Management's Discussion and Analysis

2017 Year End Report

Gibson Energy

Contents

The following Management's Discussion and Analysis ("MD&A") was prepared and approved by the Board of Directors (the "Board") of Gibson Energy Inc. ("we", "our", "us", its", "Gibson Energy", "Gibson" or the "Company") as of March 5, 2018 and should be read in conjunction with the audited consolidated financial statements and related notes of the Company for the years ended December 31, 2017 and 2016, which were prepared under 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"), also referred to as GAAP. Amounts are stated in thousands of Canadian dollars unless otherwise noted. Additional information about Gibson, including the Annual Information Form for the year ended December 31, 2017 ("AIF") is available on SEDAR at www.sedar.com and on our website at www.gibsonenergy.com.

This MD&A contains forward-looking information and non-GAAP measures and readers are cautioned that this MD&A should be read in conjunction with the Company's disclosure under "Forward-Looking Information" and "Non-GAAP Financial Measures" included at the end of this MD&A.

BUSINESS OVERVIEW AND STRATEGY

Gibson is an oil infrastructure company with our principal businesses consisting of the storage, blending, processing, and gathering of crude oil and refined products. Headquartered in Calgary, Alberta, our operations are focused around our core terminal assets located at Hardisty, Alberta (the "Hardisty Terminal" or "Hardisty") and Edmonton, Alberta (the "Edmonton Terminal" or "Edmonton"), and also include the Moose Jaw Facility and injections stations in the Permian basin in Texas and the South Central Oil Province ("SCOOP") and the Sooner Trend, Anadarko Basin, Canadian, and Kingfisher Counties ("STACK") basins in Oklahoma.

Our strategy and strengths

The key attributes of our strategy are:

- an oil infrastructure focus, with the Infrastructure segment expected to comprise approximately 85% of segment profit by the end of 2019, including the terminals and pipelines representing approximately 75% of total segment profit;
- targeting 10% distributable cash flow per share growth through aiming to invest $150 million to $200 million in growth capital per year; and
- offering a secure, growing dividend that is underpinned by long-term contracts with investment grade counterparties at its terminal assets, with total Company cash flows expected to be comprised of approximately 85% take-or-pay, stable fee-based structures, inclusive of internal take-or-pay, by the end of 2019.

In order to be successful in our strategy we will:

- leverage our competitive position at our terminals to continue to secure a significant proportion of new tankage business. Through offering the most connectivity to inbound and outbound pipelines at Hardisty, as well as exclusive access to the only unit train rail facility at Hardisty, we have built a position that provides us a competitive advantage to service our customers. We intend to harvest additional opportunities within our terminals to provide incremental connectivity and other services to existing terminal customers;
- seek complementary growth through our basin strategy, focusing on the oil sands, Viking and Duvernay basins in Canada, and the Permian and SCOOP / STACK basins in the U.S. Within these basins, we will leverage our core terminals and injection stations to advantage us in competing for gathering pipeline and related infrastructure opportunities;
- pursue high quality cash flows to underpin our dividend and fund growth capital to maintain over 80% of our cash flows from take-or-pay, stable fee-based contracts;
- maintain a strong balance sheet and financial position through targeting a leverage ratio of 3.0x – 3.5x and a payout ratio of 70% – 80% of distributable cash flow. We anticipate being fully funded for our growth capital through the end of 2019 through proceeds from non-core asset dispositions, and will subsequently seek to fund growth capital with a maximum of 50% - 60% debt. We also target an investment grade credit rating to decrease our funding costs and increase our access to capital;
- remain highly skilled in building and operating our infrastructure while aggressively managing costs to maintain and improve operating margins. We will be customer-focused and will foster long-term relationships with our customers in order to better understand their infrastructure requirements and be more responsive in providing the best solutions for them; and

- continue our firm commitment to be a leader in environment, health, and safety. Our experienced leadership team has a proven history of successful operations and a strong industry reputation.

SELECTED FINANCIAL INFORMATION

	Three months ended December 31		Year ended December 31		
	2017	2016 [3]	2017	2016 [3]	2015 [3]
Continuing operations					
Revenue	$ 1,766,887	$ 1,414,187	$ 6,100,839	$ 4,594,181	$ 5,405,311
Segment profit	85,227	87,634	310,236	263,646	377,416
Net loss	(91,787)	(50,597)	(115,715)	(178,167)	(295,374)
Basic and diluted loss per share	(0.64)	(0.36)	(0.81)	(1.31)	(2.35)
Adjusted EBITDA [1,2]	82,271	83,927	277,635	244,092	344,591
Distributable cash flow [1,2]	48,465	42,725	165,031	101,940	200,990
Dividends declared	47,257	46,772	188,470	181,994	161,002
Cash flow from operating activities	45,314	44,152	204,970	175,482	399,117
Growth capital expenditures	$ 59,045	$ 34,769	$ 157,123	$ 202,984	$ 343,766
Combined operations [1]					
Combined Adjusted EBITDA [1,2]	82,271	97,219	291,272	278,106	386,284
Distributable cash flow [1,2]	$ 65,170	$ 47,614	$ 183,594	$ 131,644	$ 226,297

Consolidated balance sheets

	As at December 31		
	2017	2016	2015
Total assets	$ 2,964,434	$ 3,261,347	$ 3,282,986
Total non-current liabilities	$ 1,498,900	$ 1,639,045	$ 1,606,425

	Last Twelve Months - As at December 31		
	2017	2016	2015
Debt ratios [4]			
Total and senior debt leverage ratio	4.0	4.4	3.2
Interest coverage ratio	3.7	3.0	4.6

[1] See definition of non-GAAP measures on pages 20 to 23 and 39 to 40. Combined Adjusted EBITDA and Combined distributable cash flow, represents the aggregated results of both continuing and discontinued operations.

[2] See pages 21 to 22 and 28 for a reconciliation of Adjusted EBITDA to segment profit and distributable cash flow to cash flow from operations, respectively.

[3] Comparative period information has been restated to reflect the impact of discontinued operations. Refer to "subsequent events" for details.

[4] See ratio discussion on page 21 and 26 for more information on the ratio calculation which includes calculation of Proforma Adjusted EBITDA for covenant calculations.

2017 REVIEW

Financial highlights

- Segment profit for the Infrastructure segment increased by 19% to $237 million for the year ended December 31, 2017 compared to $200 million for the year ended December 31, 2016 primarily as a result of the additional tank capacity and associated take-or-pay, stable fee-based contracts added during the first quarter of 2017 and the fourth quarter of 2016.
- Segment profit from continuing operations increased by 17% to $310 million for the year ended December 31, 2017 compared to $264 million for the year ended December 31, 2016 primarily due to higher segment profit from the Infrastructure segment.
- Distributable cash flow from combined operations increased by 39% to $184 million for the year ended December 31, 2017, compared to $132 million for the year ended December 31, 2016.
- Adjusted EBITDA from continuing operations increased by 14% to $278 million for the year ended December 31, 2017 compared to $244 million for the year ended December 31, 2016 due to higher segment profits across all business segments.
- Net loss from continuing operations decreased by 35% to $116 million for the year ended December 31, 2017 compared to a net loss of $178 million for the year ended December 31, 2016.
- In the fourth quarter of 2017 and 2016, the Company declared a dividend of $0.33 and $0.33 per common share, respectively. Total dividends declared for the years ended December 31, 2017 and 2016, were $188 million and $182 million respectively or $1.32 per common share.

Capital expenditure highlights

- During the year ended December 31, 2017, the Company incurred total growth capital expenditures of $157 million of which $147 million was primarily attributable to the Infrastructure segment for new tanks and related infrastructure at the Hardisty and Edmonton Terminals. Total 2017 growth capital expenditures were below our most recent guidance of $170 million mainly due to capital costs savings at the Edmonton Terminal expansion and the timing of the spend related to other Infrastructure growth projects.
- On September 11, 2017, the Company announced the sanction of the construction of 1.1 million barrels of new tankage at its Hardisty Terminal of which 600,000 barrels is underpinned by a long-term, take-or-pay, stable fee-based contract with a senior investment grade oil sands customer and 500,000 barrels for operational purposes. The two 300,000 barrel tanks and one 500,000 barrel tank are expected to be placed into service in the third quarter of 2019 and will increase the total capacity of the terminal to approximately 10.1 million barrels.

Disposition of non-core businesses

- During 2017, the Company closed the sale of its Industrial Propane segment. The final sale price after working capital adjustments was $433 million resulting in recognition of a post-tax gain on sale of $151 million.
- On August 1, 2017, the Company announced its intention to divest its U.S. Environmental Services business.

Credit facility and long-term debt updates

- Effective March 7, 2017, the Company amended its unsecured revolving credit facility (“Revolving Credit Facility”) whereby, among other revisions, the maximum consolidated senior debt leverage ratio and the maximum consolidated total debt leverage ratio were revised 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. Furthermore, the maturity date of our Revolving Credit Facility was extended from August 2020 to March 2022.
- On November 30, 2017, the Company amended the Revolving Credit Facility from $500.0 million to $560.0 million.
- During the year, the Company issued $600 million 5.25% Senior Unsecured Notes due July 15, 2024 at face value 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 refinancing has strengthened the Company's balance sheet by reducing its long-term indebtedness, decreased its annual interest costs and extended its debt maturity profile.

Organizational changes

- On June 5, 2017, the Company announced the appointment of Steve Spaulding as the Company’s President and Chief Executive Officer, effective June 19, 2017, at which time Mr. Spaulding also became a member of Gibson’s Board of Directors.
- During 2017, the Company initiated a corporate reorganization which resulted in the elimination of certain positions including certain executive and management positions. The Company incurred one-time reorganization and executive costs of $19 million.

SUBSEQUENT EVENTS

Dividend

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

Strategy and sale of non-core businesses

- On January 3, 2018 the Company initiated the start-up process related to the commissioning of the two new 400,000 barrel crude oil storage tanks and related pipeline connection infrastructure at the Edmonton Terminal.
- On January 30, 2018, the Company announced its new corporate strategy and plans for the sale of several non-core businesses, including NGL Wholesale, Canadian Truck Transportation, non-core Canadian Environmental Services and non-core U.S. Injection Stations and Truck Transportation assets. The Company expects to place all the non-core businesses to be disposed into the market by the end of 2018, with a target of concluding the non-core divestiture process by mid-2019. Aggregate proceeds from the sale of non-core businesses are conservatively expected to range between $275 million and $375 million and are expected to be reinvested into the core infrastructure business through funding future growth capital expenditures.
- On February 21, 2018, the Company announced the sanction of the $50 million Viking Pipeline Project. This project will extend the reach of the existing Provost Pipeline to support development by several regional producers.
- Subsequent to the year end, the Company has continued to progress its U.S. Environmental Services business sale process and is targeting to complete the divestiture during the first half of 2018.

PROJECT DEVELOPMENTS AND MARKET OUTLOOK

Major growth projects

The Company continues to progress towards the completion of major growth projects within its Infrastructure segment, primarily related to the construction of tankage and pipeline connections.

On September 11, 2017, the Company announced the sanction of the construction of new 1.1 million barrels of crude oil storage capacity and related pipeline connection infrastructure at the Company's Hardisty Terminal. The two 300,000 barrel tanks and one 500,000 barrel tank are expected to be placed into service in the third quarter of 2019. The two 300,000 barrel tanks are underpinned by a long-term, take-or-pay, stable fee-based contract with a senior, investment grade, oil sands customer and the 500,000 barrel tank is being constructed for operational purposes.

On February 21, 2018, the Company announced the sanction of the $50 million Viking Pipeline Project. Consistent with Gibson’s intention to expand its pipeline gathering network in the Viking Basin by leveraging existing storage, optimization capabilities and access to egress pipelines at its Hardisty Terminal, the Viking Pipeline Project will extend the reach of the existing Provost Pipeline to support development by several regional producers. The 120-km pipeline will have an initial capacity of 13,300 bbl/d, with the potential to expand to an estimated 25,000 bbl/d in the future. The Viking Pipeline Project is expected to be in service in Q1 2019, and is underpinned by shippers through take-or-pay commitments with an area of dedication.

In addition to the projects discussed, we continue to make progress with commercial development opportunities at both Hardisty and Edmonton that, with success, will enable us to add additional storage and connection infrastructure for our customers.

Market outlook

Gibson regularly evaluates its long-range strategic plan in order to assess the implications of emerging industry trends. These industry trends have the ability to affect Gibson's business and prospects over the short-term ("two years or less") and the medium to long-term ("two to five years").

There are a number of factors that affect our customers' views of market access over the short and medium term, particularly in the Western Canadian Sedimentary Basin (the "WCSB"). These views, in addition to commodity prices, influence their willingness to increase capital expenditure programs that ultimately increase activity and production volumes, which create opportunities for our terminals at Hardisty and Edmonton, as well as our services that support those assets:

- In the short-term, crude oil pricing, location and quality disconnects, combined with the existing shortage of pipeline takeaway capacity from the WCSB, necessitate demand for terminal services and increase use of crude by rail as a solution for export market access. The Company believes that increased reliance on storage during periods of limited egress, especially during pipeline upsets, may lead customers to consider increasing their available storage and will be supportive of recontracting the rail facility at Hardisty.
- Enbridge Inc.'s proposed replacement of its Line 3 pipeline will help the growing supply of Canadian crude oil gain access to the largest refining markets in the U.S. and Eastern Canada. The replacement of Line 3, which received Canadian Government approval in December 2016, and is awaiting final approval from the state of Minnesota, could provide incremental capacity by late 2019. The Hardisty Terminal is connected to deliver to this expansion and Line 3 coming into service should provide increased opportunities for the Company's terminal services at Hardisty;
- The receipt of Canadian federal approval for the Trans Mountain Expansion pipeline and U.S. federal and state approval for the Keystone XL pipeline has advanced two initiatives that should help the growing supply of Canadian crude oil garner improved market access, although additional regulatory challenges remain for both these projects. The starting point for the pipelines would be adjacent to the Company's Hardisty (Keystone XL) and Edmonton (Trans Mountain Expansion) terminals which could provide increased opportunities for the Company's terminalling services;
- Global heavy oil demand and prices may experience transitory volatility associated with the International Marine Organization's (IMO) Annex VI regulation which will reduce the maximum sulphur content of marine fuels from 3.5% to 0.5% beginning January 1, 2020. To maintain compliance, marine shippers must either install sulphur scrubbers or switch to lower sulphur fuels such as diesel or LNG. This change may potentially impact refinery demand for a period of time, and thus decrease prices for the high sulfur crude oils typical of Canada's oil sands; and
- Over the medium to long-term, as market access becomes more certain and technology development and cost reductions continue to decrease supply costs, the supply of Canadian heavy crude oil from the oil sands should start to grow more rapidly as additional oil sands projects are sanctioned and brought on stream, resulting in increased demand for terminal services and diluent in the WCSB.

The recent recovery of oil prices is expected to facilitate improved project economics for Gibson's producer customers. Taken together with improving cost efficiencies and increasing optimism regarding market access solutions, these factors have resulted in modest increases in capital programs being announced by a number of North American producers. However, given the uncertainty of oil prices in the short to medium term, producers appear to be taking a measured approach towards capital spending increases, which may limit the pace of production growth compared to past cycles. As crude oil supply and demand fundamentals rebalance, the Company anticipates a slow return to activity and production growth levels, a continued demand for midstream assets and increasing demand for storage.

Price fluctuations between crude oil types can create incremental margin opportunities in multiple areas of the Company's operations. Crude price differentials have recently widened in the face of firming of benchmark crude oil prices and the Company remains attentive to opportunities as this trend continues to evolve.

Over the medium to long-term the Company expects new technology for oil sands and conventional development to be deployed within the industry which should improve producers' cost structures, and further enhance the viability and resilience of the specific basins in which Gibson has strategically chosen to operate, resulting in increased demand for Gibson's services.

RESULTS OF CONTINUING OPERATIONS

The Company's senior management evaluates segment performance based on a variety of measures depending on the particular segment being evaluated, including profit, volumes, operating expenses, profit per barrel and replacement capital requirements. The Company defines segment profit as revenues less cost of sales (excluding depreciation, amortization and impairment expense) and operating expenses. Revenues presented by segment in the table below include inter-segment revenue, as this is considered more indicative of the level of each segment's activity. Profit by segments excludes depreciation, amortization, accretion, impairment charges, stock based compensation and corporate expenses, as senior management looks at each period's earnings before corporate expenses and non-cash items, such as depreciation, amortization, accretion, impairment charges and stock based compensation, as one of the Company's important measures of segment performance.

The following is a discussion of the Company's segmented results of operations for the three months and years ended December 31, 2017 and 2016 and the following table sets forth revenue and profit by segment for those periods:

	Three months ended December 31		Year ended December 31	
	2017	**2016**	**2017**	**2016**
Segment revenue				
Infrastructure	$ 84,024	$ 83,458	$ 343,003	$ 298,150
Logistics	135,752	132,790	526,345	512,935
Wholesale	1,714,250	1,322,354	5,817,252	4,187,508
Other	4,067	1,658	16,729	11,291
Total segment revenue	1,938,093	1,540,260	6,703,329	5,009,884
Revenue – inter-segmental	(171,206)	(126,073)	(602,490)	(415,703)
Total revenue – external	1,766,887	1,414,187	6,100,839	4,594,181
Segment profit (loss)				
Infrastructure	55,897	56,271	236,795	200,307
Logistics	10,653	14,685	42,671	39,576
Wholesale	18,658	17,204	30,585	24,408
Other	19	(526)	185	(645)
Total segment profit	85,227	87,634	310,236	263,646
General and administrative	22,316	8,482	51,204	35,018
Depreciation and impairment	66,316	54,185	192,302	175,346
Amortization and impairment	10,648	7,820	37,425	69,062
Impairment of goodwill	69,414	28,647	69,414	130,052
Stock based compensation	9,151	7,172	22,056	24,876
Debt extinguishment costs	(2,630)	-	60,492	-
Foreign exchange loss (gain)	2,534	16,165	(18,136)	(21,617)
Net Interest expense	17,414	23,317	77,362	85,526
Loss before income tax	(109,936)	(58,154)	(181,883)	(234,617)
Income tax recovery	(18,149)	(7,557)	(66,168)	(56,450)
Net loss from continuing operations	$ (91,787)	$ (50,597)	$ (115,715)	$ (178,167)

The exclusion of depreciation, amortization and impairment expense could be viewed as limiting the usefulness of segment profit as a performance measure because it does not take into account, in current periods, the implied reduction in value of the Company's capital assets (such as, tanks, pipelines, plant and equipment, rolling stock and disposal wells) caused by use, aging and wear and tear. Repair and maintenance expenditures that do not extend the useful life, improve the efficiency or expand the operating capacity of the Company's capital assets are charged to operating expense as incurred.

The Company's segment analysis involves an element of judgment relating to the allocations between segments. Inter-segment sales, cost of sales and operating expenses are eliminated on consolidation. Transactions between segments and within segments are valued at prevailing market rates. The Company believes that the estimates with respect to these allocations and rates are reasonable.

INFRASTRUCTURE

The Infrastructure segment is comprised of a network of oil infrastructure assets that include 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 related products before eventual distribution to end-use markets. The primary facilities within this segment include the terminals located at Hardisty and Edmonton, which are the principal hubs for aggregating and exporting oil and refined products out of the WCSB; gathering pipelines, which are connected to the Hardisty Terminal and to one of our Processing Recovery and Disposal ("PRD") locations; injection stations, which are located throughout the U.S.; a crude oil processing facility in Moose Jaw, Saskatchewan (the "Moose Jaw Facility") and PRD Terminals located throughout Western Canada and the Northern U.S.

Our PRD business is dependent upon the drilling activity in the WCSB, Bakken and Northern U.S. As a result, the PRD business is impacted by seasonality due to road bans as part of spring break-up.

The following tables set forth the operating results from the Company's Infrastructure segment for the three months and years ended December 31, 2017 and 2016:

	Three months ended December 31		Year ended December 31	
Volumes (barrels in thousands)	**2017**	**2016**	**2017**	**2016**
Terminals and facilities				
Hardisty Terminal	70,424	56,802	259,953	211,699
Edmonton Terminal	5,358	5,421	20,835	16,922
Moose Jaw Facility	1,483	1,628	5,524	5,180
PRD Terminals	3,679	3,201	14,358	10,904
Injection Stations	2,259	6,419	17,238	32,310
Total terminals and facilities	83,203	73,471	317,908	277,015

	Three months ended December 31		Year ended December 31	
	2017	**2016**	**2017**	**2016**
Revenue				
Hardisty Terminals	$ 47,693	$ 48,368	$ 198,926	$ 175,436
Edmonton Terminals	12,944	13,132	52,119	42,205
Moose Jaw facility	9,844	9,976	39,391	38,062
PRD Terminals	13,013	10,744	49,216	35,847
Injection Stations	530	1,238	3,351	6,600
Revenue	84,024	83,458	343,003	298,150
Operating expenses and other	28,127	27,187	106,208	97,843
Segment profit	$ 55,897	$ 56,271	$ 236,795	$ 200,307

Operational performance

In the three months and year ended December 31, 2017 compared to the three months and year ended December 31, 2016:

Hardisty Terminal volumes increased by 24% and 23%, respectively. The increase in both comparative periods was largely driven by the impact of the new tanks commissioned in the fourth quarter of 2016, the addition of a new take-or-pay, stable fee-based customer, an increase in a customer's contract tankage volumes, and the addition of infrastructure connections during 2017 which provided for higher throughput volumes from certain customers. The increase in the year over year comparative period was also driven by the operational impact of the Fort McMurray forest fire which reduced volumes delivered to our customers in the second quarter of 2016.

Edmonton Terminal volumes were largely consistent with the prior period and increased by 23%, respectively. The year over year increase was mainly due to the commissioning of new tanks and common infrastructure at the Edmonton Terminal, completed in the fourth quarter of 2016, additional volumes received from the Company's Wholesale segment and due to the operational impact of the Fort McMurray forest fire which reduced available volumes in the second quarter of 2016.

Moose Jaw Facility volumes decreased by 9% and increased by 7%, respectively. The quarter over quarter decrease was primarily due to the impact of the build-up of higher asphalt inventory levels on a period over period basis. The year over year increase was primarily due to the impact of a substantially longer plant turnaround time during the second quarter of 2016 compared to the current period, as well as the overall increase in demand for certain refined products. This was partially offset by the impact of lower processing activity in the first quarter of 2017 as a result of an accumulation of inventory levels in the fourth quarter of 2016.

PRD Terminal volumes increased by 15% and 32%, respectively. The increase in both comparative periods was mainly due to higher drilling activity levels in the Company's WCSB service areas, particularly in the Saskatchewan Viking and the Alberta Montney, primarily driven by the sustained recovery of crude prices.

Injection Station volumes decreased by 65% and 47%, respectively. The decrease in both comparative periods was mainly due to a decrease in activity with a major customer in North Dakota and South Texas and the strategic decision to realign the injection stations service towards a more diversified customer base as discussed below within Logistics - U.S Crude and Other Products section.

Financial performance

In the three months and year ended December 31, 2017 compared to the three months and year ended December 31, 2016:

Revenue at the Hardisty Terminal was largely consistent with the prior period and increased by $23.5 million, respectively. Revenue remained flat quarter over quarter with the additional revenue earned with the new infrastructure assets as noted under operational performance being offset by a $4.6 million one-time revenue adjustment related to the Hardisty Terminal. The year over year increase was largely driven by additional revenue from the new tanks commissioned in the fourth quarter of 2016 providing more customers with dedicated tank usage pursuant to take-or-pay, stable fee-based arrangements not dependent on volumes. The increase in revenues was also driven by the addition of a new take-or-pay, stable fee-based customer, an increase in a contract customer's tankage usage and the addition of the new common infrastructure connections.

Revenue at the Edmonton Terminal was consistent with the prior period and increased by $9.9 million, respectively. The year over year increase was primarily due to the impact of the revenue related to the commissioning of the new tanks and related common Infrastructure at the Edmonton Terminal and the impact of additional take-or-pay, stable fee-based arrangements and associated volumes related to the new tank at the Edmonton West Terminal that was commissioned in the fourth quarter of 2016.

PRD Terminal revenue increased by $2.3 million and $13.4 million, respectively mainly as a result of improved operational performance as discussed under operational performance.

Moose Jaw Facility revenue was consistent with the prior period and increased by $1.3 million, respectively. The increase in the year over year comparative periods was primarily due to higher processing volumes as a result of the shorter turnaround time in 2017.

Injection station revenue decreased by $0.7 million and $3.2 million, respectively primarily related to lower volumes as previously discussed.

Segment profit was largely consistent with the prior period and increased by $36.5 million, respectively. The quarter over quarter change was flat primarily due to consistent revenues from the Hardisty and Edmonton Terminals, and injection stations, as well as higher operating costs, associated with the expansion of the terminals, and the recognition of $2.3 million for future environmental remediation costs. The revenue and segment profit decrease was partially offset by increase in revenues and segment profit from the PRD Terminals. The year over year increase was primarily due to the increased revenues from the Hardisty, Edmonton, and PRD Terminals. The revenue increase was partially offset by reductions in revenues from injection stations, and higher operating costs, associated with the expansion of the terminals, and recognition of certain environmental remediation costs.

Capital expenditures

Below is the summary of Infrastructure capital expenditures for the years ended December 31, 2017 and 2016:

	Year ended December 31	
	2017	**2016**
Growth capital	$ 146,739	$ 183,561
Replacement capital	$ 17,436	$ 13,110

The reduction in growth capital expenditures for the year ended December 31, 2017 compared to the year ended December 31, 2016 primarily relates to a reduction in the amount of construction towards additional tanks and related infrastructure at the Hardisty and Edmonton Terminals in 2017 due to the high volume of tank and related infrastructure completions in the fourth quarter of 2016 at the Hardisty Terminal, the Edmonton Terminal and the Moose Jaw Facility.

Replacement capital includes purchases that replace existing assets as necessary to maintain current service levels or replace assets that no longer have a useful economic life. The year over year change was primarily due to non-recurring mechanical and repair projects completed at the Moose Jaw Facility, as well as maintenance activities completed at the Company's PRD and Hardisty Terminals.

LOGISTICS

The Logistics segment includes a suite of logistical wellsite services that enable oil and liquids production to access fixed midstream infrastructure. This segment provides truck 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, sulphur, petroleum coke, gypsum, emulsion, waste water and drilling fluids for many of North America's leading oil and gas producers. Additionally, the Company also provides several ancillary services to production companies.

Generally, the segment's second quarter results are impacted by road bans and other restrictions which impact overall activity levels in the WCSB and the Northern U.S., and, therefore, negatively impact the business. Also, for certain services and geographical regions, the activity is generally the lowest in the winter months when daylight hours are shorter.

The following tables set forth operating results from the Company's Logistics segment for the three months and years ended December 31, 2017 and 2016:

	Three months ended December 31		Year ended December 31	
Volumes (barrels in thousands)	**2017**	**2016**	**2017**	**2016**
Canadian crude and other products	11,971	12,034	46,815	44,955
U.S. crude and other products	6,431	8,229	26,848	36,629
Total	18,402	20,263	73,663	81,584

	Three months ended December 31		Year ended December 31	
	2017	**2016**	**2017**	**2016**
Revenue				
Canadian crude and other product hauling	$ 47,100	$ 50,582	$ 195,218	$ 180,636
U.S. crude and other product hauling	14,643	21,821	66,888	101,054
Water hauling and disposal	33,596	26,882	129,264	106,298
Other products and services	40,413	33,505	134,975	124,947
Total revenue	135,752	132,790	526,345	512,935
Cost of sales	99,896	96,383	386,243	372,309
Operating expenses and other	25,203	21,722	97,431	101,050
Segment profit	$ 10,653	$ 14,685	$ 42,671	$ 39,576

Operational performance

In the three months and year ended December 31, 2017 compared to the three months and year ended December 31, 2016:

Canadian crude and other product hauling barrels were largely consistent and increased by 4%, respectively. The consistent quarter over quarter results were primarily due to consistent levels of hauling activity in the Fort McMurray and Northern Alberta regions attributable to comparable activity in drilling and oil sands production as well as change in the hauling product mix period over period. The year over year increase was primarily due to higher levels of hauling activity in the Fort McMurray and the Northern Alberta regions attributable to the increase in drilling activity and oil sands production activity, coupled with the increase in petroleum coke, and liquefied petroleum gas hauled partially offset by lower gypsum, sulphur and road asphalt volumes.

U.S. crude and other products volume decreased by 22% and 27%, respectively. The decrease in both comparative periods was primarily attributable to the decline in business with Logistics' largest U.S. trucking customer triggered by the termination of the injection station access agreement in November 2017. Trucking volume with other customers are gradually increasing, however not sufficiently yet to overcome the overall effect of the decline with the large customer. To a lesser degree, 2017 volumes were also affected by a strategic decision to exit the Utica Basin in the fourth quarter of 2016 due to uneconomic hauling margins in the region.

Financial performance

In the three months and year ended December 31, 2017 compared to the three months and year ended December 31, 2016:

Canadian crude and other product revenue decreased by 7% and increased by 8%, respectively. The decrease in quarter over quarter results was primarily due to consistent volumes hauled, with lower hauling rates for crude and LPG mix. The year over year period increase was primarily due to higher hauling rates for petroleum coke, sulphur, propane and gypsum and higher volumes hauled as noted under operational performance.

U.S. crude and other revenue decreased by 33% and 34%, respectively. The decrease in both comparative periods was primarily driven by lower volumes as noted above, the Company's exit from the Utica basin and due to change in business focus towards a more aggressive bid strategy with new customers.

Water hauling and disposal revenue increased by 25% and 22%, respectively. The increase in both comparative periods was primarily driven by the impact of the continued increase in production related volumes in the Mid Continent (Arkoma, SCOOP and STACK regions), Bakken and Northern Alberta.

Other products and services revenue increased by 21% and 8%, respectively. The quarter over quarter increase was primarily driven by higher activity in the Bakken, Gulf of Mexico, Rockies, Haynesville and Eagle Ford regions, and the realization of higher service rates in certain areas. The year over year period increase was primarily driven by higher activity in the Bakken, Rockies, Haynesville and Eagle Ford regions, and the realization of higher rates within the last two quarters, offset by lost service days related to Tropical Storm Cindy and Hurricane Harvey and Irma.

Segment profit decreased by 27% and increased by 8%, respectively. The quarter over quarter decrease was, primarily due to lower margins earned on Canadian and U.S. crude hauling, driven by lower overall volumes hauled due to increased competition within the Company's service areas and higher operating expenses in the U.S. primarily related to higher repairs and maintenance and payroll related costs in the current quarter. Canadian operations were also negatively impacted by lower margins on crude, LPG mix, gypsum, and asphalt partially offset by higher margins related to propane, and sulphur. The year over year increase was primarily due to higher margins earned on U.S. other products and services, driven by higher drilling activity and higher service rates. Canadian operations were positively impacted by higher margins earned on sulphur, and petroleum coke, partially offset by lower margins on crude, gypsum, and asphalt. Additionally, U.S. crude hauling margins declined due to increased competition within the Company's service areas as well as increased driver costs. The year over year increase was also supported by lower operating costs in the current period largely due to the continuation of the reduction in payroll related costs associated with overall headcount reductions.

Capital expenditures

Below is the summary of Logistics capital expenditures for the years ended December 31, 2017 and 2016:

	Year ended December 31	
	2017	2016
Growth capital	$ 6,043	$ 5,860
Replacement capital	$ 7,799	$ 9,634

Growth capital expenditures for the year ended December 31, 2017, remain consistent with the prior comparative periods with approximately 96% of the expenditures in 2017 relating to U.S. Environmental Services asset purchases. Growth capital expenditures for the year ended December 31, 2016 also include expenditures related to the completion of the new Edmonton truck terminal.

Replacement capital decreased $1.8 million for the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily due to decrease in spending related to the replacement of on-board computer software for the Canadian truck fleet as well as various truck and trailer replacements related to the Canadian and U.S. Logistics businesses.

WHOLESALE

The Wholesale segment includes the purchasing, selling, storing and optimization of hydrocarbon products, including crude oil, NGLs, road asphalt, roofing flux, frac oils, light and heavy straight run distillates, combined vacuum gas oil ("CVGO"), and an oil based mud ("OBM") product. This segment earns margins by providing aggregation services to producers and/or by capturing quality, locational or time-based arbitrage opportunities. This segment also contributes to the Company's overall margins by driving volumes to our Infrastructure and Logistics segment.

The Wholesale segment is exposed to commodity price fluctuations arising between the time contracted volumes are purchased and the time they are sold, as well as being exposed to pricing differentials between different geographic markets and/or hydrocarbon qualities. These risks are managed by purchasing and selling products at prices based on the same or similar indices or benchmarks, and through physical and financial contracts that include energy-related forward contracts, swaps, futures, options and other hedging instruments. Fair values of these derivative contracts fluctuate depending on the commodity prices and can impact the segment profits in the form of realized or unrealized gains and losses, often offset by physical inventories, that can change significantly period over period.

Canadian road asphalt activity, related to Refined Products, is affected by the impact of weather conditions on road construction. Road asphalt demand peaks during the summer months when most of the road construction activity in Canada takes place. In the off-peak demand months for road asphalt, the demand for roofing flux continues. Demand for wellsite fluids is dependent on overall well drilling and completion activities, with activity normally the busiest in the winter months. Demand for propane and other NGLs is also highest in the colder months of the year.

	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
WTI average price ($USD/bbl)	$55.40	$49.29	$50.95	$43.30
WCS differential	12.26	14.32	11.98	13.80
Average foreign exchange rates U.S. dollar to Canadian dollar	1.27	1.33	1.30	1.32
Propane average price ($USD/U.S. gallon)	0.95	0.62	0.73	0.46
Butane average price ($USD/U.S. gallon)	1.05	0.79	0.91	0.63

The following tables set forth operating results from the Company's Wholesale segment for the three months and years ended December 31, 2017 and 2016:

	Three months ended December 31		Year ended December 31	
Volumes (barrels in thousands)	**2017**	**2016**	**2017**	**2016**
Crude and diluent	29,936	27,162	114,466	101,377
Propane and other NGL	3,524	3,551	11,154	11,632
Refined products	1,031	843	4,000	3,585
	34,491	31,556	129,620	116,594

	Three months ended December 31		Year ended December 31	
	2017	**2016**	**2017**	**2016**
Revenue				
Crude and diluent	$ 1,422,596	$ 1,073,052	$ 4,907,011	$ 3,464,847
Propane and other NGL	195,913	179,420	551,854	454,307
Refined products	95,741	69,882	358,387	268,354
Total revenue	1,714,250	1,322,354	5,817,252	4,187,508
Cost of sales	1,689,472	1,297,501	5,761,215	4,135,937
Operating expenses and other	6,120	7,649	25,452	27,163
Segment profit	$ 18,658	$ 17,204	$ 30,585	$ 24,408

Operational performance

In the three months and year ended December 31, 2017 compared to the three months and year ended December 31, 2016:

Sales volumes for crude and diluent increased by 10% and 13%, respectively. The increase in both comparative periods was mainly due to additional opportunities to bring volumes into the Company's integrated assets, primarily attributable to the addition of new storage tanks and common infrastructure added in Q4 2016 and Q1 2017. Additionally, the impact of the 2016 Fort McMurray fires reduced available volumes in the year over year comparative period.

Sales volumes for propane and other NGLs were consistent and decreased 4%, respectively. The consistent quarter over quarter volumes was primarily due to stronger demand for propane, which was offset by lower throughput due to tighter supply conditions for butane and condensate in the current period. The year over year decrease was primarily due to tighter supply conditions for butane and condensate, which was substantially offset by higher demand for propane.

Volumes for refined products increased by 22% and 12%, respectively. The increase in both comparative periods was primarily due to higher current period demand for drilling fluids, principally as a result of increased WCSB and U.S. drilling activity, the ability of the Company to gain market share in the Permian and Niobrara-DJ basins and by higher third party CVGO volumes in the current period.

Financial performance

In the three months and year ended December 31, 2017 compared to the three months and year ended December 31, 2016:

Revenue for crude and diluent increased by 33% and 42%, respectively. The increase in both comparative periods was largely due to higher average crude oil prices, and the increase in volumes in the current quarter and year over year periods, partially offset by less favorable foreign exchange rates.

Revenue for propane and other NGLs increased by 9% and 21%, respectively. The increase in both comparative periods was mainly due to higher propane and butane prices.

Revenue for Refined Products increased by 37% and 34%, respectively. The increase in both comparative periods was primarily due to higher volumes sold for drilling fluids, asphalt, and CVGO as well as higher average crude oil prices which supported the increase in prices for these products.

Segment profit increased 8% by and 25%, respectively. The quarter over quarter increase was mainly due to more favorable light to heavy crude pricing spreads, higher refined product margins from increased sales of higher margin products, lower rail car and storage costs due to the reduction in the rail fleet, and lower operating expenses due to lower payroll related costs. These increases were partially offset by higher losses from financial instruments during the current quarter and lower margins earned on propane and butane volumes due to regional pricing constraints at a certain number of distribution hubs.

The year over year increase was mainly due to lower rail car and storage costs related to the reduction in the rail fleet, higher refined product margins from increased sales of higher margin products, lower comparative losses on financial instruments in the current year, and by lower operating expenses due to lower payroll related costs. These increases were partially offset by lower crude and diluent margins in the current year resulting from compressed light to heavy pricing spreads which were impacted from the extended Syncrude outage during the year, and by lower margins earned on propane and butane volumes due to regional pricing constraints at a certain number of distribution hubs.

Capital expenditures

Below is the summary of Wholesale capital expenditures for the years ended December 31, 2017 and 2016:

	Year ended December 31	
	2017	**2016**
Growth capital	$ 1,042	$ 11,423
Replacement capital	$ 86	$ 55

Expenditures in the year ended December 31, 2016 represent the cost of additional line-fill volumes purchased as a result of a non-recurring change in the arrangement for the Hardisty Terminal and the Edmonton Terminal wherein the Company assumed single shipper status.

OTHER

The Other segment includes the provision of other services to the oil and gas industry including exploration support services ("ESS") and accommodation services.

The following tables set forth the operating results from the Company's Other segment for the three months and years ended December 31, 2017 and 2016:

	Three months ended December 31		Year ended December 31	
	2017	**2016**	**2017**	**2016**
Revenue	$ 4,067	$ 1,658	$ 16,729	$ 11,291
Cost of sales	4,152	1,896	16,357	11,322
Operating expenses and other	(104)	288	187	614
Segment profit (loss)	$ 19	$ (526)	$ 185	$ (645)

Operational and financial performance

In the three months and year ended December 31, 2017 compared to the three months and year ended December 31, 2016:

Revenue increased by 145% and 48%, respectively. The increase in both comparative periods was mainly due to an overall increase in ESS business activity compared to prior periods.

Segment profit increased by $0.5 million and $0.8 million, respectively. The increase in both comparative periods was primarily driven by the increase in revenue and lower operating and other costs, partially offset by higher costs of sales, reflecting the impact of higher direct labour and materials costs.

EXPENSES

General and administrative ("G&A") and other, excluding depreciation and amortization

	Three months ended December 31		Year ended December 31	
	2017	**2016**	**2017**	**2016**
General and administrative	$22,316	$8,482	$51,204	$35,018

The quarter over quarter increase was primarily due to the recognition of non-recurring reorganization and executive payroll related costs of $18.0 million (Q4-2016 – severance cost of $4.3 million), lower mark to market unrealized gain of $0.7 million (Q4-2016 – gain of $1.5 million) related to equity financial instruments and higher general corporate overhead allocations. The year over year increase was primarily due to non-recurring reorganization and executive payroll related costs of $19.0 million (2016 – severance cost of $10.0 million), mark to market unrealized loss of $1.2 million (2016 – gain of $3.6 million) related to equity financial instruments and higher general corporate overhead allocations.

Depreciation and impairment

	Three months ended December 31		Year ended December 31	
	2017	**2016**	**2017**	**2016**
Depreciation and impairment	$66,316	$54,185	$192,302	$175,346

The increase in both comparative periods was primarily due to the recognition of impairment charges ($29.2 million – 2017 ; $10.6 million – 2016), depreciation on asset additions in the current period, partially offset by the impact of asset disposals. The impairment loss recorded in 2017 relates to assets within the U.S. Environmental Services business which is included within the Company's Infrastructure, Logistics and Other reportable segments.

Amortization and impairment

	Three months ended December 31		Year ended December 31	
	2017	**2016**	**2017**	**2016**
Amortization and impairment	$10,618	$7,820	$37,425	$69,062

The increase in the three months ended December 31, 2017, was largely due to the recognition of impairment losses of $5.9 million related to the U.S. Environmental Services business which is included within the Logistics reportable segment., partially offset by the impact of a certain intangible assets becoming fully amortized in the prior year period, and an impairment expense of $1.6 million recognized during the year ended December 31, 2016. The decrease in the year ended December 31, 2017, was largely due to the impact of a certain number intangible assets becoming fully amortized in prior year periods, and an impairment expense of $1.6 million recognized during the year ended December 31, 2016, partially offset by the recognition of impairment loss of $5.9 million as discussed earlier.

Impairment of goodwill

	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Impairment of goodwill..	$69,414	$28,647	$69,414	$130,052

In the three months and year ended December 31, 2017, the Company recorded goodwill impairment charges within the Company's U.S. Trucking and Transportation and U.S. Wholesale business segments of $41.2 million and $28.2 million, respectively. The respective impairment charges were identified as part of management's annual goodwill impairment test completed during the fourth quarter. As at December 31, 2017, the entire amount of goodwill related to the U.S. Trucking and Transportation and U.S. Wholesale business segments has been written off.

In the year ended December 31, 2016, the Company recorded goodwill impairment charges within the Company's U.S. Environmental Services and Refined Products business segments of $101.4 million and $28.6 million, respectively. The respective impairment charges were identified as part of management's annual goodwill impairment test completed during the fourth quarter. As at December 31, 2016, the entire amount of goodwill related to the U.S. Environmental Services and Refined Products business segments has been written off.

Stock based compensation

	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Stock based compensation	$9,151	$7,172	$22,056	$24,876

The quarter over quarter increase was primarily driven by the impact of higher deferred share unit and option grants, and higher restricted share units expense in the current period primarily related to pro-rata vesting for severance packages of $3.3 million, partially offset by higher performance share unit expense in the prior year quarter. The year over year decrease was primarily driven by the impact of forfeitures of performance share units in the current year, partially offset by higher amount of deferred share unit grants, higher RSU expense primarily related to pro-rata vesting for severance packages, and higher option expense.

Debt extinguishment costs

	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
$250.0 million 7.0% Notes - redemption premium..............................	$ -	$ -	$ 12,838	-
US$550.0 million 6.75% Notes - redemption premium	231	-	33,133	-
$250.0 million 7.0% Notes – unamortized cost....................................	-	-	4,321	-
US$550.0 million 6.75% Notes – unamortized cost	-	-	7,982	-
US$550.0 million 6.75% Notes – realized foreign exchange (gain) loss on financial instruments	(2,861)	-	2,218	-
Total debt extinguishment costs...	$ (2,630)	$ -	$ 60,492	-

As noted in the financial highlights section, the Company repaid its C$ Notes and US$ Notes during the year which resulted in recording debt extinguishment costs of $60.5 including realized foreign exchange loss related to financial instruments of $2.2 million.

Foreign exchange (gains) loss not affecting segment profit

	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Unrealized foreign exchange loss (gain) on the movement in exchange rates on U.S. dollar Revolving Credit Facility and long-term debt	$ 15,803	$ 17,050	$ (3,564)	$ (22,715)
Realized foreign exchange (gain) on settlement of U.S. dollar long-term debt	(12,514)	-	(15,224)	-
Corporate foreign exchange (gain) loss	(755)	(885)	652	1,098
Total foreign exchange loss (gain)	$ 2,534	$ 16,165	$ (18,136)	$ (21,617)

At December 31, 2017, the gains and losses recorded are primarily driven by the favorable and unfavorable movements in exchange rates on the translation of the Company's U.S. dollar denominated Revolving Credit Facility and settlement of U.S dollar denominated long-term debt and corporate foreign exchange, while at December 31, 2016, the gains and losses were primarily driven by the (favorable) and unfavorable movements in exchange rates on the translation of the Company's U.S dollar denominated long-term debt and corporate foreign exchange. Accordingly, in the three months ended December 31, 2017 and December 31, 2016, the Company recorded a net foreign exchange loss of $2.5 million and $16.2 million, respectively, and in the years ended December 31, 2017 and December 31, 2016, the Company recorded a realized gain of $18.1 million and $21.7 million, respectively.

Net interest expense

	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Net interest expense	$17,414	$23,317	$77,362	$85,526

The decrease for both comparative periods was primarily due to the repayment of the Company's C$ Notes and US$ Notes, partially offset by higher interest costs related to the Revolving Credit Facility draw in the current period and lower capitalized interest amounts related to our long-term capital projects completed during the period.

Income taxes

	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Current income tax (recovery) expense	$ (14,148)	$ 11,460	$ (33,946)	$ 11,789
Deferred income tax recovery	(4,001)	(19,017)	(32,222)	(68,239)
Total tax recovery	$ (18,149)	$ (7,557)	$ (66,168)	$ (56,450)

Income tax recovery from continuing operations was $18.1 million and $66.2 million for the three months and year ended December 31, 2017 compared to an income tax recovery of $7.6 million and $56.5 million for the three months and year ended December 31, 2016. The effective tax rate was 16.5% and 36.4% during the three months and year ended December 31, 2017 compared to 13.0% and 24.1% for the three months and year ended December 31, 2016. The main driver for the quarter over quarter income tax recovery and the change in the effective tax rate was the impact of unrealized amounts relating to net capital losses arising from foreign exchange movements on the Company's U.S. dollar denominated long-term debt. The main driver for the year ended December 31, 2017 income tax recovery and the change in the effective rate was the impact of realized and unrealized amounts relating to the net capital gains arising from foreign exchange movements, including repayments, on the Company's U.S. dollar denominated long-term debt.

RESULTS OF DISCONTINUED OPERATIONS

Industrial Propane

As noted in the financial highlight section above, during 2017 the Company completed the closing of the sale of its Industrial Propane Business for a final sale price of $433.1 million resulting in recognition of a post-tax gain on sale of $150.6 million (see note 8 in the consolidated financial statements).

The Industrial Propane business primarily consisted of retail propane supply with a focus on oil and gas customers in Western Canada. This segment operated under the Canwest and Stittco brands and sold propane and related equipment to oil and gas, commercial and other end-user customers. This segment was characterized by a high degree of seasonality driven by the impact of weather on the need for heating and the amount of propane required to produce power for oil and gas related applications. Therefore, volumes are low during the summer months relative to the winter months. Operating profits are also considerably lower during the summer months. Most of the annual segment profit is earned from October to March each year.

The following tables set forth operating results from discontinued operations of the Industrial Propane segment for the three months and year ended December 31, 2017 and 2016:

	Three months ended December 31		Year ended December 31	
Volumes (litres in thousands)	**2017 [1]**	**2016**	**2017 [1]**	**2016**
Oilfield	-	52,451	41,578	173,829
Commercial	-	51,371	46,850	143,210
Other	-	32,331	22,723	105,901
	-	136,153	111,151	422,940

	Three months ended December 31		Year ended December 31	
	2017 [1]	**2016**	**2017 [1]**	**2016**
Revenue				
Propane	$ -	$ 52,807	$ 52,953	$ 141,557
Other	-	7,498	5,343	26,353
Total revenue	-	60,305	58,296	167,910
Cost of sales	-	30,374	44,678	69,608
Other operating loss (income)	-	16,639	(19)	63,936
Segment profit	-	13,292	13,637	34,366
Depreciation and amortization	-	3,784	-	18,572
Gain on sale [2]	5,240	-	176,826	-
Loss before taxes	5,240	9,508	190,463	15,794
Income tax (recovery) provision	-	(4,282)	30,613	(2,659)
Net income from discontinued operations, after tax	$ 5,240	$ 13,790	$ 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.*
2. *The cash proceeds of $433.1 million and transaction costs paid of $9.8 million have been presented within investing activities from discontinued operations on the Company's consolidated statement of cash flows.*

Operational and financial performance

Industrial propane volumes decreased by 100% and 74% respectively. The decrease in both comparative periods were due to the timing of the sale on March 1, 2017, and lack of results in the three month period and the reporting of two months in the year over year date period versus full three and year over year amounts in the prior periods.

Revenue decreased by 100% and 65%, respectively. The decrease in both comparative periods was due to the timing of the sale on March 1, 2017, and the lack of results in the three month period and the reporting of two months in the year over year period versus the full three and year over year amounts in the prior periods.

Segment profit decreased by 100% and 60%, respectively, for the reasons discussed above. Additionally, the year over year results for the two months ended February 28, 2017 were positively impacted by colder weather patterns and higher activity levels related to drilling and construction activity.

The following table summarizes the sources and uses of funds for the years ended December 31, 2017 and 2016 from discontinued operations:

	Year ended December 31	
	2017	**2016**
Statement of cash flows		
Cash flows (used in) provided by:		
Operating activities	$ (7,591)	$ 32,084
Investing activities	423,156	(3,507)
Financing activities	$ -	$ -

1. *The Company derecognized the Industrial Propane segment effective March 1, 2017. Accordingly, results for three months ended December 31, 2017 does not include any cash flows from Industrial Propane business and results for the year ended December 31, 2017 represent the activity for the period January 1, 2017 to February 28, 2017.*

Cash (used in) provided by operating activities

Cash used in operating activities in the year ended December 31, 2017 was $7.6 million compared to cash provided by operating activities of $32.1 million in the year ended December 31, 2016. The decrease in the year ended December 31, 2017 was primarily due to the reporting of two months in the current period versus the full year over year amounts in the prior period, change in working capital requirements driven by the fact that the Company is no longer required to fund working capital as well as working capital adjustments related to the sale of the business.

Cash (used in) provided by investing activities

Cash provided by investing activities was $423.2 million for the year ended December 31, 2017, compared to cash used in investing activities of $3.5 million in the year ended December 31, 2016. The year over year increase in cash provided by investing activities was primarily due to the cash proceeds received on the sale of the Industrial Propane business, net of the transaction costs paid.

Cash provided by (used in) financing activities

There was no cash provided by (used in) financing activities related to discontinued operations.

Income taxes

Income tax from discontinued operations was a provision of $30.6 million for the year ended December 31, 2017 compared to income tax recovery of $2.7 million for the year ended December 31, 2016, as disclosed in note 8 of the consolidated financial statements.

The effective tax rate was 16.1% during the year ended December 31, 2017 compared to negative 16.8% for the year ended December 31, 2016. The main driver for the income tax provision and the change in the effective rate was the impact of the gain on the sale of the Industrial Propane business and the fact that the Company is no longer entitled to income or losses of the business effective March 1, 2017.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth a summary of the Company's quarterly results for each of the last eight quarters:

	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Continuing operations								
Revenue	$1,766,887	$1,404,194	$1,480,196	$1,449,562	$1,414,187	$1,178,741	$1,095,026	$906,227
Net (loss) income	(91,787)	(8,497)	(5,523)	(9,908)	(50,597)	(30,777)	(132,368)	35,575
Adjusted EBITDA (2)	82,271	55,708	66,387	73,269	83,927	60,691	41,553	57,921
Earnings (loss) per share								
Basic	$ (0.64)	$(0.06)	$ (0.04)	$ (0.07)	$ (0.37)	$ (0.22)	$ (1.01)	$ 0.28
Diluted	$ (0.64)	$(0.06)	$ (0.04)	$ (0.07)	$ (0.37)	$ (0.22)	$ (1.01)	$ 0.28
Discontinued operations								
Revenue	$ -	$ -	$ -	$58,296	$ 60,222	$ 27,188	$ 27,472	$ 52,817
Net income (loss)	5,240	(3,146)	-	157,756	13,790	(2,093)	(1,778)	8,534
Adjusted EBITDA (2)	-	-	-	13,637	13,292	1,872	2,728	16,122
Earnings (loss) per share								
Basic	$ 0.03	$ (0.02)	$ -	$ 1.11	$ 0.09	$ (0.01)	$ (0.01)	$ 0.07
Diluted	$ 0.03	$ (0.02)	$ -	$ 1.09	$ 0.09	$ (0.01)	$ (0.01)	$ 0.06
Combined operations								
Revenue (1)	$1,766,887	$1,404,194	$1,480,196	$1,507,858	$1,474,409	$1,205,929	$1,122,498	$959,044
Net income (loss)	(86,547)	(11,643)	(5,523)	147,848	(36,807)	(32,870)	(134,146)	44,109
Adjusted EBITDA (2)	82,271	55,708	66,387	86,906	97,219	62,563	44,281	74,043
Earnings (loss) per share								
Basic	$ (0.61)	$ (0.08)	$ (0.04)	$ 1.04	$ (0.28)	$ (0.23)	$ (1.02)	$ 0.35
Diluted	$ (0.61)	$ (0.08)	$ (0.04)	$ 1.02	$ (0.28)	$ (0.23)	$ (1.02)	$ 0.34

(1) Revenue from combined operations represents the aggregated results of both continuing and discontinued operations and is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS.

(2) Adjusted EBITDA is defined as net income (loss) before interest expense, income taxes, depreciation, amortization, other non-cash expenses and charges deducted in determining consolidated net income (loss), including movement in the unrealized gains and losses on the Company's financial instruments, stock based compensation expense, impairment of long-term assets and asset write-downs. It also removes the impact of foreign exchange movements in the Company's U.S. dollar denominated long-term debt, debt extinguishment expenses and adjustments that are considered unusual, non-recurring or non-operating in nature. Combined Adjusted EBITDA includes results from continuing and discontinued operations, while Adjusted EBITDA from continuing operations only includes results from continuing operations.

The Company presents Combined Adjusted EBITDA, and Adjusted EBITDA from continuing operations and discontinued operations because it considers these to be important supplemental measures of the Company's performance and believes these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures. Combined Adjusted EBITDA and Adjusted EBITDA have limitations as analytical tools, and readers should not consider this item in isolation, or as a substitute for an analysis of the Company's results as reported under IFRS. Some of these limitations are:

- Adjusted EBITDA and Combined Adjusted EBITDA:
  - excludes certain income tax payments that may represent a reduction in cash available to the Company;
  - does not reflect the Company's cash expenditures, or future requirements for capital expenditures or contractual commitments;
  - does not reflect changes in, or cash requirements for, the Company's working capital needs; and

- does not reflect the significant interest expense, or the cash requirements necessary to service interest payments on the Company's debt, including the Debentures, Notes and New Notes (as defined herein) and the Revolving Credit Facility (as defined herein);

- Although depreciation, amortization and impairment are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and Adjusted EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in the industry may calculate Combined Adjusted EBITDA and Adjusted EBITDA differently than the Company does, limiting its usefulness as a comparative measure.

Because of these limitations, Combined Adjusted EBITDA and Adjusted EBITDA should not be considered to be a measure of discretionary cash available to the Company to invest in the growth of the Company's business. The Company compensates for these limitations by relying primarily on the Company's IFRS results and using Combined Adjusted EBITDA and Adjusted EBITDA only as supplemental measures.

The following tables reconciles segment profit to Combined Adjusted EBITDA and Adjusted EBITDA for continuing operations, discontinued operations and combined operations for each of the last eight quarters and Pro Forma Adjusted EBITDA for the years ended December 31, 2017 and 2016:

	Three months ended				Twelve months ended
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2017
Continuing operations					
Segment profit	$ 85,227	$ 64,211	$ 74,032	$ 86,766	$ 310,236
Interest income	500	320	299	665	1,784
Foreign exchange gain (loss) - corporate	755	(1,031)	152	(528)	(652)
General and administrative	(22,316)	(6,428)	(13,155)	(9,305)	(51,204)
Net unrealized (gain) loss from financial instruments (1)	19	(1,364)	4,059	(4,329)	(1,615)
Restructuring, severance and other costs (2)	18,086	-	1,000	-	19,086
Adjusted EBITDA	$ 82,271	$ 55,708	$ 66,387	$ 73,269	$ 277,635
Discontinued operations					
Segment profit and adjusted EBITDA	$ -	$ -	$ -	$ 13,637	$ 13,637
Combined operations					
Segment profit	$ 85,227	$ 64,211	$ 74,032	$ 100,403	$ 323,873
Interest income	500	320	299	665	1,784
Foreign exchange gain (loss) - corporate	755	(1,031)	152	(528)	(652)
General and administrative	(22,316)	(6,428)	(13,155)	(9,305)	(51,204)
Net unrealized (gain) loss from financial instruments (1)	19	(1,364)	4,059	(4,329)	(1,615)
Restructuring, severance and other costs (2)	18,086	-	1,000	-	19,086
Combined Adjusted EBITDA	$ 82,271	$ 55,708	$ 66,387	$ 86,906	$ 291,272
Pro forma impact of divestitures (3)					(13,637)
Combined Pro Forma Adjusted EBITDA					$ 277,635

	Three months ended				Twelve months ended
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2016
Continuing operations					
Segment profit	$ 87,634	$ 64,636	$ 47,629	$ 63,747	$ 263,646
Interest income	144	384	441	124	1,093
Foreign exchange loss (gain) - corporate	885	(270)	(911)	(802)	(1,098)
General and administrative	(8,482)	(6,372)	(8,142)	(12,022)	(35,018)
Net unrealized loss (gain) from financial instruments (1)	(602)	2,313	2,536	1,178	5,425
Severance and other costs (2)	4,348	-	-	5,696	10,044
Adjusted EBITDA	$ 83,927	$ 60,691	$ 41,553	$ 57,921	$ 244,092
Discontinued operations					
Segment profit	$ 13,292	$ 1,872	$ 2,728	$ 16,474	$ 34,366
Net unrealized (gain) loss from financial instruments (2)	-	-	-	(352)	(352)
Adjusted EBITDA	$ 13,292	$ 1,872	$ 2,728	$ 16,122	$ 34,014
Combined operations					
Segment profit	$ 100,926	$ 66,508	$ 50,357	$ 80,221	$ 298,012
Interest income	144	384	441	124	1,093
Foreign exchange loss (gain) - corporate	885	(270)	(911)	(802)	(1,098)
General and administrative	(8,482)	(6,372)	(8,142)	(12,022)	(35,018)
Net unrealized loss (gain) from financial instruments (1)	(602)	2,313	2,536	826	5,073
Severance and other costs (2)	4,348	-	-	5,696	10,044
Combined Adjusted EBITDA	$ 97,219	$ 62,563	$ 44,281	$ 74,043	$ 278,106
Pro forma impact of acquisitions and divestitures (3)					-
Combined Pro Forma Adjusted EBITDA					$ 278,106

1. *Reflects the exclusion of the movement in the mark-to-market valuation of financial instruments used in risk management activities. The Company uses crude oil and NGL priced futures, options and swaps to manage the exposure to commodities price movements and foreign currency forward contracts and options to manage foreign exchange risks, although the Company does not formally designate these financial instruments as hedges for accounting purposes. Accordingly, the unrealized gains or losses on these financial instruments are recorded directly to the income statement. Management believes that this adjustment better correlates the effect of risk management activities to the underlying operating activities to which they relate.*
2. *Represents the restructuring and severance costs incurred related to a headcount rationalization review, and executive payroll related costs.*
3. *Reflects the pro forma impact of acquisitions or divestitures on the Company's Adjusted EBITDA as if the acquisitions or divestitures that took place in the twelve-month period occurred on January 1 of each twelve month period. The pro forma impact of acquisitions or divestitures is calculated on the same basis as Adjusted EBITDA.*

The results of Adjusted EBITDA are driven by segment profit for the respective reportable segments as well as the adjustments discussed above in the tables. For more details on the specific factors driving the periodic movements in segment profit, refer to the results of continuing and discontinued operations included in this MD&A. The following identifies the key drivers in segment profitability over the last eight quarters:

Infrastructure – The Infrastructure segment has progressively commissioned new storage capacity and related infrastructure, most notably in 2016, when a total of 3.4 million barrels of additional capacity and related take-or-pay and stable fee-based cash flows were added. This increase in capacity was primarily driven by the sustained demand for crude terminalling and storage services combined with the effective operation, including cost management, of its current Hardisty and Edmonton facilities and has provided for the gradual increase in segment profits.

Logistics – The Logistics segment provides transportation and related services which includes providing hauling services for crude, condensate, sulfur, waste water and drilling fluids for many of North America's leading oil and gas producers. Accordingly, the segment's results have been impacted by the reduction in crude oil prices and other related commodity prices which has reduced production and exploration activities thus lowering available demand from these producers. Additionally, increased competition, specific to the segment's U.S. operating areas, has impacted the ability of the Company to deliver consistent results in this segment.

However, the more recent gradual increase in the price of crude oil which has translated into slowly increasing activity and production coupled with the availability of other commodity hauling, such as sulphur, as well as the recovery of demand for the Company's U.S. Environmental Service business as activity levels strengthened over the last year has provided support for the segment's earning.

Wholesale – The Wholesale segment earns margins by capturing quality, locational or time-based arbitrage opportunities related to the purchasing, selling, storing and optimization of hydrocarbon products, including crude oil and refined products. Accordingly, this segment has experienced commodity price fluctuations including in the pricing differentials between different geographic markets and product grades, most notably related to crude oil and other NGL. These risks have been managed by purchasing and selling products through physical and financial contracts that include energy-related derivatives which have both supported and reduced segment profits from quarter to quarter in the form of realized or unrealized gains and losses.

Adjusted EBITDA and Pro Forma Adjusted EBITDA for continuing, discontinued, and combined operations are presented in the table above because the Company believes it facilitates investors' use of operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in capital structures (affecting relative interest expense and foreign exchange differences on the Company's long-term debt and Debentures), the book amortization of intangibles (affecting relative amortization expense) and the age and book value of property, plant and equipment (affecting relative depreciation expense). The Company also presents Adjusted EBITDA and Pro Forma Adjusted EBITDA because it believes such measures are frequently used by securities analysts, investors and other interested parties as measures of financial performance. Adjusted EBITDA and Pro Forma Adjusted EBITDA, as presented herein, are not recognized measures under IFRS and should not be considered as an alternative to operating income or net income as measures of operating results or an alternative to cash flows as measures of liquidity. Adjusted EBITDA is defined as consolidated net income (loss) before interest expense, income taxes, depreciation, amortization, other non-cash expenses and charges deducted in determining consolidated net income (loss), including movement in the unrealized gains and losses on the Company's financial instruments, stock based compensation expense, impairment of long-term assets and asset write-downs. It also removes the impact of foreign exchange movements in the Company's U.S. dollar denominated long-term debt, debt extinguishment expenses and other adjustments that are considered unusual, non-recurring or non-operating in nature. Pro Forma Adjusted EBITDA differs from Adjusted EBITDA in that it also includes the pro forma effect of acquisitions and divestitures that took place in each fiscal year as if the acquisitions and divestitures took place at the beginning of the fiscal year in which such acquisition or divestiture occurred. Pro Forma Adjusted EBITDA is also used in calculating the Company's covenant compliance under the Company's debt agreements.

The Company's calculation of Adjusted EBITDA and Pro Forma Adjusted EBITDA may not be comparable to such calculations used by other companies. In calculating Pro Forma Adjusted EBITDA, the Company makes certain adjustments that are based on assumptions and estimates that may prove to have been inaccurate. In addition, in evaluating Adjusted EBITDA and Pro Forma Adjusted EBITDA, readers should be aware that in the future the Company may incur expenses similar to those eliminated in the presentation herein.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Sources

The Company's primary liquidity and capital resource needs are to fund ongoing capital expenditures, growth opportunities, and its dividend. In addition, the Company must service its debt, including interest payments, and finance working capital needs. The Company's short-term and long-term liquidity needs are met through cash flow from operations, debt and equity financings, borrowings under the Revolving Credit Facility and proceeds from the sale of assets, as required.

During 2017, as discussed in Discontinued Operations, the Company sold its Industrial Propane business for net cash proceeds of $433.1 million and utilized the proceeds to repay a portion of its long-term debt. Additionally, during 2017 the Company refinanced a portion of its long-term debt in order to reduce its interest costs and increase its debt maturity profile. As at December 31, 2017, the Company had a positive working capital position, with an available cash balance of $32.1 million, and the ability to utilize borrowings under the Revolving Credit Facility. Also, the anticipated proceeds from the sale of non-core businesses are expected to reduce debt resulting in lower net debt to Adjusted EBITDA ratios which will allow the Company to fund its ongoing capital expenditures, debt service requirements, dividend payments, and working capital needs. Accordingly, over the short-term the Company expects to maintain sufficient liquidity sources to fund its ongoing capital expenditures, debt service requirements, dividend payments and working capital needs.

Over the medium to long term, the proceeds from the sale of non-core businesses are expected to reduce debt resulting in lower net debt to Adjusted EBITDA ratios. Combined with the extended maturity and lower interest costs profile of the Company's debt, this will provide support for the Company's funding of liquidity requirements on a long-term basis. While the Company remains confident in its ability to execute these divestitures, there are no assurances that the timing, the amount of proceeds from the sale of non-core businesses and the execution of planned capital programs will occur as planned. Please refer Company's disclosure under "Forward-Looking Information" included at the end of this MD&A.

Cash flow summary - Continuing operations

The Company's operating cash flow is generally impacted by the overall profitability within the Company's segments, the Company's ability to invoice and collect from customers in a timely manner and the Company's ability to efficiently implement the Company's growth strategy and manage costs. Below is the summary of changes in the cash flow from continuing and discontinued operations:

The following table summarizes the Company's sources and uses of funds for the years ended December 31, 2017 and 2016 from continuing operations:

	Year ended December 31	
	2017	**2016**
Statement of cash flows		
Cash flows provided by (used in):		
Operating activities	$ 204,970	$ 175,482
Investing activities	(167,336)	(243,193)
Financing activities	$ (477,933)	$ 17,556

Cash provided by operating activities

The year over year increase was primarily due to higher segment profit related to the Infrastructure, Logistics and Wholesale segments (refer to the respective section in "Results of Continuing Operations" for more details), as well as from changes in working capital needs that resulted in cash used to fund working capital of $43.1 million in the year ended December 31, 2017 compared to cash used to fund working capital of $47.1 million in the year ended December 31, 2016. The change in working capital requirements was largely driven by the change in inventory and accounts payable amounts.

Cash provided by operating activities and working capital requirements for the Wholesale segment is strongly influenced by the amount of inventory purchased and subsequently held in storage, as well as by the commodity prices at which inventory is bought and sold. Commodity prices and inventory demand fluctuate over the course of the year in relation to general market forces and seasonal demand for certain products like propane, and, accordingly, working capital requirements related to inventory also fluctuate with changes in commodity prices and demand. The primary drivers of working capital requirements are the collection of amounts related to sales of products such as crude oil, propane, NGLs, asphalt and other products and fees for services associated with the Company's Logistics and Infrastructure segments. Offsetting these collections are payments for purchases of crude oil and other products, primarily within the Wholesale segment, and other expenses. Historically, the Wholesale segment has been the most variable with respect to generating cash flows and working capital due to the impact of crude oil price levels and the volatility that price changes and crude oil grade basis changes have on the cash flows and working capital requirements of this segment. Working capital is also influenced by the timing of certain financing activities related to the credit facility, interest payments on debt, as well as payments of dividends as discussed below under cash used in financing activities.

Cash used in investing activities

Cash used in investing activities consists primarily of capital expenditures. Cash used in investing activities was $167.3 million in the year ended December 31, 2017, compared to $243.2 million in the year ended December 31, 2016. Cash used in investing activities largely relates to capital expenditures which continued to progress towards completion over 2017. For a summary of capital expenditures for the respective segments, see "Capital expenditures" included throughout this MD&A.

Cash provided by (used in) financing activities

Cash used in financing activities was $477.9 million in the year ended December 31, 2017 compared to cash provided by financing activities of $17.6 million in the year ended December 31, 2016. The change was due to the net repayment of debt and financing costs of $433.6 million, payment of net interest of $87.2 million and payment of dividends of $188.0 million in the current year, compared to the net aggregated proceeds from the issuance of common shares and debentures of $316.3 million, payment of net interest of $89.0 million and dividends of $175.6 million in the year ended December 31, 2016. In addition, in the year ended December 31, 2017, the Company received net proceeds from credit facilities of $230.2 million compared to net payments to credit facilities of $35.0 million in the year ended December 31, 2016.

Capital expenditures

The following table summarizes growth and replacement capital expenditures for the years ended December 31, 2017 and 2016:

	Year ended December 31	
	2017	**2016**
Growth capital (1)	$ 157,123	$ 202,984
Replacement capital (2)	28,181	24,841
Total	$ 185,304	$ 227,825

(1) Growth capital expenditures in the years ended December 31, 2017 and 2016 include Other and Corporate expenditures of $3.3 million and $2.1 million, respectively. These expenditures mainly relate to growth capital expenditure costs associated with the Company's information and operational systems. The remainder of the growth capital expenditures have been discussed in continuing and discontinued operations earlier in this MD&A.

(2) Replacement capital expenditures in the years ended December 31, 2017 and 2016 include Other and Corporate expenditures of $2.9 million and $2.0 million, respectively. These expenditures mainly relate to replacement costs associated with the Company's information and operational systems. The remainder of the replacement capital expenditures have been discussed in continuing and discontinued operations earlier in this MD&A.

Planned capital expenditures

As previously announced, the Company has approved a 2018 growth capital expenditure budget ranging from $165.0 million to $205.0 million and an additional $20.0 million to $35.0 million allocated to replacement capital expenditures. While the Company anticipates that these planned capital expenditures will occur, certain capital projects are subject to general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond the Company's control and could impact the Company's ability to complete such activities as planned.

Capital structure

	As at December 31, 2017	As at December 31, 2016
Notes		
Revolving Credit Facility	$ 230,180	$ -
$250 million – December 31, 2016 7.00% Notes due July 15, 2020	-	250,000
US$550 million 6.75% Notes due July 15, 2021 [1]	-	738,485
$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)
$100 million Debentures 5.25% due July 15, 2021 (liability component)	89,765	89,765
Total debt outstanding	1,207,884	1,361,604
Cash and cash equivalents	(32,138)	(60,159)
Net debt [2]	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.

Notes

During 2017, the Company completed a tender offer on its Retired Notes and also issued the New Notes. The indentures governing the terms of the $300 million 5.375% notes ("Notes") and New Notes including the supplemental indenture thereto, contain certain redemption options whereby the Company can redeem all or part of the Notes and New Notes at prices set forth in the applicable Indenture from proceeds of an equity offering or on the dates specified in the Indentures. In addition, the holders of Notes and New Notes have the right to require the Company to redeem the Notes and New Notes at the redemption prices set forth in the respective indebtedness 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 applicable Indenture.

Debentures

On June 2, 2016, the Company issued $100.0 million aggregate principal amount of debentures (the "Debentures") at a price of $1,000 per Debenture for net proceeds of approximately $96.3 million, including debt issuance costs of $3.7 million. The Debentures, issued at par, bear interest at a rate of 5.25% per annum, payable semi-annually on January 15 and July 15 in each year commencing January 15, 2017, 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 July 15, 2021 and the business day immediately preceding the date fixed for redemption by the Company at a conversion price of $21.65 per common share, being a ratio of approximately 46.1894 common shares per $1,000 principal amount of the Debenture. The Debentures are subordinated to the Company's senior indebtedness.

Credit facility

The Revolving Credit Facility, proceeds of which are available to provide financing for working capital, fund capital expenditures and other general corporate purposes, has an accordion feature whereby the Company can increase the Revolving Credit Facility to $750.0 million, subject to obtaining incremental lender commitments. The Revolving Credit Facility has an extendible term of five years, expiring on March 7, 2022. 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 U.S. 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 determined in a manner similar to the interest. In addition, the Company has three bilateral demand letter of credit facilities totaling $150.0 million. The Company had $230.2 million drawn on its $560.0 million Revolving Credit

Facility as of December 31, 2017, and had issued letters of credit totaling $68.9 million under its bilateral demand letter of credit facilities as at December 31, 2017.

The Revolving Credit Facility contains certain covenants, including financial covenants requiring the Company to maintain ratios of maximum consolidated senior and total debt leverage as well as to maintain a minimum interest coverage ratio. Effective March 7, 2017, the Company amended certain covenants related to its Revolving Credit Facility including, amongst other revisions, revising the maximum consolidated senior and the maximum consolidated total debt leverage ratios to 4.85 to 1.0 for the 2017 fiscal year, 4.25 to 1.0 for 2018 fiscal year and 4.0 to 1.0 thereafter. Furthermore, the maturity date of our Revolving Credit Facility was extended from August 2020 to March 2022. On November 30, 2017, the Company amended the Revolving Credit Facility from $500.0 million to $560.0 million.

In addition, the Company is also required to maintain a minimum interest coverage ratio of no less than 2.5 to 1.0. The consolidated senior debt ratio represents the ratio of all senior debt obligations to Pro Forma Adjusted EBITDA. The consolidated total debt ratio represents the ratio of total debt to Pro Forma Adjusted EBITDA. The consolidated interest coverage ratio represents the ratio of Pro Forma Adjusted EBITDA to consolidated cash interest expense.

As at December 31, 2017, the Company was in compliance with the financial ratios with the senior debt leverage ratio at 4.0 to 1.0, total debt leverage ratio at 4.0 to 1.0, and the interest coverage ratio at 3.7 to 1.0. If the Company fails to comply with the financial covenants, the lenders may declare an event of default. An event of default resulting from a breach of a financial covenant may result, at the option of lenders holding a majority of the loans, in an acceleration of repayment of the principal and interest outstanding and a termination of the Revolving Credit Facility.

The Notes, New Notes and the Revolving Credit Facility contain non-financial covenants that restrict, subject to certain thresholds, some of the Company’s activities, including the Company’s ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments and engage in specified transactions with affiliates. The Notes, New Notes and the Revolving Credit Facility also contain customary events of default, including defaults based on events of bankruptcy and insolvency, non-payment of principal, interest or fees when due, breach of covenants, change in control and material inaccuracy of representations and warranties, subject to specified grace periods. As of December 31, 2017, the Company was in compliance with all of its covenants under the Notes, New Notes and the Revolving Credit Facility.

Dividends

The Company is currently paying quarterly dividends to holders of common shares. The amount and timing of any future dividends payable by Gibson will be at the discretion of the Board and to be established on the basis of, among other things, Gibson Energy’s earnings, financial requirements for operations, the satisfaction of a solvency calculation and the terms of the Company’s debt agreements. In addition, in connection with Company’s dividend policy, after each fiscal year end the Board will formally review the annual dividend amount. In the three months ended December 31, 2017, the Company declared a dividend of $0.33 per share for a total dividend of $47.3 million, of which the entire amount was paid in cash on January 17, 2018.

Distributable cash flow

Distributable cash flow is not a standard measure under IFRS and, therefore, may not be comparable to similar measures reported by other entities. Distributable cash flow from continuing and combined operations is used to assess the level of cash flow generated and to evaluate the adequacy of internally generated cash flow to fund dividends and is frequently used by securities analysts, investors and other interested parties. Changes in non-cash working capital are excluded from the determination of distributable cash flow because they are primarily the result of fluctuations in product inventories or other temporary changes. Replacement capital expenditures are deducted from distributable cash flow as there is an ongoing requirement to incur these types of expenditures. The Company may deduct or include additional items in its calculation of distributable cash flow; these items would generally, but not necessarily, be items of an unusual, non-recurring, or non-operating nature. The Company has currently reflected non-recurring items relating to severance costs and income taxes paid in distributable cash flow to approximate the internally generated cash flow available to the Company within its normal operating cycle. The Company has provided the distributable cash flow from combined operations on a trailing twelve-month basis to reflect the total cash flow available to fund dividends which includes cash available from discontinued operations.

The following is a reconciliation of distributable cash flow from combined operations to its most closely related IFRS measure, cash flow from operating activities for the years ended December 31, 2017, 2016 and 2015.

Continuing operations	Year ended December 31		
	2017	2016	2015
Cash flow from operating activities	$ 204,970	$ 175,482	$ 399,117
Adjustments:			
Changes in non-cash working capital	43,117	32,491	(92,458)
Replacement capital	(28,182)	(24,841)	(39,130)
Cash interest expense, including capitalized interest	(73,960)	(91,236)	(84,965)
Restructuring, severance and other costs (1)	19,086	10,044	2,830
Income taxes (2)	-	-	15,596
Distributable cash flow from continuing operations	$ 165,031	$ 101,940	$ 200,990

Combined operations	Year ended December 31		
	2017	2016	2015
Combined cash flow from operating activities	$ 197,381	$ 207,566	$ 458,067
Adjustments:			
Combined changes in non-cash working capital	52,673	34,333	(118,456)
Combined replacement capital	(28,291)	(29,063)	(46,775)
Cash interest expense, including capitalized interest	(73,960)	(91,236)	(84,965)
Restructuring, severance and other costs (1)	19,086	10,044	2,830
Working capital adjustment (2)	10,503	-	-
Income taxes (3)	6,202	-	15,596
Distributable cash flow from combined operations	$ 183,594	$ 131,644	$ 226,297
Dividends declared to shareholders	$ 188,470	$ 181,994	$ 161,002

Continuing operations	Quarter ended December 31	
	2017	2016
Cash flow from operating activities	$ 45,314	$ 44,152
Adjustments:		
Changes in non-cash working capital	13,125	25,372
Replacement capital	(10,660)	(7,670)
Cash interest expense, including capitalized interest	(17,400)	(23,477)
Restructuring, severance and other costs (1)	18,086	4,348
Distributable cash flow from continuing operations	$ 48,465	$ 42,725

Combined operations	Quarter ended December 31 2017	2016
Combined cash flow from operating activities	$ 45,314	$ 54,888
Adjustments:		
Combined changes in non-cash working capital	13,125	20,243
Combined replacement capital	(10,660)	(8,388)
Cash interest expense, including capitalized interest	(17,400)	(23,477)
Restructuring, severance and other costs (1)	18,086	4,348
Working capital adjustment (2)	10,503	-
Income taxes (3)	6,202	-
Distributable cash flow from combined operations	$ 65,170	$ 47,614
Dividends declared to shareholders	$ 47,257	$ 46,772

(1) Represents restructuring, severance and executive payroll related costs incurred during the respective periods.

(2) Represents a one-time adjustment related to working capital at the close of Industrial Propane segment sale whereby $10.5 million cash balance was required to be left in the businesses prior to close and was repaid back to the Company as part of the sale proceeds. Absent this requirement, the cash flow from operations would have been higher and cash flow from investing activity would be lower by the same amount.

(3) During 2017, the Company paid net $6.2 million as one-time cash tax on the gain on sale of the Industrial Propane business, net of the realized tax losses related to the repayment of the U.S.$ Notes. The 2015 amount represents $11.0 million accelerated payment to settle the provincial portion of the partnership deferral for 2015 and 2016 and approximately $4.6 million of additional current tax expense relating to the net realized gain on the settlement of the U.S. dollar forward contracts and U.S. dollar options in the first quarter of 2015.

Dividends declared in the year ended December 31, 2017 were $188.5 million, of which the entire amount was paid in cash. In the year ended December 31, 2017, dividends declared represented 103% of the combined distributable cash flow generated.

Contractual obligations and contingencies

The following table presents, at December 31, 2017, the Company's obligations and commitments to make future payments under contracts and contingent commitments:

	Payments due by period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt	$ 900,000	$ -	$ -	$ 300,000	$ 600,000
Convertible debentures	100,000	-	-	100,000	-
Interest payments on long-term debt and Debentures	299,189	52,875	105,750	90,689	49,875
Credit facilities	230,180	-	-	230,180	-
Operating lease and other commitments (1)	223,723	62,598	77,140	29,801	54,184
Total contractual obligations	$ 1,753,092	$ 115,473	$ 182,890	$ 750,670	$ 704,059

(1) Operating lease and other commitments relate to an office lease for the Company's Calgary head office, rail tank cars, vehicles, field buildings, various equipment leases and terminal services arrangements.

As at December 31, 2017, the Company has previously identified and approved capital expenditure commitments of $175.9 million that the Company expects to undertake over the next 12 to 24 months. In addition, the Company had accrued liabilities for obligations with respect to the Company's defined benefit plans of $6.1 million and provisions associated with site restoration on the retirement of assets and environmental costs of $183.5 million but the timing of such payments is uncertain due to the estimates used to calculate these amounts and the long-term nature of these balances. The Company also has commitments relating to its risk management contracts which are discussed further in "Quantitative and Qualitative Disclosures about Market Risks".

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 is 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 as operating experience and changes in legislation and regulations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial performance or financial condition.

RELATED PARTY TRANSACTIONS

On August 11, 2011, the Company formed a partnership (the "Plato Partnership") to jointly construct and own a pipeline and emulsion treating, water disposal and oilfield waste management facilities in the Plato area of Saskatchewan. The Plato Partnership commenced operations in 2012. The Company's interest in the Plato Partnership is 50%. A member of the Company's Board is also a director of the other party with the 50% interest in the Plato Partnership. At December 31, 2017 and 2016, the Company's proportionate share of property, plant and equipment in the Plato Partnership was $11.3 million and $8.9 million, respectively. The impact of the Company's share of the other financial position and results of the Plato Partnership is not material to the Company's consolidated financial statements.

The related party transactions noted above have been measured at agreed upon terms.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at December 31, 2017, there were 143.2 million common shares outstanding and no preferred shares outstanding. In addition, under the Company's equity incentive plan, there were an aggregate of 2.5 million restricted share units, performance share units and deferred share units outstanding and 3.3 million stock options outstanding as at December 31, 2017.

At December 31, 2017, awards available to grant under the equity incentive plan were approximately 8.5 million.

As at March 2, 2018, 143.2 million common shares, 2.5 million restricted share units, performance share units and deferred share units and 3.2 million stock options were outstanding.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is involved in various commodity related marketing activities that are intended to enhance the Company's operations and increase profitability. These activities often create exposure to price risk between the time contracted volumes are purchased and sold and to foreign exchange risk when contracts are in different currencies (Canadian dollar versus U.S. dollar). The Company is also exposed to various market risks, including volatility in (i) crude oil, refined products, natural gas and NGL prices, (ii) interest rates, (iii) currency exchange rates and (iv) equity prices. The Company utilizes various derivative instruments from time to time to manage commodity price, interest rate, currency exchange rate, and equity price exposure and, in certain circumstances, to realize incremental margin during volatile market conditions. The Company's commodity trading and risk management policies and procedures are designed to establish and manage to an approved level of value at risk. The Company has a Commodity Risk Management Committee that has direct responsibility and authority for the Company's risk policies and the Company's trading controls and procedures. Additionally, certain aspects of corporate risk management are handled within the Risk Management Group. The Company's approved strategies are intended to mitigate risks that are inherent in the Company's core businesses of aggregating, marketing and distribution. To hedge the risks discussed above the Company engages in risk management activities that the Company categorizes by the risks the Company is hedging and by the physical product that is creating the risk. The following discussion addresses each category of risk.

Commodity Price Risk. The Company hedges its exposure to price fluctuations with respect to crude oil, refined products, natural gas and NGLs, and expected purchases and sales of these commodities (relating primarily to crude oil, roofing flux, propane sales and purchases of natural gasoline). The derivative instruments utilized consist primarily of futures and option contracts traded on the New York Mercantile Exchange, the Intercontinental Exchange and over-the-counter transactions, including swap and option contracts entered into with financial institutions and other energy companies. The Company's policy is to transact only in commodity derivative products for which the Company physically transacts, and to structure the Company's hedging activities so that price fluctuations for those products do not materially affect the net cash the Company ultimately receives from its commodity related marketing activities.

Although the Company seeks to maintain a position that is substantially balanced within the Company's various commodity purchase and sales activities, the Company may experience net unbalanced positions as a result of production, transportation and delivery variances as well as logistical issues associated with inclement weather conditions.

The intent of the Company's risk management strategy is to hedge the Company's margin. However, the Company has not designated nor attempted to qualify for hedge accounting. Thus, changes in the fair values of all of the Company's derivatives are recognized in earnings and result in greater potential for earnings volatility.

The fair value of futures contracts is based on quoted market prices obtained from the Chicago Mercantile Exchange. The fair value of swaps and option contracts is estimated based on quoted prices from various sources, such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at the period end. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. No such positions existed as at December 31, 2017 and December 31, 2016. All derivative positions offset existing or anticipated physical exposures. Price-risk sensitivities were calculated by assuming 15% volatility in crude oil and NGL related prices, regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an increase or decrease in prices, the fair value of the Company's derivative portfolio would typically increase or decrease, offsetting changes in the Company's physical positions. A 15% favorable change would increase the Company's net income by $6.2 million and $9.7 million as of December 31, 2017 and 2016, respectively. A 15% unfavorable change would decrease the Company's net income by $6.2 million and $10.1 million as of December 31, 2017 and 2016, respectively. However, these changes may be offset by the use of one or more risk management strategies.

Interest rate risk. The Company's long-term debt accrues interest at fixed interest rates and accordingly, changes in market interest rates do not expose the Company to future interest cash outflow variability.

Under the Revolving Credit Facility, the Company is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either the Canadian Prime Rate, U.S. LIBOR, U.S. Base Rate or Canadian Bankers' Acceptance Rate, plus an applicable margin based on the Company's total leverage ratio. At December 31, 2017, the Company had $230.2 million drawn under the Revolving Credit Facility and 5% favorable and unfavorable change in interest rates in relation to the amounts drawn at December 31, 2017 would have impacted net income by $0.3 million. As at December 31, 2016, the Company had $nil drawn under the Revolving Credit Facility and, accordingly, was not subject to the interest rate cash flow risk associated with these amounts.

Currency exchange risks. The Company's monetary assets and liabilities in foreign currencies are translated at the period-end rate. Exchange differences arising from this translation are recorded in the Company's statement of operations. In addition, currency exposures can arise from revenues and purchase transactions denominated in foreign currencies. Generally, transactional currency exposures are naturally hedged (i.e., revenues and expenses are approximately matched), but, where appropriate, are covered using forward exchange contracts. All of the foreign currency forward exchange contracts entered into by the Company, although effective hedges from an economic perspective, have not been designated as hedges for accounting purposes, and therefore any gains and losses on such forward exchange contracts impact the Company's earnings. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would affect the fair value of the Company's outstanding forward currency contracts and options and would decrease the Company's net income by $3.4 million and $1.9 million as at December 31, 2017 and 2016, respectively. A 5% favorable change would increase the Company's net income by $3.4 million and $1.8 million as at December 31, 2017 and 2016, respectively. The Company expects to continue to enter into financial derivatives, primarily forward contracts, to reduce foreign exchange volatility.

As at December 31, 2017, the Company had $100.0 million U.S. dollar denominated debt as part of its draw on its Revolving Credit Facility. The Company did not have any foreign currency hedges in place in relation to its use of the Revolving Credit Facility. The Company, as result of repayment of its U.S. dollar denominated debt as described under the Notes section, entered into forward contracts for the settlement of its U.S. dollar forward contracts to buy U.S. dollars on a notional amount of US$120.0 million at a weighted average rate of $1.26 for US$1.00 on October 30, 2017. As a result of the settlement of US$ Notes and the draw of U.S dollar amounts on its Revolving Credit Facility the Company's exposure to foreign currency exchange risk related to its long-term debt has been reduced. Accordingly, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would impact both the carrying value of the Company's long-term debt and would decrease the Company's net income by $5.4 million and $31.9 million as at December 31, 2017 and 2016, respectively. A corresponding favorable change would increase the Company's net income by $5.4 million and $31.9 million as at December 31, 2017 and 2016, respectively. With respect to the related interest payments on the U.S. dollar denominated debt, to date, the Company has not entered into any foreign currency hedges and, therefore, the Company is exposed to the associated foreign currency exchange risk. Based on the interest rate in effect at December 31, 2017, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar as of December 31, 2017 would increase the Company's annual interest expense by $0.2 million. A 5% favorable change in the value of the Canadian dollar relative to the U.S. dollar as of December 31, 2017 would decrease the Company's annual interest expense by $0.2 million. The Company monitors its exposure to foreign currencies, including associated interest payments, and, where optimal, will consider minimizing exposure using appropriate hedging strategies.

Equity price risk. The Company has equity price and dilution exposure to shares that it issues under its stock based compensation programs. Gibson uses equity derivatives to manage volatility derived from its stock based compensation programs. These contracts will mature at the prevailing share prices in accordance with the specific maturities of each contract over a three-year period. As at December 31, 2017 and 2016, the Company estimates that a 10% increase in the Company's share price would have resulted in an increase in the Company's income of $1.9 million and $1.7 million, respectively. A corresponding decrease in the Company's share price would decrease the Company's net income by $1.9 million and $1.7 million, respectively.

ACCOUNTING POLICIES

Critical accounting policies and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from estimates in amounts that may be material. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the Company's consolidated financial statements. The Company's critical accounting policies and estimates are as follows:

Recoverability of asset carrying values. The Company carries out impairment reviews in respect of goodwill at least annually or if indicators of 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, inventories 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. Such indicators include changes in the Company's business plans, changes in activity levels, an increase in the discount rate, the intention of "holding" versus "selling" 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 flows. Where impairment exists, the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and value in use. Impairments are recognized immediately in the consolidated statement 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 fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. However, the determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters, such as the outlook for global or regional market supply-and-demand conditions, future commodity prices, the effects of inflation on operating expenses and discount rates.

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

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. 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. Management judgement is exercised in assessing whether this is the case. To the extent that actual outcomes differ from management's estimates, income tax charges or credits may arise in future periods.

Financial instruments. In situations where the Company is required to mark financial instruments to market, the estimates of gains or losses at a particular period-end do not reflect the end results of particular transactions, and will most likely not reflect the actual gain or loss at the conclusion of the underlying transactions. The Company reflects the fair value estimates for financial instruments based on valuation information from third parties. The calculation of the fair value of certain of these financial instruments is based on proprietary models and assumptions of third parties because such instruments are not quoted on an active market. Additionally, estimates of fair value for such financial instruments may vary among different models due to a difference in assumptions applied, such as the estimate of prevailing market prices, volatility, correlations and other factors, and may not be reflective of the price at which they can be settled due to the lack of a liquid market. Although the resolution of these uncertainties has not historically had a material impact on the Company's results of operations or financial condition, the actual amounts may vary significantly from estimated amounts.

Provisions and accrued liabilities. The Company uses estimates to record liabilities for obligations associated with site restoration on the retirement of assets and environmental costs, taxes, potential legal claims and other accruals and liabilities.

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. Estimated future expenditure is based on all known facts at the time and current expected plans for decommissioning. Among the many uncertainties that may impact the estimates are changes in laws and regulations, public expectations, prices and changes in technology. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recorded. This is subsequently depreciated as part of the asset. Other than the unwinding 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.

Liabilities for environmental costs are recognized when a clean-up 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. Estimated future expenditure is based on all known facts at the time and an assessment of the ultimate outcome. 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 remediation technology.

Other provisions and accrued liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability require the application of judgment to existing facts and circumstances, which can be subject to change. Since the actual cash outflows can take place many years in the future, the carrying amounts of provisions and liabilities are reviewed regularly and adjusted to take account of changing facts and circumstances. A change in estimate of a recognized provision or accrued liability would result in a charge or credit to net income in the period in which the change occurs.

Initial adoption of accounting policies

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 (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 and include changes to IFRS 3 – *Business combinations, IFRS 11 – Joint arrangements, IAS 12 – Income taxes, and IAS 23 – Borrowing costs*. These improvements are 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

As disclosed in the 2017 year-end Consolidated Financial Statements, the Company has evaluated the impact of IFRS 16, IFRS 15, and IFRS 9.

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, IFRS 16 and IFRS 9.

For IFRS 15 and IFRS 16, the Company has completed all technical position papers related to all contracts and arrangements under the scope of these standards. The Company has taken pro-active measures to review the impacts of the adoption of these standards on our debt covenants including certain amendments to our covenants which provides an option to adjust for the impact of these standards or to provide a grandfathering approach. At this stage, the impact of adoption is not considered material on the Company's debt covenant calculations.

On January 1, 2018, the Company's policies and business practices have been updated to reflect the changes required by the adoption of these new standards.

Noted below is the summary of material impacts of IFRS 15, IFRS 16 and IFRS 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 are 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.

***(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 recognize 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 January 1, 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 of 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.

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.

DISCLOSURE CONTROLS & PROCEDURES

As part of the requirements mandated by the Canadian securities regulatory authorities under National Instrument 52-109-Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company's Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have evaluated the design and operation of the Company's disclosure controls and procedures ("DC&P"), as such term is defined in NI 52-109, as at December 31, 2016. The CEO and CFO are also responsible for establishing and maintaining internal controls over financial reporting, ("ICFR"), as such term is defined in NI 52-109. In making its assessment, management used the Committee of Sponsoring Organizations of the Treadway Commission framework in Internal Control – Integrated Framework (2013) to evaluate the design and effectiveness of internal control over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and compliance with IFRS. The Company's CEO and CFO have evaluated, or caused to be evaluated under their supervision, the design and operational effectiveness of such controls as at December 31, 2017.

Based on the evaluation of the design and operating effectiveness of the Company's DC&P and ICFR, the CEO and the CFO concluded that Gibson DC&P and ICFR were effective as at December 31, 2017. There have been no changes in ICFR that occurred during the period beginning January 1, 2017 and ended on December 31, 2017 that has materially affected or is reasonably likely to materially affect Gibson ICFR.

RISK FACTORS

Shareholders and prospective investors should carefully consider the risk factors noted below before investing in Gibson securities, as each of these risks may negatively affect the trading price of Gibson securities, the amount of dividends paid to shareholders and the ability of Gibson to fund its debt obligations, including debt obligations under its outstanding Debentures and any other debt securities that Gibson may issue from time to time. For a further discussion of the risks identified in this MD&A, other risks and trends that could affect Gibson performance and the steps that Gibson takes to mitigate these risks, readers are referred to Gibson AIF, which is available on SEDAR at www.sedar.com.

Operational Risks

Operational risks include: tank and pipeline leaks; the breakdown or failure of equipment related to, pipelines and facilities, information systems or processes; the compromise of information and control systems; spills at truck terminals and terminal hubs; spills associated with the loading and unloading of harmful substances onto rail cars and trucks; failure to maintain adequate supplies of spare parts; operator error; labour disputes; disputes with interconnected facilities and carriers; operational disruptions or apportionment on third-party systems or refineries which may prevent the full utilization of Gibson facilities and pipelines; and catastrophic events including but not limited to natural disasters, fires, floods, explosions, train derailments, earthquakes, acts of terrorists and saboteurs, and other similar events, many of which are beyond the Company's control. Gibson may also be exposed from time to time, to additional operational risks not stated in the immediately preceding sentences. The occurrence or continuance of any of these events could increase the cost of operating Gibson assets or reduce revenue, thereby impacting earnings. Additionally, Gibson facilities and pipelines are reliant on electrical power for their operations. A failure or disruption within the local or regional electrical power supply or distribution or transmission systems could significantly affect ongoing operations. In addition, a significant increase in the cost of power or fuel could have a materially negative effect on the level of profit realized in cases where the relevant contracts do not provide for recovery of such costs.

Market and Commodity Price Risk

The Company enters into contracts to purchase and sell crude oil, NGLs, and refined products. Most of these contracts are priced at floating market prices. Although the majority of these contracts are back-to-back, these activities could expose the Company to market risks resulting from movements in commodity price, margin, and currency exchange rate differentials between the timing of purchases and subsequent sales. The prices of the products that the Company markets are subject to fluctuations as a result of such factors as seasonal demand changes, changes in commodity markets, and other factors. In many circumstances, purchase and sale contracts are not perfectly matched, as they are entered into at different times and for different values. Furthermore, the Company normally has a long position in propane, NGLs, crude oil, and refined products that the Company markets, and may store these products in order to meet seasonal demand and take advantage of seasonal pricing differentials, thereby resulting in inventory risk.

Because crude oil margins are earned by capturing spreads between different qualities of crude oil, the Company's crude oil marketing business is subject to volatility in price differentials between crude oil streams and blending agents. As a result, margins and profitability can vary significantly from period to period as a result of this volatility. We expect that commodity prices will continue to fluctuate significantly in the future. The Company manages this commodity risk in a number of ways, including the use of financial contracts and by offsetting some physical and financial contracts in terms of volumes, timing of performance and delivery obligations. For example, as NGL and refined product prices are somewhat related to the price of crude oil, crude oil financial contracts are one of the more common price risk management strategies that the Company uses. Also, with respect to crude oil, the Company manages its exposure using West Texas Intermediate ("WTI") based futures, options and swaps. These strategies are subject to basis risk between the prices of crude oil streams, WTI, NGL and refined product values and, therefore, may not fully offset future price movements. Furthermore, there is no guarantee that these strategies and other efforts to manage marketing and inventory risks will generate profits or mitigate all the market and inventory risk associated with these activities. If the Company utilizes price risk management strategies, the Company may forego the benefits that may otherwise be experienced if commodity prices were to increase. In addition, any non-compliance with the Company's trading policies could result in significantly adverse financial effects. To the extent that the Company engages in these kinds of activities, the Company is also subject to credit risks associated with counterparties with whom the Company has contracts.

Additionally, the Company purchases from producers and other customers a substantial amount of crude oil and condensate, propane and NGLs for resale to third parties, including other marketers and end-users. However, the Company may not be successful in balancing its purchases and sales. A producer or supplier could fail to deliver contracted volumes or could deliver in excess of contracted volumes, or a purchaser could purchase less than contracted volumes. Any of these actions could cause the Company's purchases and sales to be unbalanced. While the Company attempts to balance its purchases and sales, if its purchases and sales are unbalanced, the Company will face increased exposure to commodity price risks and could have increased volatility in its operating income and cash flow.

Reputation

Gibson relies on its reputation to build and maintain positive relationships with its stakeholders, to recruit and retain staff, and to be a credible, trusted company. Reputational risk is the potential for negative impacts that could result from the deterioration of Gibson reputation with key stakeholders. The potential for harming the Company's corporate reputation exists in every business decision and public interaction, which in turn can negatively impact the Company's business and its securities. Reputational risk cannot be managed in isolation from other forms of risk. Credit, market, operational, insurance, liquidity, regulatory, environmental and legal risks must all be managed effectively to safeguard the Company's reputation. Negative impacts from a compromised reputation could include revenue loss, reduction in customer base and diminution of share price.

Decommissioning, Abandonment and Reclamation Costs

The Company is responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of the Company's facilities and pipelines at the end of their economic life, the costs of which may be substantial. It is not possible to predict these costs with certainty since they will be a function of regulatory requirements at the time of decommissioning, abandonment and reclamation. The Company may, in the future, be required by applicable laws or regulations to establish and fund one or more decommissioning, abandonment and reclamation reserve funds to provide for payment of future decommissioning, abandonment and reclamation costs, which could decrease funds available to the Company to execute its business plan and service its debt obligations. In addition, such reserves, if established, may not be sufficient to satisfy such future decommissioning, abandonment and reclamation costs and the Company will be responsible for the payment of the balance of such costs.

Legislative and Regulatory Changes

The Company's industry is highly regulated. There can be no guarantee that laws and other government programs relating to the oil and gas industry, the energy services industry and the transportation industry will not be changed in a manner which directly and adversely affects the Company's business. There can also be no assurance that the laws, regulations or rules governing the Company's customers will not be changed in a manner which adversely affects the Company's customers and, therefore, the Company's business. In addition, the Company's pipelines and facilities are potentially subject to common carrier and common processor applications and to rate setting by regulatory authorities in the event agreement on fees or tariffs cannot be reached with producers. To the extent that producers believe processing fees or tariffs with respect to pipelines and facilities are too high, they may seek rate relief through regulatory means. If regulations were passed lowering or capping the Company's rates and tariffs, the Company's results of operations and cash flows could be adversely affected.

Petroleum products that the Company stores and transports are sold by the Company's customers for consumption into the public market. Various federal, provincial, state and local agencies have the authority to prescribe specific product quality specifications for commodities sold into the public market. Changes in product quality specifications or blending requirements could reduce the Company's throughput volume, require the Company to incur additional handling costs or require capital expenditures. For instance, different product specifications for different markets impact the fungibility of the products in the Company's system and could require the construction of additional storage. If the Company is unable to recover these costs through increased revenues, the Company's cash flows could be adversely affected. In addition, changes in the quality of the products the Company receives on its petroleum products pipeline system could reduce or eliminate the Company's ability to blend products.

The Company's cross-border activities are subject to additional regulation, including import and export licenses, tariffs, Canadian and U.S. customs and tax issues and toxic substance certifications. Such regulations include the Short Supply Controls of the Export Administration Act, the North American Free Trade Agreement, the Toxic Substances Control Act and the Canadian Environmental Protection Act, 1999. Violations of these licensing, tariff and tax reporting requirements could result in the imposition of significant administrative, civil and criminal penalties.

In addition, local, consumption and income tax laws relating to the Company may be changed in a manner which adversely affects the Company.

Possible Failure to Realize Anticipated Benefits of Corporate Strategy

Gibson evaluates the value proposition for expansion projects, new acquisitions or divestitures on an ongoing basis. Planning and investment analysis is highly dependent on accurate forecasting assumptions and to the extent that these assumptions do not materialize, financial performance may be lower or more volatile than expected. Volatility in the economy, change in cost estimates, project scoping and risk assessment could result in a loss in profits for Gibson. Large scale dispositions in particular may involve significant pricing and de-integration risk. Divestitures requires the dedication of management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during such time. The divestiture process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect Gibson.

Proposed Pipeline Uncertainty

The Canadian federal government approved Kinder Morgan Canada Inc's proposed expansion of the Trans Mountain Pipeline in 2016 and TransCanada Corp's Keystone XL pipeline project received federal approval in the U.S. in 2017. However, the future of both projects remains uncertain, as both face ongoing legal, regulatory and stakeholder hurdles. If one or both of these projects failed to move forward, such failure could negatively impact the Company's future terminalling services opportunities. Similarly, Enbridge's

Line 3 replacement project received Canadian Federal approval in 2016, but continues to face legal, regulatory and stakeholder hurdles in the U.S. and Canada. If this project failed to move forward such failure could negatively impact the Company's opportunities for additional terminal services at the Hardisty Terminal.

Environmental Regulation and Climate Change (NTD: Review AIF language to ensure consistency)

Gibson is subject to a range of laws, regulations and requirements imposed by various levels of government and regulatory bodies in the jurisdictions in which it operates. While these legal controls and regulations affect all dimensions of Gibson activities, including, but not limited to, the operation of pipelines and facilities, construction activities, emergency response, operational safety and environmental procedures, Gibson does not believe that they impact its operations in a manner materially different from other comparable businesses operating in those jurisdictions.

Greenhouse gases, mainly carbon dioxide and methane, are components of the raw natural gas processed and handled at Gibson facilities. Operations at Gibson facilities, including the combustion of fossil fuels in engines, heaters and boilers, release carbon dioxide, methane and other minor greenhouse gases. As such, Gibson is subject to various greenhouse gas reporting and reduction programs. Gibson uses an engineering consulting firm to compile inventories of greenhouse gas emissions and reports these inventories in accordance with federal and provincial programs. Second party audits or verifications of inventories are conducted for facilities that are required to meet regulatory targets.

FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information, as such term is defined under applicable Canadian securities laws ("forward-looking information"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking information. The use of any of the words ''anticipate'', ''plan'', ''contemplate'', ''continue'', "aim", "target", "must", "commit", ''estimate'', ''expect'', ''intend'', ''propose'', ''might'', ''may'', ''will'', ''shall'', ''project'', ''should'', ''could'', ''would'', ''believe'', ''predict'', ''forecast'', ''pursue'', ''potential'' and ''capable'' and similar expressions are intended to identify forward-looking information. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. No assurance can be given that these expectations will prove to be correct and such forward-looking information included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. In particular, this MD&A contains forward-looking information pertaining to the following:

- *realization of anticipated benefits from reorganization and headcount rationalization efforts;*
- *realization of perceived benefits and ability to close the sale of assets and businesses as per our plans;*
- *timing, the amount of proceeds from sale of non-core businesses along with the execution of planned capital programs as discussed under the strategy section;*
- *achieving the targets including but not limited to segment profits, payout ratio and leverage ratio as discussed under the strategy section;*
- *the addition or disposition of assets and changes in the services to be offered by the Company;*
- *The Company's projections relating to target segment profit, distributable cash flow, distributable cash flow per share, and total cash flow;*
- *The Company's projections relating to target leverage and payout ratios;*
- *the Company's investment in new equipment, technology, facilities and personnel;*
- *the Company's growth strategy to expand in existing and new markets including the anticipated benefits from the Company's basin strategy;*
- *the availability of sufficient liquidity for planned growth;*
- *new technology and drilling methodology being deployed towards conventional and unconventional production within the Company's operating areas;*
- *uncertainty and volatility relating to crude prices and price differentials between crude oil streams and blending agents;*
- *increased crude oil production and exploration activity on shore in North America, including from the Canadian oil sands;*
- *the expansion of midstream infrastructure in North America to handle increased production and expansion of capacity in the U.S. refining complex to handle heavier crude oil from the WCSB;*

- *the effect of competition in regions of North America and its impact on downward pricing pressure and regional crude oil price differentials among crude oil grades and locations;*
- *the effect of market volatility on the Company's marketing revenues and activities;*
- *the Company's ability to pay down and retire indebtedness;*
- *the Company's plans for additional strategic acquisitions, capital expenditures or other similar transactions, including the costs thereof;*
- *in-service dates for new storage capacity being constructed by the Company;*
- *the Company's planned hedging activities;*
- *the Company's projections of commodity purchase and sales activities;*
- *the Company's projections of currency and interest rate fluctuations;*
- *the realization of anticipated benefits from the implementation of cost saving measures;*
- *the Company's projections of dividends; and*
- *the Company's dividend policy.*

With respect to forward-looking information contained in this MD&A, assumptions have been made regarding, among other things:

- *future growth in world-wide demand for crude oil and petroleum products;*
- *crude oil prices;*
- *no material defaults by the counterparties to agreements with the Company;*
- *the Company's ability to obtain qualified personnel, owner-operators, lease operators and equipment in a timely and cost-efficient manner;*
- *the regulatory framework governing taxes and environmental matters in the jurisdictions in which the Company conducts and will conduct its business;*
- *changes in credit ratings applicable to the Company;*
- *operating costs;*
- *future capital expenditures to be made by the Company;*
- *the Company's ability to obtain financing for its capital programs on acceptable terms;*
- *the Company's future debt levels;*
- *the impact of increasing competition on the Company;*
- *the impact of future changes in accounting policies on the Company's consolidated financial statements;*
- *the Company's ability to successfully implement the plans and programs disclosed in the Company's new strategy;*
- *the Company's ability to divest of its U.S. Environmental Services business and other non-core businesses on acceptable terms, and the timing therefore; and*
- *the Company's ability to transition to a focused oil infrastructure growth company.*

In addition, this MD&A may contain forward-looking information attributed to third party industry sources. The Company does not undertake any obligations to publicly update or revise any forward-looking information except as required by applicable Canadian securities laws. Actual results could differ materially from those anticipated in forward-looking information as a result of numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in "Forward-Looking Information" and "Risk Factors" included in the Company's Annual Information Form dated March 5, 2018 as filed on SEDAR at www.sedar.com and available on the Gibson website at www.gibsonenergy.com.

NON-GAAP FINANCIAL MEASURES

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. Combined Revenue, Combined Segment Profit, Adjusted EBITDA from continuing operations, Adjusted EBITDA from discontinued operations, Adjusted EBITDA from combined operations, Pro Forma Adjusted EBITDA from continuing operations, Pro Forma Adjusted EBITDA from discontinued operations, Pro Forma Adjusted EBITDA from combined operations, distributable cash flow from continued operations and distributable cash flow from combined operations are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS and, therefore, may not be comparable to similar measures reported by other entities. Management considers these to be important supplemental measures of the Company's performance and believes these measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures. See "Results of Continuing Operations" and "Results of Discontinued Operations"" for a reconciliation of Segment Profit to net income (loss), the IFRS measure most directly comparable to Segment Profit. See "Summary of Quarterly Results" for a reconciliation of

Adjusted EBITDA from continuing, discontinued, and combined operations and Pro Forma Adjusted EBITDA from continuing, discontinued and combined operations to Segment Profit from continuing, discontinued and combined operations. Distributable cash flow from continuing and combined operations is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends. See ''Distributable Cash Flow" for a reconciliation of distributable cash flow to cash flow from operations, the IFRS measure most directly comparable to distributable cash flow.

Readers are encouraged to evaluate each adjustment and the reasons the Company considers it appropriate for supplemental analysis. Readers are cautioned, however, that these measures should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indication of the Company's performance.