Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared and approved by the Company's Board of Directors as of March 1, 2016 and should be read in conjunction with the audited consolidated financial statements and related notes of Gibson Energy Inc. ("Gibsons" or the "Company") for the years ended December 31, 2015 and 2014, 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). Amounts are stated in Canadian dollars unless otherwise noted.

This MD&A contains forward-looking statements 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 Statements" and "Non-GAAP Financial Measures" included at the end of this MD&A. Non-GAAP measures contained in this MD&A include EBITDA, Adjusted EBITDA, Pro Forma Adjusted EBITDA, and distributable cash flow.

EXECUTIVE OVERVIEW

Gibsons is a large independent integrated service provider to the oil and gas industry with operations across major producing regions throughout North America. Gibsons is engaged in the movement, storage, blending, processing, marketing and distribution of crude oil, condensate, natural gas liquids ("NGLs"), water, oilfield waste, and refined products. The Company transports energy products by utilizing its integrated network of terminals, pipelines, storage tanks, and trucks located throughout western Canada and through its significant truck transportation and injection station network in the United States. The Company also provides emulsion treating, water disposal and oilfield waste management services through its network of processing, recovery and disposal facilities in Canada and the United States and is the second largest industrial propane distribution company in Canada. The Company's integrated operations allow it to participate across the full midstream energy value chain, from the hydrocarbon producing regions in Canada and the United States, through the Company's strategically located terminals in Hardisty and Edmonton, Alberta and injection stations and terminals in the United States, to the end user or refineries of North America.

Gibsons has provided market access to leading oil and gas industry participants in western Canada for over 60 years. The Company has grown by diversifying its service offerings to meet customers' needs and by expanding geographically to provide its service offerings to key hydrocarbon producing regions throughout the United States.

The Company's integrated segments can be broken down as follows: (1) Terminals and Pipelines, (2) Environmental Services, (3) Truck Transportation, (4) Propane and NGL Marketing and Distribution, (5) Processing and Wellsite Fluids and (6) Marketing. The Company believes its competitive advantage is driven by its geographic presence in the majority of hydrocarbon-rich basins in North America, its footholds in strategic market hubs, its ability to capture value throughout the midstream energy value chain, its diversified, integrated, synergistic service offerings, its ability to source and successfully execute internal growth projects, its proven track record of sourcing, executing and successfully integrating business acquisitions, its leading health, safety, security and environment record, its experienced management team with a proven history of successful operations and strong industry reputation and its conservative risk management policies. The Company is continuously focused on improving its operations across all segments by utilizing the Company's integrated asset base to capture inter segment synergies and to expand the Company's network of assets, and to increase the Company's margins by providing additional value added services along the midstream energy value chain.

Highlights

The key highlights for the year ended December 31, 2015 were as follows:

- Despite challenging industry conditions, overall segment profit only decreased by 14% to $418.8 million in the year ended December 31, 2015 compared to $487.1 million in the year ended December 31, 2014;
- Segment profit for the Terminal and Pipelines segment increased by 23% in the year ended December 31, 2015, compared to the year ended December 31, 2014;
- Pro Forma Adjusted EBITDA for the year ended December 31, 2015 was $389.9 million, down 15% from the year ended December 31, 2014;
- Adjusted EBITDA for the year ended December 31, 2015 decreased by 15% to $386.3 million compared to $453.1 million in the year ended December 31, 2014;
- Revenue decreased by 35% in the year ended December 31, 2015 compared to the year ended December 31, 2014. The decrease was primarily driven by lower product revenue as a result of lower commodity prices and also lower service revenues that exhibited a reduction of 20% in the year ended December 31, 2015;
- During the year ended December 31, 2015, management reduced costs within the Company resulting in lower overall headcount of approximately 15%, after adjusting for the impact of acquisitions. Management is committed to cost control and will continue to proactively work to align costs in light of overall economic conditions;
- The Company declared a dividend of $0.32 per common share in the fourth quarter of 2015. Total dividends declared were $161.0 million in the year ended December 31, 2015, representing an 8% increase over the $148.6 million declared in the year ended December 31, 2014;
- On August 6, 2015, the Company suspended, until further notice, Gibsons' Dividend Reinvestment Plan ("DRIP") and Stock Dividend Program ("SDP") as the Company believes that the continuation of these programs would result in unwarranted dilution of its shareholders;
- For the year ended December 31, 2015, distributable cash flow was $219.5 million resulting in a gross dividend payout ratio of 73% and a net dividend payout ratio of 64% based on declared dividends paid in cash;
- Capital expenditures were $392.6 million for the year ended December 31, 2015, of which $345.8 million related to growth capital. Growth capital expenditures are primarily related to the construction of tankage and pipeline connections at the Company's facilities, in particular at the Hardisty and Edmonton terminals. At December 31, 2015, the Company had capital expenditures totaling $290.6 million included in work in progress;
- In February and March 2015, the Company successfully commissioned two new tanks on the east side of the Hardisty Terminal resulting in a 900,000 barrel increase in capacity. In addition, the Company successfully commissioned its connectivity enhancement project related to the twinning of the Cold Lake pipeline connection to the Hardisty Terminal;
- On April 13, 2015, the Company announced its intention to construct 900,000 barrels of additional crude oil storage capacity at the Hardisty Terminal, comprised of a 400,000 barrel storage tank and a 500,000 barrel storage tank, that are expected to be commissioned in mid-2017;
- On April 27, 2015, the Company announced that it will build and operate an additional 900,000 barrels of storage capacity at Gibsons' Hardisty West Terminal. The expansion is intended to support Suncor Energy's ("Suncor") growth plans. The Hardisty West Terminal was developed in 2011 as a joint venture with Suncor involving the construction of four storage tanks totaling 1.2 million barrels. The terminal is an important part of Suncor's logistics infrastructure that is designed to facilitate the transportation of its crude oil production and manage the quality of its proprietary commodity streams. The expansion of the Hardisty West Terminal will support growth in Suncor's oil sands operations and increase total storage capacity at the Hardisty West Terminal by 75% to 2.1 million barrels. The new storage capacity is expected to be in-service by the third quarter of 2017;

- On July 1, 2015, the Company acquired all of the issued and outstanding ownership interests of Ross Eriksmoen, Inc., GWCC, LLC, and Frontier Ventures, LLC (collectively doing business as "T&R Transport") for approximately $34.9 million. T&R transports water and oil field waste and provides related transportation services to customers in the oil, gas, and petrochemical industry throughout the Bakken region in North Dakota;
- On December 1, 2015, the Company successfully commissioned its connectivity enhancement project related to the twinning of the Athabasca pipeline connection to the Hardisty Terminal; and

On March 1, 2016, the Board declared a quarterly dividend of $0.33 per common share for the three months ended March 31, 2016 on its outstanding common shares. The dividend is payable on April 15, 2016 to shareholders of record at the close of business on March 31, 2016.

Trends affecting the Company's business

Gibsons periodically evaluates its long-range strategic plan in order to assess the implications of emerging industry trends, including organic growth and potential acquisition opportunities, in the energy midstream sector. Some of the key industry trends that will affect Gibson's business and prospects over the short-term (2 years or less) and the medium to long-term (two to five years) are:

- Increased oil production in North America over the last number of years has increased demand for many facets of the midstream energy value chain including storage, transportation, distribution, processing, refining and environmental and production services, all of which are activities the Company participates in. However, the recent decline in crude oil prices has caused many North American oil producers, who form a significant part of Gibsons' customer base, to lower their near term capital spending plans. This is expected to negatively impact North American production over the short-term. Over the medium to long-term, as crude oil supply and demand rebalances and crude oil prices realign with global cost structures, the Company anticipates a return to increased activity and production levels and a continued demand for midstream value chain assets;
- Over the medium to long-term, the growing supply of Canadian heavy crude oil from the oil sands will result in an increasing demand for diluent in the Western Canada Sedimentary Basin (the "WCSB"). This should result in increased movements of diluent through the Edmonton and Alberta heartland area, pipeline and terminal infrastructure and may generate increased opportunities for Gibsons' services;
- Crude oil pricing, location and quality disconnects, combined with a shortage of pipeline takeaway capacity from the WCSB, have created demand for crude by rail as a solution for export market access. While the recent decline in crude oil prices has negatively impacted the economics of this transportation alternative, the Company expects that if oil prices rise or export pipeline access becomes a barrier to reach markets, opportunities for the Company to increase its service offering to include more crude oil rail movements will arise;
- The Keystone XL and Energy East pipeline projects are crucial initiatives that should help provide the growing supply of Canadian crude oil access to the large refining markets in the United States, Eastern Canada and other foreign markets. The recent denial of presidential permit to Keystone XL by the U.S. Department of State in November, 2015, as well as continued delays to the approval of Energy East, the starting point for both pipelines which would be adjacent to the Company's Hardisty Terminal, defers the prospects of increased opportunities for the Company's terminalling services that are anticipated from these projects, but brings to fore the likelihood of an increased usage of the Company's crude oil rail transportation infrastructure, in the near term;
- Enbridge's expansion of its Line 67 that went into operation in July 2015 and the replacement of its Line 3 will help the growing supply of Canadian crude oil gain access to the largest refining markets in the United States and Eastern Canada. The replacement of Line 3, if approved, could provide incremental capacity by 2018. Gibsons' Hardisty Terminal is connected to deliver to both of these pipelines and these expansions should provide increased opportunities for the Company's terminalling services at Hardisty;
- When completed, Enbridge's twinning of the southern section of its Athabasca pipeline which should provide for incremental volumes into the Gibson Hardisty terminal and increased opportunities for the Company's terminalling services at Hardisty;
- Price fluctuations between crude oil types can create incremental margin opportunities in multiple areas of the Company's operations. While current price differentials have compressed in response to the recent decline in benchmark crude oil prices, the Company remains attentive to opportunities as this trend continues to evolve;
- The growing supply of propane, butane and other natural gas liquids in North America related to higher liquids rich natural gas development has resulted in declining propane and butane prices in North America. This may result in increased volumes and potential margin improvement related to the Propane and NGL Marketing and Distribution segment;

- The recent reduction in the value of the Canadian dollar relative to the U.S. dollar highlights added foreign currency volatility which could result in both positive and negative impacts for the Company. A weakening Canadian dollar should result in increased profit contributions from the Company's U.S. business. In addition, it could result in increased revenues and cost of sales for the Company's Canadian operations that transact in U.S. dollars. Furthermore, a weakening Canadian dollar will result in an increase in foreign exchange losses with respect to the Company's U.S. dollar denominated debt and an increase in foreign exchange gains with respect to the Company's U.S. denominated assets;
- The lifting of the U.S. crude oil export ban in December, 2015, may further advance demand for the utilization of midstream assets to enable an increasing volume of crude oil to access tidewater export locations. Gibsons' U.S. presence and extensive footprint offer an important growth platform and that should prove advantageous to the Company's North America-wide core midstream infrastructure development plan;
- The weak oil price and capital market conditions are expected to adversely impact many energy industry participants in North America, some of which are either customers or competitors. In the ensuing period, the Company anticipates increasing credit risk within certain segments of its customer base. Offsetting this, the Company expects a moderation in valuation expectations for midstream asset and corporate transactions;
- Over the medium to long-term the Company expects new technology for drilling and well completion methodology to be deployed towards conventional and unconventional production within the industry which should further enhance the viability and resilience of the specific basins Gibsons has strategically chosen to operate in; and
- Over the medium to long-term, the Company expects that increased oil and natural gas production in North America should also translate to a significant increase in produced water and other oilfield waste. This increase in oilfield waste, together with increased regulatory scrutiny, should increase demand for the Company's Environmental Services solutions.

The Company believes the collective impact of these trends and developments, many of which are beyond the Company's control, will result in an increasingly volatile business environment and a crude oil market that is subject to more frequent short-term swings in market prices and grade differentials and shifts in market structure. Over the short-term, the Company anticipates that lower crude oil prices may create a challenging environment for some of the Company's services, however, over the medium to long-term the Company believes that both the demand for its growing portfolio of high quality infrastructure assets, and the value proposition of its integrated midstream solutions, should remain strong.

Capital expenditures

The following table summarizes growth capital and upgrade and replacement capital (in thousands):

	Year ended December 31,	
	2015	2014
Growth capital	$ 345,791	$ 352,487
Upgrade and replacement capital	46,775	59,035
	$ 392,566	$ 411,522

Total expenditures for growth and upgrade and replacement capital were $392.6 million and $411.5 million in the year ended December 31, 2015 and 2014, respectively. In the year ended December 31, 2015 and 2014, $376.5 million and $391.2 million, respectively, were included as additions to property, plant and equipment and $16.1 million and $20.3 million, respectively, were included as additions to intangible assets.

Growth capital

The following table summarizes the Company's growth capital by segment (in thousands):

	Year ended December 31,	
	2015	2014
Terminals and Pipelines(1)	$ 243,057	$ 220,916
Environmental Services(2)	45,935	68,430
Truck Transportation(3)	27,755	22,164
Propane and NGL Marketing and Distribution (4)	2,032	12,131
Processing and Wellsite Fluids(5)	18,471	13,979
Other (6)	8,541	14,867
Total	$ 345,791	$ 352,487

(1) *Expenditures in the year ended December 31, 2015 and 2014 relate to a number of construction and expansion projects including the construction of additional tanks and related infrastructure at the Hardisty and Edmonton terminals. Expenditures in the year ended December 31, 2015 also include the purchase of small terminals in the United States. Expenditures in the year ended December 31, 2014 includes the related infrastructure to connect the unit rail facility to the Hardisty Terminal.*

(2) *Expenditures in the year ended December 31, 2015 and 2014 relate to the expansion of existing and construction of new emulsion and waste treatment and salt water disposal facilities in both Canada and the United States and also the addition of equipment and rolling stock.*

(3) *Expenditures in the year ended December 31, 2015 and 2014 largely represent the costs for constructing a new office and maintenance facility in Edmonton, Alberta, including the purchase of land in the Edmonton area.*

(4) *Expenditures in the year ended December 31, 2015 mainly represent the addition of tanks and generators in key market areas. Expenditures in the year ended December 31, 2014 mainly represent the addition of trucks, tanks and generators in key market areas and the expansion of rail infrastructure at a Company facility.*

(5) *Expenditures in the year ended December 31, 2015 largely relate to increasing truck and rail capabilities at the facility in Moose Jaw. Expenditures in the year ended December 31, 2014 largely relates to increasing throughput capacity and rail capabilities at the facility in Moose Jaw.*

(6) *Expenditures in the year ended December 31, 2015 mainly relate to costs associated with the Company's information and operational systems. Expenditures in the year ended December 31, 2014 mainly includes the purchase of land in Strathcona County in Alberta's Industrial Heartland as well as equipment and software related to information and operational systems.*

Upgrade and replacement capital

Upgrade and replacement capital includes improvement projects that extend the physical life of an asset, while 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. Upgrade and replacement capital decreased 21% in the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to a reduction in spending relating to the replacement of the truck and trailer fleet within the Truck Transportation segment.

Acquisitions

On February 1, 2015, the Company acquired all of the issued and outstanding shares of Littlehawk Enterprises Ltd. ("Littlehawk") for approximately $11.5 million. Littlehawk operates hydrovac units and specializes in hydro excavation, pressure testing and water hauling for the construction and energy industries. These services can be internalized by the Company and also offered as complimentary services to the Company's environmental services offerings.

On July 1, 2015, the Company acquired all of the issued and outstanding ownership interests of T&R Transport for approximately $34.9 million. T&R Transport transports water and oil field waste and provides related transportation services to customers in the oil, gas, and petrochemical industry throughout the Bakken region in North Dakota. These services complete an integrated business model centered around the Company's new Bakken Process Recovery Disposal and Landfill commissioned in the fourth quarter of 2014.

Seasonality

The Company believes that seasonality does not have a material impact on its combined operations and segments. However, certain of the Company's individual segments are impacted by seasonality. Generally, the Company's second quarter results are impacted by road bans and other restrictions which impact overall activity levels in the WCSB and the northern United States, and therefore negatively impact the Company's trucking, propane and wellsite fluids businesses in Canada and certain operations within Environmental Services in Canada and the United States.

Within the Company's Processing and Wellsite Fluids segment, certain products are impacted by seasonality. Canadian road asphalt activity 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. As a result, the Company's Processing and Wellsite Fluids segment's sales of road asphalt peak in the summer and sales of wellsite fluids peak in the winter.

The Company's Propane and NGL Marketing and Distribution segment is 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.

Within the Company's Environmental Services segment, certain services and geographical regions are impacted by seasonality including the impact of weather and daylight hours. Due to exposure to weather, activity is generally the lowest in the winter months and shorter daylight hours during the winter months also result in lower overall service activity.

SELECTED ANNUAL FINANCIAL MEASURES

	Year ended December 31,		
	2015	2014	2013
	(in thousands except per share amounts)		
Revenue	$ 5,591,982	$ 8,573,529	$ 6,940,669
Net income (loss)	(280,656)	91,941	103,816
Earnings (loss) per share			
Basic	$ (2.23)	$ 0.74	$ 0.86
Diluted	(2.23)	0.73	0.84
Dividends declared per common share	$ 1.28	$ 1.20	$ 1.10

	As at December 31,		
	2015	2014	2013
Total assets	$ 3,282,986	$ 3,573,029	$ 3,049,382
Total non-current liabilities	1,606,425	1,507,876	1,058,582

SEGMENTED RESULTS OF 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 upgrade and replacement capital requirements. The Company defines segment profit as revenues less cost of sales (excluding depreciation and amortization 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 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 year ended December 31, 2015 and 2014 and the following table sets forth revenue and profit by segment for those periods:

	Year ended December 31,	
	2015	2014
	(in thousands)	
Segment revenue		
Terminals and Pipelines	$ 184,179	$ 157,969
Environmental Services	334,449	431,153
Truck Transportation	445,969	557,735
Propane and NGL Marketing and Distribution	924,111	1,352,741
Processing and Wellsite Fluids	395,787	667,793
Marketing	4,330,978	7,005,045
Total segment revenue	6,615,473	10,172,436
Revenue—inter-segmental	(1,023,491)	(1,598,907)
Total revenue—external	5,591,982	8,573,529
Segment profit		
Terminals and Pipelines	142,796	116,524
Environmental Services	57,257	100,273
Truck Transportation	52,034	83,178
Propane and NGL Marketing and Distribution	94,192	70,271
Processing and Wellsite Fluids	37,207	51,675
Marketing	35,271	65,180
Total segment profit	418,757	487,101
General and administrative	39,569	37,385
Depreciation	195,438	154,934
Amortization	87,554	54,991
Impairment of goodwill	175,959	-
Stock based compensation	20,379	13,977
Foreign exchange loss	108,180	31,519
Net interest expense	79,022	66,766
Income (loss) before income tax	(287,344)	127,529
Income tax provision (recovery)	(6,688)	35,588
Net income (loss)	$ (280,656)	$ 91,941

The exclusion of depreciation and amortization 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 rolling stock, tanks, pipelines, plant and equipment 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 asset 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.

Terminals and Pipelines

The following tables set forth the operating results from the Company's Terminals and Pipelines segment:

Volumes (barrels in thousands)	Year ended December 31, 2015	Year ended December 31, 2014
Terminals		
Hardisty Terminal	208,292	184,519
Edmonton Terminal	14,510	16,822
Injection stations	40,511	47,154
Total terminals	263,313	248,495

	Year ended December 31, 2015	Year ended December 31, 2014
	(in thousands)	
Revenues	$ 184,179	$ 157,969
Operating expenses and other	41,383	41,445
Segment profit	$ 142,796	$ 116,524

Volumes, revenues and cost of sales. Hardisty Terminal volumes increased by 13% in the year ended December 31, 2015 compared to the year ended December 31, 2014, as a result of increased throughput volumes from customers with dedicated tank usage partially offset by lower volumes to the crude oil unit train loading facility located close to the Hardisty Terminal. Revenue at the Hardisty Terminal increased by $29.4 million in the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase was largely driven by the increase in revenue from customers with dedicated tank usage that are subject to fixed fee arrangements and additional revenue from the commissioning of the connectivity enhancement projects related to the twinning of the Cold Lake and Athabasca pipeline connections to the Hardisty Terminal. Also, the increase in revenue was due to the additional revenue from the Company's share of a full year of operations at the crude oil unit train rail loading facility compared to a half year of operations in 2014, with these customers being subject to minimum volume charges. The increase in revenue and volumes from customers with dedicated tank usage that are subject to fixed monthly rental fees, primarily relate to the impact of the four new tanks at the east side of the Hardisty Terminal that were commissioned in the fourth quarter of 2014 and the first quarter of 2015.

Edmonton Terminal volumes decreased by 14% in the year ended December 31, 2015 compared to the year ended December 31, 2014 mainly due to a decrease in diesel receipt volumes through the terminal from a customer that is subject to minimum volume charges, and the impact of tanks temporarily being taken out of service to facilitate the current expansion of the facility that is expected to be completed in late 2016. Revenue decreased by $1.4 million in the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to the impact of the tanks being temporarily being taken out of service as revenue on other volumes remained relatively stable as they are subject to minimum volume charges.

Injection station volumes decreased by 14% in the year ended December 31, 2015 compared to the year ended December 31, 2014 due to a decrease in activity with a major customer. As a result, revenue decreased by $0.4 million in the year ended December 31, 2015 compared to the year ended December 31, 2014.

Operating expenses and other. Overall operating expenses and other was consistent in the year ended December 31, 2015 compared to the year ended December 31, 2014.

Segment profit. Segment profit in the year ended December 31, 2015 increased by $26.3 million, or 23%, compared to the year ended December 31, 2014. The increase was primarily due to the impact of the crude oil unit train rail loading facility and the additional revenues from the commissioning of four new dedicated tanks in late 2014 and early 2015 and also new pipeline connections completed during the year.

Environmental Services

The following tables set forth operating results from the Company's Environmental Services segment:

	Year ended December 31, 2015	2014
	(in thousands)	
Revenues		
Environmental services and fluid handling	$ 261,820	$ 312,806
Production services	39,087	66,344
Other services	33,542	52,003
Total revenues	334,449	431,153
Cost of sales	214,286	256,990
Operating expenses and other	62,906	73,890
Segment profit	$ 57,257	$ 100,273

Revenues and cost of sales. Environmental services and fluid handling revenues decreased by 16% in the year ended December 31, 2015 compared to the year ended December 31, 2014. The decrease was primarily driven by the reduction in oilfield drilling and completion activity in the United States and Canada resulting in a reduction in the fluid handling services business in the United States and a decrease in volumes processed at the Canadian environmental processing facilities, partially offset by additional revenues from the acquisition of T&R Transport.

Production services revenue decreased by 41% in the year ended December 31, 2015 as compared to the year ended December 31, 2014. The decrease was primarily due to the impact of lower overall activity in the Bakken and Eagleford regions of the United States.

Other services revenue decreased by 35% in the year ended December 31, 2015 as compared to the year ended December 31, 2014. The decrease was primarily due to a reduction in exploration support services revenue that was due to a reduction in overall seismic activity compared to the prior year.

The overall decrease in revenue was partially offset by the favorable impact of the change in foreign exchange rates on translating revenue denominated in U.S. dollars from the Company's United States operations.

Cost of sales decreased by 17% in the year ended December 31, 2015 as compared to the year ended December 31, 2014. The decrease was primarily due to the decline in total revenue of 22% in the year, with margins showing a slight decline due to the impact of lower rates. The decrease in cost of sales was partially offset by the unfavorable impact of translating costs denominated in U.S. dollars.

Operating expenses and other. Operating costs decreased by $10.9 million in the year ended December 31, 2015 as compared to the year ended December 31, 2014, mainly due to a decrease in payroll related and administrative costs, and a lower bad debt provision of $1.2 million compared to the prior year. These declines were partially offset by additional operating expenses from the T&R Transport acquisition and the unfavorable impact of translating operating costs denominated in U.S. dollars.

Segment profit. Segment profit decreased by $43.0 million in the year ended December 31, 2015 as compared to the year ended December 31, 2014, largely due to the impact of the decline in revenue, offset in part by a decrease in overall operating expenses.

Truck Transportation

The following tables set forth the operating results from the Company's Truck Transportation segment:

Volumes (barrels in thousands)	Year ended December 31, 2015	2014
Barrels hauled	111,525	131,998

	Year ended December 31, 2015	2014
	(in thousands)	
Revenues	$ 445,969	$ 557,735
Cost of sales	293,839	376,685
	152,130	181,050
Operating expenses and other	100,096	97,872
Segment profit	$ 52,034	$ 83,178

Volumes, revenues and cost of sales. For the year ended December 31, 2015, barrels hauled decreased by 16% compared to the year ended December 31, 2014. The decrease was mainly due to the impact of lower crude oil prices resulting in lower production and drilling activity in the Company's service areas. However, this was partially offset by strong demand for sulphur hauling during the year. Revenue decreased by 20% in the year ended December 31, 2015 as compared to the year ended December 31, 2014 due mainly to the impact of the lower overall volume, but also the impact of lower hauling rates in certain of the Company areas.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales decreased by 22% in the year ended December 31, 2015 compared to the year ended December 31, 2014 due to the overall decrease in volumes and overall activity levels.

Operating expenses and other. Overall operating expenses increased by $2.2 million, or 2%, in the year ended December 31, 2015 compared to the year ended December 31, 2014, mainly due to the additional costs from the acquisition of Littlehawk, increased owner-operator operational costs in the U.S. operations and the unfavorable impact of translating operating costs denominated in U.S. dollars, partially offset by lower payroll related costs.

Segment profit. Segment profit decreased by $31.1 million, or 37%, in the year ended December 31, 2015 compared to the year ended December 31, 2014, primarily due to lower hauling activity and an increase in operating costs.

Propane and NGL Marketing and Distribution

The following tables set forth operating results from the Company's Propane and NGL Marketing and Distribution segment:

Volumes	Year ended December 31, 2015	2014
Sales volumes—Industrial (litres in thousands)		
Oil and gas	248,970	250,173
Commercial	157,926	126,448
Automotive	21,166	20,786
Residential	41,184	39,292
Other	40,002	34,899
	509,248	471,598
Sales volumes—wholesale (barrels in thousands)		
Propane	3,807	3,129
Other NGLs		
Butane	4,650	2,986
Condensate	3,168	3,864
U.S. division	5,131	3,220
	12,949	10,070

Revenues	Year ended December 31, 2015 (in thousands)	2014
Industrial		
Propane	$ 157,099	$ 248,776
Other	29,820	29,721
Total industrial	186,919	278,497
Wholesale		
Propane	117,182	228,771
Other NGLs	620,010	845,473
Total wholesale	737,192	1,074,244
Total revenues	924,111	1,352,741
Cost of sales	745,093	1,206,361
Operating expenses and other	84,826	76,109
Segment profit	$ 94,192	$ 70,271

Volumes, revenues and cost of sales. Industrial volumes increased by 8% in the year ended December 31, 2015 compared to the year ended December 31, 2014 as a result of higher commercial, automotive, residential, and other volumes which were created by an increase in volumes from the Cal-Gas Inc. ('Cal-Gas') and Stittco Energy Limited ('Stittco') acquisitions completed during the prior year. However, despite the increase, overall volumes were negatively impacted by warmer weather in Western Canada, earlier spring break up in the year and lower overall oilpatch activity.

Despite the increase in volumes, industrial propane revenues decreased by 37% in the year ended December 31, 2015 as compared to the year ended December 31, 2014, as a result of the significant decline in overall rack price of propane. Other revenue relates to equipment sales, service labour and rental and delivery charges. Other revenue was consistent in the year ended December 31, 2015 compared to the year ended December 31, 2014.

Wholesale propane volumes increased by 22% in the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase in volumes was largely driven by higher propane demand by certain customers and also the positive contribution due to the Company's expansion of its rail car fleet. Wholesale propane revenues decreased by 49% in the year ended December 31, 2015 compared to the year ended December 31, 2014 due to lower propane prices during the year.

Other NGLs volumes increased by 29% in the year ended December 31, 2015 as compared to the year ended December 31, 2014, primarily as a result of higher demand from internal and external customers and also the positive impact of having access to a larger rail car fleet. Despite the increase in volumes, other NGLs revenues decreased by 27% in the year ended December 31, 2015 as compared to the year ended December 31, 2014 due to lower commodity prices.

Cost of sales decreased 38% in the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily driven by the impact of lower price levels.

Operating expenses and other. Overall operating expenses increased by $8.7 million, or 11%, in the year ended December 31, 2015 compared to the year ended December 31, 2014, primarily due to the full year impact of the operating costs from the Cal-Gas and Stittco acquisitions in the current year compared to a partial period in the prior year.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the year ended December 31, 2015 by $23.9 million, or 34%, compared to the year ended December 31, 2014 largely as a result of higher wholesale propane and NGL margins and the full year impact of the Cal-Gas and Stittco acquisitions that occurred during the prior year.

Processing and Wellsite Fluids

The following tables set forth operating results from the Company's Processing and Wellsite Fluids segment:

	Year ended December 31,	
Volumes (barrels in thousands)	**2015**	**2014**
Roofing flux	1,702	1,830
Road asphalt	540	470
Frac oils (Gibson Clear and light straight run distillate)	282	539
Distillate (D822)	591	754
Tops	1,871	2,117
Other	253	222
Total sales volumes	5,239	5,932

	Year ended December 31,	
	2015	**2014**
	(in thousands)	
Revenues		
Road asphalt and roofing flux	$ 185,830	$ 247,423
Frac oils (Gibson Clear and light straight run distillate)	26,892	77,897
Distillate (D822)	57,285	110,914
Tops	100,697	192,512
Other	25,083	39,047
Total revenues	395,787	667,793
Cost of sales	342,571	594,331
Operating expenses and other	16,009	21,787
Segment profit	$ 37,207	$ 51,675

Volumes, revenue and cost of sales. Sales volumes for road asphalt increased by 15% in the year ended December 31, 2015 compared to the year ended December 31, 2014, due to a strong paving season as a result of favorable activity levels and good weather in Western Canada and increased demand in the Northern United States. Sales volumes for roofing flux decreased by 7% in the year ended December 31, 2015 compared to the year ended December 31, 2014 due to a decrease in customer demand and also an increase in road asphalt volumes. Road asphalt and roofing flux revenue decreased by 25% in the year ended December 31, 2015 compared to year ended December 31, 2014 mainly due to the impact of lower crude oil prices.

Frac oils volumes decreased 48% in the year ended December 31, 2015 compared to the year ended December 31, 2014 largely due to an overall decrease in customer demand from lower drilling activity in the Company's markets. As a result of lower volumes and selling prices, frac oils revenue decreased by 65% in the year ended December 31, 2015 compared to the year ended December 31, 2014.

Sales volumes for distillate decreased 22% in the year ended December 31, 2015 compared to the year ended December 31, 2014 due to lower customer demand as a result of lower drilling activity in the Company's markets. As a result of lower volumes and selling prices, distillate revenue decreased by 48% in the quarter ended December 31, 2015, compared to the year ended December 31, 2014.

Tops volumes decreased 12% in the year ended December 31, 2015 as compared to the year ended December 31, 2014 due to lower opening inventories at the start of the year and the impact of more production of Combined Vacuum Gas Oil ("CVGO"). Tops revenues decreased by 48% in the year ended December 31, 2015 compared to the year ended December 31, 2014 due to lower volumes and the decline in crude oil prices.

Other volumes include the sale of CVGO, oil based mud product ("OBM") and solvents. Other volumes increased by 14% in the year ended December 31, 2015 as compared to the year ended December 31, 2014, largely driven by new sales of the Company's CVGO. Other revenue decreased by 36% in the year ended December 31, 2015 as compared to the year ended December 31, 2014 due to the decrease in selling prices.

The overall cost per barrel for the suite of products sold by the Processing and Wellsite Fluids segment decreased by 35% due to the decrease in crude oil costs.

Overall margins decreased by $20.2 million, or 28%, in the year ended December 31, 2015 as compared to the year ended December 31, 2014. The decrease was largely due to decreased margins for frac oils, distillate, tops, and OBM offset in part by higher overall margins for road asphalt and roofing flux.

Operating expenses and other. Operating expenses and other decreased by $5.8 million, or 27%, in the year ended December 31, 2015 as compared to the year ended December 31, 2014. Operating expenses and other decreased mainly due to an incremental foreign exchange gain of $4.2 million on realizing U.S. dollar denominated revenue in the year compared to the prior year and also the impact of lower salaries and benefit costs.

Segment profit. The Processing and Wellsite Fluids segment profit decreased in the year ended December 31, 2015 by $14.5 million, or 28%, as compared to the year ended December 31, 2014, primarily due to decreased overall margins for frac oils, distillate, tops, offset in part by higher overall margins for asphalt and roofing flux and lower operating costs.

Marketing

The following tables set forth the operating results from the Company's Marketing segment:

Volumes (barrels in thousands)	**Year ended December 31, 2015**	**2014**
Sales Volumes		
Crude and diluent	112,824	120,676

	Year ended December 31,	
	2014	**2014**
	(in thousands)	
Revenues	$ 4,330,978	$ 7,005,045
Cost of sales	4,289,086	6,931,758
Operating expenses and other	6,621	8,107
Segment profit	$ 35,271	$ 65,180

The following tables set forth the monthly average NYMEX benchmark price of West Texas Intermediate crude oil (U.S.$):

Calendar Period	
2014	
January	$ 94.86
February	100.68
March	100.51
April	102.03
May	101.79
June	105.15
July	102.39
August	96.08
September	93.03
October	84.34
November	75.81
December	59.29

2015		
January		47.33
February		50.72
March		47.85
April		54.63
May		59.37
June		59.83
July		50.93
August		42.89
September		45.47
October		46.29
November		42.92
December		37.33
Average for the year ended December 31, 2015	$	48.80
Average for the year ended December 31, 2014		92.99

Volumes, revenues and cost of sales. Sales volumes for crude and diluent decreased by 7% in the year ended December 31, 2015 due to a decrease in buy/sell transactions in the current year. Revenue decreased by 38% in the year ended December 31, 2015 compared to the year ended December 31, 2014 due to lower crude oil prices and lower volumes, offset in part by the revenue impact of buy/sell transactions that are recorded on a net basis and tighter crude oil price differentials.

Cost of sales decreased by 38% in the year ended December 31, 2015 compared to the year ended December 31, 2014 mainly due to the reduction in crude oil prices.

Operating expenses and other. Operating expenses decreased by $1.5 million, or 18%, in the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to lower payroll related costs.

Segment profit. The Marketing segment profit decreased by $29.9 million, or 46%, in the year ended December 31, 2015 as compared to the year ended December 31, 2014. In addition to the impact of a strong first quarter in 2014, the year ended December 31, 2015 was negatively impacted by the decrease in crude oil prices, the impact of tightening crude oil price differentials during the year, supply disruptions as a result of wildfires in Northern Alberta in the second quarter of 2015 and the decline in the demand for crude by rail, partially offset by a decrease in operating costs.

General and administrative and other, excluding depreciation and amortization

General and administrative expense ("G&A") is comprised of costs incurred for executive services, commercial development, accounting, finance, treasury, legal, human resources, investor relations and communications that are incurred at a corporate level and are not related to a specific segment. G&A expense was $39.6 million in the year ended December 31, 2015, compared to $37.4 million in the year ended December 31, 2014. The increase in the year ended December 31, 2015 was largely driven by the incurrence of severance costs of $2.9 million in the year and a loss on equity financial instruments of $5.4 million. These equity financial instruments were entered into in the first quarter of 2015 to help manage the exposures relating to the Company's stock based compensation programs. These were partially offset by an increase in other income and also lower general G&A costs of $1.3 million, with the decline partly due to lower salary and benefit costs and despite the inclusion of commercial development costs in G&A for the first time in 2015 and also higher rent costs due to expansion of head office space.

Depreciation

Depreciation expense was $195.4 million in the year ended December 31, 2015 compared to $154.9 million in the year ended December 31, 2014. The increase was largely due to the additional depreciation related to the increase in the Company's assets resulting from the completion of capital projects and the completion of the Cal-Gas and Stittco acquisitions in 2014 as well as the Littlehawk and T&R Transport acquisitions that were completed in 2015. In addition, included in depreciation expense in the year ended December 31, 2015 are impairment charges related to the Company's property, plant and equipment of $13.5 million. These impairment charges largely related to assets within the Company's Environmental Services segment.

Amortization

Amortization expense was $87.6 million in the year ended December 31, 2015 compared to $55.0 million in the year ended December 31, 2014. The increase was largely due to the additional amortization related to the completion of the Cal-Gas and Stittco acquisitions in 2014 as well as the Littlehawk and T&R Transport acquisitions that were completed in 2015. In addition, included in amortization expense in the year ended December 31, 2015 is additional amortization of $30.5 million relating to a revision in the useful lives of certain intangible assets within the Company's Environmental Services segment.

Impairment of goodwill

In the year ended December 31, 2015, a goodwill impairment loss within the Environmental Services segment of $176.0 million was recorded. During the fourth quarter of 2015, the Company completed its annual impairment review and compared the calculated recoverable value of each segment to the carrying value to determine if there was any goodwill impairment. As a result of this process, it was determined that the recoverable value of the Environmental Services segment was less than the carrying value and therefore an impairment loss was recorded. No impairment of goodwill existed in any other segment.

There was no impairment of goodwill recorded in the year ended December 31, 2014.

Stock based compensation

Stock based compensation expense was $20.4 million in the year ended December 31, 2015, respectively, compared to $13.9 million in the year ended December 31, 2014, respectively. The increase was primarily due to the additional non-cash expense from the granting of stock awards in the year ended December 31, 2015, due in part to the cumulative impact of the conversion of the long-term incentive plan from a cash plan to an equity based plan over the last two years.

Foreign exchange loss not affecting segment profit

In the year ended December 31, 2015 and 2014, the Company recorded a foreign exchange loss of $108.2 million and $31.5 million, respectively.

The gains and losses recorded are primarily driven by the movement in exchange rates on the translation of the Company's U.S. dollar denominated long-term debt and related financial instruments. In the year ended December 31, 2015 and 2014, a loss of $123.1 million and $52.0 million, respectively, was recorded due to the unfavorable movement in exchange rates on the translation of Company's U.S. dollar denominated long-term debt. In the year ended December 31, 2015 and 2014, the loss was partially offset by a gain of $10.0 million and $16.6 million, respectively, related to the change in mark-to-market value of U.S. dollar denominated forward contracts and options used to mitigate the currency risk associated with the Company's U.S. dollar denominated long-term debt.

In the first quarter of 2015, the Company settled its forward contracts and options used to mitigate the currency risk associated with the Company's U.S. dollar denominated long-term debt and as a result, received net cash of $36.6 million on the settlement of U.S. dollar forward contracts for a notional amount of U.S.$250.0 million and U.S dollar options for a notional amount of U.S.$250.0 million.

Net interest expense

Net interest expense was $79.0 million in the year ended December 31, 2015, compared to $66.7 million in the year ended December 31, 2014. The increase was primarily due to an increase in interest charges as a result of the increase in outstanding debt balance following the issuance of incremental debt of $300.0 million and U.S.$50.0 million in June 2014. The increase was also related to the unfavorable foreign exchange impact which increased the U.S. denominated interest when expressed in Canadian dollars.

Income tax provision (recovery)

Income tax recovery was $6.7 million in the year ended December 31, 2015 compared to an income tax provision of $35.6 million in the year ended December 31, 2014. The effective tax rate was 2.3% during the year ended December 31, 2015 compared to 27.9% in the year ended December 31, 2014. The main reasons for the income tax recovery and the change in the effective rate was the loss before income tax in the current year period of $287.3 million compared to income before tax of $127.5 million in the prior year and also the increase in the impact of non-deductible amounts relating to the impairment of goodwill as well as net capital losses relating to foreign exchange movements on the Company's U.S. dollar denominated long-term debt. In addition, as a result of the increase in the Alberta corporate tax rate, the income tax amount in the year ended December 31, 2015 includes a $6.8 million charge relating to the impact of the higher tax rate on the valuation of the Company's net deferred tax liabilities. In order to lessen the future impact of the increase in the Alberta corporate tax rate, the Company elected in its 2014 tax returns to settle the provincial portion of an existing partnership deferral that would have been taxed in 2015 and 2016, resulting in an additional $11.0 million in income tax being paid during the year ended December 31, 2015. In addition, income tax expense in the year ended December 31, 2015 includes 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.

Fourth Quarter Results

	Three months ended December 31,	
	2015	2014
	(in thousands)	
Segment revenue		
Terminals and Pipelines	$ 49,353	$ 44,087
Environmental Services	81,710	115,185
Truck Transportation	97,496	144,097
Propane and NGL Marketing and Distribution	237,473	383,265
Processing and Wellsite Fluids	83,340	162,253
Marketing	938,186	1,502,860
Total segment revenue	1,487,558	2,351,747
Revenue – inter-segmental	(211,335)	(375,282)
Total revenue – external	1,276,223	1,976,465
Segment profit		
Terminals and Pipelines	40,378	34,020
Environmental Services	11,400	28,097
Truck Transportation	10,912	22,743
Propane and NGL Marketing and Distribution	30,504	15,524
Processing and Wellsite Fluids	7,044	14,807
Marketing	11,860	14,332
Total segment profit	112,098	129,523
General and administrative	10,790	10,984
Depreciation	57,437	44,632
Amortization	44,168	13,706
Impairment of goodwill	175,959	-
Stock based compensation	5,662	3,827
Foreign exchange loss	23,186	15,269
Net interest expense	19,406	19,273
Income (loss) before income tax	(224,510)	21,832
Income tax provision (recovery)	(12,290)	8,426
Net income (loss)	$ (212,220)	$ 13,406

Segment revenue decreased by $700.2 million in the three months ended December 31, 2015 compared to the three months ended December 31, 2014. Changes in segment revenue were as follows:

- Terminals and Pipelines revenue increased in the three months ended December 31, 2015 by $5.3 million compared to the three months ended December 31, 2014. The increase was largely driven by increased revenue at the Hardisty Terminal due to an increase in revenue from customers with dedicated tank usage that are subject to minimum fixed fee arrangements and additional revenue from the commissioning of the connectivity enhancement projects related to the twinning of the Cold Lake and Athabasca pipeline connections to the Hardisty Terminal;
- Environmental Services revenue decreased by $33.5 million in the three months ended December 31, 2015 as compared to the year ended December 31, 2014 mainly due to the reduction in oilfield drilling and completion activity in the United States and Canada that resulted in lower volumes at the Company's Canadian environmental services facilities and a decrease in the U.S. fluid disposal and production services business, partially offset by the favorable foreign exchange impact of translating revenue denominated in U.S. dollars from the Company's United States operations;
- Truck Transportation revenue decreased by $16.6 million mainly as a result of the impact of lower crude oil prices resulting in lower production and drilling activity in the Company's service areas. As a result of this reduction in volumes and also in rates, revenue decreased, which was partially offset by the favorable foreign exchange impact of translating revenue denominated in U.S. dollars from the Company's United States operations;
- Propane and NGL Marketing and Distribution revenue decreased by $145.8 million due to the impact of lower prices for propane and other NGL products, and also lower overall industrial propane volumes. Lower volumes for propane were generally related to warmer weather patterns over the quarter in 2015 which reduced overall demand;
- Processing and Wellsite Fluids revenue decreased by $78.9 million due to a decrease in demand for products which was largely driven by lower customer demand as a result of lower drilling activity in the Company's markets. The decline was also driven by the impact of lower crude oil prices; and
- Marketing revenue decreased by $564.7 million which was driven by the impact of lower crude oil prices and volumes.

Segment profit decreased by $17.4 million, or 13%, in the three months ended December 31, 2015 compared to the three months ended December 31, 2014. The changes in segment profit were as follows:

- Terminals and Pipelines segment profit increased by $6.4 million, largely due to increased revenues at the Hardisty terminal from the commissioning of four new dedicated tanks in late 2014 and early 2015 and pipeline connections during the year and also lower operating costs;
- Environmental Services segment profit decreased $16.7 million largely as a result of the decline in revenues partially offset by lower operating expenses;
- Truck Transportation segment profit decreased by $11.8 million due to the decline in revenues partially offset by lower operating expenses;
- Propane and NGL Marketing and Distribution segment profit increased by $15.0 million due mainly to increased margins within the Wholesale and NGL Marketing and Distribution business as a result of higher overall volumes that was driven in part by access to a larger rail car fleet in 2015. The increase was also driven by a reduction in operating expenses and in particular lower payroll related costs. These positive impacts to segment profit were partially offset by the impact of lower industrial propane volumes;
- Processing and Wellsite Fluids segment profit decreased by $7.8 million, primarily as a result of lower margins on frac oils, distillate and OBM products in the quarter, partially offset by higher tops and asphalt margins; and
- Marketing segment profit decreased by $2.5 million mainly due to the impact of both lower volumes and crude oil prices on margins.

Net loss was $212.2 million in the three months ended December 31, 2015 compared to net income of $13.4 million in the three months ended December 31, 2014. Net income declined to a net loss due mainly to lower segment profit and the impact of higher depreciation and amortization, impairment and stock based compensation costs and also an increase in foreign exchange losses, partially offset by the recovery of income taxes.

SUMMARY OF QUARTERLY RESULTS

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

	2015				2014			
Three months ended	**December 31**	**September 30**	**June 30**	**March 31**	**December 31**	**September 30**	**June 30**	**March 31**
(in thousands)								
Revenues	$1,276,223	$1,348,990	$1,574,427	$1,392,342	$1,976,465	$2,360,007	$2,126,365	$2,110,692
Net income (loss)	(212,220)	(41,195)	(6,741)	(20,500)	13,406	8,542	23,838	46,155
EBITDA[(1)]	(103,464)	39,224	74,816	64,652	100,001	89,272	89,798	125,981
Adjusted EBITDA[(2)]	100,961	95,107	75,643	114,573	119,302	114,134	82,684	136,945
Earnings (loss) per share								
Basic	(1.69)	(0.33)	(0.05)	(0.16)	0.10	0.07	0.19	0.38
Diluted	(1.69)	(0.33)	(0.05)	(0.16)	0.10	0.07	0.19	0.37

(1) EBITDA is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. EBITDA consists of net income (loss) before interest expense, income taxes, depreciation, and amortization.

(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 goodwill and intangible assets, and asset writedowns. 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 non-recurring in nature.

The Company presents EBITDA because it considers it to be an important supplemental measure of the Company's performance and believes this measure is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures. EBITDA has limitations as an analytical tool, 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:

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

Because of these limitations, EBITDA should not be considered as 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 EBITDA only supplementally. The following table reconciles consolidated net income (loss) to EBITDA:

	2015				2014			
Three months ended	**December 31**	**September 30**	**June 30**	**March 31**	**December 31**	**September 30**	**June 30**	**March 31**
(in thousands)								
Net income (loss)	$(212,220)	$ (41,195)	$ (6,741)	$ (20,500)	$ 13,406	$ 8,542	$ 23,838	$ 46,155
Depreciation and amortization	101,605	61,010	62,007	58,370	58,338	53,510	49,264	48,813
Interest expense(1).........	19,441	19,471	20,206	20,462	19,831	18,774	15,331	13,662
Income tax expense (recovery).....................	(12,290)	(62)	(656)	6,320	8,426	8,446	1,365	17,351
EBITDA.......................	$(103,464)	$ 39,224	$ 74,816	$ 64,652	$ 100,001	$ 89,272	$ 89,798	$ 125,981

(1) Interest expense includes the impact of the change in net unrealized gains or losses attributable to movement in the mark-to-market valuation of financial instruments relating to interest expense.

Adjusted EBITDA and Pro Forma Adjusted EBITDA are presented in the table below 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), 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 it is frequently used by securities analysts, investors and other interested parties as a measure 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 differs from the term EBITDA as it is commonly used. 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 goodwill and intangible assets, and asset writedowns. 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 non-recurring in nature. Pro Forma Adjusted EBITDA differs from the term Adjusted EBITDA in that it also includes the pro forma effect of acquisitions that took place in each fiscal year as if the acquisitions took place at the beginning of the fiscal year in which such acquisition 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.

The following tables reconcile EBITDA to Adjusted EBITDA for each of the last eight quarters and Pro Forma Adjusted EBITDA for the year ended December 31, 2015 and 2014:

	Three months ended				Year ended
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2015
			(in thousands)		
EBITDA	$ (103,464)	$ 39,224	$ 74,816	$ 64,652	$ 75,228
Unrealized foreign exchange loss (gain) on long-term debt[1]	24,530	50,600	(11,495)	59,510	123,145
Net unrealized loss (gain) from financial instruments[2]	(1,726)	82	7,206	(14,066)	(8,504)
Stock based compensation[3]	5,662	5,135	5,116	4,466	20,379
Impairment of goodwill [4]	175,959	-	-	-	175,959
Acquisition related costs [5]	-	66	-	11	77
Adjusted EBITDA	$ 100,961	$ 95,107	$ 75,643	$ 114,573	$ 386,284
Pro forma impact of acquisitions [6]					3,611
Pro Forma Adjusted EBITDA					$ 389,895

	Three months ended				Year ended
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2014
		(in thousands)			
EBITDA	$ 100,001	$ 89,272	$ 89,798	$ 125,981	$ 405,052
Unrealized foreign exchange loss (gain) on long-term debt [1]	21,615	29,260	(19,725)	20,850	52,000
Net unrealized loss (gain) from financial instruments [2]	(6,141)	(8,361)	9,064	(13,014)	(18,452)
Stock based compensation [3]	3,827	3,642	3,380	3,128	13,977
Acquisition related costs [5]	-	321	167	-	488
Adjusted EBITDA	$ 119,302	$ 114,134	$ 82,684	$ 136,945	$ 453,065
Pro forma impact of acquisitions [6]					5,129
Pro Forma Adjusted EBITDA					$ 458,194

(1) Non-cash adjustment representing the unrealized foreign exchange loss (gain) on long-term debt, as a result of the movement in exchange rates in the periods.

(2) 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.

(3) Represents the non-cash stock based compensation relating to the Company's equity incentive plan.

(4) Represents the non-cash impairment of goodwill charge recorded in the three months ended December 31, 2015.

(5) Represents transaction fees that were expensed in connection with acquisitions made by the Company.

(6) Reflects the pro forma impact of acquisitions on the Company's Adjusted EBITDA as if the acquisitions that took place in the twelve months period occurred on January 1 of each twelve month period. The pro forma impact of acquisitions is calculated on the same basis as Adjusted EBITDA.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary liquidity and capital resource needs are to fund ongoing capital expenditures, growth opportunities and acquisitions and to fund its targeted dividend level. In addition, the Company must service its debt, including interest payments and finance working capital needs. The Company relies on its cash flow from operations, debt and equity financings and borrowings under the Company's Revolving Credit Facility for liquidity.

The Company's operating cash flow has historically been affected by the overall profitability of sales 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. The Company's cash, cash equivalents and cash flow from operations have historically been sufficient to meet the Company's working capital, capital expenditure and debt servicing requirements.

The following table summarizes the Company's sources and uses of funds for the year ended December 31, 2015 and 2014:

	Year ended December 31,	
	2015	2014
	(in thousands)	
Statement of Cash Flows		
Cash flows provided by (used in):		
Operating activities	$ 458,067	$ 336,228
Investing activities	(372,628)	(495,015)
Financing activities	(141,862)	188,199

Cash provided by operating activities

The primary drivers of cash flow from operating activities are the collection of amounts related to sales of products such as crude oil, propane, NGLs, asphalt and other products and fees for services provided associated with the Company's Truck Transportation, Terminals and Pipelines and Environmental Services segments. Offsetting these collections are payments for purchases of crude oil and other products and other expenses. Other expenses primarily consist of owner-operator and lease-operator payments for the provision of contract trucking services, field operating expenses and G&A expenses. Historically, the Marketing and the Processing and Wellsite Fluids segments have been the most variable with respect to generating cash flows 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 these segments.

Cash provided by operations in the year ended December 31, 2015 was $458.1 million compared to $336.2 million in the year ended December 31, 2014. The increase was due to a decline in working capital that resulted in a generation of $74.3 million in cash in the year ended December 31, 2015 compared to a use of cash to fund working capital of $105.3 million in the year ended December 31, 2014. This increase was offset in part by the decline in segment profit.

Cash used in investing activities

Cash used in investing activities consists primarily of capital expenditures and business acquisitions.

Cash used in investing activities was $372.6 million in the year ended December 31, 2015, compared to $495.0 million in the year ended December 31, 2014. Cash used in investing activities largely relates to capital expenditures and acquisitions. For a summary of capital expenditures and acquisitions, see "Acquisitions and Capital expenditures" included in this MD&A.

Cash provided by (used in) financing activities

Cash used in financing activities was $141.8 million in the year ended December 31, 2015 compared to cash provided by financing activities of $188.2 million in the year ended December 31, 2014. The change was primarily due to the net proceeds from a debt issuance totaling $300.0 million and U.S.$50 million completed in June 2014. The change was also due to the payment of net interest and cash dividends of $84.1 million and $129.0 million in the year ended December 31, 2015 compared to net interest and cash dividends of $62.1 million and $108.2 million in the year ended December 31, 2014, partially offset by the net proceeds on the settlement of financial instruments of $36.6 million, and the net proceeds from credit facilities of $35.0 million. The increase in dividends paid was driven by the $0.02 per share increase effective in the first quarter of 2015 resulting in a $13.1 million increase in cash dividend paid and also the impact of the suspension of the DRIP during the year resulting in a $7.7 million increase in cash dividend paid.

Liquidity sources, requirements and contractual cash requirements and commitments

The Company believes that cash on hand, together with cash from operations and borrowings under the Revolving Credit Facility, will be adequate to meet its working capital needs, upgrade and replacement capital expenditures, currently sanctioned growth capital projects, debt service, targeted dividend level and other cash requirements for at least the next twelve months. The Company had unrestricted cash of $82.8 million and $432.3 million available under the Revolving Credit Facility as at December 31, 2015.

The Company's ability to make interest payments on the Company's indebtedness, to pay targeted dividends and to fund the Company's other liquidity requirements will depend on the Company's ability to generate cash in the future. In the three months ended December 31, 2015, the Company declared a dividend of $0.32 per share for a total dividend of $40.4 million, of which the entire amount was paid in cash on January 15, 2016. The declaration of dividends is considered on a quarterly basis and is at the sole discretion of the Board and will be determined on the basis of earnings, financial requirements for operations and a solvency calculation.

Capital expenditures amounted to $392.6 million in the year ended December 31, 2015. As previously announced, the Company has approved a 2016 growth capital expenditure budget ranging between $200.0 million and $300.0 million and an additional $50.0 million allocated to upgrade and replacement capital expenditures. While the Company anticipates that these planned capital expenditures will occur, certain projects are subject to general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond the Company's control.

In addition to anticipated capital expenditures, the Company may engage in strategic acquisitions and additional capital expenditures as opportunities arise that benefit the Company's existing operations by expanding the Company's reach in existing markets or by providing platforms by which to enter new markets. Any such acquisition or capital expenditure could be material and could have a material effect on the Company's liquidity, cash flows and capital commitments and resources. Any future acquisitions, capital expenditures or other similar transactions may require additional capital and there can be no assurance that such capital will be available to the Company on acceptable terms, or at all.

As of December 31, 2015, the Company had total outstanding Senior Unsecured Notes, excluding debt discount and the issuance costs, of U.S.$550.0 million bearing fixed interest of 6.75% per annum due July 15, 2021, $250.0 million bearing fixed interest of 7.00% per annum due July 15, 2020 and $300.0 million bearing fixed interest of 5.375% per annum due July 15, 2022 (collectively the "Notes"). Interest is payable semi-annually on January 15 and July 15 of each year the Notes are outstanding.

The Notes agreements contain certain redemption options whereby the Company can redeem all or part of the Notes subject to certain premiums if such prepayment occurs prior to the dates specified in the agreements. In addition, the Note holders have the right to require the Company to redeem the Notes or a portion thereof, at the redemption prices set forth in the agreements in the event of change in control or in the event certain asset sale proceeds are not re-invested in the time and manner specified in the agreements.

The Revolving Credit Facility of $500.0 million, the proceeds of which are available to provide financing for working capital 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 August 15, 2020. The Revolving Credit Facility provides sub-facilities for 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 a standby fee 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.

At December 31, 2015, the Company had $35.0 million drawn under the Revolving Credit Facility, had no restricted cash, and had issued letters of credit totaling $32.6 million.

The terms of the Company's Revolving Credit Facility require the Company to maintain certain covenants including a consolidated senior debt leverage ratio of no greater than 4.0 to 1.0 until June 30, 2017 and 3.5 to 1.0 thereafter, a consolidated total debt leverage ratio of no greater than 4.0 to 1.0 and an 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, letters of credit and capitalized leases 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, 2015, the Company was in compliance with the financial ratios with the senior debt leverage ratio at 3.2 to 1.0, total debt leverage ratio at 3.2 to 1.0, and the interest coverage ratio at 4.6 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.

Subsequent to year end, the Company reached an agreement with its bank syndicate to amend its $500M revolving credit facility maturing in August 2020. These amendments included an increase to the maximum consolidated senior and total debt leverage ratio covenants from 4.0:1.0 to 4.85:1.0 until December 31, 2017, with such threshold decreasing to 4.25:1.0 for the period beginning January 1, 2018 and ending on March 31, 2018, and decreasing thereafter to 4.0:1.0 for total debt and 3.5:1.0 for senior debt.

The 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 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, 2015, the Company was in compliance with all of its covenants under the Notes and the Revolving Credit Facility.

Contingencies

The Company is currently undergoing various tax related audits. While the final outcome of such audits cannot be predicted with certainty, the Company believes that the resolution of these audits will not have a material impact on the Company's consolidated financial position or results of operations.

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.

The Company is involved in various legal actions which have occurred in the ordinary course of business. The Company is of the opinion that losses, if any, arising from such legal actions would not have a material impact on the Company's consolidated financial position or results of operations.

Contractual obligations

The following table presents, at December 31, 2015, the Company's obligations and commitments to make future payments under contracts and contingent commitments:

	Payments due by period				
(in thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt[1]	$1,311,200	$ -	$ -	$ 250,000	$1,061,200
Interest payments on long-term debt[1]	662,815	85,006	170,012	170,012	237,785
Operating lease and other commitments[2]	287,442	78,790	127,885	67,916	12,851
Total contractual obligations	$2,261,457	$ 163,796	$ 297,897	$ 487,928	$1,311,836

(1) The exchange rate used to translate the U.S. dollar obligations on the Company's long-term debt and interest payments is the rate as of December 31, 2015 of U.S.$0.7225 to $1.00.

(2) 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, 2015, the Company has identified and approved a capital expenditure budget, excluding acquisitions, of $264.7 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 $5.2 million and provisions associated with site restoration on the retirement of assets and environmental costs of $155.3 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".

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a material current or future effect on the Company's financial condition, revenues or expenses, results of operations, liquidity, capital expenditure or capital expenses that are material to investors.

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, 2015 and 2014, the Company's proportionate share of property, plant and equipment was $9.4 million and $10.2 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 market based 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, 2015, there were 126.1 million common shares outstanding and no preferred shares outstanding. In addition, under the Company's equity incentive plan, there were an aggregate of 1.8 million restricted share units, performance share units and deferred share units outstanding and 3.3 million stock options outstanding as at December 31, 2015.

At December 31, 2015, awards available to grant under the equity incentive plan were approximately 7.5 million.

As at February 29, 2016, 126.2 million common shares, 1.8 million restricted share units, performance share units and deferred share units and 3.3 million stock options were outstanding.

DIVIDENDS

The Company is currently paying quarterly dividends to holders of common shares. The payment of dividends is not guaranteed, and the amount and timing of any dividends payable by Gibsons' will be at the discretion of the Board and will be established on the basis of Gibson'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.

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 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. 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. Upgrade and replacement capital expenditures are deducted from distributable cash flow as they are ongoing recurring expenditures.

The following is a reconciliation of distributable cash flow to its most closely related IFRS measure, cash flow from operating activities.

	Year ended December 31	
	2015	2014
	(in thousands)	
Cash flow from operating activities	$ 458,067	$ 336,228
Adjustments:		
Changes in non-cash working capital	(74,293)	105,291
Upgrade and replacement capital	(46,775)	(59,035)
Cash interest expense, including capitalized interest	(84,965)	(68,708)
Current income tax(1)	(32,503)	(48,549)
Distributable cash flow	$ 219,531	$ 265,227
Dividends declared to shareholders	$ 161,002	$ 148,573

(1) 2015 - Excludes the $11.0 million 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, 2015 were $161.0 million, of which $140.3 million was paid in cash and the balance was settled with the issuance of common shares under the Company's DRIP and SDP. In the year ended December 31, 2015, dividends declared represented 73% of the distributable cash flow generated or, distributable cash flow was 1.4 times dividends declared. On a net basis after consideration of the DRIP and SDP, declared dividends paid in cash represented 64% of the distributable cash flow generated, or distributable cash flow was 1.6 times dividends paid in cash. On August 6, 2015, the Company suspended, until further notice, its DRIP and SDP.

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 and currency exchange rate 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 Risk Management Committee that has direct responsibility and authority for the Company's risk policies and the Company's trading controls and procedures and certain aspects of corporate risk management. The Company's approved strategies are intended to mitigate risks that are inherent in the Company's core businesses of aggregating and 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 NYMEX, ICE 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, 2015 and December 31, 2014. 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 $6.8 million and $5.6 million as of December 31, 2015 and 2014, respectively. A 15% unfavorable change would decrease the Company's net income by $6.1 million and $5.6 million as of December 31, 2015 and 2014, respectively. However, these changes may be offset by the use of one or more risk management strategies.

Interest rate risks. Following the Notes offering, 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 U.S. LIBOR, U.S. Base Rate, Canadian Prime Rate or Canadian Bankers' Acceptance rate, plus an applicable margin based on the Company's total leverage ratio. As at December 31, 2015, the Company had $35.0 million drawn under the Revolving Credit Facility and accordingly is subject to the interest rate cash flow risk associated with these amounts. A 1% favorable and unfavorable change in interest rates in relation to the amounts drawn at December 31, 2015 would impact net income by $0.3 million.

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 $1.2 million and $3.2 million as at December 31, 2015 and 2014, respectively. A 5% favorable change would increase the Company's net income by $1.2 million and $3.2 million as at December 31, 2015 and 2014, respectively. The Company expects to continue to enter into financial derivatives, primarily forward contracts, to reduce foreign exchange volatility.

Additionally, currency exposure occurs on a portion of the principal of the Company's long-term debt and the related interest payments, as they are denominated in U.S. dollars. As at December 31, 2015, the Company had outstanding U.S. dollar denominated debt of U.S.$550.0 million.

As a result of the settlement of U.S. forward and options contracts in the first quarter of 2015 the Company had no foreign currency contracts outstanding relating to its long-term debt at December 31, 2015. 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 any related foreign currency contracts and would decrease the Company's net income by $33.1 and $10.7 million as at December 31, 2015 and 2014 respectively. A corresponding favorable change would increase the Company's net income by $33.1 and $10.7 million as at December 31, 2015 and 2014, respectively.

With respect to the related interest payments on the U.S. dollar denominated long-term debt, to date the Company has not entered into any foreign currency hedges as the Company believes that it will generate enough U.S. dollar cash inflows to pay these interest payments when due and/or hedge the incremental exposure using derivative instruments. Based on the interest rate in effect at December 31, 2015, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar as of December 31, 2015 would increase the Company's annual interest expense by $2.6 million. A 5% favorable change in the value of the Canadian dollar relative to the U.S. dollar as of December 31, 2015 would decrease the Company's annual interest expense by $2.6 million.

Equity price risk: The Company has equity price and dilution exposure to shares that it issues under its stock based compensation programs. Gibsons uses equity derivatives to manage volatility derived from its stock based compensation programs. On January 2, 2015, the Company entered into derivative share swap contracts to manage the risks relating to 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, 2015, the Company estimates that a 10% increase in the Company's share price would have resulted in a $0.6 million increase in the Company's net income. A corresponding decrease in the Company's share price would decrease the Company's net income by $0.6 million. Such contracts did not exist in 2014.

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 to the financial statements. 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:

Fair value of assets and liabilities acquired in a business combination. In conjunction with each business combination, the Company must allocate the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition. Determining the fair value of assets and liabilities acquired, as well as intangible assets that relate to such items as customer relationships, brands, contracts, and industry expertise involves professional judgment and is ultimately based on acquisition models and management's assessment of the value of the assets acquired and, to the extent available, third party assessments. Uncertainties associated with these estimates include changes in production volumes, changes in commodity prices, fluctuations in capacity or product slates, economic obsolescence factors in the area and potential future sources of cash flow. During the measurement period, the allocation of purchase price of the acquired entity may be adjusted when the initial accounting for business combination is recorded based on provisional amounts. 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. Any excess of the cost of acquisition over the net fair value of the identifiable assets acquired is recognized as goodwill.

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, and 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.

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 2010-2012 and 2011-2013 reporting cycles including changes to IFRS 13, Fair value measurements, IFRS 8, Operating segments and IAS 24, Related party transactions. These improvements are effective for annual periods beginning on or after July 1, 2014. The impact of adopting these improvements did not have a material impact on the consolidated financial statements.
- IAS 19, Employee benefits ("IAS 19"), has been amended to clarify the application of requirements to plans that require employees or third parties to contribute toward the cost of the benefits. The amendment to IAS 19 is effective for annual periods beginning on or after July 1, 2014. The impact of adopting this amendment did not have a material impact on the consolidated financial statements.

New standards and interpretations issued but not yet adopted

- The annual improvements process addresses issues in the 2012-2014 reporting cycles including changes to IFRS 5, Non-current assets held for sale and discontinued operations, IFRS 7, Financial instruments: Disclosures, IAS 19, Employee benefits, and IAS 34, Interim financial reporting. These improvements are effective for periods beginning on or after January 1, 2016. The adoption of these improvements will not have a material impact on the consolidated financial statements.
- IFRS 10, Consolidated financial statements ("IFRS 10"), and IAS 28, Investments in associates and joint ventures ("IAS 28"), has been amended to address an inconsistency between IFRS 10 and IAS 28 in regards to a sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when the transaction involves a business combination, and whereas a partial gain is recognized when the transaction involves the assets that do not constitute a business. Additionally, the amendments clarify the exception from preparing consolidated financial statements, the consolidation requirements for subsidiaries which act as an extension of an investment entity, and the requirements for equity accounting for investments in associates and joint ventures. The amendments to IFRS 10 and IAS 28 are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments will not have a material impact on the consolidated financial statements.
- IFRS 15, Revenue from contracts with customers ("IFRS 15"), has been issued as a new standard on revenue recognition and will supersede IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.
- The International Accounting Standards Board ("IASB") completed the final element of its comprehensive publication of IFRS 9 Financial Instruments in July 2014. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.
- IAS 1, Presentation of financial statements ("IAS 1"), has been amended to clarify the guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment to IAS 1 is effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of adopting these amendments on its consolidated financial statements. The adoption of this amendment will not have a material impact on the consolidated financial statements.
- IFRS 16, Leases ("IFRS 16"), has been issued as a new standard on leases and will supersede IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

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, 2015. 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, 2015.

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's DC&P and ICFR were effective as at December 31, 2015. There have been no changes in ICFR that occurred during the period beginning January 1, 2015 and ended on December 31, 2015 that has materially affected or is reasonably likely to materially affect Gibson's ICFR.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words ''anticipate'', ''plan'', ''contemplate'', ''continue'', ''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 statements. 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 statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements 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 statements pertaining to the following:

- *the addition or disposition of assets and changes in the services to be offered by the Company;*
- *the Company's investment in new equipment, technology, facilities and personnel;*
- *the Company's growth strategy to expand in existing and new markets;*
- *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 transaction, 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 Company's projections of dividends; and*
- *the Company's dividend policy.*

With respect to forward-looking statements 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; and*
- *the impact of future changes in accounting policies on the Company's consolidated financial statements.*

In addition, this MD&A may contain forward-looking statements and forward-looking information attributed to third party industry sources. The Company does not undertake any obligations to publicly update or revise any forward-looking statements except as required by securities law. Actual results could differ materially from those anticipated in these forward-looking statements as a result of numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in "Forward-Looking Statements" and "Risk Factors" included in the Company's Annual Information Form dated March 1, 2016 as filed on SEDAR at www.sedar.com and available on Gibsons website at www.gibsons.com.

NON-GAAP FINANCIAL MEASURES

This MD&A refers to certain financial measures that are not determined in accordance with IFRS. EBITDA, Adjusted EBITDA, Pro Forma Adjusted EBITDA and distributable cash flow are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. 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 ''Summary of Quarterly Results" for a reconciliation of EBITDA to net income (loss), the IFRS measure most directly comparable to EBITDA, and for a reconciliation of Adjusted EBITDA and Pro Forma Adjusted EBITDA to EBITDA. Distributable cash flow 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.