
		Gibson Energy Partnership	Transportation and Storage

The Company’s reportable segments are:

(1) **Infrastructure,** which 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; gathering pipelines, which are connected to the Hardisty Terminal; injection stations, which are located in the United States (U.S.); a crude oil processing facility in Moose Jaw, Saskatchewan, and processing, recovery, and disposal terminals located throughout Western Canada and the Northern U.S.

(2) **Logistics,** which 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.

(3) **Wholesale,** which 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.

(4) **Other,** which 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.

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

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

Year ended December 31, 2017

	Infrastructure	Logistics	Wholesale	Other	Total
Statement of operations					
Revenue					
External	$ 211,664	$ 484,689	$ 5,387,948	$ 16,538	$ 6,100,839
Inter-segmental	131,339	41,656	429,304	191	602,490
External and inter-segmental	343,003	526,345	5,817,252	16,729	6,703,329
Segment profit	$ 236,795	$ 42,671	$ 30,585	$ 185	$ 310,236

Corporate & other reconciling items	
Depreciation and impairment of property, plant and equipment	192,302
Amortization and impairment of intangible assets	37,425
Impairment of goodwill	69,414
General and administrative	51,204
Stock based compensation	22,056
Corporate foreign exchange loss	652
Interest expense, net	77,362
Debt extinguishment costs, net	60,492
Foreign exchange gain on long-term debt	(18,788)
Net loss from continuing operations before income tax	(181,883)
Income tax recovery	(66,168)
Net loss from continuing operations	(115,715)
Net income from discontinued operations, after tax	159,850
Net income from operations	$ 44,135

Year ended December 31, 2016

	Infrastructure	Logistics	Wholesale	Other	Total
Statement of operations					
Revenue					
External	$ 185,351	$ 462,808	$ 3,934,922	$ 11,100	$ 4,594,181
Inter-segmental	112,799	50,127	252,586	191	415,703
External and inter-segmental	298,150	512,935	4,187,508	11,291	5,009,884
Segment profit (loss)	$ 200,307	$ 39,576	$ 24,408	$ (645)	$ 263,646

Corporate & other reconciling items	
Depreciation and impairment of property, plant and equipment	175,346
Amortization and impairment of intangible assets	69,062
Impairment of goodwill	130,052
General and administrative	35,018
Stock based compensation	24,876
Corporate foreign exchange loss	1,098
Interest expense, net	85,526
Foreign exchange gain on long-term debt	(22,715)
Net loss from continuing operations before income tax	(234,617)
Income tax recovery	(56,450)
Net loss from continuing operations	(178,167)
Net income from discontinued operations, after tax	18,453
Net loss from operations	$ (159,714)

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

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

	Twelve months ended December 31			
	2017		2016	
	Property, plant and equipment	Intangible Assets	Property, plant and equipment	Intangible Assets
Infrastructure	$ 161,326	$ 2,849	$ 194,080	$ 2,591
Logistics	13,364	478	13,814	1,680
Wholesale	1,093	35	11,386	92
Corporate & other	2,946	3,213	1,055	3,127
Total	$ 178,729	$ 6,575	$ 220,335	$ 7,490

Geographic Data

Based on the location of the end user, approximately 21% and 22% of revenue was from customers in the U.S. for the year ended December 31, 2017 and 2016, respectively.

The Company's non-current assets, excluding investment in finance leases and deferred tax assets, are primarily concentrated in Canada with 12% and 16% in the U.S. at December 31, 2017 and 2016, respectively.

2 Basis of preparation and statement of compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as set out in the Handbook of the Canadian Institute of Chartered Professional Accountants and as issued by the International Accounting Standards Board ("IASB").

These 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 US$ are to United States dollars.

These consolidated financial statements were approved for issuance by the Company's board of directors ("Board") on March 5, 2018.

3 Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for certain items that are recorded at fair value on a recurring basis as required by the respective accounting standards.

Basis of consolidation

These consolidated financial statements include the results of the Company and its subsidiaries together with its interest in joint operations.

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and continue to be consolidated until the date control ceases. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint operations and accordingly, the Company has recognized its proportionate share of revenues, expenses, assets and liabilities relating to these joint operations.

Foreign currency translation

The financial statements for each of the Company's subsidiaries and joint operations are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation and functional currency of the parent company is Canadian dollars. Assets and liabilities of foreign operations are translated into Canadian dollars at the market rates prevailing at the balance sheet date. Operating results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets of foreign operations are recorded in other comprehensive income (loss).

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statements of operations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the cash paid and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. For acquisitions achieved in stages, previously held equity interests in the acquired company are remeasured at the acquisition date fair value and the resulting gain or loss is recognized in the consolidated statements of operations. Direct costs incurred by the Company in connection with an acquisition, such as finder's fees, advisors, legal, accounting, valuation and other professional or consulting fees, are expensed as general and administrative expenses when incurred. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition plus the amount of any non-controlling interest in the acquiree, and the acquisition date fair value of the acquirer's previously held equity interest, if any, over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the consolidated statements of operations in the period of acquisition.

Any contingent consideration to be transferred by the Company is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that are deemed to be an asset or liability are recognised in the consolidated statements of operations. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

At the acquisition date, any goodwill acquired is allocated to each of the operating segments expected to benefit from the combination's synergies. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets

Intangible assets are stated at cost, less accumulated amortization and accumulated impairment losses.

An intangible asset acquired as part of a business combination is measured at fair value at the date of acquisition and is recognized separately from goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets with a finite life are amortized on a straight-line basis over their expected useful lives as follows:

Brands	2 – 10 years
Customer relationships	1 – 12 years
Long-term customer contracts	6 – 10 years

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

Non-compete agreements	2 – 10 years
Technology	3 – 5 years
Software, license and permits	3 – 7 years

The expected useful lives and method of amortization of intangible assets are reviewed on an annual basis and, if necessary, changes in expected useful life are accounted for prospectively.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection. All other maintenance costs are expensed as incurred.

Depreciation is charged so as to write off the cost of assets, other than assets that are work in progress, using the straight-line method over their expected useful lives.

The useful lives of the Company's property, plant and equipment are as follows:

Buildings	10 – 20 years
Equipment	3 – 20 years
Rolling stock	5 – 23 years
Pipelines	8 – 20 years
Tanks	20 – 33 years
Plant	7 – 25 years
Disposal wells	15 – 25 years

The expected useful lives, method of depreciation and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes are accounted for prospectively.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statements of operations in the period the item is derecognized.

Impairments

The Company carries out impairment reviews in respect of goodwill at least annually or if indicators of possible impairment exist. The Company also assesses during each reporting period whether there have been any events or changes in circumstances that indicate that property, plant and equipment and intangible assets may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable. Such indicators include, but are not limited to changes in the Company's business plans, economic performance of the assets, changes in commodity prices leading to lower activity levels, an increase in the discount rate and evidence of physical damage. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. Where impairment exists, the asset is written down to its recoverable amount, which is the higher of the fair value less costs of disposal (FVLCD) and its value in use (VIU). Impairments are recognized immediately in the consolidated statements of operations.

The assessment for impairment entails comparing the carrying value of the asset or cash-generating unit with its recoverable amount, that is, the higher of FVLCD and VIU. VIU is usually determined on the basis of discounted estimated future net cash flows. In determining FVLCD, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used.

An impairment loss in respect of goodwill is not reversible in the future. In respect of other assets, an impairment loss is reversed if there has been a triggering event which indicates a change in the recoverable amount. If there is a trigger that impairment loss recognized in the prior periods for an asset other than goodwill may no longer exist or may have decreased, the impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

Assets held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets and disposal groups are classified and presented as discontinued operations if the assets or disposal groups are disposed of or classified as held for sale and:

- the assets or disposal groups are a major line of business or geographical area of operations;
- the assets or disposal groups are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- the assets or disposal groups are a subsidiary acquired solely for the purpose of resale.

The assets or disposal groups that meet these criteria are measured at the lower of the carrying amount and FVLCD, except for deferred tax assets that are carried at fair value, with impairments recognized in the consolidated statements of operations. An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to dispose. Non-current assets held for sale are presented separately in current assets and liabilities within the consolidated balance sheet. Assets held for sale are not depreciated, depleted or amortized. The comparative period consolidated balance sheet is not restated.

The results of discontinued operations are shown separately in the consolidated statements of operations and cash flows and comparative figures are restated.

Non-derivative financial instruments – recognition and measurement

Financial assets

Financial assets include cash and cash equivalents and trade and other receivables. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value, normally being the transaction price plus directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in the consolidated statements of operations when the loans and receivables are derecognized or impaired, as well as through the use of the effective interest method. This category of financial assets includes cash and cash equivalents and trade and other receivables.

A provision for impairment of trade receivables is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days past the due date) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statements of operations. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

Cash and cash equivalents comprise cash on hand and short-term deposit, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of changes in value and maturity of three months or less from the date of acquisition.

Financial liabilities

Financial liabilities classified as other liabilities include amounts borrowed under credit facilities, trade payables and accrued charges, dividends payable, long-term debt and the convertible debentures. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are initially recognized at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized in the consolidated statements of operations.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Compound financial instruments

Compound financial instruments are separated into liability and equity components. The liability component is recognized initially at the fair value of a similar liability that does not have an equity conversion option and the equity component is recognized as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component net of any deferred taxes. Any transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of the compound financial instrument is measured at amortized cost and is accreted to the original principal balance using the effective interest method. The equity component is not remeasured subsequent to initial recognition. The equity component and the accreted liability component are reclassified to share capital upon conversion and any balance in the equity component of the compound financial instrument that remains after the settlement of the liability is transferred to contributed surplus.

Derivative financial instruments

Derivative financial instruments, used periodically by the Company to manage exposure to market risks relating to commodity prices, interest rates, share based compensation and foreign currency exchange rates, are not designated as hedges. They are recorded at fair value and recorded on the Company's balance sheet as either an asset, when the fair value is positive, or a liability, when the fair value is negative. Changes in fair value are recorded immediately in the consolidated statements of operations.

Inventories

Inventories are carried at the lower of cost and net realizable value, with cost determined using a weighted average cost method. Net realizable value is the estimated selling price less applicable selling expenses. If carrying value exceeds net realizable amount, a write down is recognized. The write down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

Leases – lessee

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Assets acquired under finance leases are recorded in the balance sheet as property, plant and equipment at the lower of their fair value and the present value of the minimum lease payments and depreciated over the shorter of their estimated useful life or their lease terms. The corresponding rental obligations are included in other long-term liabilities as finance lease liabilities. Interest incurred on finance leases is charged to the consolidated statements of operations on an accrual basis.

All other leases are operating leases, and the rental of these is charged to the consolidated statements of operations as incurred over the lease term.

Leases – lessor

Contractual arrangements that transfer substantially all the risks and benefits of ownership of property to the lessee are recorded as a net investment in a finance lease. The present value of minimum lease receivable under such arrangements are recorded as an investment in finance lease and the finance income is recognized in a manner that produces a consistent rate of return on the investment in the finance lease and is included in revenue.

Operating lease income is recognized in the consolidated statements of operations as it is earned over the lease term.

Provisions and contingencies

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized within finance costs.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably and outflow of cash is less than remote. Contingent assets are not recognized, but are disclosed when an inflow of economic benefits is probable.

Decommissioning

Liabilities for site restoration on the retirement of assets are recognized when the Company has an obligation to restore the site, and when a reliable estimate of that liability can be made. An obligation may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The present value is determined by discounting the expenditures expected to be required to settle the obligation using a risk-free discount rate. Actual expenditures incurred are charged against the accumulated liability.

A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. The amount capitalized in property, plant and equipment is depreciated over the useful life of the related asset. Increases in the decommissioning liabilities resulting from the passage of time are recognized as a finance cost in the consolidated statements of operations. Other than the unwinding of the discount on the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding item of property, plant and equipment.

Environmental liabilities

Environmental liabilities are recognized when a remediation is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the completion of a feasibility study or a commitment to a formal plan of action. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure using a risk-free discount rate.

Employee benefits

Defined benefit pension plan

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income (loss) in the period in which they arise.

Past-service costs or credits are recognised immediately in the consolidated statements of operations.

Defined contribution pension plans

The Company's defined contribution plans are funded as specified in the plans and the pension expense is recorded as the benefits are earned by employees and funded by the Company.

Share-based payments

The Company's equity incentive plan allows for the granting of stock options, restricted share units with time based vesting (RSUs) and performance share units (PSUs) with performance based vesting conditions and deferred share units (DSUs) that vest on the date such employee redeems the DSUs after their cessation of employment with the Company.

The fair value of grants made under the employee share award plan is measured at the date of grant of the award. The resulting cost, as adjusted for the expected and actual level of vesting of the awards, is expensed over the period in which the awards vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest.

The movement in the cumulative expense since the previous balance sheet date is recognized in the consolidated statements of operations with a corresponding impact to contributed surplus.

The fair value of RSUs, PSUs and DSUs is equal to the Company five days weighted average share price at the date of grant.

The fair value of options is measured by using the Black-Scholes model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable and it requires the input of highly subjective assumptions. Expected volatility of the stock is based on a combination of the historical stock price of the Company and also of comparable companies in the industry. The expected term of options represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on the Government of Canada's Canadian Bond Yields with a remaining term equal to the expected life of the options used in the Black-Scholes valuation model.

Termination benefit

The Company recognizes termination benefits as an expense when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing benefits as a result of an offer made to encourage voluntary termination.

Income taxes

Income tax expense represents the sum of the income tax currently payable and deferred income tax. Interest and penalties relating to income tax are included in interest expense.

The income tax currently payable is based on the taxable income for the period. Taxable income differs from net income as reported in the consolidated statements of operations because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided for using the liability method of accounting. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and income tax basis of assets and liabilities. These differences are then measured using enacted or substantially enacted income tax rates and laws that will be in effect when these differences are expected to reverse. The effect of a change in income tax rates on deferred tax assets and liabilities is recognized in income in the period that the change occurs. Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

Revenue recognition

Product revenues associated with the sales of products such as crude oil, diluent, natural gas liquids, road asphalt, roofing flux, wellsite fluids and distillate owned by the Company are recognized when the risk of ownership passes to the customer and physical delivery occurs, the price is fixed and collection is reasonably assured. Sales terms are generally FOB shipping point, in which case the sales are recorded at the time of shipment, because this is when title and risk of loss are transferred. All payments received before delivery are recorded as deferred revenue and are recognized as revenue when delivery occurs, assuming all other criteria are met. Freight costs billed to customers are recorded as a component of revenue. Revenues from buy/sell transactions whereby the Company effectively is acting as an agent are recorded on a net basis.

Revenue associated with the provision of services such as transportation, terminalling and environmental services are recognized when the services are provided, the price is fixed and collection is reasonably assured. Revenue from pipeline tariffs and fees are based on volumes and rates as the pipeline is being used. Long-term take-or-pay contracts, under which shippers are obligated to pay fixed amounts ratably over the contract period regardless of volumes shipped, may contain make-up rights. Make-up rights are earned by shippers when minimum volume commitments are not utilized during the period but under certain circumstances can be used to offset overages in future periods, subject to expiry periods. The Company recognizes revenues associated with make-up rights at the earlier of when the make-up volume is shipped, the make-up right expires or when it is determined that the likelihood that the shipper will utilize the make-up right is remote. Revenue from pipeline tariffs and fees are based on volumes and rates as the pipeline is being used. Revenue from equipment rentals and non-refundable propane tank fees are recorded in deferred revenue and are recognized in revenue on a straight line basis over the rental period, typically one year.

Excise taxes are reported gross within sales and other operating revenues and taxes other than income taxes, while other sales and value-added taxes are recorded net in operating expenses.

Cost of sales

Cost of sales includes the cost of finished goods inventory (including depreciation, amortization and impairment charges), processing costs, costs related to transportation, inventory write downs and reversals, and gains and losses on derivative financial instruments relating to commodities.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the consolidated statements of operations in the period in which they are incurred.

Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the year. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if stock options and other equity awards were exercised or converted into common shares.

Segmental reporting

The Company determines its reportable segments based on the nature of its operations, which is consistent with how the business is managed and results are reported to the chief operating decision maker. Each operating segment also uses a measure of profit and loss that represents segment profit. The chief operating decision maker, who is responsible for resource allocation and assessing performance of the operating segments, has been identified as the President and Chief Executive Officer.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment assessment of non-financial assets

The Company tests annually whether goodwill of an operating segment has suffered any impairment, in accordance with the Company's accounting policy. The recoverable amounts of the operating segments are determined based on the higher of VIU and FVLCD calculations that require the use of estimates. The Company also assesses whether there have been any events or changes in circumstances that indicate that property, plant and equipment and other intangible assets may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable.

In the impairment analysis of the Company's assets, some of the key assumptions used in estimating future cash flows include revenue growth, future commodity prices, expected margin, expected sales volumes, cost structures and the outlook of market supply and demand conditions appropriate to the local circumstances and macro-economic environment. These assumptions and estimates are uncertain and are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates.

Provisions

Accruals for decommissioning and environmental remediation are recorded when it is considered probable and the costs can be reasonably estimated. A number of factors affect the cost of environmental remediation, including the determination of the extent of contamination, the length of time remediation may require, the complexity of environmental regulations and the advancement of technology. Considering these factors, the Company has estimated the costs of remediation, which are likely to be incurred in future years. The Company believes the provisions made for environmental matters are adequate, however it is reasonably possible that actual costs may differ from the estimated accrual, if the selected methods of remediation do not adequately reduce the contaminates and if further remedial action is required. The Company uses third-party environmental evaluators, where determined necessary, to obtain the estimates of the decommissioning and environmental provision.

Critical judgements in applying the Company's accounting policies

Assets held for sale and discontinued operations

Subsequent to the year end, the Company considers it's U.S Environmental Services business to be held-for-sale. In making this determination, the Company used significant judgment in evaluating whether a sale was considered highly probable. Significant terms of the sale have been negotiated subsequent to December 31, 2017 including the structure of the transaction. As of the date of issuance of these consolidated financial statements, the buyer has substantially completed their due diligence review, such that a sale is now considered highly probable. These conditions were not met as at December 31, 2017. Refer to note 30, subsequent events.

Identification of cash-generating unit ("CGU")

For the purposes of impairment testing, assets are grouped at the lowest levels of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets, termed as a CGU. The allocation of assets into a CGU requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures and the way in which management monitors the operations.

Investment in finance leases

In determining whether certain of the Company's long-term tank storage arrangements are, or contain, a lease, the Company must use judgement in assessing whether the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys the right to use the assets. For those arrangements considered to be a lease, further judgement is required to determine whether substantially all of the significant risks and rewards of ownership are transferred to the customer or remain with the Company, to appropriately account for the arrangement as a finance or operating lease. These judgements can be significant as to how the Company classifies amounts related to the arrangements as property, plant and equipment or net investment in finance lease on the balance sheet. The Company has determined, based on the terms and conditions of these arrangements, that the substantial risks and rewards to the ownership of certain storage tanks have been transferred to the customer, and accordingly, these storage tanks have been recognized as an investment in finance lease.

Current and deferred taxation

The computation of the Company's income tax expense involves the interpretation of applicable tax laws and regulations in many jurisdictions. The resolution of tax positions taken by the Company can take significant time to complete and in some cases it is difficult to predict the ultimate outcome. In addition, the Company has carry-forward tax losses in certain taxing jurisdictions that are available to offset against future taxable profit. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in consolidated statements of operations in the period in which the change occurs. However, deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. To the extent that actual outcomes differ from management's estimates, income tax charges or credits may arise in future periods.

4 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 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 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. Additional disclosures have been included in the Company's 2017 consolidated financial statements (see note 31).

New standards and interpretations issued but not yet adopted

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

- The annual improvements process addresses issues in the 2015-2017 reporting cycles include changes to IFRS 3 – *Business combinations, IFRS 11 – Joint arrangements, IAS 12 – Income taxes, and IAS 23 – Borrowing costs*. This improvement is effective for periods beginning on or after January 1, 2019. The Company has not currently assessed the impact of adopting these interpretations on its consolidated financial statements.
- IAS 28 – *Interests in associates and joint ventures* ("IAS 28"), has been amended to clarify that an entity applies IFRS 9, including its impairment requirements, to long-term interests in associate or joint venture to which the equity method is not applied. The amendment to IAS 28 is effective for years beginning on or after January 1, 2018. The Company has determined that the adoption of this interpretation will not have a material impact 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.
- 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.

Update on IFRS 16, "Leases" ("IFRS 16"), IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") and IFRS 9, "Financial Instruments" ("IFRS 9") adoption

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 Company has chosen to early adopt IFRS 16 effective January 1, 2018, concurrent with the adoption date of IFRS 15. These standards 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. The Company has opted to use the modified retrospective approach in its adoption of IFRS 15 and 16.

Noted below is the summary of material impacts of IFRS 15, 16 and 9 for period beginning January 1, 2018:

IFRS 15

(i) Accounting for contract liabilities

Prior to the adoption of IFRS 15, wholesale product revenues associated with the sales of roofing flux products owned by the Company were recognized at the time of shipment when the risk of ownership and loss are passed to the customer. Under IFRS 15, wherein the contract provides a right to invoice prior to the physical delivery of the product, the Company will defer recognition of such revenues and recognize a contract liability, until such time when the product has been physically delivered and the transfer of control has occurred.

Adoption of the standard will not have any material impacts on the total asset, liabilities or retained earnings of the Company as at January 1, 2018.

(ii) Accounting for buy-sell transactions

Prior to the adoption of IFRS 15, buy-sell transactions involving crude and NGL products whereby the Company effectively is acting as an agent are recorded on a net basis. Under IFRS 15, revenues from buy/sell transactions which are monetary transactions containing commercial substance is recognized on a gross-basis as separate performance obligations. Revenues from buy/sell transactions of non-monetary exchanges of similar products, which lack commercial substance, are recognized on a net basis, and are not in scope of IFRS 15 and there is no variable consideration specific to these transactions.

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

(iii) Disclosures

Under the previous revenue standard, disclosure requirements were specific to the significant categories of revenue arising from the sale of goods, rendering of services, interest, royalties, and dividends. Under IFRS 15, the Company will be required to disclose requirements on the disaggregation of revenue, contract balances, performance obligations, assets recognized to obtain or fulfil a contract, as well as significant judgments in the application of IFRS 15. The Company anticipates providing more robust revenue disclosure under IFRS 15 with respect to the disaggregation of revenue and anticipates the inclusion of disclosure related to the nature, amount, timing, of revenues related to each segment.

IFRS 16

On adoption of IFRS 16, the Company will recognise lease liabilities in relation to leases under the principles of the new standard. These liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 January 2018. The associated rights-of-use (ROU) assets will be measured at the amount equal to the lease liability on January 1, 2018 with no impact on retained earnings.

On initial adoption, the Company will use the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting of leases with a remaining lease term of less than twelve months as at January 1, 2018 as short-term leases; The accounting for lease payments as expenses on leases for which the underlying asset is of low dollar value;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- The Company did not apply any grandfathering practical expedients.

Adoption of the standard will result in the recognition of additional ROU assets and lease liabilities for leases of approximately $173 million as at January 1, 2018.

IFRS 9

The Company has completed the work related to the implementation of the expected credit loss model. Specifically, the Company has concluded that it will have two types of financial assets subject to the requirements of the expected credit losses model which are trade receivables and net investments in finance leases.

The Company has updated its impairment methodology under IFRS 9 for each of these classes of assets and have applied the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables. The Company does not expect any material impact on its accounts receivables and net investments in finance leases balances upon adoption.

In addition, the Company has concluded that there is no impact of debt modification upon the adoption of IFRS 9.

5 Trade and other receivables

	December 31, 2017	December 31, 2016
Trade receivables	$ 480,084	$ 410,325
Allowance for doubtful accounts	(931)	(1,124)
Trade receivables, net	479,153	409,201
Risk management assets (note 28)	6,032	6,218
Broker accounts receivable	4,441	5,329
Indirect taxes receivable	2,712	4,375
Other	2,563	3,125
	$ 494,901	$ 428,248

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

Allowance for doubtful accounts

	Year ended December 31, 2017	2016
Opening balance	$ 1,124	$ 1,950
Additional allowances	238	357
Receivables written off as uncollectible	(394)	(718)
Transfers to assets held for sale (note 8)	-	(440)
Effect of changes in foreign exchange rates	(37)	(25)
Closing balance	$ 931	$ 1,124

6 Inventories

	December 31, 2017	2016
Crude oil and diluent	$ 79,223	$ 72,998
Asphalt	19,817	16,546
Natural gas liquids	44,087	31,994
Wellsite fluids and distillate	13,150	8,556
Spare parts and other	13,680	14,501
	$ 169,957	$ 144,595

The cost of the inventory sold included in cost of sales was $4,741.1 million and $3,380.5 million for the year ended December 31, 2017 and 2016, respectively.

7 Net investment in finance leases

The following summarizes the Company's net investment in arrangements whereby the Company has entered into fixed term contractual arrangements to allow customers to have dedicated use of certain tanks owned by the Company. These arrangements are accounted for as finance leases:

	December 31, 2017	2016
Total minimum lease payments receivable	$ 360,107	$ 388,956
Residual value	44,944	44,944
Unearned income	(285,203)	(313,331)
	119,848	120,569
Less: current portion	1,828	2,325
Net investment in finance lease: non-current portion	$ 118,020	$ 118,244

The minimum lease receivables are expected to be as follows:

2018	$ 28,695
2019	28,695
2020	28,695
2021	28,695
2022	28,695
2023 and later	$ 216,632

8 Assets and liabilities held for sale, and discontinued operations

Industrial Propane

On March 1, 2017, the Company granted an irrevocable option (the "Option") to Superior Plus LP ("Superior") to purchase its Industrial Propane segment pursuant to an Option Agreement in exchange for an adjusted cash consideration of $434.8 million, at which time Superior exercised the Option. The Company continued 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 were transferred to Superior. Judgment was applied in accordance with IFRS 10 – *Consolidated Financial Statements* ("IFRS 10") and it was concluded that effective March 1, 2017, the Company did 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. On September 27, 2017, the Company completed the final closing of the sale of its Industrial Propane business to Superior and transferred the Securities to Superior. The final sale price after working capital adjustments was $433.1 million resulting in the recognition of a $150.7 million post-tax gain on sale, 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 consolidated statements of operations.

Sale price	$ 412,000
Sale price adjustments	21,089
Total cash consideration	433,089
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	3,925
Deferred tax liability	15,355
Other non-current liabilities	989
Decommissioning liability	965
Net assets disposed	(246,392)
Costs to sell	(9,871)
Gain on sale	176,826
Income tax provision on gain on sale	(26,177)
After-tax gain on sale	$ 150,649

The results of the discontinued operations are presented below:

	Year ended December 31,	
	2017 [1]	2016
Revenue	$ 58,296	$ 167,699
Cost of sales	44,678	152,428
Gross profit	13,618	15,271
Other operating income	19	523
Segment profit	13,637	15,794
Gain on sale	176,826	-
Income before income taxes	190,463	15,794
Income tax expense – current	30,338	3,179
Income tax expense – deferred (recovery)	275	(5,838)
Net income from discontinued operations, after tax	$ 159,850	$ 18,453

1. *The Company derecognized the Industrial Propane segment effective March 1, 2017, accordingly, results for year ended December 31, 2017 represent the activity for the period January 1, 2017 to February 28, 2017.*

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

Supplemental cash flow information:

	Year ended December 31, 2017 [1]	Year ended December 31, 2016
Operating Activities		
Net income, after tax	$ 159,850	$ 18,453
Depreciation and amortization	-	18,572
Income taxes	30,613	(2,659)
Gain on sale	(176,826)	-
Trade and other receivables	(11,338)	(10,366)
Inventories	(254)	(1,733)
Other current assets	(10,766)	187
Trade payables and accrued charged	1,480	9,753
Deferred revenue	(350)	(123)
Net cash (used in) provided by operating activities from discontinued operations	$ (7,591)	$ 32,084
Investing Activities		
Purchase of property, plant and equipment and intangibles	$ (106)	$ (5,015)
Proceeds from sale of assets	-	1,508
Proceeds on sale of discontinued operations	433,089	-
Transaction costs paid on sale of discontinued operations	(9,827)	-
Net cash provided by (used in) investing activities from discontinued operations	$ 423,156	$ (3,507)

1. *The Company derecognized the Industrial Propane segment effective March 1, 2017, accordingly, results for year ended December 31, 2017 represent the activity for the period January 1, 2017 to February 28, 2017.*

9 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	2,204	5,177	7,579	4,317	16,696	142,876	178,849
Disposals	(4,640)	-	(1,523)	(34,475)	(11,283)	-	(51,921)
Change in decommissioning provision (note 16)	-	2,151	3,956	-	4,606	-	10,713
Reclassifications	5,080	8,897	24,805	-	23,058	(61,840)	-
Effect of movements in exchange rates	(1,934)	-	(1,024)	(16,019)	(16,542)	(165)	(35,684)
At December 31, 2017	$ 189,090	$ 225,679	$642,137	$ 411,694	$ 937,378	$ 185,739	$ 2,591,717
Accumulated depreciation and impairment:							
At January 1, 2017	$ 31,778	$ 73,052	$ 96,609	$ 275,002	$ 370,025	$ -	$ 846,466
Depreciation	6,663	9,140	26,428	42,511	78,328	-	163,070
Impairment	-	-	-	12,143	17,089	-	29,232
Disposals	(287)	-	(1,408)	(32,554)	(11,143)	-	(45,392)
Effect of movements in exchange rates	(289)	-	(456)	(10,921)	(9,681)	-	(21,347)
At December 31, 2017	$ 37,865	$ 82,192	$121,173	$ 286,181	$ 444,618	$ -	$ 972,029

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

	Land & Buildings	Pipelines and Connections	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Carrying amounts:							
At January 1, 2017	$ 156,602	$ 136,402	$511,735	$ 182,869	$ 550,818	$ 104,868	$1,643,294
At December 31, 2017	$151,225	$ 143,487	$520,964	$ 125,513	$ 492,760	$185,739	$1,619,688
Cost:							
At January 1, 2016	$ 207,519	$ 168,179	$542,750	$ 491,946	$ 843,111	$ 290,582	$ 2,544,087
Additions	3,129	13,696	4,069	7,592	14,152	182,327	224,965
Disposals	(6,614)	-	(3,184)	(24,684)	(13,630)	-	(48,112)
Reclassifications	14,210	28,886	184,050	16,587	96,751	(340,484)	-
Change in decommissioning provision (note 16)	-	(1,307)	3,221	-	12,984	-	14,898
Transfer to net investment in finance leases (note 7)	-	-	-	-	-	(27,258)	(27,258)
Transfers to assets held for sale (note 8)	(29,022)	-	(122,063)	(26,668)	(23,750)	(28)	(201,531)
Effect of movements in exchange rates	(842)	-	(499)	(6,902)	(8,775)	(271)	(17,289)
At December 31, 2016	$ 188,380	$ 209,454	$608,344	$ 457,871	$ 920,843	$ 104,868	$ 2,489,760
Accumulated depreciation and impairment:							
At January 1, 2016	$ 31,941	$ 62,648	$101,156	$ 251,585	$ 325,640	$ -	$ 772,970
Depreciation	8,972	10,404	28,387	59,711	71,528	-	179,002
Impairment	-	-	235	6,565	3,846	-	10,646
Disposals	(4,688)	-	(1,393)	(22,097)	(12,545)	-	(40,723)
Transfers to assets held for sale (note 8)	(4,365)	-	(31,567)	(17,147)	(15,026)	-	(68,105)
Effect of movements in exchange rates	(82)	-	(209)	(3,615)	(3,418)	-	(7,324)
At December 31, 2016	$ 31,778	$ 73,052	$ 96,609	$ 275,002	$ 370,025	$ -	$ 846,466
Carrying amounts:							
At January 1, 2016	$ 175,578	$ 105,531	$441,594	$ 240,361	$ 517,471	$ 290,582	$1,771,117
At December 31, 2016	$ 156,602	$ 136,402	$511,735	$ 182,869	$ 550,818	$ 104,868	$1,643,294

Additions to property, plant and equipment include capitalization of interest of $4.7 million and $12.9 million for the year ended December 31, 2017 and 2016, respectively.

Property, plant and equipment are reviewed for impairment whenever events or conditions indicate that their net carrying amount may not be recoverable. During the year ended December 31, 2017, the Company recorded an impairment loss of $29.2 million that was included within cost of sales in the statement of operations. The impairment loss relates to assets within the U.S. Environmental Services business which is included within the Company's Infrastructure, Logistics and Other reportable segments.

During the year ended December 31, 2016, the Company recorded an impairment loss of $10.6 million that was recorded as depreciation included within cost of sales. Of the impairment loss recorded, $9.0 million related to assets within the Canadian Trucking and Transportation business within the Logistics segment and $1.6 million related to assets within the Terminals and Pipelines business within the Infrastructure segment.

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

10 Long-term prepaid and other assets

	December 31, 2017	2016
Long-term prepaid	$ 835	$ 1,296
Risk management assets (note 28)	1,367	-
Defined benefit pension plan assets	635	1,081
Other assets	1,008	1,973
U.S. tax receivable	3,519	-
	$ 7,364	$ 4,350

11 Intangible assets

	Brands	Customer relationships	Long-term customer contracts	Non-compete agreements	Technology and Software	License and Permits	Total
Cost:							
At January 1, 2017	$ 46,288	$ 264,587	$ 42,539	$ 25,290	$ 72,515	$ 5,537	$ 456,756
Additions	-	-	-	-	6,575	-	6,575
Effect of movements in exchange rates	(776)	(11,708)	(2,568)	(692)	(419)	(375)	(16,538)
At December 31, 2017	$ 45,512	$ 252,879	$ 39,971	$ 24,598	$ 78,671	$ 5,162	$ 446,793
Accumulated amortization and impairment:							
At January 1, 2017	$ 44,155	$ 250,665	$ 29,634	$ 24,037	$ 36,642	$ 5,537	$ 390,670
Amortization	1,090	5,095	12,188	1,202	11,902	-	31,477
Impairment	-	5,947	-	-	-	-	5,947
Effect of movements in exchange rates	(773)	(11,147)	(1,851)	(688)	(316)	(375)	(15,150)
At December 31, 2017	$ 44,472	$ 250,560	$ 39,971	$ 24,551	$ 48,228	$ 5,162	$ 412,944
Carrying amounts:							
At January 1, 2017	$ 2,133	$ 13,922	$ 12,905	$ 1,253	$ 35,873	$ -	$ 66,086
At December 31, 2017	$ 1,040	$ 2,319	$ -	$ 47	$ 30,443	$ -	$ 33,849

	Brands	Customer relationships	Long-term customer contracts	Non-compete agreements	Technology and Software	License and Permits	Total
Cost:							
At January 1, 2016	$ 53,240	$ 288,880	$ 43,706	$ 31,601	$ 67,290	$ 4,434	$ 489,151
Additions	-	-	-	-	7,875	-	7,875
Disposals	-	-	-	-	(22)	-	(22)
Reclassifications	-	-	-	-	(1,193)	1,193	-
Transfers to assets held for sale (note 8)	(6,600)	(18,974)	-	(5,996)	(1,191)	-	(32,761)
Effect of movements in exchange rates	(352)	(5,319)	(1,167)	(315)	(244)	(90)	(7,487)
At December 31, 2016	$ 46,288	$ 264,587	$ 42,539	$ 25,290	$ 72,515	$ 5,537	$ 456,756

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

Accumulated amortization and impairment:	**Brands**	**Customer relationships**	**Long-term customer contracts**	**Non-compete agreements**	**Technology and Software**	**License and Permits**	**Total**
At January 1, 2016	$ 48,076	$ 214,069	$ 26,510	$ 25,225	$ 25,407	$ 4,431	$ 343,718
Amortization	1,702	51,797	3,722	3,167	11,326	5	71,719
Impairment	-	-	-	99	1,514	-	1,613
Disposals	-	-	-	-	(22)	-	(22)
Reclassifications	-	-	-	-	(1,193)	1,193	-
Transfers to assets held for sale (note 8)	(5,275)	(12,735)	-	(4,199)	(247)	-	(22,456)
Effect of movements in exchange rates	(348)	(2,466)	(598)	(255)	(143)	(92)	(3,902)
At December 31, 2016	$ 44,155	$ 250,665	$ 29,634	$ 24,037	$ 36,642	$ 5,537	$ 390,670
Carrying amounts:							
At January 1, 2016	$ 5,164	$ 74,811	$ 17,196	$ 6,376	$ 41,883	$ 3	$ 145,433
At December 31, 2016	$ 2,133	$ 13,922	$ 12,905	$ 1,253	$ 35,873	$ -	$ 66,086

Intangible assets are reviewed for impairment whenever events or conditions indicate that their net carrying amount may not be recoverable. During the year ended December 31, 2017, the Company recorded an impairment loss of $5.9 million that was included within cost of sales in the statement of operations. The impairment loss relates to assets within the U.S. Environmental Services business which is included within the Company's Logistics segment.

12 Goodwill

The changes in the carrying amount of goodwill are as follows:

	Year ended December 31, 2017	**2016**
Opening balance	$ 454,489	$ 670,907
Impairments	(69,414)	(130,052)
Transfers to assets held for sale (note 8)	-	(77,579)
Effect of changes in foreign exchange rates	(3,110)	(8,787)
Closing balance	$ 381,965	$ 454,489

Goodwill is monitored for impairment by management at the operating segment level. The following is a summary of goodwill allocated to each operating segment:

	December 31, 2017	**2016**
Terminals, Pipelines and Injection Stations	$ 197,538	$ 197,723
Moose Jaw Facility	89,017	89,017
Canadian Trucking and Transportation	19,988	19,988
U.S. Trucking and Transportation	-	42,942
Canadian Wholesale Marketing	75,422	75,422
U.S. Wholesale Marketing	-	29,397
	$ 381,965	$ 454,489

The goodwill recorded on the balance sheet represents the excess of the cost of acquisitions over the fair value of identifiable assets, liabilities and contingent liabilities acquired. Of the balance as at December 31, 2017, $364.8 million, net of impairment, relates to goodwill recognized on the acquisition of the Company on December 12, 2008.

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

On November 30, 2017, the Company carried out its annual impairment test with respect to goodwill. For all operating segments, other than the U.S. Trucking and Transportation and U.S. Wholesale Marketing, the recoverable amount was greater than the carrying value, including goodwill. The carrying amount of the U.S. Trucking and Transportation was determined to be higher than its recoverable amount of $46.0 million which resulted in recording an impairment write down of $41.2 million. The carrying amount of the U.S. Wholesale Marketing operating segment was determined to be higher than its recoverable amount of $16.9 million which resulted in recording an impairment write down of $28.2 million.

Key assumptions used in 2017 impairment test

To calculate the recoverable amount, management uses the higher of the FVLCD and VIU. The recoverable amount was determined using either a discounted cash flow approach or an earnings multiple approach. The Company references Board approved budgets and cash flow forecast, trailing twelve-month (TTM) earnings before interest, taxes, depreciation and amortization and impairment (EBITDA), implied multiples and appropriate discount rates in the valuation calculations. The implied multiple is calculated by utilizing multiples of comparable public companies by operating segment.

In regards, to the U.S. Trucking and Transportation, U.S. Wholesale Marketing and Canadian Wholesale Marketing operating segments, the recoverable amount was determined by discounting the future cash flows generated from continued use of the operating segments. The model calculated the present value of the estimated future earnings of the above stated operating segments. Estimating future earnings requires judgement, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment. The calculation of the recoverable amount using the discounted cash flow approach was based on the following key assumptions:

	U.S. Trucking and Transportation	**U.S. Wholesale Marketing**	**Canadian Wholesale Marketing**
Discount rate	12.1%	12.9%	12.9%
Terminal value growth rate	2.0%	2.0%	2.0%

(i) Cash flows were projected based on past experience, actual operating results and the five-year business plan. The range of the five-year average cash flow projections for these operating segments was between $1.0 million and $19.3 million.

(ii) The terminal value growth rate is based on management's best estimate of the long-term growth rate for after the forecast period, considering historic performance and future economic forecasts.

(iii) Each operating segment discount rate reflects their individual size, risk profile and circumstance and is based on past experience and industry average weighted average cost of capital.

For the remainder of the operating segments, the Company used implied average forward multiples that ranged from 9.2 to 11.5 to calculate the recoverable amounts.

The fair value of calculations are categorized as Level 3 fair value based on the unobservable inputs.

Key assumptions used in 2016 impairment test

On June 30, 2016, the Company reviewed impairment indicators with respect to goodwill and determined that based on a review of actual performance being less than expected during the period, impairment indicators existed in the U.S. Environmental Services business within the Logistics segment. Accordingly, the Company performed an impairment test with respect to the U.S. Environmental Services business by comparing the FVLCD to the carrying value of the operating segment, including goodwill. As a result, it was determined that goodwill in the operating segment was impaired by $101.4 million. Key assumptions used in the determination of the recoverable amount include Board approved budgeted EBITDA for the operating segment and the application of an implied forward multiple of 9.6.

On November 30, 2016, the Company carried out its annual impairment test with respect to goodwill. For all operating segments, other than the Refined Products business within the Wholesale segment, the FVLCD was greater than the operating segments carrying value, including goodwill. The impairment of $28.6 million within the Refined Products business was due to actual performance being less than expected. Key assumptions used in the determination of the recoverable amount include Board approved budgeted EBITDA for the operating segment and the application of an implied forward multiple of 10.7.

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

The fair value of calculations are categorized as Level 3 fair value based on the unobservable inputs.

13 Long-term debt

Revolving Credit Facility

On November 30, 2017, the Company amended the unsecured revolving credit facility from $500.0 million to $560.0 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, fund capital expenditures 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.

Under the terms of Revolving Credit Facility, the Company is required to adhere to certain financial and maintenance covenants including maintaining 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 the 2018 fiscal year and 4.0 to 1.0 thereafter. 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 December 31, 2017, the Company was in compliance with all covenants under the Revolving Credit Facility.

The Company had $230.2 million (US$100.0 million; $105.0 million) and $nil million drawn against the Revolving Credit Facility as at December 31, 2017 and December 31, 2016, respectively. The Company had issued letters of credit totalling $68.9 million and $48.4 million as at December 31, 2017 and December 31, 2016, respectively.

Long-term debt

	December 31, 2017	December 31, 2016
Revolving credit facility, due March 7, 2020	$ 230,180	$ -
US$550 million 6.75% Notes due July 15, 2021	-	738,485
$250 million 7.0% Notes due July 15, 2020	-	250,000
$300 million 5.375% Notes due July 15, 2022	300,000	300,000
$600 million 5.25% Notes due July 15, 2024	600,000	-
Unamortized issue discount and debt issue costs	(12,061)	(16,646)
Long-term debt	$ 1,118,119	$ 1,271,839

During the year, the Company issued $600 million 5.25% Senior Unsecured Notes due July 15, 2024 at an issue price of 100.0% plus accrued interest (the "New Notes"). Using the net proceeds of the New Notes along with the proceeds from the sale of Industrial Propane business, the Company fully repaid the US$550 million 6.75% Notes (the "US$ Notes") and $250 million 7.00% Notes (the "C$ Notes") (collectively the "Retired Notes"). The indentures governing the terms of the $300 million 5.375% Notes ("Notes") and New Notes including the supplemental indenture thereto (the "Indenture") remain outstanding as at December 31, 2017.

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.

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

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

The components of finance costs are as follows:

	December 31, 2017	December 31, 2016
Interest expense, net of capitalized interest	$ 79,147	$ 86,619
Interest income	(1,785)	(1,093)
Foreign exchange gain on long-term debt	(18,788)	(22,715)
Debt extinguishment costs:		
$250.0 million 7.0% Notes – redemption premium	$ 12,838	$ -
US$550.0 million 6.75% Notes – redemption premium	33,133	-
$250.0 million 7.0% Notes – unamortized cost write off	4,321	-
US$550.0 million 6.75% Notes – unamortized cost write off	7,982	-
US$550.0 million 6.75% Notes – realized foreign exchange loss on financial instruments	2,218	-
Total debt extinguishment costs	60,492	-
Total finance cost, net	$ 119,066	$ 62,811

14 Convertible debentures

	Liability Component	Equity Component
Balance as at January 1, 2016	$ -	$ -
$100.0 million 5.25% convertible debentures due July 15,2021	89,765	10,235
Unamortized issue costs	(2,453)	(324)
Deferred taxes	-	(2,760)
Balance as at December 31, 2016	$ 87,312	$ 7,151
Accretion of issue costs	2,607	-
Deferred taxes	-	(128)
Balance as at December 31, 2017	$ 89,919	$ 7,023

On June 2, 2016, the Company issued $100.0 million aggregate principal amount of unsecured subordinated convertible. debentures ("the Debentures"). The Debentures issued at par, bear interest at a rate of 5.25% per annum, payable semi-annually on July 15 and January 15 in each year commencing January 15, 2017, will mature on July 15, 2021, and may be redeemed, in certain circumstances, on or after July 15, 2019. The Debentures are convertible at the holder's option into common shares at any time prior to the earlier of the Maturity Date and the business day immediately preceding the date fixed for redemption by the Company at a conversion price of $21.65 per Share (the "Conversion Price"), being a ratio of approximately 46.1894 Shares per $1,000 principal amount of Debentures. The Debentures are subordinated to the Company's senior indebtedness.

The Debentures are treated as a compound financial instrument and have been classified as a liability, net of issue costs and net of the fair value of the conversion feature at the date of issue, which has been classified as shareholders' equity. The liability component will accrete up to the principal balance at maturity. The accretion of the liability component and interest payable are expensed in the statement of operations. The fair value of the conversion feature was determined at the time of issuance as the difference between the principal value of the Debentures and the discounted cash flows assuming a 7.8% rate which was the estimated rate for debt with similar terms with no conversion feature. If the Debentures are converted into common shares, a portion of the value of the conversion feature under shareholders' equity and the liability component will be reclassified to shareholders' equity along with the conversion price.

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

15 Trade payables and accrued charges

Trade payables and accrued charges include the following items:

	December 31, 2017	December 31, 2016
Trade payables	$ 413,745	$ 376,767
Accrued compensation charges	30,523	18,566
Indirect taxes payable	3,122	4,403
Risk management liabilities (note 28)	11,276	11,901
Defined benefit plan obligations	686	510
Interest payable	25,607	41,623
Insurance payable	7,114	7,638
Other	8,589	7,426
	$ 500,662	$ 468,834

16 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:

	Year ended December 31, 2017	Year ended December 31, 2016
Opening balance	$ 171,038	$ 155,343
Settlements	(3,146)	(2,556)
Additions	3,656	22,997
Change in estimated future cash flows	-	(1,499)
Change in discount rate	9,607	(5,100)
Unwinding of discount	3,912	3,251
Transfer to liabilities held for sale (note 8)	-	(962)
Effect of changes in foreign exchange rates	(1,540)	(436)
Closing balance	$ 183,527	$ 171,038

The Company currently estimates the total undiscounted future value amount, including an inflation factor of 2.0%, of estimated cash flows to settle the future liability for asset retirement and remediation obligations to be approximately $327.2 million and $312.9 million at December 31, 2017 and 2016, respectively. In order to determine the current provision related to these future values, the estimated future values were discounted using an average risk-free rate of 2.2% and 2.3% at December 31, 2017 and 2016, respectively. The provision is expected to be settled to 40 years into the future. A one percent increase or decrease in the risk-free rate would decrease or increase the provision by $51.1 million, respectively, with a corresponding adjustment to property, plant and equipment.

17 Other long-term liabilities

	December 31, 2017	December 31, 2016
Defined benefit plan obligations	$ 1,262	$ 1,404
Risk management liabilities (note 28)	492	274
Other post-retirement benefits obligations	4,758	4,244
Other	-	584
	$ 6,512	$ 6,506

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

18 Share capital

Authorized

The Company is authorized to issue an unlimited number of common shares and preferred shares.

Holders of common shares are entitled to one vote per common share at meetings of shareholders of the Company, to receive dividends if, as and when declared by the Board and to receive pro rata the remaining property and assets of the Company upon its dissolution, liquidation or winding-up, subject to the rights of shares having priority over the common shares.

The preferred shares are issuable in series and have such rights, restrictions, conditions and limitations as the Board may from time to time determine. The preferred shares shall rank senior to the common shares with respect to the payment of dividends or distribution of assets or return of capital of the Company in the event of a dissolution, liquidation or winding up of the Company. There were no issued and outstanding preferred shares as at December 31, 2017 or 2016.

Common Shares – Issued and outstanding

The following table below sets forth the issued and outstanding common shares for the years ended December 31, 2017 and 2016.

	Common Shares	
	Number of Common Shares	Amount
Balance as at January 1, 2016	126,135,566	$ 1,672,323
Issuance for cash, net of issue costs and deferred tax	14,892,500	222,772
Issuance in connection with the exercise of stock options	115,806	1,001
Issuance in connection with other equity awards	589,160	-
Reclassification of contributed surplus on issuance of awards under equity incentive plans	-	12,936
Balance as at December 31, 2016	141,733,032	$ 1,909,032
Issuance in connection with the exercise of stock options	323,625	2,822
Issuance in connection with other equity awards	1,147,731	-
Reclassification of contributed surplus on issuance of awards under equity incentive plans	-	20,249
Balance as at December 31, 2017	143,204,388	$ 1,932,103

On June 2, 2016, the Company completed an offering of 14,892,500 common shares at a price of $15.45 per common share for gross proceeds of $232.8 million less share issuance costs of $7.3 million, net of income tax of $2.8 million.

A dividend of $0.33 per share, declared on November 8, 2017, was paid on January 17, 2018. For the year ended December 31, 2017 the Company declared total dividends of $1.32 per common share.

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

19 Income tax

The major components of income tax are as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Current tax (recovery) expense	$ (28,965)	$ 13,302
Adjustments and true-ups in respect of prior years	(4,981)	(1,513)
Current tax – discontinued operations (note 8)	30,338	3,179
Total current tax (recovery) provision	(3,608)	14,968
Deferred tax recovery	(34,768)	(68,731)
Origination and reversal of temporary differences	2,546	492
Deferred tax – discontinued operations (note 8)	275	(5,838)
Total deferred tax recovery	(31,947)	(74,077)
Net income tax recovery	$ (35,555)	$ (59,109)

The income tax recovery differs from the amounts which would be obtained by applying the Canadian statutory income tax rate to (loss) income before income taxes. These differences result from the following items:

	Year ended December 31, 2017	Year ended December 31, 2016
Loss before income taxes, continuing operations	$ (181,883)	$ (234,617)
Income before income taxes, discontinued operations	190,463	15,794
Income (loss) before income taxes	8,580	(218,823)
Statutory income tax rate	26.96%	26.97%
Computed income tax expense (recovery)	2,313	(59,017)
Changes in income tax expense (recovery) resulting from:		
Recognition of previously unrecognized capital losses, net	(19,975)	(3,013)
Foreign exchange (gain) loss, other	(2,520)	(3,013)
Non-taxable portion of the gain on sale of Industrial Propane businesses (note 8)	(26,177)	-
Non-deductible expenses	621	733
Stock based compensation	5,627	6,709
Non-taxable dividends	-	(14,421)
Rate differential on foreign taxes	(18,039)	(12,467)
Goodwill impairment	-	33,324
Held for sale classification	-	(4,154)
Impact of corporate rate changes in U.S.	32,758	-
Recognition of U.S. alternative minimum tax related to prior years	(3,194)	-
Adjustments and true-ups in respect of prior years	(4,981)	(1,513)
Other	(1,988)	(2,277)
	$ (35,555)	$ (59,109)

	2017	2016
Effective income tax rate – continuing operations	36.38%	24.06%
Effective income tax rate – discontinued operations	16.07%	(16.84)%
Current tax, from continuing operations	$ (33,946)	$ 11,789
Current tax, from discontinued operations	30,338	3,179
	$ (3,608)	$ 14,968

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

	Year ended December 31, 2017	2017
Deferred tax, from continuing operations	$ (32,222)	$ (68,239)
Deferred tax, from discontinued operations	275	(5,838)
	$ (31,947)	$ (74,077)
Total current and deferred, from continuing operations	(66,168)	(56,450)
Total current and deferred, from discontinued operations	30,613	(2,659)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Deferred tax assets:		
Deferred tax asset to be settled after more than 12 months	$ 70,021	$ 35,665
Deferred tax asset to be settled within 12 months	5,200	11,500
	75,221	47,165
Deferred tax liabilities:		
Deferred tax liability to be settled after more than 12 months	99,823	100,950
Deferred tax liability to be settled within 12 months	1,000	1,400
	100,823	102,350
Deferred tax liabilities, net	$ 25,602	$ 55,185

The gross movement on the deferred income tax account is as follows:

	Year ended December 31, 2017	2016
Opening balance	$ 55,185	$ 144,088
Effect of changes in foreign exchange rates	2,388	(1,035)
Transfers to assets held for sale (note 8)	-	(13,860)
Income statement recovery	(31,947)	(74,077)
Tax credit relating to components of other comprehensive income	(24)	(59)
Tax charged directly to equity	-	128
Closing balance	$ 25,602	$ 55,185

The movement in the significant components of deferred income tax assets and liabilities during the year, without taking into consideration the offsetting balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Non-capital losses carried forward	Asset retirement obligations	Retirement benefit obligations	Goodwill, Intangibles, and other	Total
At January 1, 2016	$ 30,143	$ 17,410	$ 1,412	$ 14,319	$ 63,284
Credited (charged) to the statement of operations	32,087	2,860	(96)	13,193	48,044
Charged to other comprehensive income	-	-	59	-	59
Transfers from assets held for sale (note 8)	-	(81)	(6)	637	550
Effect of changes in foreign exchange rates	369	90	-	1,304	1,763
At January 1, 2017	$ 62,599	$ 20,279	$ 1,369	$ 29,453	$113,700
Credited (charged) to the statement of operations	(15,402)	820	137	5,107	(9,338)
Charged to other comprehensive income	-	-	24	-	24
Effect of changes in foreign exchange rates	(2,108)	(299)	-	(826)	(3,233)
At December 31, 2017	$ 45,089	$ 20,800	$ 1,530	$ 33,734	$101,153

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

Deferred tax liabilities	Timing of Partnership Income	Property, Plant and Equipment	Goodwill, Intangibles, and other	Total
At January 1, 2016	$ (12,133)	$ (178,729)	$ (16,510)	$ (207,372)
Credited (charged) to the statement of operations	(2,840)	25,616	3,257	26,033
Credited (charged) directly to equity	-	-	(128)	(128)
Transfers to assets held for sale (note 8)	10,989	2,321	-	13,310
Effect of changes in foreign exchange rates	-	(767)	39	(728)
At January 1, 2017	$ (3,984)	$ (151,559)	$ (13,342)	$ (168,885)
Credited to the statement of operations	3,984	23,305	13,996	41,285
Effect of changes in foreign exchange rates	-	1,499	(654)	845
At December 31, 2017	$ -	$ (126,755)	$ -	$ (126,755)

Income tax losses carry forward

At December 31, 2017 and 2016, the Company had losses available to offset income for tax purposes of $174.9 million and $165.3 million, respectively. At December 31, 2017, the Company has $10.1 million and $164.8 million of the losses available in Canada and the U.S., respectively that expire as follows:

December 31, 2031	$ 36,084
December 31, 2032	13,313
December 31, 2033	-
December 31, 2034	-
December 31, 2035	20,568
December 31, 2036	78,874
December 31, 2037	26,033
	$ 174,872

No income tax liability has been recognized in respect of temporary differences associated with investments in subsidiaries except for as disclosed in note 8 for assets held for sale.

20 Revenue

	Year ended December 31, 2017	Year ended December 31, 2016
Products	$ 5,256,387	$ 3,796,643
Services	844,452	797,538
	$ 6,100,839	$ 4,594,181

21 Depreciation, amortization and impairment

	Year ended December 31, 2017	Year ended December 31, 2016
Depreciation and impairment of property, plant and equipment (note 9)	$ 192,302	$ 175,346
Amortization and impairment of intangible assets (note 11)	37,425	69,062
	$ 229,727	$ 244,408

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

Depreciation and impairment of property, plant and equipment and amortization and impairment of intangible assets have been expensed as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Cost of sales	$ 217,858	$ 234,483
General and administrative	11,869	9,925
	$ 229,727	$ 244,408

22 Employee salaries and benefits

	Year ended December 31, 2017	Year ended December 31, 2016
Salaries and wages	$ 220,683	$ 218,086
Post-employment benefits	5,553	5,845
Share based compensation	22,056	24,876
Termination benefits and restructuring costs	16,786	10,044
	$ 265,078	$ 258,851

Employee salaries and benefits have been expensed as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Cost of sales	$ 226,000	$ 216,698
General and administrative	39,078	42,153
	$ 265,078	$ 258,851

23 Other operating income

	Year ended December 31, 2017	Year ended December 31, 2016
Gain on sale of property, plant and equipment	$ (6,243)	$ (4,983)
Foreign exchange loss	1,452	1,726
	$ (4,791)	$ (3,257)

24 Per share amounts

The following table shows the number of shares used in the calculation of earnings per share for continuing operations:

	Year ended December 31, 2017	Year ended December 31, 2016
Weighted average common shares outstanding – Basic	142,500,793	135,202,472
Dilutive effect of:		
Stock options and other awards	-	-
Weighted average common shares – Diluted	142,500,793	135,202,472

The dilutive effect of 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 year ended December 31, 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 2.7 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the year ended December 31, 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.

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

The dilutive effect of 2.9 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the year ended December 31, 2017 have been included in the determination of the weighted average number of common shares outstanding for discontinued operations. The dilutive effect of 2.7 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 for the year ended December 31, 2016.

25 Related party transactions

Joint operations

On August 11, 2011, the Company formed a partnership to jointly construct and own pipeline and emulsion treating, water disposal and oilfield waste management facilities in the Plato area of Saskatchewan. The partnership commenced operations in 2012. The Company's interest in the partnership is 50%. A member of the Company's Board is also a director of the other party with the 50% interest in the partnership. At December 31, 2017 and 2016, the Company's proportionate share of property, plant and equipment was $11.3 million and $9.0 million, respectively. The impact of the Company's share of the other financial position and results of the partnership is not material to the Company's consolidated financial statements.

Compensation of key management

Key management includes the Company's directors, executive officers, business unit leaders and other non-business unit senior vice presidents. Compensation awarded to key management was:

	Year ended December 31,	
	2017	**2016**
Salaries and short-term employee benefits	$ 5,852	$ 4,071
Post-employment benefits	1,094	1,064
Share based compensation	8,191	6,280
Termination costs	3,967	-
	$ 19,104	$ 11,415

26 Post-retirement benefits

Defined benefit plans

The Company maintains a funded defined benefit pension plan that is funded based upon the advice of independent actuaries. The Company is required to file an actuarial valuation of the defined benefit pension plans with the provincial regulator every three years, with the most recent actuarial valuation filing as at December 31, 2016 Based on the actuarial valuations as at December 31, 2017 and 2016, the status of the defined benefit plans was as follows:

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

Accrued benefit obligation

	Year ended December 31, 2017	2016
Accrued benefit obligation, beginning of year	$ 16,869	$ 16,440
Current service cost	53	48
Interest cost	584	606
Benefits paid	(1,886)	(629)
Actuarial loss (gain)	693	393
Other	4	11
Accrued benefit obligation, end of year	$ 16,317	$ 16,869

Plan assets

	Year ended December 31, 2017	2016
Fair value of pension plan assets, beginning of year	$ 16,126	$ 15,529
Interest on plan assets	528	536
Actual contributions	613	517
Actual benefits paid	(2,466)	(629)
Actuarial gain	603	173
Fair value of pension plan assets, end of year	$ 15,404	$ 16,126

Accrued benefit liability

	Year ended December 31, 2017	2016
Accrued benefit obligation	$ (16,317)	$ (16,869)
Fair value of plan assets	15,404	16,126
Accrued benefit liability	$ (913)	$ (743)

The significant weighted average actuarial assumptions adopted in measuring the Company's defined benefit plan obligation are as follows:

	Year ended December 31, 2017	2016
Discount rate	3.5%	3.8%
Rate of compensation increase	3.0%	3.0%

The assumed discount rate has an effect on the amounts reported for the defined benefit plan obligations. A one-percentage point change in the discount rate would have the following impact:

	One % point increase	One % point decrease
Increase/(decrease) in defined benefit plans obligations	$ 2,330	$ (2,330)

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

Defined contribution pension plan

The Company operates defined contribution plans whereby, in some cases, contributions made by participants are matched by the Company up to specified annual limits and in other cases, contributions are fully funded by the Company. The total expense recorded for the defined contribution pension plans was $4.7 million and $6.3 million for the year ended December 31, 2017 and 2016, respectively.

27 Share based compensation

The Company has established an equity incentive plan which permits the award of stock options, RSUs, PSUs and DSUs for executives, directors, employees and consultants of the Company. Stock options provide the holder with the right to exercise an option to purchase a common share, upon vesting, at a price determined on the date of grant. RSUs give the holder the right to receive, upon vesting, either a common share or a cash payment, subject to consent of the Board, or its equivalent in fully paid common shares equal to the fair market value of the Company's common shares at the date of such payment. The RSUs granted in 2017 and 2016 were expected to be settled by delivery of common shares and accordingly, were considered an equity–settled award for accounting purposes. Stock options and RSUs granted generally vest equally each year over a three year period. RSUs granted with specific performance criteria are designated as PSUs. PSU's vest at the end of the three year period and granting depends on the achievement of certain performance criteria. DSUs are similar to RSUs except that DSUs may not be redeemed until the holder ceases to hold all offices, employment and directorships.

At December 31, 2017, awards available to grant under the equity incentive plan totalled approximately 8.6 million.

A summary of stock option activity is as follows:

	Number of Shares	Weighted-Average Exercise Price (in dollars)
Balance at January 1, 2016	3,317,168	$ 23.81
Granted	-	-
Exercised	(115,806)	8.64
Forfeited	(133,497)	26.93
Balance at December 31, 2016	3,067,865	$ 24.24
Granted	1,191,571	17.48
Exercised	(323,625)	8.72
Forfeited	(639,096)	26.45
Balance at December 31, 2017	3,296,715	$ 22.89
Vested and exercisable at December 31, 2017	2,046,485	$ 25.89
Vested and exercisable at December 31, 2016	2,315,301	$ 23.51

Additional information regarding stock options outstanding as of December 31, 2017 is as follows:

Outstanding			Exercisable		
Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Exercise Price (in dollars)	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Exercise Price (in dollars)
93,310	1.0	$ 9.02	93,310	1.0	$ 9.02
1,204,976	4.6	17.45	49,284	4.0	18.67
49,965	1.4	21.77	49,965	1.4	21.77
39,747	3.4	23.85	39,747	3.4	23.85
620,606	4.2	25.33	527,504	4.2	25.32
451,635	2.3	25.97	450,199	2.3	25.97
814,709	3.2	28.67	814,709	3.2	28.67
21,767	3.8	35.51	21,767	3.8	35.51
3,296,715	3.7		2,046,485	3.2	

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

A summary of RSUs, PSUs and DSUs activity is set forth below:

	Number of Shares		
	RSUs	PSUs	DSUs
Balance at January 1, 2016	610,151	1,027,842	190,950
Granted	893,994	852,462	167,105
Issued for common shares	(324,001)	(103,676)	(161,473)
Forfeited	(67,353)	(246,308)	-
Balance at December 31, 2016	1,112,791	1,530,320	196,582
Granted	876,261	535,921	330,756
Issued for common shares	(830,803)	(295,283)	(21,646)
Forfeited	(220,948)	(740,123)	-
Balance at December 31, 2017	937,301	1,030,835	505,692
Vested, Balance at December 31, 2017	24,492	-	505,692
Vested, Balance at December 31, 2016	49,229	-	196,582

Stock based compensation expense was $22.1 million and $24.9 million for the years ended December 31, 2017 and 2016, respectively, and is included in general and administrative expenses.

The fair value of the options granted was estimated at $2.36 per option for the year ended December 31, 2017. The fair value of options was calculated by using the Black-Scholes model with the following weighted average assumptions:

	Year ended December 31, 2017
Expected dividend rate	7.7%
Expected volatility	35.3%
Risk-free interest rate	1.1%
Expected life of option (years)	3.0

The fair value of RSUs, PSUs and DSUs was determined using the five days weighted average stock price prior to the date of grant.

There were no options granted during the year ended December 31, 2016, accordingly there are no fair value assumptions and calculations for the prior year.

28 Financial instruments

Non-Derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, net investment in finance lease, trade payables and accrued charges, amounts borrowed under the credit facilities, dividends payable, Debentures and long-term debt.

Cash and cash equivalents, trade and other receivables, trade payables and accrued charges and dividends payable are recorded at amortized cost which approximates fair value due to the short term nature of these instruments.

Long-term debt including credit facility are recorded at amortized cost using the effective interest method of amortization. As at December 31, 2017, the carrying amount of long-term debt was $1,130.2 million less debt discount and issue costs of $12.1 million and the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was $1,144.1 million. As at December 31, 2016, the carrying amount of long-term debt was $1,288.5 million less debt discount and issue costs of $16.6 million and the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was $1,336.8 million.

The Debentures liability component is recorded at amortized cost using the effective interest method of amortization. As at December 31, 2017, the total carrying amount of the debentures liability and equity components was $100.0 million less debt discount and issue costs of $89.9 million, and deferred taxes relating to the equity component of $2.7 million. The fair value of the Debentures based on period end trading prices on the secondary market (Level 2) was $105.0 million (December 31, 2016 – $109.0 million).

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

Financial assets and liabilities are only offset if the Company has the current legal right to offset and intends to settle on a net basis or settle the asset and liability simultaneously. The following table provides a summary of the Company's offsetting trade and other receivables and trade payables and accrued charges:

	December 31, 2017		December 31, 2016	
	Trade and other receivables	Trade payable and accrued charges	Trade and other receivables	Trade payable and accrued charges
Gross amounts	$ 530,965	$ 433,272	$ 400,152	$ 338,824
Amount offset	(340,589)	(340,589)	(269,611)	(269,611)
Net amount included in the consolidated financial statements	$ 190,376	$ 92,683	$ 130,541	$ 69,213

Derivative financial instruments (recurring fair value measurements)

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

	December 31, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
Commodity futures	$ 384	$ 6,257	$ 595	$ 5,640
Commodity swaps	4,808	2,214	5,578	2,688
Commodity options	-	-	38	747
Equity swaps	324	3,297	-	1,686
Foreign currency forwards	1,883	-	-	1,411
Foreign currency options	-	-	7	3
Total	$ 7,399	$ 11,768	$ 6,218	$ 12,175
Less non-current portion:				
Commodity futures	384	215	-	-
Commodity swaps	567	-	-	-
Equity swaps	294	277	-	226
Foreign currency forwards	122	-	-	48
	1,367	492	-	274
Current portion	$ 6,032	$ 11,276	$ 6,218	$ 11,901

The fair value of financial instruments is classified as a non-current asset (long-term prepaid expense and other assets) or liability (other long-term liabilities) if the remaining maturity is more than 12 months and, as a current asset or liability, if the maturity is less than 12 months.

(i) Commodity financial instruments

Futures, options and swaps

The Company enters into futures, options and swap contracts to manage the price risk associated with sales, purchases and inventories of crude oil, natural gas liquids and petroleum products.

(ii) Currency financial instruments

The Company enters into forward and options contracts to buy and sell U.S. dollars in exchange for Canadian dollars to fix the exchange rate on its estimated future net cash inflows denominated in U.S. dollars and long-term borrowings denominated in U.S. dollars.

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

During the year ended December 31, 2017, the Company entered into U.S. dollar forward contracts to buy U.S. dollars on a notional amount of US$480.0 million at a weighted average rate of $1.33 for US$1.00 which settled on March 22, 2017 and on October 5, 2017. The overall value of the U.S. dollar forward contracts settlement was $2.2 million loss during the year ended December 31, 2017.

(iii) Equity price financial instruments

During 2017, the Company had equity swaps of 1.5 million notional amount common shares at an average price of $20.18 per share (2016 – $20.33 per share) for settlement over a three year period. The Company has entered into these equity swap contracts to help manage equity price and dilution exposure to shares that it issues under its stock based compensation programs. During the year ended December 31, 2017 the Company recognized an unrealized loss in the current period of $1.2 million (2016 – unrealized gain of $3.6 million).

The value of the Company's derivative financial instruments is determined using inputs that are either readily available in public markets or are quoted by counterparties to these contracts. In situations where the Company obtains inputs via quotes from its counterparties, these quotes are verified for reasonableness via similar quotes from another source for each date for which financial statements are presented. The Company has consistently applied these valuation techniques in all periods presented and the Company believes it has obtained the most accurate information available for the types of financial instrument contracts held. The Company has categorized the inputs for these contracts as Level 1, defined as observable inputs such as quoted prices in active markets; Level 2 defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; or Level 3 defined as unobservable inputs in which little or no market data exists therefore requiring an entity to develop its own assumptions.

The Company used the following techniques to value financial instruments categorized in Level 2:

- The fair value of commodity options and swaps is calculated as the present value of the estimated future cash flows based on the difference between contract price and commodity price forecast.
- The fair value of foreign currency options and forward contracts is determined using the forward exchange rates at the measurement date, with the resulting value discounted back to present values.

The fair value of financial instrument contracts by fair value hierarchy at December 31, 2017 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity futures	$ 384	$ 384	$ -	$ -
Commodity swaps	4,808	-	4,808	-
Equity swaps	324	324	-	-
Foreign currency forwards	1,883	-	1,883	-
Total assets	$ 7,399	$ 708	$ 6,691	$ -
Liabilities from financial instrument contracts				
Commodity futures	$ 6,257	$ 6,257	$ -	$ -
Commodity swaps	2,214	-	2,214	-
Equity swaps	3,297	3,297	-	-
Total liabilities	$ 11,768	$ 9,554	$ 2,214	$ -

(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 statements of operations as follows:

	Year ended December 31, 2017	2016
Cost of sales gain (loss)	$ 2,803	$ (8,678)
General and administrative (loss) gain	(1,188)	3,605
	$ 1,615	$ (5,073)

Financial Risk Management

The Company's activities expose it to certain financial risks, including foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk. The Company's risk management strategy seeks to reduce potential adverse effects on its financial performance. As a part of its strategy, both primary and derivative financial instruments are used to hedge its risk exposures.

There are clearly defined objectives and principles for managing financial risk, with policies, parameters and procedures covering the specific areas of funding, banking relationships, interest rate exposures and cash management. The Company's treasury and risk management functions are responsible for implementing the policies and providing a centralised service to the Company for identifying, evaluating and monitoring financial risks.

a) Foreign currency exchange risk

Foreign exchange risks arise from future transactions and cash flows and from recognized monetary assets and liabilities that are not denominated in the functional currency of the Company's operations.

The exposure to exchange rate movements in significant future transactions and cash flows is managed by using foreign currency forward contracts and options. These financial instruments have not been designated in a hedge relationship. No speculative positions are entered into by the Company.

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

Foreign currency exchange rate 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:

	December 31, 2017	December 31, 2016
U.S. Dollar Forwards and Options		
Favorable 5% change	$ 3,419	$ 1,796
Unfavorable 5% change	(3,419)	(1,998)

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.

b) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will be affected by changes in market interest rates. At December 31, 2017, the Company has exposure to changes to market interest rates that relate to the $230.2 million drawn on the Company's credit facility. A 5% increase or decrease in interest rates in relation to the amounts drawn at December 31, 2017 would impact net income by $0.3 million, when annualized, and assuming a consistent balance over the duration of the year. At December 31, 2016, the Company had $nil amounts drawn on its credit facilities, accordingly there is no current interest rate risk associated with the credit facility.

c) Commodity price risk

The Company is exposed to changes in the price of crude oil, NGLs, oil related products and electricity commodities, which are monitored regularly. Crude oil and NGL priced futures, options and swaps are used to manage the exposure to these commodities' price movements. These financial instruments are not designated as hedges. Based on the Company's risk management policies, all of the financial instruments are employed in connection with an underlying asset/liability and/or forecasted transaction and are not entered into with the objective of speculating on commodity prices.

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.

	December 31, 2017	December 31, 2016
Crude oil and NGL related prices		
Favorable 15% change	$ 6,224	$ 9,681
Unfavorable 15% change	(6,224)	(10,110)

d) Credit risk

The Company's credit risk arises from its outstanding trade receivables, including receivables from customers who have entered into fixed term contractual arrangements to have dedicated use of certain of the Company's tanks. A significant portion of the Company's trade receivables are due from entities in the oil and gas industry. Concentration of credit risk is mitigated by having a broad customer base and by dealing with credit-worthy counterparties in accordance with established credit approval practices. The Company actively monitors the financial strength of its customers and, in select cases, has tightened credit terms to minimize the risk of default on trade receivables.

At December 31, 2017 and 2016, approximately 2% and 2%, respectively, of net trade receivables are past due but not considered to be impaired. The Company considers trade receivables as past due when they are 30 days past the due date. The maximum exposure to credit risk related to trade receivables is their carrying value as disclosed in these financial statements.

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

The Company establishes guidelines for customer credit limits and terms. The Company review includes financial statements and external ratings when available. The Company does not usually require collateral in respect of trade and other receivables. The Company provides adequate provisions for expected losses from the credit risks associated with trade receivables. The provision is based on an individual account-by-account analysis and prior credit history.

The Company is exposed to credit risk associated with possible non-performance by financial instrument counterparties. The Company does not generally require collateral from its counterparties but believes the risk of non-performance is low. The counterparties are generally major financial institutions or commodity brokers with investment grade credit ratings as determined by recognized credit rating agencies.

The Company's cash equivalents are placed in time deposits with investment grade international banks and financial institutions.

e) Equity price risk

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:

	December 31,	
	2017	**2016**
Equity Swaps		
Favorable 10% change	$ 1,930	$ 1,661
Unfavorable 10% change	(1,930)	(1,661)

f) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This risk relates to the Company's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. The Company's process for managing liquidity risk includes preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures and authorization of contractual agreements. The Company may seek additional financing based on the results of these processes. The budgets are updated with forecasts when required and as conditions change. Cash and cash equivalents and the Revolving Credit Facility are available and are expected to be available to satisfy the Company's short and long-term requirements. The Company has a Revolving Credit Facility of $560.0 million and three bilateral demand letter of credit facilities totaling $150.0 million. At December 31, 2017, $230.2 million was drawn against the Revolving Credit Facility and the Company had outstanding issued letters of credit of $68.9 million.

The terms of the Notes and Revolving Credit Facility require the Company to comply with certain covenants. If the Company fails to comply with these covenants the lenders may declare an event of default. At December 31, 2017 and December 31, 2016, the Company was in compliance with these covenants.

Set out below is a maturity analyses of certain of the Company's financial contractual obligations as at December 31, 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)	$ 463,779	$ -	$ -	$ 463,779
Dividend payable	47,257	-	-	47,257
Long-term debt	-	300,000	600,000	900,000
Credit facilities	-	230,180	-	230,180
Debentures (debt and equity component)	-	100,000	-	100,000
Interest on long-term debt and Debentures	52,875	196,439	49,875	299,189
Commodity futures	6,042	215	-	6,257
Commodity swaps	2,214	-	-	2,214
Equity swap	3,020	277	-	3,297
	$ 575,187	$ 827,111	$ 649,875	$ 2,052,173

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

Capital management

The Company's objectives when managing its capital structure are to maintain financial flexibility so as to preserve the Company's ability to meet its financial obligations and to finance internally generated growth capital requirements as well as potential acquisitions.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity, long-term debt, the Debentures, the Revolving Credit Facility and working capital. To maintain or adjust the capital structure, the Company may draw on its revolving credit facility, issue notes or issue equity and/or adjust its operating costs and/or capital spending to manage its current and projected debt levels.

Financing decisions are made by management and the Board based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Company's commitments and development plans. Factors considered when determining whether to issue new debt or to seek equity financing include the amount of financing required, the availability of financial resources, the terms on which financing is available and consideration of the balance between shareholder value creation and prudent financial risk management.

Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet, and the Debentures), less cash and cash equivalents. Total capital is calculated as net debt plus share capital as shown in the consolidated balance sheet.

	December 31,	
	2017	**2016**
Total financial liability borrowings	$ 1,118,119	$ 1,271,839
Debentures (liability component) [(1)]	89,765	89,765
Less: cash and cash equivalents	(32,138)	(60,159)
Net debt	1,175,746	1,301,445
Total share capital (including Debentures – equity component)	1,939,126	1,919,267
Total capital	$ 3,114,872	$ 3,220,712

(1) The Debentures are included in the above total capital calculation in accordance with the Company's view of its capital structure which includes shareholders' equity, long-term debt, the Debentures, the Revolving Credit Facility, and working capital. The Debentures and associated interest payments are excluded from the definition of net debt included in the consolidated senior and total debt covenant ratios, as well as the consolidated interest coverage covenant ratio.

If the Company is in a net debt position, the Company will assess whether the projected cash flow and availability under the Revolving Credit Facility and the bilateral demand letter of credit facilities are sufficient to service this debt and support ongoing operations.

29 Commitments and contingencies

Commitments

Operating lease obligations primarily relate to office leases, rail cars, vehicles, field buildings, various equipment and terminal services arrangements. The minimum payments required under these commitments, net of sub-lease income, are as follows:

2018	$ 62,598
2019	48,280
2020	28,860
2021	18,351
2022	11,450
2023 and later	54,184
	$ 223,723

Expenses related to operating leases, net of sublease income, were $66.8 million and $69.2 million for the year ended December 31, 2017 and 2016, respectively.

With respect to capital expenditures, at December 31, 2017, the Company had an estimated amount of $175.9 million remaining to be spent that relates to projects approved at that date.

Contingencies

The Company is involved in various claims and actions arising in the course of operations and is subject to various legal actions and exposures. Although the outcome of these claims are uncertain, the Company does not expect these matters to have a material adverse effect on the Company's financial position, cash flows or operational results. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on the Company's consolidated net income or loss in the period in which the outcome is determined. Accruals for litigation, claims and assessments are recognized if the Company determines that the loss is probable and the amount can be reasonably estimated. The Company believes it has made adequate provision for such legal claims. While fully supportable in the Company's view, some of these positions, if challenged may not be fully sustained on review.

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. These requirements, in addition to the contractual agreements and management decisions, result in the recognition of estimated decommissioning obligations and environmental remediation. Estimates of decommissioning obligations and environmental remediation costs can change significantly based on such factors such as operating experience and changes in legislation and regulations.

30 Subsequent Events

On March 5, 2018, the Company announced that the Board declared a quarterly dividend of $0.33 per common share for the quarter ending March 31, 2018 on its outstanding common shares. The common share dividend is payable on April 17, 2018 to shareholders of record at the close of business on March 30, 2018.

Subsequent to the year end, the Company considers it's U.S Environmental Services business to be held-for-sale. The sale involves all significant assets and related obligations associated with its U.S. Environmental Services operations, which will be considered a discontinued operation, when reported as held-for-sale. Significant terms of the sale have been negotiated subsequent to December 31, 2017 which included the structure of the transaction, and the buyer has substantially completed their due diligence review, such that a sale is now considered highly probable. The Company is targeting to complete the sale within first half of 2018. The assets and related liabilities of the U.S. Environmental Services business are included within the Company's Infrastructure, Logistics and Other reportable segment.

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

31 Supplemental cash flow information

	Year ended December 31, 2017	2016
Cash flow from operating activities		
Net loss from continuing operations	$ (115,715)	$ (178,167)
Adjustments for non-cash items:		
Finance costs, net	119,066	62,811
Income tax recovery	(66,168)	(56,450)
Depreciation and impairment of property, plant and equipment	192,302	175,346
Amortization and impairment of intangible assets	37,425	69,062
Impairment of goodwill	69,414	130,052
Stock based compensation	22,056	24,876
Gain on sale of property, plant and equipment	(6,243)	(4,983)
Other	(2,854)	(5,012)
Net (gain) loss on fair value movement of financial instruments	(1,615)	5,073
Subtotal of adjustments	363,383	400,775
Changes in items of working capital:		
Trade and other receivables	(64,547)	(90,595)
Inventories	(27,019)	(42,350)
Other current assets	(1,842)	(1,780)
Trade payables and accrued charges	53,062	99,260
Deferred revenue	(2,771)	2,974
Subtotal of changes in items of working capital	(43,117)	(32,491)
Income taxes received (paid), net	419	(14,635)
Cash provided by operating activities from continuing operations	$ 204,970	$ 175,482

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

Reconciliation of movements of financial liabilities to cash flows arising from financing activities

	Financial Liabilities			Derivatives (assets)/ liabilities	Equity			
	Long-term debt	Accounts payable and accrued charges	Dividend payable	Accounts receivable	Share capital and Contributed Surplus	Net Interest	Deficit	Total
January 1, 2017	$ 1,271,839	$ 468,834	$ 46,772	$ (428,248)	$ 1,955,931	$ -	$ (1,107,075)	$ 2,208,053
Payment of shareholder dividends	-	-	485	-	-	-	(188,470)	(187,985)
Interest paid	-	-	-	-	-	(88,954)		(88,954)
Interest received	-	-	-	-	-	1,777	-	1,777
Proceeds from exercise of share options	-	-	-	-	2,822	-	-	2,822
Proceeds from long-term debt, net of debt discount and premium	590,196	256	-	-	-	-	-	590,452
Repayment of long-term debt, net of costs	(1,024,007)	-	-	-	-	-	-	(1,024,007)
Proceeds from credit facility	1,016,412	-	-	-	-	-	-	1,016,412
Repayment of credit facility	(786,232)	-	-	-	-	-	-	(786,232)
Net proceeds on settlement of derivative financial instruments	-	-	-	(2,218)	-	-	-	(2,218)
Cash (used in) provided by financing activities from continuing operations	$ (203,631)	$ 256	$ 485	$ (2,218)	$ 2,822	$ (87,177)	$ (188,470)	$ (477,933)
Effect of changes in foreign exchange rates	$ (10,450)	$ (6,849)	$ -	$ (92)	$ -	$ -	$ -	$ (17,391)
Changes in fair value	-	394	-	(2,009)	-	-	-	(1,615)
Interest Expense	1,287	(14,998)	-	(5)	-	-	-	(13,716)
Net (gain) loss on financial instruments	(2,218)	-	-	2,218	-	-	-	-
Debt extinguishment costs	60,492	-	-	-	-	-	-	60,492
Other changes	800	53,025	-	-	-	-	-	53,825
Equity-related changes	-	-	-	(64,547)	22,056	87,177	44,129	88,815
December 31, 2017	$ 1,118,119	$ 500,662	$ 47,257	$ (494,901)	$ 1,980,809	$ -	$ (1,251,416)	$ 1,900,530