Management's Discussion and Analysis

2018 Year End Report

GIBSON ENERGY

Contents

The following Management's Discussion and Analysis ("MD&A") was prepared and approved by the Board of Directors (the "Board") of Gibson Energy Inc. ("we", "our", "us", its", "Gibson Energy", "Gibson" or the "Company") as of March 4, 2019 and should be read in conjunction with the audited consolidated financial statements and related notes of the Company for the years ended December 31, 2018 and 2017, which were prepared under International Financial Reporting Standards ("IFRS") as set out in the Handbook of the Canadian Institute of Chartered Professional Accountants and as issued by the International Accounting Standards Board ("IASB"), also referred to as GAAP. Amounts are stated in thousands of Canadian dollars except per share data, unless otherwise noted. Additional information about Gibson, including the Annual Information Form for the year ended December 31, 2018 ("AIF") is available on SEDAR at www.sedar.com and on our website at www.gibsonenergy.com. 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.

BUSINESS OVERVIEW

Gibson is a Canadian-based oil infrastructure company with its principal businesses consisting of the storage, optimization, processing, and gathering of crude oil and refined products. Headquartered in Calgary, Alberta, the Company's operations are focused around its core terminal assets located at Hardisty and Edmonton, Alberta, and also include the Moose Jaw Facility and an infrastructure position in the United States (U.S.).

Our strategy and strengths

The key attributes of our strategy are:

- an oil infrastructure focus, with the Infrastructure segment targeting to comprise approximately 85% of segment profit and the terminals and pipelines representing approximately 75% of total segment profit;
- targeting 10% distributable cash flow per share growth [1]; and
- offering a secure, growing dividend that is underpinned by long-term contracts with investment grade counterparties at its terminal assets, with total Company cash flows expected to be comprised of approximately 85% take-or-pay, stable fee-based structures, inclusive of internal take-or-pay.

In order to be successful in our strategy we will:

- leverage our competitive position at our terminals to continue to secure a significant proportion of new tankage business. Through offering the most connectivity to inbound and outbound pipelines at Hardisty, as well as exclusive access to the only unit train rail facility at Hardisty, we have built a position that provides us a competitive advantage to service our customers. We intend to harvest additional opportunities within our terminals to provide incremental connectivity and other services to existing terminal customers;
- seek complementary growth through our basin strategy, focusing on the oil sands, Viking and Duvernay basins in Canada, and the Permian and SCOOP / STACK basins in the U.S. Within these basins, we will leverage our core terminals and growing infrastructure position in the U.S. to advantage us in competing for gathering pipeline and related infrastructure opportunities;
- pursue high quality cash flows to underpin our dividend and fund growth capital;
- maintain a strong balance sheet and financial position through targeting a debt leverage ratio of 3.0x – 3.5x and a payout ratio of 70% – 80% of distributable cash flow [1]. We anticipate being fully funded for our growth capital through the end of 2019 through internally generated cash flows and proceeds from non-core asset dispositions and will subsequently seek to fund growth capital with a maximum of 50% - 60% debt. We also target an investment grade credit rating to decrease our funding costs and increase our access to capital;
- remain highly skilled in building and operating our infrastructure while aggressively managing costs to maintain and improve operating margins. We will be customer-focused and will foster long-term relationships with our customers in order to better understand their infrastructure requirements and be more responsive in providing the best solutions for them; and
- continue our firm commitment to be a leader in environment, health, and safety. Our experienced leadership team has a proven history of successful operations and a strong industry reputation.

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[1] *See definition of non-GAAP measures on page 28 and 42.*

SELECTED FINANCIAL MEASURES

	Three months ended December 31		Years ended December 31	
	2018	2017[1]	2018	2017[1]
Continuing operations [2]				
Segment profit [4]	$ 153,569	$ 71,387	$ 487,087	$ 261,758
Adjusted EBITDA [3,4]	134,001	68,475	457,315	229,201
Cash flow from operating activities [4]	262,044	37,371	527,086	175,272
Distributable cash flow [3,4,6]	78,190	50,181	259,126	160,479
Growth capital expenditures [4]	$ 81,745	$ 56,271	$ 221,198	$ 151,154
Combined operations [2]				
Combined Adjusted EBITDA [2,3,4]	$ 140,479	$ 82,271	$ 490,083	$ 291,272
Distributable cash flow [3,4,6]	$ 84,123	$ 73,556	$ 282,517	$ 180,493

	Last Twelve Months - As at December 31	
	2018	2017
Debt and dividend payout ratios [2,5]		
Debt leverage ratio	2.3	4.0
Interest coverage ratio	6.7	3.7
Combined dividend payout ratio [6]	67%	104%

	For the years ended December 31		
	2018	2017[1]	2016[1]
Revenue [4]	$ 6,846,589	$ 5,659,646	$ 4,221,712
Net income (loss) [4]	81,125	(66,326)	(19,854)
Basic income (loss) per share [4]	0.57	(0.47)	(0.15)
Diluted income (loss) per share [4]	0.56	(0.47)	(0.15)
Dividends declared	$ 190,326	$ 188,470	$ 181,994

	As at December 31		
	2018	2017[1]	2016[1]
Total assets	$ 2,809,576	$ 2,964,434	$ 3,261,347
Total non-current liabilities	$ 1,461,685	$ 1,498,900	$ 1,639,045

1. *The current period results include the impacts from the adoption of new accounting standards as discussed on page 34. Comparative information has not been restated and, therefore, may not be comparable.*

2. *See definition of non-GAAP measures on pages 20 to 21 and 42. Combined Adjusted EBITDA and Combined distributable cash flow, represents the aggregated results of both continuing and discontinued operations.*

3. *See pages 21 to 22 and 28 to 29 for a reconciliation of Adjusted EBITDA to segment profit and distributable cash flow to cash flow from operations, respectively.*

4. *Comparative period information has been represented to reflect the impact of discontinued operations.*

5. *Refer to page 27 and 34 for more information on the ratio calculation and impact of new accounting standards adoption on the covenant calculations.*

6. *The distributable cash flow calculation was revised during 2018 and comparative information has been restated, refer to page 29 for details.*

2018 REVIEW

Financial highlights

- Segment profit for the Infrastructure segment of $283 million increased by $48 million, for the year ended December 31, 2018 compared to $235 million, for the year ended December 31, 2017 primarily due to additional tankage brought into service at the beginning of 2018 under take-or-pay, stable fee-based contracts.
- Segment profit for the Wholesale segment of $211 million increased by $180 million, for the year ended December 31, 2018 compared to $31 million, for the year ended December 31, 2017 due to higher margins earned from the refined product and the crude marketing businesses, and the impact of the adoption of IFRS 16 – Leases ("IFRS 16") resulting in higher segment profit by $8.8 million and $40.1 million in the three months and year ended December 31, 2018, as noted in the "Accounting Policies" section.
- Segment profit from continuing operations of $487 million increased by $225 million, for the year ended December 31, 2018 compared to $262 million, for the year ended December 31, 2017 driven by stronger performance from Infrastructure and Wholesale.
- Adjusted EBITDA from continuing operations of $457 million increased by $228 million, for the year ended December 31, 2018 compared to $229 million, for the year ended December 31, 2017 due to higher segment profits from the Infrastructure and Wholesale business segments. As at December 31, 2018, the debt to EBITDA leverage ratio was 2.3 on a trailing twelve-month basis.
- Distributable cash flow from combined operations of $283 million increased by $103 million, for the year ended December 31, 2018 compared to $180 million, for the year ended December 31, 2017. Distributable cash flow from combined operations during the year ended December 31, 2018 resulted in a payout ratio of approximately 67%.
- Net income from continuing operations of $81 million increased by $147 million, for the year ended December 31, 2018 compared to a net loss of $66 million, for the year ended December 31, 2017.
- In the fourth quarter of 2018 and 2017, the Company declared a dividend of $0.33 per common share, respectively. Total dividends declared for the years ended December 31, 2018 and 2017 were $190 million and $188 million, respectively or $1.32 per common share.

Capital projects highlights

- During the year ended December 31, 2018, the Company incurred total growth capital expenditures, including acquisitions, of $302 million on construction of new tanks and related infrastructure at the Hardisty and Edmonton Terminals, the Viking Pipeline project ("Viking Pipeline") and the extension of the Pyote gathering system.
- On January 3, 2018 the Company placed into service a total of 800,000 barrels of crude oil storage tank capacity and related pipeline connection infrastructure at the Edmonton Terminal which are underpinned by long-term take or pay contracts.
- On February 21, 2018, the Company announced the sanction of the $50 million Viking Pipeline.
- On August 8, 2018, the Company announced an additional $200 to $250 million of growth capital opportunities, consisting of the following:
    - Sanction of 1.0 million barrels of new tankage at the Hardisty Terminal related to the second phase of development at the Top of the Hill portion of the Hardisty Terminal underpinned by long-term take or pay contracts;
    - The acceleration of the U.S. strategy through investments made in and around its existing Pyote gathering system; and
    - The expansion of the Moose Jaw Facility.
- On October 15, 2018, the Company announced the sanction of an additional 1.0 million barrels of new tankage at the Hardisty Terminal, underpinned by a long-term contract with an investment grade, senior oil sands customer.

- On December 4, 2018, the Company announced the approval of the 2019 growth capital expenditure budget in the range of $200 million to $250 million with an additional $30 to $35 million allocated to replacement capital expenditures.
- On December 16, 2018, the Viking Pipeline went into service.

Disposition of non-core businesses

- On January 30, 2018, the Company announced its new corporate strategy and plans for the sale of its non-core businesses, including Wholesale Propane, Canadian Truck Transportation, non-core Environmental Services North ("ESN") and non-core U.S. Injection Stations and Truck Transportation assets.
- On May 3, 2018, the Company completed the sale of its U.S. Environmental Services business for gross proceeds of $123 million (US$96 million).
- On November 26, 2018, the Company announced the sale of its Wholesale Propane and ESN businesses for aggregate proceeds of approximately $100 million, prior to closing adjustments.
- On December 3, 2018, the Company completed the sale of its Wholesale Propane business.
- The Company continues to progress on the divestiture of its Canadian Truck Transportation business with a target of concluding the divestiture process by mid-2019.
- Aggregate proceeds from the sale of non-core businesses have been and are expected to be reinvested into the core infrastructure business through funding future growth capital expenditures.

Capital Structure

- On April 11, 2018 the Company extended the maturity date of its unsecured revolving credit facility ("Revolving Credit Facility") from March 2022 to March 2023, and among other revisions, the maximum consolidated senior debt leverage ratio and the maximum consolidated total debt leverage ratio were revised to 4.85 to 1.0 until the end of the 2018 fiscal year, 4.50 to 1.0 for the 2019 fiscal year and 4.0 to 1.0 thereafter.
- On August 30, 2018 S&P Global ratings raised its long-term issuer credit and senior unsecured debt ratings on the Company to "BB+" from "BB".

Accounting standards

- As disclosed in note 4 of the 2018 consolidated financial statements, the Company has adopted certain new accounting standards as at January 1, 2018. These standards have been applied retrospectively using the modified retrospective approach, which does not require restatement of prior period financial information and applies the standard prospectively effective January 1, 2018. Accordingly, comparative information, including non-GAAP measures, included herein are not restated for the impact of these standards. Where the impact was material, the amounts have been quantified for comparative analysis purposes in the respective sections of this document. Refer to "Accounting Policies" section for further details.

SUBSEQUENT EVENTS

Disposition of non-core business

- On February 28, 2019, the Company completed the sale of its non-core ESN business.

Dividend

- On March 4, 2019, the Board declared a quarterly dividend of $0.33 per common share for the first quarter on its outstanding common shares. The dividend is payable on April 17, 2019 to shareholders of record at the close of business on March 29, 2019.

PROJECT DEVELOPMENTS AND MARKET OUTLOOK

Major growth projects

The Company continues to progress several major growth projects within its Infrastructure segment, including advancing the construction of 3.1 million barrels of tankage at Hardisty and completing the Viking Pipeline during the year. All major growth projects currently under construction are expected to be completed within or ahead of initial timelines. The following represents key activities with respect to major growth projects over 2018:

- On January 3, 2018, the Company placed into service 800,000 barrels of crude oil storage tanks and related pipeline connection infrastructure at the Edmonton Terminal;
- On February 21, 2018, the Company announced the sanction of the $50 million Viking Pipeline, which went into services on December 16, 2018;
- On August 8, 2018, the Company secured an additional $200 to $250 million of growth capital opportunities, consisting of the sanction of 1.0 million barrels of new tankage at the Hardisty Terminal, underpinned by long-term take or pay contracts and expected to be placed in service in the fourth quarter of 2019, the acceleration of the U.S. strategy through the extension of the Pyote gathering system and the expansion of the Moose Jaw Facility;
- On October 15, 2018, the Company announced the sanction of 1.0 million barrels of new tankage at the Hardisty Terminal, underpinned by a long-term contract with an investment grade, senior oil sands customer. The construction of two new 500,000 barrel tanks represents the third phase of development at the Top of the Hill portion of the Hardisty Terminal, and will leverage certain infrastructure built as part of the prior phases. The third phase is expected to be in service in the first quarter of 2020. In aggregate the three phases currently under construction will add seven new tanks, representing an incremental 3.1 million barrels of storage, an approximately 35% expansion of the Hardisty Terminal;
- The expansion of the Hardisty Unit Rail Facility, which is expected to be placed in service in the first quarter of 2019, while the expansion of the Moose Jaw Facility is expected to be placed into service during the second quarter of 2019; and
- Subsequent to the end of the quarter, the Company successfully placed the first phase of development at the Top of the Hill portion of the Hardisty Terminal into service ahead of schedule with capital costs in-line with budget. With the three tanks from first phase at the Top of the Hill adding an incremental 1.1 million barrels of storage, Gibson's Hardisty Terminal has reached an aggregate storage capacity of 10 million barrels.

In addition to the sanctioned major growth projects currently under construction and discussed above, the Company continues to advance numerous commercial development opportunities at its Hardisty and Edmonton Terminals, outside its Terminals within Canada and around its Permian position in the U.S. The ability to reach long-term commercial agreements on these opportunities, and underpin the sanction of the construction of additional infrastructure for the Company's existing and potential customers, would help increase the Infrastructure Segment's revenues and segment profit in the future.

Market outlook

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

There are a number of factors that affect customers' views of market access over the short and medium term, particularly in the Western Canadian Sedimentary Basin (the "WCSB"). These views, in addition to commodity prices, impact capital expenditure programs and ultimately the growth in production that creates a meaningful portion of opportunities at the Hardisty and Edmonton terminals, as well as services that support those assets:

- In the short-term, crude oil pricing, location and quality disconnects, combined with the existing shortage of pipeline takeaway capacity from the WCSB, increase demand for terminal services as well as the use of crude by rail as a solution for market access. The Company believes that increased reliance on storage during periods of limited egress, especially during pipeline upsets or to facilitate crude by rail, may lead customers to consider increasing their available storage. Wider differentials improve margins at the Moose Jaw Facility, and, in conjunction with increased price fluctuations, typically provide increased opportunities within the Crude Wholesale business.
- There are currently three large pipeline projects at various stages of development and/or regulatory approval that have the potential to impact the Company over the short, medium and long-term. Over the long-term, the Company would expect to benefit from incremental egress from Enbridge's Line 3 pipeline, TC Pipeline's Keystone XL project and the Government of Canada's Trans Mountain Expansion, as it would encourage additional oil sands development. This increase in production in the WCSB would lead to further demand for tankage at the Company's Hardisty and Edmonton Terminals, which are either connected or in close proximity to the respective starting points of these pipeline projects. There is a risk that these projects may be substantially delayed or cancelled.

The recent stabilization in global oil price and improving cost efficiencies has resulted in improved project economics for many of Gibson's producer customers. In addition, the Government of Alberta's recently mandated oil production curtailments have improved Canadian oil price differentials relative to global benchmarks and increased pricing for crude oil in Western Canada. These factors have been supportive of the cash flows of Gibson's producer customers and have helped improve their financial position, including the ability to fund growth capital programs. Assuming a continued supportive global macro environment for oil prices, Gibson anticipates additional greenfield and brownfield project sanctions from its oil sands customers pending resolution of existing pipeline egress concerns. In the short term, the Company expects investment in heavy oil production in Alberta to be modest as long as the Government of Alberta's mandated oil production curtailments are in place.

Price fluctuations between crude oil types can create incremental margin opportunities in multiple areas of the Company's operations. Crude price differentials remain volatile and the Company remains attentive to potential opportunities.

RESULTS OF CONTINUING OPERATIONS

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

The following is a discussion of the Company's segmented results of operations for the three months and years ended December 31, 2018 and 2017 and the following table sets forth revenue and profit by segment for those periods:

	Three months ended December 31		Years ended December 31	
	2018[1]	2017[1]	2018[1]	2017[1]
Segment revenue				
Infrastructure	$ 95,531	$ 82,690	$ 391,627	$ 336,901
Logistics	13,151	16,609	48,520	74,705
Wholesale	1,366,269	1,714,250	7,142,713	5,817,252
Total segment revenue	1,474,951	1,813,549	7,582,860	6,228,858
Revenue – inter-segmental	(160,346)	(163,104)	(736,271)	(569,212)
Total revenue – external	1,314,605	1,650,445	6,846,589	5,659,646
Segment profit (loss)				
Infrastructure	71,712	55,737	283,489	235,276
Logistics	383	(3,008)	(7,513)	(4,103)
Wholesale	81,474	18,658	211,111	30,585
Total segment profit	153,569	71,387	487,087	261,758
General and administrative	8,597	22,975	32,155	50,016
Depreciation and impairment	25,265	24,589	143,160	100,837
Right-of-use asset depreciation	10,359	-	43,184	-
Amortization and impairment	3,146	2,898	10,870	23,340
Impairment of goodwill	-	69,414	20,479	69,414
Stock based compensation	8,050	8,492	19,124	23,244
Debt extinguishment costs	-	(2,630)	-	60,492
Loss on net assets held for sale	4,974	-	4,974	-
Foreign exchange loss (gain)	(1,732)	2,534	2,314	(18,136)
Net interest expense	17,669	17,341	74,089	77,081
Income (loss) before income tax	77,241	(74,226)	136,738	(124,530)
Income tax expense (recovery)	29,966	(18,375)	55,613	(58,204)
Net income (loss) from continuing operations	$ 47,275	$ (55,851)	$ 81,125	$ (66,326)

1. *The current period results include the impacts from the adoption of new accounting standards as discussed on page 34. Comparative information has not been restated and, therefore, may not be comparable throughout the discussion on continuing operations. In addition, Comparative period segment information was represented to reflect the results of continuing operations separately from discontinued operations (see note 8 of the consolidated financial statements).*

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

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

INFRASTRUCTURE

The Infrastructure segment is comprised of a network of oil infrastructure assets that include oil terminals, rail loading and unloading facilities, injection stations, gathering pipelines, a crude oil processing facility and procession, recovery, and disposal ("PRD") terminals. The primary facilities within this segment include the terminals located at Hardisty and Edmonton, which are the principal hubs for aggregating and exporting oil and refined products out of the WCSB; gathering pipelines, which are connected to the Hardisty Terminal; an infrastructure position located in the U.S, a crude oil processing facility in Moose Jaw, Saskatchewan. The Moose Jaw Facility is impacted by maintenance turnarounds typically occurring within the spring period. PRD business is dependent upon the drilling activity in various areas of operations and as a result, the PRD business is impacted by seasonality due to road bans as part of spring break-up.

The following tables set forth the operating results from the Company's Infrastructure segment for the three months and years ended December 31, 2018 and 2017:

	Three months ended December 31		Years ended December 31	
Volumes (barrels in thousands)	**2018[1]**	**2017[1]**	**2018[1]**	**2017[1]**
Terminals and facilities				
Hardisty Terminal	80,084	70,424	310,909	259,953
Edmonton Terminal	11,761	5,358	35,420	20,835
Moose Jaw Facility	1,551	1,483	5,741	5,524
PRD Terminals	5,144	3,453	16,282	13,301
Injection Stations	2,553	2,259	8,970	17,238
Total terminals and facilities	101,093	82,977	377,322	316,851

	Three months ended December 31		Years ended December 31	
	2018[1]	**2017[1]**	**2018[1]**	**2017[1]**
Revenue				
Hardisty Terminal	$ 53,804	$ 47,693	$ 217,253	$ 198,926
Edmonton Terminal	18,954	12,944	84,052	52,119
Moose Jaw Facility	9,845	9,844	39,379	39,391
PRD Terminals	11,737	11,679	46,421	43,114
Injection Stations	1,191	530	4,522	3,351
Revenue	95,531	82,690	391,627	336,901
Operating expenses and other	23,819	26,953	108,138	101,625
Segment profit	$ 71,712	$ 55,737	$ 283,489	$ 235,276

1. *The current period results include the impacts from the adoption of new accounting standards as discussed on pages 34. Comparative information has not been restated and, therefore, may not be comparable throughout the discussion on continuing operations. In addition, Comparative period segment information was represented to reflect the results of continuing operations separately from discontinued operations (see note 8 of the consolidated financial statements).*

Operational performance

In the three months and year ended December 31, 2018 compared to the three months and year ended December 31, 2017:

Hardisty Terminal volumes increased 14% and 20%, respectively. The increase in both comparative periods was largely driven by the addition of infrastructure connections which provided for higher throughput volumes primarily from certain customers with additional volumes from an oil sands project with dedicated tankage underpinned by long-term take or pay contracts, higher customer's contract tankage volumes, increased traffic from the Hardisty Unit Rail Facility ("HURC") and higher trucked volumes.

Edmonton Terminal volumes increased by 120% and 70%, respectively. The increase in both comparative periods was mainly due to the commissioning of two new tanks and common infrastructure at the Edmonton Terminal in January of 2018.

Moose Jaw Facility volumes increased by 5% and 4%, respectively. The increase was primarily due to a higher throughput efficiency to support higher refined product volumes and a shorter turnaround period in the current year.

PRD Terminal volumes increased by 49% and 22%, respectively. The increase was mainly due to higher facility activity levels in the Company's WCSB service areas, particularly in the Alberta Montney.

Injection Station volumes increased by 13% and decreased by 48%, respectively. The quarter over quarter increase was due to additional activity created by favorable locational pricing differential opportunities in the Permian basin. The decrease in the year ended comparative period was due to the termination of the exclusive injection station access contract with a major customer in November 2017.

Financial performance

In the three months and year ended December 31, 2018 compared to the three months and year ended December 31, 2017:

Revenue at the Hardisty Terminal increased by $6.1 million and $18.3 million, respectively, which was largely driven by the increase in volumes as discussed above.

Revenue at the Edmonton Terminal increased by $6.0 million and $31.9 million, respectively. The increase was primarily due to the commissioning of the two new tanks and related common infrastructure in Q1 2018 which are supported by take-or-pay, stable fee-based arrangements and the receipt of additional revenue related to a contractual amendment regarding a future capital commitment. Additionally, the increase in revenue was supported by the commissioning of the Heartland sulfur facility in the current period.

PRD Terminal revenues were consistent and increased by $3.3 million, respectively. The increase was mainly due to higher facility activity levels in the Company's WCSB service areas, particularly in the Alberta Montney, as well as higher revenues from recovered oil.

There was no material change in the revenue for the Moose Jaw Facility in both periods.

Injection Station revenues increased by $0.7 million and $1.2 million, respectively. These increases were mainly due to locational pricing differential opportunities and new rental service arrangements.

Segment profit increased by $16.0 million and $48.2 million, respectively. As described above, the increase was primarily due to the increased revenues from the Hardisty and Edmonton Terminals. The quarter over quarter increase was also supported by lower operating costs due to the focus on cost reduction and recovery initiatives. The year ended comparative period increase was also impacted by higher salaries and benefit costs relating to the addition of rail loading operators, and higher environmental remediation costs.

Capital expenditures

Below is the summary of Infrastructure capital expenditures for the years ended December 31, 2018 and 2017:

	Years ended December 31	
	2018	2017
Growth capital	$ 219,213	$ 146,739
Replacement capital	$ 17,547	$ 17,436
Acquisitions	$ 80,844	$ -

The increase in growth capital expenditures for the year ended December 31, 2018 compared to the year ended December 31, 2017 primarily relate to an increase in project development activities specific to additional tanks and related infrastructure at the Hardisty Terminal and the Viking Pipeline in the current period.

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 and was consistent year over year.

Acquisitions include an agreement to acquire, develop and operate a pipeline gathering network adjacent to the existing Pyote system in the U.S, of which the purchase price is payable in two installments, with U.S.$25 million paid on August 8, 2018 and U.S.$30 million payable by August 8, 2019. In addition, Acquisitions also include the Company's purchase of the remaining interests in the Plato Pipeline.

LOGISTICS

The Logistics segment represents the Company's U.S Truck Transportation business due to the Canadian Truck Transportation business being classified as a discontinued operation during 2018. This segment provides truck transportation services in the Permian and SCOOP/STACK basins in the U.S. that enable oil production to access fixed midstream infrastructure.

The following tables set forth operating results from the Company's Logistics segment for the three months and years ended December 31, 2018 and 2017:

	Three months ended December 31		Years ended December 31	
Volumes (barrels in thousands)	**2018[1]**	**2017[1]**	**2018[1]**	**2017[1]**
Crude and other products	2,778	6,431	16,074	26,848

	Three months ended December 31		Years ended December 31	
	2018[1]	**2017[1]**	**2018[1]**	**2017[1]**
Revenue	$ 13,151	$ 16,609	$ 48,520	$ 74,705
Cost of sales	8,698	12,480	33,155	53,896
Operating expenses and other	4,070	7,137	22,878	24,912
Segment profit (loss)	$ 383	$ (3,008)	$ (7,513)	$ (4,103)

1. *The current period results include the impacts from the adoption of new accounting standards as discussed on pages 34. Comparative information has not been restated and, therefore, may not be comparable throughout the discussion on continuing operations. In addition, Comparative period segment information was represented to reflect the results of continuing operations separately from discontinued operations (see note 8 of the consolidated financial statements).*

Operational performance

In the three months and year ended December 31, 2018 compared to the three months and year ended December 31, 2017:

Crude and other product hauling barrels decreased by 57% and 40%, respectively. The decrease was primarily attributable to the limited availability of drivers as a result of significant competition for drivers and the decline in business with Logistics' largest U.S. trucking customer triggered by the termination of the exclusive injection station access contract in November 2017. Trucking volumes with other customers are increasing due to the acceleration of the Company's U.S. strategy in the Permian, however are not yet sufficient to overcome the overall effect of the decline with the former largest customer.

Financial performance

In the three months and year ended December 31, 2018 compared to the three month and year ended December 31, 2017:

Crude and other revenue decreased by 21% and 35%, respectively. The decrease was primarily driven by lower volumes as discussed above.

Segment profit increased by $3.4 million and decreased by $3.4 million, respectively. The quarter over quarter increase was mainly due to the reduction in overhead costs to align with the current fleet size and reduced repair and maintenance costs. The year over year decrease was mainly due to the decline in the U.S. crude hauling profit as a result of one-time expenses such as severance, relocation, and office move costs and the loss in volumes as discussed above, partially offset by lower operating expenses in the latter half of 2018.

WHOLESALE

The Wholesale segment involves the purchasing, selling, storing and optimizing of hydrocarbon products as part of supplying the Moose Jaw Facility and marketing its refined products as well as helping to drive volumes through the Company's key infrastructure assets. The hydrocarbon products would include crude oil, NGLs, road asphalt, roofing flux, frac oils, light and heavy straight run distillates, CVGO and an oil-based mud product. The Wholesale segment's opportunities are typically location, quality or time-based. The Wholesale segment sources the majority of its hydrocarbon products from Western Canada and markets those products throughout Canada and the U.S.

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

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

	Three months ended December 31		Years ended December 31	
	2018	**2017**	**2018**	**2017**
Western Taxes Intermediate ("WTI") average price ($USD/bbl)	$58.81	$55.40	$64.77	$50.95
Western Canadian Select ("WCS") average differential ($USD/bbl)	39.43	12.26	26.31	11.98
Average foreign exchange rates ($CAD/$USD)	1.32	1.27	1.30	1.30
Propane average price ($USD/U.S. gallon)	0.66	0.95	0.77	0.73
Butane average price ($USD/U.S. gallon)	0.75	1.05	0.93	0.91

The following tables set forth operating results from the Company's Wholesale segment for the three months and years ended December 31, 2018 and 2017:

	Three months ended December 31		Years ended December 31	
Volumes (barrels in thousands)	**2018[1]**	**2017[1]**	**2018[1]**	**2017[1]**
Crude and diluent	32,155	29,936	124,440	114,466
Propane and other NGL	2,855	3,524	9,985	11,154
Refined products	1,132	1,031	4,427	4,000
Total	36,142	34,491	138,852	129,620

	Three months ended December 31		Years ended December 31	
	2018[1]	**2017[1]**	**2018[1]**	**2017[1]**
Revenue				
Crude and diluent	$ 1,115,276	$ 1,422,596	$ 6,161,513	$ 4,907,011
Propane and other NGL	138,293	195,913	530,155	551,854
Refined products	112,700	95,741	451,045	358,387
Total revenue	1,366,269	1,714,250	7,142,713	5,817,252
Cost of sales	1,274,250	1,689,472	6,901,885	5,761,215
Operating expenses and other	10,545	6,120	29,717	25,452
Segment profit (loss)	$ 81,474	$ 18,658	$ 211,111	$ 30,585

1. *The current period results include the impacts from the adoption of new accounting standards as discussed on page 34. Comparative information has not been restated and, therefore, may not be comparable throughout the discussion on continuing operations.*

Operational performance

In the three months and year ended December 31, 2018 compared to the three months and year ended December 31, 2017:

Sales volumes for refined products increased by 10% and 11%, respectively. The increase was primarily due to higher available volumes from the Moose Jaw Facility driven by higher efficiencies which supported increased sales volumes for drilling fluids and roofing flux. Sales volumes for drilling fluids have increased principally as a result of increased U.S. drilling activity, and the ability of the Company to gain market share in the Permian and Niobrara-Denver Julesburg basins, while the increase in sales volumes for roofing flux is supported by the Company's ability to gain market share within the roofing flux market due to the closure of certain competing refineries in the U.S and the Company's continued efforts to access new markets to maximize profitability.

Sales volumes for crude and diluent increased by 7% and 9%, respectively. The increase was mainly due to additional opportunities to bring volumes into the Company's integrated assets, primarily attributable to the addition of new storage tanks and common infrastructure added in 2018.

Sales volumes for propane and other NGLs decreased by 19% and 10%, respectively primarily due to the sale of the Wholesale Propane business during 2018 and lower condensate sales in the current quarter, with the year over year results also being impacted by the constraint of rail service in the market place in the first quarter on 2018.

Financial performance

In the three months and year ended December 31, 2018 compared to the three months and year ended December 31, 2017:

Revenue for refined products increased by 18% and 26%, respectively. The increase was primarily due to higher volumes sold for drilling fluids and roofing asphalt as discussed above as well as higher average crude oil prices which supported the increase in prices for these products.

Revenue for crude and diluent decreased by 22% and increased by 26%, respectively. The quarter over quarter decrease was largely due to lower realized pricing in the current quarter, partially offset by the increase in volumes in the current period as discussed above. The year over year increase was largely due to higher average prices and the increase in volumes in the current period as discussed above.

Revenue for propane and other NGLs decreased by 29% and 4% respectively mainly due to lower volumes as discussed above, with the quarter over quarter period also being impacted by lower prices.

Segment profit increased significantly in both periods. The increase was attributable to higher refined product margins driven by a greater proportion of higher margin product sales and by the differentials which supported lower cost of sales in the current periods. The increase was also driven by higher crude margins due to crude pricing spreads and locational as well as blend quality differentials. Additionally, the increase was due to lower rail car lease expenses of $8.8 million and $40.1 million in the three months and year ended December 31, 2018, respectively, as a result of the adoption of IFRS 16 as discussed under "Accounting Policies" section. These increases were offset by lower margins earned on propane and other NGLs due to the sale of the Wholesale Propane business during the fourth quarter of 2018 and regional pricing constraints at certain distribution hubs.

EXPENSES

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

	Three months ended December 31		Years ended December 31	
	2018	2017	2018	2017
General and administrative	$ 8,597	$ 22,975	$ 32,155	$ 50,016

The quarter over quarter decrease was primarily due to the recognition of non-recurring reorganization and executive related costs incurred in the comparative period and lower head office lease costs due to the adoption of IFRS 16. The year over year comparative period decrease was due to lower payroll costs due to the continuing impact of our headcount rationalization efforts from the fourth quarter of 2017 and lower head office lease costs due to the adoption of IFRS 16. The lease cost reduction was related to the adoption of IFRS 16, as noted in the "Accounting Policies" section, which resulted in $2.0 million and $6.2 million reduction in expenses in the three months and year ended December 31, 2018, respectively.

Depreciation and impairment

	Three months ended December 31		Years ended December 31	
	2018	2017	2018	2017
Depreciation and impairment	$ 25,265	$ 24,589	$ 143,160	$ 100,837

The increase in both periods was primarily due to impact of impairment related to assets held for sale and depreciation on asset additions in the current periods, partially offset by asset dispositions.

Right-of-use asset depreciation

	Three months ended December 31		Years ended December 31	
	2018	2017	2018	2017
Right-of-use depreciation	$ 10,359	$ -	$ 43,184	$ -

The increase in both periods relates to right of use depreciation which represents the impact of the adoption of IFRS 16 as noted in the "Accounting Policies" section. The right-of-use assets are depreciated over the lease term.

Amortization and impairment

	Three months ended December 31		Years ended December 31	
	2018	2017	2018	2017
Amortization and impairment	$ 3,146	$ 2,898	$ 10,870	$ 23,340

The decrease in the year ended comparative period was driven by the impact of certain intangible assets becoming fully amortized in prior year periods. No impairment related to intangibles was recorded in 2018.

Goodwill impairment

	Three months ended December 31		Years ended December 31	
	2018	2017	2018	2017
Goodwill impairment	$ -	$ 69,414	$ 20,479	$ 69,414

In the year ended December 31, 2018, the impairment charge relates to the assets held for sale. In the three months and year ended December 31, 2017, the Company recorded goodwill impairment charges of $69.4 million related to the U.S. Truck Transportation and the U.S. Wholesale business.

Stock based compensation

	Three months ended December 31		Years ended December 31	
	2018	2017	2018	2017
Stock based compensation	$ 8,050	$ 8,492	$ 19,124	$ 23,244

The quarter over quarter decrease was primarily due to lower restricted share unit ("RSU") expenses in the current quarter partially offset by the recognition of a mark to market loss of $2.4 million compared to a mark to market gain of $0.7 million related to equity swaps in the comparative period. The year ended comparative period decrease was primarily driven by lower RSU expense in the current year and the impact of the recognition of a mark to market gain of $0.9 million compared to a mark to market expense of $1.2 million related to equity swaps in the comparative year.

Debt extinguishment costs

During the year ended December 31, 2017 the Company incurred debt extinguishment costs related to the repayment of $211.1 million principal amount of 7.00% Senior Unsecured Notes (the "C$ Notes") and U.S.$338.8 million principal amount of 6.75% Senior Unsecured Notes (the "US$ Notes") (collectively the "Retired Notes") of $60.5 million.

Loss on net assets held for sale

During the three months and year ended December 31, 2018 the Company completed the sale of its Wholesale Propane business for gross proceeds of $42.8 million resulting in recognition of a loss on sale of $5.0 million (see note 8 in the consolidated financial statements).

Foreign exchange (gains) loss not affecting segment profit

	Three months ended December 31		Years ended December 31	
	2018	2017	2018	2017
Unrealized foreign exchange loss (gain) on the movement in exchange rates on U.S. dollar Revolving Credit Facility and long-term debt	$ -	$ 15,803	$ 4,403	$ (3,564)
Realized foreign exchange gain on settlement of U.S. dollar Revolving Credit Facility and long-term debt	-	(12,514)	-	(15,224)
Corporate foreign exchange (gain) loss	(1,723)	(755)	(2,089)	652
Total foreign exchange (gain) loss	$ (1,723)	$ 2,534	$ 2,314	$ (18,136)

During the three months ended December 31, 2018, the gain recorded is primarily driven by the net favorable movements in exchange rates on the translation of corporate foreign exchange and during the year ended December 31, 2018, the gains and losses were primarily driven by the favorable and unfavorable movements in exchange rates on the translation of the Company's U.S dollar denominated Revolving Credit Facility and long-term debt and corporate foreign exchange gain. During the three months and year ended December 31, 2017, the gains and losses were primarily driven by the favorable and unfavorable movements in exchange rates on the translation of the Company's U.S dollar denominated Revolving Credit Facility and long-term debt.

Net interest expense

	Three months ended December 31		Years ended December 31	
	2018	**2017**	**2018**	**2017**
Net interest expense	$ 17,669	$ 17,341	$ 74,089	$ 77,081

The quarter over quarter net interest expense increased due to higher finance lease interest costs of $1.4 million due to IFRS 16 adoption as noted in the "Accounting Policies" section, partially offset by lower interest expense related to long-term debt and higher capitalized interest amounts related to our long-term capital projects. The year ended comparative period net interest expense decrease was due to lower interest expense related to long-term debt and higher capitalized interest amounts related to our long-term capital projects, partially offset by finance lease interest costs of $6.5 million due to IFRS 16 adoption and by higher interest costs related to the Revolving Credit Facility.

Income taxes

	Three months ended December 31		Years ended December 31	
	2018	**2017**	**2018**	**2017**
Current income tax expense (recovery)	$ 22,396	$ (14,791)	$ 60,178	$ (35,702)
Deferred income tax expense (recovery)	7,570	(3,584)	(4,565)	(22,502)
Total income tax expense (recovery)	$ 29,966	$ (18,375)	$ 55,613	$ (58,204)

Total Income tax expense from continuing operations was $30.0 million and $55.6 million for the three months and year ended December 31, 2018 compared to an income tax recovery $18.4 million and $58.2 million, respectively for the three months and year ended December 31, 2017. The main driver for the increase in the total income tax expense for both comparative periods was the impact of higher taxable income. Furthermore, the year ended comparative period deferred income tax recovery decreased primarily due to the impact of realized and unrealized amounts relating to the net capital gains arising from foreign exchange movements, including repayments, on the Company's U.S. dollar denominated long-term debt in the prior period.

RESULTS OF DISCONTINUED OPERATIONS

During the year ended December 31, 2018, the Company completed the assessment of various disposal groups that met the criteria under IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations* ("IFRS 5") as held for sale and/or discontinued operations (refer to note 8 in the 2018 consolidated financial statements).

Canadian Truck Transportation business

During 2018, the Canadian Truck Transportation business met the criterion for discontinued operation and held for sale. This business was historically reported under the Logistic segment.

The Canadian Truck Transportation business includes a suite of logistical wellsite services that enable oil and liquids production to access fixed midstream infrastructure. This segment provides truck transportation and related services that allow the Company to service its customers' needs between the wellhead and the end market and includes providing hauling services for crude, condensate, propane, butane, asphalt, methanol, sulfur, petroleum coke, emulsion, waste water and drilling fluids for many of Canada's leading oil and gas producers. For certain services and geographical regions, the activity is generally the lowest in the winter months when daylight hours are shorter.

The following tables set forth operating results from the discontinued operations of Canadian Truck Transportation for the three months and year ended December 31, 2018 and 2017:

	Three months ended December 31		Years ended December 31	
Volumes (barrels in thousands)	**2018[1]**	**2017[1]**	**2018[1]**	**2017[1]**
Crude and other products	11,887	11,971	45,031	46,815

	Three months ended December 31		Years ended December 31	
	2018[1]	**2017[1]**	**2018[1]**	**2017[1]**
Revenue	$ 56,505	$ 57,860	$ 217,408	$ 236,340
Cost of sales	50,027	51,780	193,909	212,937
Segment profit	6,478	6,080	23,499	23,403
Depreciation, amortization, and impairment	30,734	5,138	44,215	22,321
Goodwill impairment	19,988	-	19,988	-
Finance costs and other income, net	92	-	295	-
Loss before taxes	(44,336)	942	(40,999)	1,082
Income tax (recovery) expense	(12,310)	249	(11,412)	287
Net income from discontinued operations, after tax	$ (32,026)	$ 693	$ (29,587)	$ 795

1. *The current period results include the impacts from the adoption of new accounting standards as discussed on pages 34. Comparative information has not been restated and, therefore, may not be comparable throughout the discussion on continuing operations. In addition, Comparative period segment information was represented to reflect the results of continuing operations separately from discontinued operations (see note 8 of the consolidated financial statements).*

Operational performance

In the three months and year ended December 31, 2018 compared to the three months and year ended December 31, 2017:

Crude and other product hauling barrels were consistent and decreased by 4%, respectively. The year ended comparative decrease in Liquid Petroleum Gas ("LPG") mix and crude volumes hauled was partially offset by higher sulfur and propane volumes in the year.

Financial performance

In the three months and year ended December 31, 2018 compared to the three months and year ended December 31, 2017:

Crude and other product revenue decreased by 2% and 8%, respectively. The quarter over quarter decrease was primarily due to lower hauling rates related to LPG mix, propane and sulfur. The year ended comparative period decrease was primarily due to lower volumes as discussed above and lower hauling rates for LPG mix and sulfur, partially offset by higher hauling rates for asphalt.

Segment profit increased by 7% and was consistent, respectively. The quarter over quarter increase was mainly due to lower direct costs largely due to the continuation of the reduction in payroll related costs associated with overall headcount reductions.

U.S. Environmental Services business

On May 3, 2018, the Company completed the sale of its U.S. Environmental Services business for adjusted gross proceeds of $123.3 million (US$96 million).

The U.S. Environmental Services business included the provision of environmental and production services, such as emulsion hauling and treating, water hauling and disposal services and oilfield waste management, as well as industrial lift, exploration support services and accommodation facilities to the oil and gas industry. The U.S Environmental Services business was reported historically within Company's Infrastructure, Logistics and Other reportable segments. Operating results related to the segment have been included in net income from discontinued operations in the consolidated statements of operations. Comparative period balances of the consolidated statements of operations and cash flows have been restated.

The following tables set forth operating results from discontinued operations of the U.S. Environmental Services business for the three months and years ended December 31, 2018 and 2017:

	Three months ended December 31		Years ended December 31	
	2018 [2]	2017 [1]	2018 [2]	2017 [1]
Revenue				
Water hauling and disposal	$ -	$ 26,890	$ 42,207	$ 101,448
Other products and services	-	39,501	51,074	135,386
Total revenue	-	66,391	93,281	236,834
Cost of sales	-	58,675	84,074	211,703
Segment profit	-	7,716	9,207	25,131
Depreciation, amortization and impairment	-	44,301	3,493	83,289
Finance costs and (other income), net	-	67	278	277
(Loss) income before taxes	-	(36,652)	5,436	(58,435)
Income tax (recovery) provision	-	(23)	1,448	(8,251)
Net (loss) income from discontinued operations, after tax	-	(36,629)	3,988	(50,184)
After tax (loss) gain on sale [2, 3]	(816)	-	95,522	-
(Loss) gain on discontinued operations, after tax	$ (816)	$ (36,629)	$ 99,510	$ (50,184)

1. *The current period results include the impacts from the adoption of new accounting standards as discussed on page 34. Comparative information has not been restated and, therefore, may not be comparable throughout the discussion on discontinued operations. In addition, Comparative period segment information was represented to reflect the results of continuing operations separately from discontinued operations (see note 8 of the 2018 consolidated financial statements).*

2. *The Company derecognized the U.S. Environmental Services segment effective May 3, 2018. Accordingly, results for year ended December 31, 2018 represent the activity for the period January 1, 2018 to May 2, 2018.*

3. *The cash proceeds of $123.3 million and transaction costs of $13.6 million (including certain payments to employees), have been presented within investing activities from discontinued operations on the Company's consolidated statements of cash flows.*

Operational and financial performance

In the three months and year ended December 31, 2018 compared to the three months and year ended December 31, 2017:

Revenue decreased by $66.4 million and $143.6 million, respectively, and segment profit decreased by $7.7 million and $15.9 million, respectively. The decrease in both comparative periods is a result of the current period being shorter than the prior period due to the sale of the business effective May 3, 2018. There was no contribution to results from this business during the three months ended December 31, 2018.

Industrial Propane business

During Q1 2017, the Company sold its Industrial Propane business for proceeds of $433.1 million resulting in the recognition of a post-tax gain on sale of $150.6 million. Accordingly, the results for the three months and year ended December 31, 2017 represent activity for the period between January 1, 2017 and February 28, 2017. During this period the Company had total revenues of $58.3 million, segment profit of $13.6 million, and net income after tax of $159.9 million (see note 8 in the 2018 consolidated financial statements).

Income taxes

Including the tax impact of gains on discontinued operations, net income tax was a recovery of $8.7 million and an expense of $6.1 million for the three months and year ended December 31, 2018 compared to an expense of $0.2 million and $22.6 million for the three months and year ended December 31, 2017, as disclosed in note 22 in the 2018 consolidated financial statements. The quarter over quarter change in current income tax recovery was due to the inclusion of Canadian Truck Transportation in discontinued operations while the year ended comparative period decrease in income tax expense was due to the recognition of tax on the gain on sale of the Industrial Propane business in 2017. The year ended comparative period increase in deferred tax expense was due primarily due to the utilization of tax assets to offset the gain on the sale of the business.

Cash flow summary – Discontinued operations

The following table summarizes the sources and uses of funds for the years ended December 31, 2018 and 2017 from discontinued operations:

	Years ended December 31	
	2018	**2017[1,2]**
Statement of cash flows		
Cash flows (used in) provided by:		
Operating activities	$ 36,652	$ 22,107
Investing activities	107,777	416,016
Financing activities	$ (3,056)	$ -

1. *The Company derecognized the U.S. Environmental Services business effective May 3, 2018. Accordingly, cash flow related to this business for the year ended December 31, 2018 represent the activity for the period January 1, 2018 to May 2, 2018. Additionally, results for the three months and years ended December 31, 2017 and 2018 include cash flows related to Canadian Truck Transportation business.*

2. *The 2018 amounts relate to the activity up to the date of the sale of the U.S. Environmental Services business while the 2017 amounts relate to the activity up to the sale of the Industrial Propane business.*

Cash provided by operating activities

Cash provided by operating activities in the year ended December 31, 2018 was $36.7 million compared to cash provided by operating activities of $22.1 million year ended December 31, 2017. The change was primarily due to the timing of discontinued operations classification and completion of the sale of businesses as noted above. Additionally, the change in working capital requirements related to the sale of the U.S. Environmental Services business and the Industrial Propane business were driven by the fact that the Company is no longer required to fund working capital post the sale of those businesses.

Cash provided by investing activities

Cash provided by investing activities was $107.8 million for the year ended December 31, 2018, compared to cash provided by investing activities of $416.0 million in the year ended December 31, 2017. The change was primarily due to the cash proceeds received on the sale of the U.S. Environmental Services during 2018 and the sale of Industrial Propane business during 2017.

Cash used in financing activities

Cash used in financing activities was $3.1 million in the year ended December 31, 2018, compared to $nil in the year ended December 31, 2017. The increase was primarily due to the adoption of IFRS 16, as noted in the “Accounting Policies” section, which requires the recognition of net lease payments under financing activities.

SUMMARY OF QUARTERLY RESULTS

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

	2018[1]				2017[1]			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Continuing operations								
Revenue	$1,314,605	$2,130,022	$ 1,716,612	$1,685,350	$1,650,445	$1,293,863	$1,366,823	$1,348,515
Net income (loss)	47,275	6,822	15,242	11,785	(55,851)	(5,410)	(2,195)	(2,870)
Adjusted EBITDA (2)	134,001	140,448	96,113	86,753	68,475	42,762	52,525	65,439
Earnings (loss) per share								
Basic	$ 0.33	$ 0.05	$ 0.11	$ 0.08	$ (0.40)	$ (0.04)	$ (0.01)	$ (0.02)
Diluted	$ 0.32	$ 0.05	$ 0.11	$ 0.08	$ (0.40)	$ (0.04)	$ (0.01)	$ (0.02)
Discontinued operations								
Revenue	$ 49,643	$ 47,922	$ 66,222	$ 120,137	$ 116,442	$ 110,331	$ 113,373	$159,343
Net (loss) income	(31,210)	(4,470)	122,693	(17,090)	(30,696)	(6,233)	(3,328)	150,718
Adjusted EBITDA (2)	6,478	6,177	5,386	14,727	13,796	12,946	13,862	21,467
Earnings (loss) per share								
Basic	$ (0.22)	$ (0.03)	$ 0.85	$ (0.12)	$ (0.21)	$ (0.04)	$ (0.03)	$ 1.06
Diluted	$ (0.22)	$ (0.03)	$ 0.83	$ (0.12)	$ (0.21)	$ (0.04)	$ (0.03)	$ 1.04
Combined operations								
Revenue (1,3)	$1,364,248	$2,177,944	$1,782,834	$1,805,487	$1,766,887	$1,404,194	$1,480,196	$1,507,858
Net income (loss)	16,065	2,352	137,935	(5,305)	(86,547)	(11,643)	(5,523)	147,848
Adjusted EBITDA (2)	140,479	146,625	101,499	101,480	82,271	55,708	66,387	86,906
Earnings (loss) per share								
Basic	$ 0.11	$ 0.02	$ 0.96	$ (0.04)	$ (0.61)	$ (0.08)	$ (0.04)	$ 1.04
Diluted	$ 0.10	$ 0.02	$ 0.94	$ (0.04)	$ (0.61)	$ (0.08)	$ (0.04)	$ 1.02

1. *Comparative period information was represented to reflect the results of continuing operations separately from discontinued operations (see note 8 of the 2018 consolidated financial statements). Furthermore, the 2018 period results include the impacts from the adoption of new accounting standards as discussed on page 34. Comparative information has not been restated and, therefore, may not be comparable.*

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

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

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

- Adjusted EBITDA and Combined Adjusted EBITDA:
  - excludes certain income tax payments that may represent a reduction in cash available to the Company;
  - includes the impact from the adoption of IFRS 16 effective January 1, 2018 without restating the prior periods as noted in the "Accounting Policies" section;
  - does not reflect the Company's cash expenditures, or future requirements for capital expenditures or contractual commitments;
  - does not reflect changes in, or cash requirements for, the Company's working capital needs; and
  - does not reflect the significant interest expense, or the cash requirements necessary to service interest payments on the Company's debt, including the Debentures, and Notes and Retired Notes (as defined herein) and the Revolving Credit Facility (as defined herein).
- Although depreciation, amortization and impairment are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and Adjusted EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in the industry may calculate Combined Adjusted EBITDA and Adjusted EBITDA differently than the Company does, limiting its usefulness as a comparative measure.

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

The following tables reconciles segment profit to Adjusted EBITDA for continuing operations, discontinued operations and combined operations for each of the last eight quarters and for the twelve months ended December 31, 2018 and 2017:

	Three months ended (restated[3])				Twelve months ended (restated[3])
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2018
Continuing operations					
Segment profit	$ 153,569	$ 142,227	$ 95,802	$ 95,489	$ 487,087
Interest income	346	368	485	294	1,493
Foreign exchange gain (loss) – corporate	1,732	2,542	(2,357)	170	2,087
General and administrative	(8,597)	(8,286)	(6,804)	(8,468)	(32,155)
Net unrealized (gain) loss from financial instruments (1)	(13,049)	3,597	8,987	(732)	(1,197)
Adjusted EBITDA	$ 134,001	$ 140,448	$ 96,113	$ 86,753	$ 457,315
Discontinued operations					
Segment profit and adjusted EBITDA	$ 6,478	$ 6,177	$ 5,386	$ 14,727	$ 32,768
Combined operations					
Segment profit	$ 160,047	$ 148,404	$ 101,188	$ 110,216	$ 519,855
Interest income	346	368	485	294	1,493
Foreign exchange gain (loss) – corporate	1,732	2,542	(2,357)	170	2,087
General and administrative	(8,597)	(8,286)	(6,804)	(8,468)	(32,155)
Net unrealized (gain)loss from financial instruments (1)	(13,049)	3,597	8,987	(732)	(1,197)
Combined Adjusted EBITDA	$ 140,479	$ 146,625	$ 101,499	$ 101,480	$ 490,083

	Three months ended (restated[3])				Twelve months ended (restated[3])
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2017
Continuing operations					
Segment profit	$ 71,431	$ 51,265	$ 60,170	$ 78,936	$ 261,802
Interest income	500	320	299	665	1,784
Foreign exchange gain (loss) – corporate	755	(1,031)	152	(528)	(652)
General and administrative	(22,316)	(6,428)	(13,155)	(9,305)	(51,204)
Net unrealized loss (gain) from financial instruments (1)	19	(1,364)	4,059	(4,329)	(1,615)
Restructuring, severance and other costs (2)	18,086	-	1,000	-	19,086
Adjusted EBITDA	$ 68,475	$ 42,762	$ 52,525	$ 65,439	$ 229,201
Discontinued operations					
Segment profit and adjusted EBITDA	$ 13,796	$ 12,946	$ 13,862	$ 21,467	$ 62,071
Combined operations					
Segment profit	$ 85,227	$ 64,211	$ 74,032	$ 100,403	$ 323,873
Interest income	500	320	299	665	1,784
Foreign exchange gain (loss) – corporate	755	(1,031)	152	(528)	(652)
General and administrative	(22,316)	(6,428)	(13,155)	(9,305)	(51,204)
Net unrealized loss (gain) from financial instruments (1)	19	(1,364)	4,059	(4,329)	(1,615)
Restructuring, severance and other costs (2)	18,086	-	1,000	-	19,086
Combined Adjusted EBITDA	$ 82,271	$ 55,708	$ 66,387	$ 86,906	$ 291,272

1. *Reflects the exclusion of the movement in the mark-to-market valuation of financial instruments used in risk management activities. The Company uses crude oil and NGL priced futures, options and swaps to manage the exposure to commodities price movements and foreign currency forward contracts and options to manage foreign exchange risks, although the Company does not formally designate these financial instruments as hedges for accounting purposes. Accordingly, the unrealized gains or losses on these financial instruments are recorded directly to the income statement. Management believes that this adjustment better correlates the effect of risk management activities to the underlying operating activities to which they relate.*
2. *Represents the restructuring and severance costs incurred related to a headcount rationalization review, and executive payroll related costs.*
3. *Comparative periods were restated to reflect the results of continuing operations separately from discontinued operations. Furthermore, the 2018 period results include the impacts from the adoption of new accounting standards as discussed on page 34. Comparative information has not been restated and, therefore, may not be comparable.*

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

Infrastructure – The Infrastructure segment has progressively commissioned new storage capacity and related infrastructure, with 800,000 barrels of additional capacity and related take-or-pay and stable fee-based cash flows added in 2018. This increase in capacity was primarily driven by the sustained demand for crude terminalling and storage services combined with the effective operation, including cost management, of its current Hardisty and Edmonton Terminals and has provided for the increase in segment profits.

Logistics – The Logistics segment provides logistical services that enable crude production to access fixed midstream infrastructure in the U.S. The segment's results have been impacted by the decline in volumes due to the loss of an exclusive customer coupled with continued competition and availability of drivers within the Company's service areas, and the impact of one-time expenses such as severance, relocation, and office move costs which has inhibited the ability of the Company to deliver consistent results in this segment.

Wholesale – The Wholesale segment earns margins by capturing; quality, locational or time-based arbitrage opportunities related to the purchasing; selling, storing, and optimization of hydrocarbon products, including crude oil and refined products. Accordingly, this segment has been impacted by commodity price fluctuations in the pricing differentials between different geographic markets and product grades, most notably related to crude oil and NGLs. These fluctuations have been managed by purchasing and selling products through physical and financial contracts that include energy-related derivatives which have both supported and reduced segment profits from quarter to quarter in the form of realized or unrealized gains and losses. The three months and year-end 2018 results also include the impacts of lower rail car lease expenses as a result of the adoption of IFRS 16 as noted in the "Accounting Policies" section.

Discontinued operations – The results for discontinued operations include results from both the Canadian Truck Transportation and the U.S Environmental Services businesses. The Canadian Truck Transportation business earns margins by providing transportation and related services which includes providing hauling services for crude, condensate, sulfur, waste water and drilling fluids for many of the Western Canadian Sedimentary Basin leading oil and gas producers. The U.S. Environmental Services business earns margins by providing environmental and production services, such as emulsion hauling and treating, water hauling and disposal services and oilfield waste management services to the oil and gas industry. Accordingly, results have been impacted by the reduction and volatility in crude oil and other related commodity prices which has reduced production and exploration activities thus lowering available demand from these producers. However, the more recent gradual increase in the price of crude oil which has translated into slowly increasing activity and production coupled with the availability of other commodity hauling, such as sulphur, as well as the recovery of demand for the Company's U.S. Environmental Service business as activity levels strengthened over the last year has provided support for the segment's earnings.

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

The Company's calculation of Adjusted EBITDA may not be comparable to such calculations used by other companies. In addition, in evaluating Adjusted EBITDA, readers should be aware that in the future the Company may incur expenses similar to those eliminated in the presentation herein.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Sources

The Company's primary liquidity and capital resource needs are to fund ongoing capital expenditures, growth opportunities, and its dividend. In addition, the Company must service its debt, including interest payments, and finance working capital needs. The Company's short-term and long-term liquidity needs are met through cash flow from operations, its revolving credit facility, and debt and equity financings.

As at December 31, 2018, the Company had a positive working capital position, with an available cash balance of $95.3 million, and the ability to utilize borrowings under the Revolving Credit Facility. Also, the anticipated proceeds from the sale of the Canadian Truck Transportation and non-core ESN businesses are expected to reduce debt and lower net debt to Adjusted EBITDA ratios which will allow the Company to fund its ongoing capital expenditures, debt service requirements, dividend payments, and working capital needs. Accordingly, over the short-term the Company expects to maintain sufficient liquidity sources to fund its ongoing capital expenditures, debt service requirements, dividend payments and working capital needs.

Over the medium to long term, the Company's ability to generate meaningful contributions from cash from operations combined with the Company's extended maturity profile and low interest cost of the Company's debt, will provide support for the Company's funding of liquidity requirements.

While the Company remains confident in its ability to execute these divestitures, there are no assurances that the timing, the amount of proceeds from the sale of non-core businesses and the execution of planned capital programs will occur as planned. Please refer

Company's disclosure under "Forward-Looking Information" included at the end of this MD&A.

Cash flow summary – Continuing operations

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

The following table summarizes the Company's sources and uses of funds for the years ended December 31, 2018 and 2017 from continuing operations:

	Years ended December 31	
	2018[1]	**2017**[1]
Statement of cash flows		
Cash flows provided by (used in):		
Operating activities	$ 527,086	$ 175,272
Investing activities	(214,502)	(160,196)
Financing activities	$ (392,197)	$ (477,933)

1. *The current period results include the impacts from the adoption of new accounting standards as discussed on page 34. Comparative information has not been restated and, therefore, may not be comparable.*

Cash provided by operating activities

Cash provided by operating activities was $527.1 million in the year ended December 31, 2018, compared to cash provided by operating activities of $175.3 million in the year ended December 31, 2017. The increase was primarily due to higher segment profit related to the Infrastructure and Wholesale segments (refer to the respective section in "Results of Continuing Operations" for more details). Additionally, cash from operating activities increased by $49.8 million during the year ended December 31, 2018, due to the adoption of IFRS 16 whereby the lease payments are classified as financing activities as noted in the "Accounting Policies" section. Furthermore, the increase was supported by cash generated by the working capital of $50.2 million in the current year compared to cash used to fund working capital of $27.3 million in the prior year, primarily driven by higher inventory purchases in the prior period.

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

Cash used in investing activities

Cash used in investing activities was $214.5 million in the year ended December 31, 2018, compared to $160.2 million in the year ended December 31, 2017 and consists primarily of capital expenditures and acquisitions . For a summary of capital expenditures including acquisitions, see "Capital expenditures" discussion throughout this MD&A.

Cash used in financing activities

Cash used in financing activities was $392.2 million in year ended December 31, 2018 compared to cash used in financing activities of $477.9 million in the year ended December 31, 2017. The decrease was primarily due to lower net interest costs of $68.9 million in the year ended December 31, 2018 compared $87.2 million in the year ended December 31, 2017, finance lease payments of $49.8 million that are classified as financing activities due to the adoption of IFRS 16 effective January 1, 2018 (as noted in the "Accounting Policies" section), and a net repayment on Revolving Credit Facility of $84.7 million in the year ended December 31, 2018 compared to a net repayment on the Company's borrowings of $203.4 million in the year ended December 31, 2017. Dividend payments were fairly consistent year over year.

Capital expenditures and acquisitions

The following table summarizes growth and replacement capital expenditures for the years ended December 31, 2018 and 2017:

	Years ended December 31	
	2018	**2017**
Growth capital [(1)]	$ 221,198	$ 151,154
Replacement capital [(2)]	25,225	20,901
Acquisitions [(3)]	80,844	-
Total	$ 327,267	$ 172,055

1. *Growth capital expenditures in the year ended December 31, 2018 include Corporate and discontinued operations expenditures of $0.8 million $3.8 million compared to $3.3 million and $6.0 million in the years ended December 31, 2017, respectively. These expenditures mainly relate to growth capital expenditure costs associated with the Company's information and operational systems. The remainder of the growth capital expenditures have been discussed in continuing operations earlier in the MD&A.*

2. *Replacement capital expenditures in the years ended December 31, 2018 include Corporate and discontinued operations of $3.1 million and $1.6 million compared to $2.8 million and $7.3 million in the years ended December 31, 2017, respectively. These expenditures mainly relate to replacement costs associated with the Company's information and operational systems. The remainder of the replacement capital expenditures have been discussed in continuing operations earlier in the MD&A.*

3. *Acquisitions include the purchase of a pipeline gathering network within the U.S. Infrastructure business and the purchase of the remaining interests in the Plato Pipeline.*

2019 Planned capital expenditures

On December 4, 2018, the Company announced the approval of the 2019 growth capital expenditure budget in the range of $200 million to $250 million and an additional $30 to $35 million allocated to replacement capital expenditures. While the Company anticipates that these planned capital expenditures will occur, certain capital projects are subject to general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond the Company's control and could impact the Company's ability to complete such activities as planned.

Capital structure

	As at December 31, 2018	As at December 31, 2017
Revolving Credit Facility	$ 150,000	$ 230,180
$300 million 5.375% Notes due July 15, 2022	300,000	300,000
$600 million 5.25% Notes due July 15, 2024	600,000	600,000
Unamortized issue discount and debt issue costs	(10,422)	(12,061)
$100 million Debentures 5.25% due July 15, 2021 (liability component) [(1)]	89,765	89,765
Lease liability	109,071	-
Total debt outstanding	1,238,414	1,207,884
Cash and cash equivalents	(95,301)	(32,138)
Net debt	1,143,113	1,175,746
Total share capital (including Debentures – equity component)	1,962,169	1,939,126
Total capital	$ 3,105,282	$ 3,114,872

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

Notes

During 2017, the Company completed a tender offer on its Retired Notes and also issued the $600 million 5.25% Notes. The indentures governing the terms of the $600 million 5.25% Notes and the $300 million 5.375% notes (collectively "Notes") including the supplemental indenture thereto, contain certain redemption options whereby the Company can redeem all or part of the Notes at prices set forth in the applicable Indenture from proceeds of an equity offering or on the dates specified in the Indentures. In addition, the holders of Notes have the right to require the Company to redeem the Notes at the redemption prices set forth in the respective indebtedness in the event of a change in control or in the event certain asset sale proceeds are not re-invested in the time and manner specified in the applicable Indenture.

Debentures

On June 2, 2016, the Company issued $100.0 million aggregate principal amount of debentures (the "Debentures") at a price of $1,000 per Debenture for net proceeds of approximately $96.3 million, including debt issuance costs of $3.7 million. The Debentures, issued at par, bear interest at a rate of 5.25% per annum, payable semi-annually on January 15 and July 15 in each year commencing January 15, 2017, mature on July 15, 2021, and may be redeemed, in certain circumstances, on or after July 15, 2019. The Debentures are convertible at the holder's option into common shares at any time prior to the earlier of July 15, 2021 and the business day immediately preceding the date fixed for redemption by the Company at a conversion price of $21.65 per common share, being a ratio of approximately 46.1894 common shares per $1,000 principal amount of the Debenture. The Debentures are subordinated to the Company's senior indebtedness.

Credit facility

The Revolving Credit Facility, available to provide financing for working capital, fund capital expenditures and other general corporate purposes, has an extendible term of five years, expiring on March 31, 2023. The Revolving Credit Facility permits letters of credit, swingline loans and borrowings in Canadian dollars and U.S. dollars. Borrowings under the Revolving Credit Facility bear interest at a rate equal to Canadian Prime Rate or U.S. Base Rate or U.S. LIBOR or Canadian Bankers Acceptance Rate, as the case may be, plus an applicable margin. The applicable margin for borrowings under the Revolving Credit Facility is subject to step up and step down based on the Company's total debt leverage ratio. In addition, the Company must pay standby fees on the unused portion of the Revolving Credit Facility and customary letter of credit fees equal to the applicable margins determined in a manner similar to the interest. In addition, the Company has three bilateral demand letter of credit facilities totaling $150.0 million. The Company had $150.0 million drawn on its $560.0 million Revolving Credit Facility as of December 31, 2018 and had issued letters of credit totaling $70.9 million under its bilateral demand letter of credit facilities as at December 31, 2018.

The Revolving Credit Facility contains certain covenants, including financial covenants requiring the Company to maintain ratios of maximum consolidated senior and total debt leverage as well as to maintain a minimum interest coverage ratio. Effective March 31, 2018, the Company amended certain covenants related to its Revolving Credit Facility including, amongst other revisions, revising the maximum consolidated senior and the maximum consolidated total debt leverage ratios to 4.85 to 1.0 for the 2018 fiscal year, 4.5 to 1.0 for 2019 fiscal year and 4.0 to 1.0 thereafter. Furthermore, the maturity date of the Revolving Credit Facility was extended from March 2022 to March 2023.

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

As at December 31, 2018, the Company was in compliance with the financial ratios with the senior debt leverage ratio at 2.3 to 1.0, total debt leverage ratio at 2.3 to 1.0, and the interest coverage ratio at 6.7 to 1.0. If the Company fails to comply with the financial covenants, the lenders may declare an event of default. An event of default resulting from a breach of a financial covenant may result, at the option of lenders holding a majority of the loans, in an acceleration of repayment of the principal and interest outstanding and a termination of the Revolving Credit Facility. Both the leverage ratio and interest coverage ratio are based on calculations using adjusted EBITDA calculated in accordance with the Company's debt agreements. See "Accounting Policies" section for discussion on adoption of new accounting standard which did not have a material impact on the covenants calculations.

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, 2018, the Company was in compliance with all of its covenants under the Notes and the Revolving Credit Facility.

Dividends

The Company is currently paying quarterly dividends to holders of common shares. The amount and timing of any future dividends payable by Gibson will be at the discretion of the Board and to be established on the basis of, among other things, Gibson'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. During the year ended December 31, 2018, the Board declares dividends of $1.32 per share.

Distributable cash flow

Distributable cash flow is not a standard measure under IFRS and, therefore, may not be comparable to similar measures reported by other entities. Distributable cash flow from continuing and combined operations is used to assess the level of cash flow generated and to evaluate the adequacy of internally generated cash flow to fund dividends and is frequently used by securities analysts, investors and other interested parties. Changes in non-cash working capital are excluded from the determination of distributable cash flow because they are primarily the result of fluctuations in product inventories or other temporary changes. Replacement capital expenditures are deducted from distributable cash flow as there is an ongoing requirement to incur these types of expenditures. Lease payments are also deducted for the period starting January 1, 2018 due to the adoption of IFRS 16 as noted in the "Accounting Policies" section. The Company may deduct or include additional items in its calculation of distributable cash flow. These items would generally, but not necessarily, be items of an unusual, non-recurring, or non-operating in nature. In 2017, the Company reflected non-recurring items relating to severance costs in distributable cash flow to approximate the internally generated cash flow available to the Company within its normal operating cycle. The Company has provided the distributable cash flow from combined operations on a trailing twelve-month basis to reflect the total cash flow available to fund dividends which includes cash available from discontinued operations.

The following is a reconciliation of distributable cash flow from combined operations to its most closely related IFRS measure, cash flow from operating activities for the years ended December 31, 2018 and 2017 and three months ended December 31, 2018 and 2017.

Continuing operations	**Years ended December 31**	
	2018	**2017**
		(restated)[1]
Cash flow from operating activities	$ 527,086	$ 175,272
Adjustments:		
Changes in non-cash working capital	(64,298)	27,325
Replacement capital	(25,225)	(21,011)
Cash interest expense, including capitalized interest	(68,474)	(73,939)
Lease payments (2)	(49,785)	-
Current income tax	(60,178)	34,016
Other charges (3)	-	19,086
Distributable cash flow from continuing operations	$ 259,126	$ 160,749

Combined operations	**Years ended December 31**	
	2018	**2017**
		(restated)[1]
Combined cash flow from operating activities	$ 563,738	$ 197,379
Adjustments:		
Combined changes in non-cash working capital	(69,489)	52,147
Combined replacement capital	(26,800)	(28,291)
Cash interest expense, including capitalized interest	(68,474)	(73,939)
Lease payments (2)	(52,870)	-
Current income tax	(63,588)	3,608
Other charges (3)	-	19,086
Working capital adjustment (4)	-	10,503
Distributable cash flow from combined operations	$ 282,517	$ 180,493
Dividends declared to shareholders	$ 190,326	$ 188,470

Continuing operations	**Quarter ended December 31**	
	2018	**2017**
		(restated)[1]
Cash flow from operating activities	$ 262,044	$ 37,371
Adjustments:		
Changes in non-cash working capital	(123,954)	7,070
Replacement capital	(9,604)	(9,097)
Cash interest expense, including capitalized interest	(16,713)	(17,398)
Lease payments (2)	(11,187)	-
Current income tax	(22,396)	14,149
Other charges (3)	-	18,086
Distributable cash flow from continuing operations	$ 78,190	$ 50,181

Combined operations	Quarter ended December 31 2018	2017 (restated)[1]
Combined cash flow from operating activities	$ 272,337	$ 45,312
Adjustments:		
Combined changes in non-cash working capital	(127,628)	13,564
Combined replacement capital	(9,676)	(10,660)
Cash interest expense, including capitalized interest	(16,713)	(17,398)
Lease payments (2)	(11,588)	-
Current income tax	(22,609)	14,149
Other charges (3)	-	18,086
Working capital adjustment (4)	-	10,503
Distributable cash flow from combined operations	$ 84,123	$ 73,556
Dividends declared to shareholders	$ 47,704	$ 47,257

1. *During the third quarter of 2018, the Company revised its distributable cash flow calculations whereby income taxes were adjusted to include the impact of current income tax expense (recovery), instead of cash taxes paid (refunds). In management's view the revised calculation provides a more representative measure of distributable cash flow to the users of the MD&A.*
2. *Due to the adoption of IFRS 16, lease payments are shown within cash flow from financing activity effective January 1, 2018. Therefore, distributable cash flow has been adjusted to deduct lease payments for the period starting January 1, 2018 to make the calculations consistent with the prior periods.*
3. *Represents restructuring, severance and executive payroll related costs incurred during the respective periods.*
4. *Represents a one-time adjustment related to working capital at the close of Industrial Propane segment sale whereby $10.5 million cash balance was required to be left in the businesses prior to close and was repaid back to the Company as part of the sale proceeds. Absent this requirement, the cash flow from operations would have been higher and cash flow from investing activity would be lower by the same amount.*

Dividends declared in the twelve months ended December 31, 2018 were $190.3 million, of which the entire amount was paid in cash. In the twelve months ended December 31, 2018, dividends declared represented 67% of the combined distributable cash flow generated.

Contractual obligations and contingencies

The following table presents, at December 31, 2018, the Company's obligations and commitments to make future payments under contracts and contingent commitments:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt	$ 900,000	$ -	$ -	$ 300,000	$ 600,000
Convertible debentures	100,000	-	-	100,000	-
Interest payments on long-term debt and Debentures	246,314	52,875	103,330	71,734	18,375
Credit facilities	150,000	-	-	150,000	-
Lease liabilities and other commitments	125,824	39,824	40,151	19,476	26,373
Total contractual obligations	$ 1,522,138	$ 92,699	$ 143,481	$ 641,210	$ 644,748

1. *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, 2018, the Company had previously identified and approved capital expenditure commitments of $290 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 $16.4 million and provisions associated with site restoration on the retirement of assets and environmental costs of $162.8 million but the timing of such payments is uncertain due to the estimates used to calculate these amounts and the long-term nature of these balances. The Company also has commitments relating to its risk management contracts which are discussed further in "Quantitative and Qualitative Disclosures about Market Risks".

Contingencies

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

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, 2018, there were 144.6 million common shares outstanding and no preferred shares outstanding. In addition, under the Company's equity incentive plan, there were an aggregate of 2.0 million restricted share units, performance share units and deferred share units outstanding and 2.3 million stock options outstanding as at December 31, 2018.

At December 31, 2018, awards available to grant under the equity incentive plan were approximately 10.1 million.

As at March 1, 2019, 144.6 million common shares, 2.0 million restricted share units, performance share units and deferred share units and 2.3 million stock options were outstanding.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

The fair value of futures contracts is based on quoted market prices obtained from the Chicago Mercantile Exchange. The fair value of swaps and option contracts is estimated based on quoted prices from various sources, such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at the period end. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. No such positions existed as at December 31, 2018 and December 31, 2017. All derivative positions offset existing or anticipated physical exposures. Price-risk sensitivities were calculated by assuming 15% volatility in crude oil, differentials 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 $7.3 million and $6.2 million as of December 31, 2018 and 2017, respectively. A 15% unfavorable change would decrease the Company's net income by $7.3 million and $6.2 million as of December 31, 2018 and 2017, respectively. However, these changes may be offset by the use of one or more risk management strategies.

Interest rate risk. The Company's long-term debt, excluding the Revolving Credit Facility, accrues interest at fixed interest rates and accordingly, changes in market interest rates do not expose the Company to future interest cash outflow variability. At December 31, 2018, the Company had $150.0 million drawn under the Revolving Credit Facility which is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either the Canadian Prime Rate, U.S. LIBOR, U.S. Base Rate or Canadian Bankers' Acceptance Rate, plus an applicable margin based on the Company's total leverage ratio. At current balances and rates the interest rate risk is not significant.

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 $1.9 million and $3.4 million as at December 31, 2018 and 2017, respectively. A 5% favorable change would increase the Company's net income by $1.9 million and $3.4 million as at December 31, 2018 and 2017, respectively. The Company expects to continue to enter into financial derivatives, primarily forward contracts, to reduce foreign exchange volatility.

As at December 31, 2018, the Company had $nil U.S. dollar denominated debt as part of its draw on its Revolving Credit Facility. Due to the repayment of US$ Notes in 2017 and repayment of U.S dollar Revolving Credit Facility in 2018, the Company has no debt in foreign currency and as such the currency risk is minimal.

Equity price risk. The Company has equity price and dilution exposure to shares that it issues under its stock based compensation programs. Gibson uses equity derivatives to manage volatility derived from its stock based compensation programs. These contracts will mature at the prevailing share prices in accordance with the specific maturities of each contract over a three-year period. As at December 31, 2018 and 2017, the Company estimates that a 10% increase in the Company's share price would have resulted in an increase in the Company's income of $2.0 million and $1.9 million, respectively. A corresponding decrease in the Company's share price would decrease the Company's net income by $2.0 million and $1.9 million, respectively.

ACCOUNTING POLICIES

Critical accounting estimates

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

Recoverability of asset carrying values. The Company carries out impairment reviews in respect of goodwill at least annually or if indicators of impairment exist. The Company also assesses during each reporting period whether there have been any events or changes in circumstances that indicate that property, plant and equipment, inventories and other intangible assets may be impaired and an impairment review is carried out whenever such an assessment indicates that the carrying amount may not be recoverable. Such indicators include changes in the Company's business plans, changes in activity levels, an increase in the discount rate, the intention of "holding" versus "selling" and evidence of physical damage. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Where impairment exists, the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and value in use. Impairments are recognized immediately in the consolidated statement of operations.

The assessment for impairment entails comparing the carrying value of the asset or cash-generating unit with its recoverable amount; that is, the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows. However, the determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters, such as the outlook for global or regional market supply-and-demand conditions, future commodity prices, the effects of inflation on operating expenses and discount rates.

Income tax. Income tax expense represents the sum of the income tax currently payable and deferred income tax. Interest and penalties relating to income tax are also included in income tax expense. Deferred income tax is provided for using the liability method of accounting. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and income tax basis of assets and liabilities. These differences are then measured using enacted or substantially enacted income tax rates and laws that will be in effect when these differences are expected to reverse. The effect of a change in income tax rates on deferred tax assets and liabilities is recognized in income in the period that the change occurs.

The computation of the Company's income tax expense involves the interpretation of applicable tax laws and regulations in many jurisdictions. The resolution of tax positions taken by the Company can take significant time to complete and in some cases it is difficult to predict the ultimate outcome. In addition, the Company has carry-forward tax losses in certain taxing jurisdictions that are available to offset against future taxable profit. However, deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. Management judgement is exercised in assessing whether this is the case. To the extent that actual outcomes differ from management's estimates, income tax charges or credits may arise in future periods.

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.

Assets held for sale and discontinued operations. As at December 31, 2018, the Company considered certain businesses and assets as held-for-sale and discontinued operations (refer to note 8 in the consolidated financial statements). In making these determinations, the Company used significant judgment in evaluating whether a sale was considered highly probable and considered the progress of negotiations specific to significant terms of the sales, including the structure of the transaction and if the buyer has substantially completed their due diligence review. For these businesses and assets these conditions were all met during the year ended December 31, 2018. The Company also used significant judgment in evaluating whether a disposal group represented a major line of business or geographical area of operations to be reported within discontinued operations, considering if the disposal group is a component of an entity and its materiality in relation to the reportable segment. These criteria were met for certain disposal groups.

Critical accounting estimates and judgements from adoption of new accounting standards

Critical judgements in determining lease terms

The Company uses hindsight in determining the lease term where a contract contains options to extend or terminate the lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed upon a trigger by a significant event or a significant change in circumstances.

Impairment provision for financial assets

The impairment provisions for financial assets are based on assumptions related to the risk of default and expected loss. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Estimation uncertainty arising from variable lease payments

Certain leases contain variable payment terms that are linked to the Company's owner operator costs within our Logistics segment. Judgment is applied in determination of whether the owner operator arrangement contain variable payment terms. All owner operator costs that are dependent upon the activity levels are classified as variable payments and all such costs are accounted for as a single lease component and charged to the consolidated statements of operations as incurred.

Initial adoption of accounting policies

<u>*New and amended standards adopted by the Company:*</u>

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

- IFRS 2 – Share-based payments ("IFRS 2"), has been amended to address (i) certain issues related to the accounting for cash settled awards, and (ii) the accounting for equity settled awards that include a "net settlement" feature in respect of employee withholding taxes. IFRS 2 is effective for annual periods beginning on or after January 1, 2018. The Company has determined that the adoption of this interpretation did not have a material impact on its consolidated financial statements.

- IFRIC 22 – Foreign currency transactions and advance consideration ("IFRIC 22"), provides guidance on how to determine the date of the transaction when an entity either pays or receives consideration in advance for foreign currency-denominated contracts. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. The Company has determined that the adoption of this interpretation did not have a material impact on its consolidated financial statements.

- IAS 28 – Investments in associates and joint ventures ("IAS 28"), has been amended to clarify that an entity applies IFRS 9, including its impairment requirements, to long-term interests in associate or joint venture to which the equity method is not applied. The amendment to IAS 28 is effective for years beginning on or after January 1, 2018. The Company has determined that the adoption of this interpretation did not have a material impact on its consolidated financial statements.
- The annual improvements process addresses issues in the 2014-2016 reporting cycles include changes to IFRS 1 – First time adoption of IFRS, IFRS 7 – Financial instruments: Disclosures, IAS 19 – Employee benefits, IFRS 10 – Consolidated financial statements and IAS 28 – Investment in associates and joint ventures. This improvement is effective for periods beginning on or after January 1, 2018. The adoption of these improvements did not have a material impact on the consolidated financial statements.

Adoption of IFRS 16, IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") and IFRS 9, "Financial Instruments" ("IFRS 9")

As disclosed in the 2018 consolidated financial statements, the Company has evaluated the impact of IFRS 9, IFRS 15, and IFRS 16 and adopted all three standards as at January 1, 2018.

The Company has taken pro-active measures to review the impacts of the adoption of these standards on our debt covenants including certain amendments to our covenants which provides an option to adjust for the impact of these standards or to provide a grandfathering approach. Currently the Company includes the lease liability in the total debt balance and uses the new accounting standards as a basis to calculate the covenants. Accordingly, the impact of adoption is not considered material on the Company's debt covenant calculations.

On January 1, 2018, the Company's policies and business practices were updated to reflect the changes required by the adoption of these new standards (refer to note 3 and 4 in the 2018 consolidated financial statements for the updated policies).

IFRS 16 is effective for years beginning on or after January 1, 2019, however the Company has adopted IFRS 16 effective January 1, 2018, concurrent with the adoption date of IFRS 9, and IFRS 15. These standards have been applied retrospectively using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the Company's consolidated balance sheets, statements of operations, and statements of cash flows is not restated.

For the three months and year ended December 31, 2018, the following is a summary of material impacts on the results from continuing and discontinued operations:

- Segment profit from continuing operations increased by $11.2 million and $49.7 million, respectively, segment profit from discontinued operations increased by $0.4 million and $3.1 million, respectively, and G&A expenses decreased by $2.0 million and $8.2 million, respectively with a total increase of $11.6 million and $52.8 million, respectively in combined Adjusted EBITDA.

- This was substantially offset by the additional depreciation charge on the right-of use-assets and interest expense for the lease liabilities.

In addition, the impacts of IFRS 9, 15 and 16, including the new accounting policies adopted as at January 1, 2018 on the balance sheet are as follows:

	As reported as at December 31, 2017	Adjustments	Footnote	Restated balance as at January 1, 2018
Accounts receivable	$ 494,901	$ 484	(i)	$ 495,385
Inventories	169,957	4,765	(ii)	174,722
Trade payables and accrued charges	(500,662)	3,329	(ii & iii)	(497,333)
Right-of-use asset	-	170,548	(iii)	170,548
Contract liabilities	-	(12,676)	(ii)	(12,676)
Deferred revenue	(7,013)	7,013	(ii)	-
Lease liability – current portion	-	(43,490)	(iii)	(43,490)
Lease liability – non-current portion	-	(129,344)	(iii)	(129,344)
Retained deficit (earnings)	1,251,416	(629)	(i & ii)	1,250,787
Total	$ 1,408,599	$ -		$ 1,408,599

Footnotes

(i) Financial instruments

The Company carries the following categories of financial assets subject to IFRS 9's expected credit losses model:

- *Trade receivables*
- *Net investments in finance leases*

The Company has revised its impairment methodology under IFRS 9 for the above noted classes of assets and applied the simplified approach on all trade receivables which requires the use of the lifetime expected loss provisions for expected credit losses. For lease receivables, the Company used the general approach which requires the recognition of twelve-month expected loss provisions for expected credit losses on lease receivables subject to credit risk as at January 1, 2018. Where such lease receivables have had a significant increase in credit risk since initial recognition but no objective evidence of impairment, lifetime expected loss provisions are used with interest calculated on the gross carrying amount of the receivable balance. Where objective evidence of impairment exists, interest is calculated on the carrying amount, net of the impairment. At December 31, 2018, there were no material changes to the credit risk on lease receivables.

There was no impact to the classification of the Company's financial assets from the adoption of IFRS 9.

(ii) Revenue recognition

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

(iii) Leases

On adoption of IFRS 16, the Company has recognised lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments from commitments disclosed as at December 31, 2017, adjusted by commitments in relation to arrangements not containing leases, short-term and low-value leases, discounted using the Company's incremental borrowing rate as of January 1, 2018. The associated right-of-use assets were measured at the amount equal to the lease liability on January 1, 2018, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of transition, with no impact on retained earnings.

New standards and interpretations issued but not yet adopted:

- The annual improvements IAS 19 – *Employee benefits* ("IAS 19"), has been amended to (i) require current service cost and net interest for the period after the re-measurement to be determined using the assumptions used for the re-measurement, and (ii) clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment to IAS 19 is effective for the years beginning on or after January 1, 2019. The Company is currently assessing the impact of this amendment.
- IFRS 3 – Business Combinations ("IFRS 3"), has been amended to revise the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendment to IFRS 3 is effective for the years beginning on or after January 1, 2020. The Company is currently assessing the impact of this amendment.
- IAS 1 – Presentation of financial statements ("IAS 1") and IAS 8 – Accounting policies, changes in accounting estimates and errors ("IAS 8"), have been amended to (i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; (ii) clarify the explanation of the definition of material; and iii) incorporate guidance in IAS 1 regarding immaterial information. The amendments to IAS 1 and IAS 8 are effective for the years beginning on or after January 1, 2020.

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, 2018. 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, 2018.

Based on the evaluation of the design and operating effectiveness of the Company's DC&P and ICFR, the CEO and the CFO concluded that Gibson DC&P and ICFR were effective as at December 31, 2018. There have been no changes in ICFR that occurred during the period beginning January 1, 2018 and ended on December 31, 2018 that has materially affected or is reasonably likely to materially affect Gibson ICFR.

RISK FACTORS

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

Hazards and Operational Risks

The Company's operations are subject to the many hazards inherent in the transportation, storage, processing, treating and distribution of crude oil, NGLs and petroleum products, including:

- explosions, fires and accidents, including road and rail accidents;
- damage to the Company's tanker trucks, pipelines, storage tanks, terminals and related equipment;
- ruptures, leaks or releases of crude oil or petroleum products into the environment;
- acts of terrorism or vandalism; and
- other accident or hazards that may occur at or during transport to, or from, commercial or industrial sites.

If any of these events were to occur, the Company could suffer substantial losses because of the resulting impact on the Company's reputation, personal injury or loss of life, severe damage to and destruction of property, equipment, information technology systems, related data and control systems, environmental damage, which may include polluting water, land or air, resulting in curtailment or suspension of the related operations. Mechanical malfunctions, faulty measurement or other errors may also result in significant costs or lost revenues.

Market and Commodity Price Risk

The Company's business includes activities related to product storage, terminalling and hub services. These activities expose the Company to certain risks including that the Company may experience volatility in revenue and impairments related to the book value of stored product, due to the fluctuations in commodity prices. Primarily, the Company enters into contracts to purchase and sell crude oil, NGLs and refined products at floating market prices. The prices of the products that are marketed by the Company are subject to volatility as a result of factors such as seasonal demand changes, extreme weather conditions, market inventory levels, general economic conditions, changes in crude oil markets and other factors. The Company manages its risk exposure by balancing purchases and sales to lock-in margins; however, the Company may not be successful in balancing its purchases and sales. Also, in certain situations, a producer or supplier could fail to deliver contracted volumes or could deliver in excess of contracted volumes or a purchaser could purchase less than contracted volumes. Any of these actions could cause the Company's purchases and sales to be unbalanced. While the Company attempts to balance its purchases and sales, if its purchases and sales are unbalanced, the Company will face increased exposure to commodity price risks and could have increased volatility in its operating income and cash flow.
Notwithstanding the Company's management of price and quality risk, marketing margins for commodities can vary and have varied significantly from period to period. This variability could have an adverse effect on the results of the Company.

Since crude oil margins can be earned by capturing spreads between different qualities of crude oil, the Company's crude oil marketing business is subject to volatility in price differentials between crude oil streams and blending agents. Due to this volatility, the Company's margins and profitability can vary significantly. The Company expects that commodity prices will continue to fluctuate significantly in the future. The Company utilizes financial derivative instruments as part of its overall risk management strategy to assist in managing the exposure to commodity prices, as well as interest rates and foreign exchange risks. For example, as NGL and refined product prices are somewhat related to the price of crude oil, crude oil financial contracts are one of the more common price risk management strategies that the Company uses. Also, with respect to crude oil, the Company manages its exposure using WTI based futures, options and swaps. These strategies are subject to basis risk between the prices of crude oil streams, WTI, NGL and refined product values and, therefore, may not fully offset future price movements. Furthermore, there is no guarantee that these strategies and other efforts to manage marketing and inventory risks will generate profits or mitigate all the market and inventory risk associated with these activities. If the Company utilizes price risk management strategies, the Company may forego the benefits that may otherwise be experienced if commodity prices were to increase. In addition, any non-compliance with the Company's trading policies could result in significantly adverse financial effects. To the extent that the Company engages in these kinds of activities, the Company is also subject to credit risks associated with counterparties with whom the Company has contracts. The Company does not trade financial instruments for speculative purposes.

Reputation

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

Decommissioning, Abandonment and Reclamation Costs

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

Legislative and Regulatory Changes

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

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

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

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

Capital Project Delivery and Success

The Company has a number of organic growth projects that require the expenditure of significant amounts of capital. Many of these projects involve numerous regulatory, environmental, commercial, weather-related, political and legal uncertainties that will be beyond the Company's control. As these projects are undertaken, required regulatory and other approvals may not be obtained, may be delayed or may be obtained with conditions that materially alter the expected return associated with the underlying projects. Moreover, the Company will incur financing costs during the planning and construction phases of its growth projects, but the operating cash flow the Company expects these projects to generate will not materialize until after the projects are completed. These projects may be completed behind schedule or in excess of budgeted cost. For example, the Company must compete with other companies for the materials and construction services required to complete these projects, and competition for these materials or services could result in significant delays and/or cost overruns. Any such cost overruns, or unanticipated delays in the completion or commercial development of these projects, could reduce the Company's liquidity. The Company may construct facilities or other assets in anticipation of market demand that dissipates during the intervening period between project conception and delivery to market or never materializes. As a result of these uncertainties, the anticipated benefits associated with the Company's capital projects may not be lower than expected.

Regulatory Approvals

The Company's operations require it to obtain approvals from various regulatory authorities and there are no guarantees that it will be able to obtain all necessary licenses, permits and other approvals that may be required to conduct its business. In addition, obtaining certain approvals from regulatory authorities can involve, among other things, stakeholder and Aboriginal consultation, environmental impact assessments and public hearings. Regulatory approvals obtained may be subject to the satisfaction of certain conditions, including, but not limited to: security deposit obligations; ongoing regulatory oversight of projects; mitigating or avoiding project impacts; habitat assessments; and other commitments or obligations. Failure to obtain applicable regulatory approvals or satisfy any of the conditions thereto on a timely basis on satisfactory terms could result in delays, abandonment or restructuring of projects and increased costs.

Environmental and Health and Safety Regulations

Each of the Company's segments is subject to the risk of incurring substantial costs and liabilities under environmental and health and safety laws and regulations. These costs and liabilities arise under increasingly stringent environmental and health and safety laws, including regulations and governmental enforcement policies and legislation, and as a result of third party claims for damages to property or persons arising from the Company's operations. Environmental laws and regulations impose, among other things, restrictions, liabilities and obligations in connection with the generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances into the environment. Environmental laws and regulations also require that pipelines, facilities and other properties associated with the Company's operations be constructed, operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Health and safety laws and regulations impose, among other things, requirements designed to ensure the protection of workers and to limit the exposure of persons to certain hazardous substances. In addition, certain types of projects may be required to submit and obtain approval of environmental impact assessments, to obtain and maintain environmental permits and approvals and to implement mitigative measures prior to the implementation of such projects.

Failure to comply with environmental and health and safety laws and regulations, including related permits and approvals, may result in assessment of administrative, civil and criminal penalties, the issuance of regulatory or judicial orders, the imposition of remedial obligations such as clean-up and site restoration requirements, the payment of deposits, liens, the amendment, suspension or revocation of permits and approvals and the potential issuance of injunctions to limit or cease operations. If the Company were unable to recover these costs through increased revenues, the Company's ability to meet its financial obligations could be adversely affected.

Some of the Company's facilities have been used for many years to transport, distribute or store petroleum products. Over time the Company's operations, or operations by the Company's predecessors or third parties not under the Company's control, may have resulted in the disposal or release of hydrocarbons or wastes at or from these properties upon which the facilities are situated or along over pipeline rights-of-way. In addition, some of the Company's facilities are located on or near current or former refining and terminal sites, and there is a risk that contamination is present on those sites. The Company may be subject to strict joint and several liability under a number of these environmental laws and regulations for such disposal and releases of hydrocarbons or wastes or the existence of contamination, even in circumstances where such activities or conditions were caused by third parties not under the Company's control or were otherwise lawful at the time they occurred.

Further, the transportation of hazardous materials and/or other substances in the Company's pipelines or by truck or rail may result in environmental damage, including accidental releases that may cause death or injuries to humans, damage to third parties and natural resources, and/or result in federal and/or provincial civil and/or criminal penalties that could be material to the Company's results of operations and cash flow.

The Company engages in operations which handle hazardous materials. As a result of these and other activities, the segment is subject to a variety of federal, state, local and foreign laws and regulations relating to the generation, transport, use handling, storage, treatment and exposure to and disposal of these materials, including record keeping, reporting and registration requirements. The Company has incurred and expects to continue to incur expenditures to maintain compliance with environmental laws and regulations. Moreover, some or all of the environmental laws and regulations to which the Company is subject could become more stringent or be more stringently enforced in the future. Its failure to comply with applicable environmental laws and regulations and permit requirements could result in civil or criminal fines or penalties or enforcement actions, including regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures or remedial actions.

Certain environmental laws, including the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and comparable state laws in the U.S., impose joint and several liability, without regard to fault or legality of the operations, on certain categories of persons, including current and prior owners or operators of a facility where there is a release or threatened release of hazardous substances, transporters of hazardous substances and entities that arranged for disposal of the hazardous substances at the site. Under CERCLA, these "responsible persons" may be held jointly and severally liable for the costs of cleaning up the hazardous substances, as well as for damages to natural resources and for the costs of certain health studies, relocation expenses and other response costs.

CERCLA generally exempts "petroleum" from the definition of hazardous substance; however, in the course of the Company's operations, the Company has accepted, handled, transported and/or generated materials that are considered "hazardous substances." Further, hazardous substances or hazardous wastes may have been released at properties owned or leased by the Company now or in the past, or at other locations where these substances or wastes were taken for treatment or disposal. Given the nature of the Company's environmental services business, it has incurred, and will in the future periodically incur, liabilities under CERCLA or other environmental cleanup laws, at its current or former facilities, adjacent or nearby third party facilities, or offsite disposal locations. There can be no assurance that the costs associated with future cleanup activities that the Company may be required to conduct or finance will not be material. Additionally, the Company may become liable to third parties for damages, including personal injury and property damage, resulting from the disposal or release of hazardous substances into the environment.

Failure to comply with environmental regulations could have an adverse impact on the Company's reputation. There is also risk that the Company could face litigation initiated by third parties relating to climate change or other environmental regulations.

Demand for Crude Oil and Petroleum Products

Any sustained decrease in demand for crude oil and petroleum products in the markets the Company serves could result in a significant reduction in the volume of products and services that the Company provides and thereby could significantly reduce cash flow and revenues. Factors that could lead to a decrease in market demand include:

- lower demand by consumers for refined products, including asphalt and wellsite fluids, as a result of recession or other adverse economic conditions or due to high prices caused by an increase in the market price of crude oil, which is subject to wide fluctuations in response to changes in global and regional supply over which the Company has no control;
- an increase in fuel economy, whether as a result of a shift by consumers to more fuel-efficient vehicles, technological advances by manufacturers, governmental or regulatory actions or otherwise;
- provincial, state and federal legislation either already in place or under development requiring the inclusion of ethanol and use of biodiesel which may negatively affect the overall demand for crude oil products;

- lower demand by the oil and gas drilling industry for products such as drilling mud additives and for wellsite fluids as a result of legislation regulating hydraulic fracturing currently being considered by the U.S. Congress, a number of U.S. states and the Province of Quebec;
- technological advances in the production and longevity of fuel cells and solar, electric and battery-powered engines; and
- fluctuations in demand for crude oil, such as those caused by refinery downtime or shutdowns.

The Company cannot predict and does not have control over the impact of future economic and political conditions on the energy and petrochemical industries, which, in turn, could affect the demand for crude oil and petroleum products. As a result of decreased demand, the Company may experience a decrease in the Company's margins and profitability.

FORWARD-LOOKING INFORMATION

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

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- *the realization of perceived benefits and ability to close the sale of assets and businesses as per the Company's plans;*
- *the timing, the amount of proceeds from sale of non-core businesses, the closing thereof, along with the execution of planned capital programs;*
- *achieving the targets including but not limited to segment profits, payout ratio and leverage ratio as discussed under the strategy section;*
- *the addition or disposition of assets and changes in the services to be offered by the Company;*
- *the Company's projections relating to target segment profit, distributable cash flow, distributable cash flow per share, and total cash flow;*
- *the Company's projections relating to target leverage and payout ratios;*
- *the Company's investment in new equipment, technology, facilities and personnel;*
- *the Company's growth strategy to expand in existing and new markets including the anticipated benefits from the Company's basin strategy;*
- *the availability of sufficient liquidity for planned growth;*
- *new technology and drilling methodology being deployed towards conventional and unconventional production within the Company's operating areas;*
- *uncertainty and volatility relating to crude prices and price differentials between crude oil streams and blending agents;*
- *increased crude oil production and exploration activity on shore in North America, including from the Canadian oil sands;*
- *the expansion of midstream infrastructure in North America to handle increased production and expansion of capacity in the U.S. refining complex to handle heavier crude oil from the WCSB;*
- *the effect of competition in regions of North America and its impact on downward pricing pressure and regional crude oil price differentials among crude oil grades and locations;*
- *the effect of market volatility on the Company's marketing revenues and activities;*
- *the Company's ability to pay down and retire indebtedness;*
- *the Company's plans for additional strategic acquisitions, capital expenditures or other similar transactions, including the costs thereof;*
- *in-service dates for new storage capacity and new projects 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 with respect to the adoption and implementation of new accounting standards and policies;*

- *the realization of anticipated benefits from the implementation of cost saving measures;*
- *the Company's projections of dividends; and*
- *the Company's dividend policy.*

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

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

In addition, this MD&A may contain forward-looking information attributed to third party industry sources. The Company does not undertake any obligations to publicly update or revise any forward-looking information except as required by applicable Canadian securities laws. Actual results could differ materially from those anticipated in forward-looking information as a result of numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in "Forward-Looking Information" and "Risk Factors" included in the Company's Annual Information Form dated March 4, 2019 as filed on SEDAR at www.sedar.com and available on the Gibson website at www.gibsonenergy.com.

NON-GAAP FINANCIAL MEASURES

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

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