Gibson Energy Inc.

Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

March 7, 2017

Independent Auditor's Report

To the Shareholders of Gibson Energy Inc.

We have audited the accompanying consolidated financial statements of Gibson Energy Inc., which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015 and the consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gibson Energy Inc. as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

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Gibson Energy Inc.

Consolidated Balance Sheet

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

	December 31, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 60,159	$ 82,775
Trade and other receivables (note 7)	428,248	370,313
Inventories (note 8)	144,595	107,593
Income taxes receivable	8,057	16,130
Prepaid and other assets	17,976	18,124
Net investment in finance leases (note 9)	2,325	1,045
Assets held for sale (note 6)	266,359	-
Total current assets	927,719	595,980
Non-current assets		
Property, plant and equipment (note 10)	1,643,294	1,771,117
Long-term prepaid and other assets (note 11)	4,350	4,564
Net investment in finance leases (note 9)	118,244	93,389
Deferred income tax assets (note 12)	47,165	1,596
Intangible assets (note 13)	66,086	145,433
Goodwill (note 14)	454,489	670,907
Total non-current assets	2,333,628	2,687,006
Total assets	$ 3,261,347	$ 3,282,986
Liabilities		
Current liabilities		
Credit facilities (note 15)	-	35,000
Trade payables and accrued charges (note 17)	468,834	418,732
Dividends payable (note 20)	46,772	40,363
Deferred revenue	9,833	7,690
Income taxes payable	-	7,775
Liabilities related to assets held for sale (note 6)	39,767	-
Total current liabilities	565,206	509,560
Non-current liabilities		
Long-term debt (note 15)	1,271,839	1,291,423
Convertible debentures (note 16)	87,312	-
Provisions (note 18)	171,038	155,343
Other long-term liabilities (note 19)	6,506	13,975
Deferred income tax liabilities (note 12)	102,350	145,684
Total non-current liabilities	1,639,045	1,606,425
Total liabilities	2,204,251	2,115,985
Equity		
Share capital (note 20)	1,909,032	1,672,323
Contributed surplus	46,899	34,959
Accumulated other comprehensive income	201,089	224,866
Convertible debentures (note 16)	7,151	-
Deficit	(1,107,075)	(765,147)
Total equity	1,057,096	1,167,001
Total liabilities and equity	$ 3,261,347	$ 3,282,986

Commitments and contingencies (note 21)

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors:

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

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

Gibson Energy Inc.

Consolidated Statement of Operations

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

	Year ended December 31, 2016	Year ended December 31, (Restated – Note 6) 2015
Revenue (note 22)	$ 4,594,181	$ 5,405,311
Cost of sales (notes 8, 23, 24 and 30)	4,569,374	5,296,045
Gross profit	24,807	109,266
General and administrative expenses (notes 23, 24 and 30)	69,818	71,702
Impairment of goodwill (note 14)	130,052	175,959
Other operating income (note 25)	(3,257)	(21,778)
Loss from operating activities	(171,806)	(116,617)
Interest expense	86,619	79,580
Interest income	(1,093)	(560)
Foreign exchange (gain) loss on long-term debt (note 15)	(22,715)	113,150
Loss before income taxes	(234,617)	(308,787)
Income tax recovery (note 12)	(56,450)	(13,413)
Net loss from continuing operations	$ (178,167)	$ (295,374)
Net income from discontinued operations, after tax (note 6)	18,453	14,718
Net loss	$ (159,714)	$ (280,656)
Earnings Loss per share (note 26)		
Basic loss per share from continuing operations	$ (1.32)	$ (2.35)
Basic income per share from discontinued operations	0.14	0.12
Basic loss per share	$ (1.18)	$ (2.23)
Diluted loss per share from continuing operations	$ (1.32)	$ (2.35)
Diluted income per share from discontinued operations	0.13	0.12
Diluted loss per share	$ (1.19)	$ (2.23)

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statement of Comprehensive Income (Loss)

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

	Year ended December 31, 2016	Year ended December 31, 2015
Net loss	$ (159,714)	$ (280,656)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to statement of operations		
Exchange differences on translating foreign operations	(23,777)	131,855
Items that will not be reclassified to statement of operations		
Remeasurements of post-employment benefit obligation, net of tax	(220)	184
Other comprehensive (loss) income, net of tax	(23,997)	132,039
Comprehensive loss	$ (183,711)	$ (148,617)

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statement of Changes in Equity

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

	Share capital (note 20)	Contributed surplus	Accumulated other comprehensive income (loss)	Convertible debentures	Deficit	Total Equity
Balance – January 1, 2015..........................	$1,634,001	$ 23,841	$ 93,011	$ -	$ (323,673)	$1,427,180
Net loss	-	-	-	-	(280,656)	(280,656)
Other comprehensive income, net of tax....	-	-	131,855	-	184	132,039
Comprehensive income	-	-	131,855	-	(280,472)	(148,617)
Stock based compensation.......................		20,379		-		20,379
Proceeds from exercise of stock options...	105	-	-	-	-	105
Reclassification of contributed surplus on issuance of awards under equity incentive plan	9,261	(9,261)	-	-	-	-
Issuance of common shares in connection with the dividend reinvestment and stock dividend programs	28,956		-	-	-	28,956
Dividends on common shares ($0.32 per common share)	-	-	-	-	(161,002)	(161,002)
Balance – December 31, 2015....................	$ 1,672,323	$ 34,959	$ 224,866	$ -	$ (765,147)	$1,167,001
Net loss	-	-	-	-	(159,714)	(159,714)
Other comprehensive loss, net of tax..........	-	-	(23,777)	-	(220)	(23,997)
Comprehensive loss...................................	-	-	(23,777)	-	(159,934)	(183,711)
Stock based compensation.......................		24,876	-	-	-	24,876
Proceeds from exercise of stock options...	1,001	-	-	-	-	1,001
Reclassification of contributed surplus on issuance of awards under equity incentive plan	12,936	(12,936)	-	-	-	-
Issuance of common shares for cash, net of issue costs and tax....................................	222,772	-	-	-	-	222,772
Issuance of convertible debentures, net of issuance costs and tax (note 16)	-	-	-	7,151	-	7,151
Dividends on common shares ($0.33 per common share)	-	-	-	-	(181,994)	(181,994)
Balance – December 31, 2016....................	$ 1,909,032	$ 46,899	$ 201,089	$ 7,151	$ (1,107,075)	$1,057,096

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statement of Cash Flows

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

	Year ended December 31, 2016	(Restated – Note 6) 2015
Cash provided by (used in)		
Operating activities		
Loss from operating activities	$ (171,806)	$ (116,617)
Items not affecting cash		
Depreciation and impairment of property, plant and equipment (notes 10 and 23)	175,346	180,471
Amortization and impairment of intangible assets (notes 13 and 23)	69,062	82,623
Impairment of goodwill (note 14)	130,052	175,959
Stock based compensation (note 24 and 29)	24,876	20,379
Gain on sale of property, plant and equipment (note 25)	(4,983)	(2,265)
Other	(5,012)	575
Net loss on fair value movement of financial instruments (note 30)	5,073	1,491
Changes in items of working capital		
Trade and other receivables	(90,595)	263,525
Inventories	(42,350)	47,760
Other current assets	(1,780)	6,799
Trade payables and accrued charges	99,260	(214,291)
Deferred revenue	2,974	(11,335)
Income taxes paid, net	(14,635)	(35,957)
Net cash provided by operating activities from continuing operations	175,482	399,117
Net cash provided by operating activities from discontinued operations (note 6)	32,084	58,950
Net cash provided by operating activities	207,566	458,067
Investing activities		
Purchase of property, plant and equipment	(240,992)	(318,977)
Purchase of intangible assets	(13,588)	(10,728)
Acquisitions, net of cash acquired (note 5)	-	(39,772)
Proceeds on sale of assets	11,387	4,912
Net cash used in investing activities from continuing operations	(243,193)	(364,565)
Net cash used in investing activities from discontinued operations (note 6)	(3,507)	(8,063)
Net cash used in investing activities	(246,700)	(372,628)
Financing activities		
Payment of shareholder dividends	(175,586)	(157,985)
Proceeds from dividend reinvestment plans (note 20)	-	28,956
Interest paid	(90,059)	(84,665)
Interest received	1,090	556
Proceeds from exercise of stock options	1,000	105
Proceeds from issuance of common shares	230,090	-
Payment of share issue costs	(10,273)	-
Proceeds from convertible debentures, net of issue costs (note 16)	96,293	-
Proceeds from credit facilities	446,790	163,257
Repayment of credit facilities	(481,789)	(128,257)
Repayment of finance lease liabilities	-	(411)
Settlement of financial instruments not affecting operating activities (note 30)	-	36,582
Net cash provided by (used in) financing activities from continuing operations	17,556	(141,862)
Net cash provided by (used in) financing activities from discontinued operations (note 6)	-	-
Net cash provided by (used in) financing activities	17,556	(141,862)
Effect of exchange rate on cash and cash equivalents	(1,038)	7,287
Net decrease in cash and cash equivalents	(22,616)	(49,136)
Cash and cash equivalents – beginning of year	82,775	131,911
Cash and cash equivalents – end of year	$ 60,159	$ 82,775

See accompanying notes to the consolidated financial statements

1 General Information

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

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

2 Basis of preparation

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

These consolidated financial statements were approved for issuance by the Company's board of directors ("Board") on March 7, 2017.

These consolidated financial statements are presented in Canadian dollars, the Company's functional currency, and all values are rounded to the nearest thousands of dollars, except where indicated otherwise. All references to $ are to Canadian dollars and references to U.S.$ are to United States dollars.

3 Significant accounting policies

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

Basis of measurement

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

Basis of consolidation

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

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

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

Foreign currency translation

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

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

Business combinations and goodwill

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

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

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

Intangible assets

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

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

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

Brands	2 – 10 years
Customer relationships	1 – 12 years
Long-term customer contracts	6 – 10 years
Non-compete agreements	2 – 10 years
Technology	3 – 5 years
Software, license and permits	3 – 7 years

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

Impairments

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

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

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

An impairment loss in respect of goodwill is not reversible in the future. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been previously recognized.

Assets held for sale and discontinued operations

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

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

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

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

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

Non-derivative financial instruments – recognition and measurement

Financial assets

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

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

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

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

Financial liabilities

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

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

Compound financial instruments

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

Derivative financial instruments

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

Inventories

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

Leases - lessee

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

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

Leases - lessor

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

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

Provisions and contingencies

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

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

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

Decommissioning

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

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

Environmental liabilities

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

Employee benefits

Defined benefit pension plan

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

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

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

Defined contribution pension plans

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

Share-based payments

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

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

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

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

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

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

Termination benefit

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

Income taxes

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

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

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

Revenue recognition

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

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

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

Cost of sales

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

Interest

Interest income and expense is recognized in the consolidated statement of operations using the effective interest method.

Borrowing costs

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

Share capital

Common and preferred shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Per share amounts

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

Dividends

Dividends on common shares are recognized in the period in which the dividends are approved by the Board.

Segmental reporting

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

Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

Fair value of assets and liabilities acquired in a business combination

In conjunction with each business combination, the Company must allocate the cost of the acquired entity to the assets and liabilities assumed based on their estimated fair values at the date of acquisition. Determining the fair value of assets and liabilities acquired, as well as intangible assets that relate to such items as customer relationships, brands and contracts involves professional judgment and is ultimately based on acquisition models and management's assessment of the value of the assets and liabilities acquired and, to the extent available, third party assessments. Uncertainties associated with these estimates include changes in production volumes, changes in commodity prices, fluctuations in capacity or product slates, economic obsolescence factors in the area and potential future sources of cash flow. During the measurement period, the fair value of assets acquired and liabilities assumed may be adjusted when the initial accounting for business combination is recorded based on provisional amounts. Although the resolution of these uncertainties has not historically had a material impact on the Company's results of operations or financial condition, the actual amounts may vary significantly from estimated amounts. Any excess of the cost of acquisition over the net fair value of the identifiable assets acquired is recognized as goodwill.

Impairment assessment of non-financial assets

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

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

Income taxes

The Company is subject to income taxes in Canada and the United States of America. Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires management to make some assumptions as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in the consolidated statement of operations in the period in which the change occurs.

Provisions

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

Critical judgements in applying the Company's accounting policies

Identification of cash-generating unit ("CGU")

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

Investment in finance leases

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

Current and deferred taxation

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

4 Changes in accounting policies and disclosures

New and amended standards adopted by the Company

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

- The annual improvements process addresses issues in the 2012-2014 reporting cycles including changes to IFRS 5 - Non-current assets held for sale and discontinued operations, IFRS 7 - Financial instruments: Disclosures, IAS 19 - Employee benefits, and IAS 34 - Interim financial reporting. These improvements are effective for periods beginning on or after January 1, 2016. The adoption of these improvements did not have a material impact on the consolidated financial statements.
- IAS 1 - Presentation of financial statements ("IAS 1"), has been amended to clarify the guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment to IAS 1 is effective for annual periods beginning on or after January 1, 2016. The adoption of this amendment did not have a material impact on the consolidated financial statements.
- IFRS 10 - Consolidated financial statements ("IFRS 10"), and IAS 28 - Investments in associates and joint ventures ("IAS 28"), has been amended to address an inconsistency between IFRS 10 and IAS 28 in regards to a sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when the transaction involves a business combination, and whereas a partial gain is recognized when the transaction involves the assets that do not constitute a business. Additionally, the amendments clarify the exception from preparing consolidated financial statements, the consolidation requirements for subsidiaries which act as an extension of an investment entity, and the requirements for equity accounting for investments in associates and joint ventures. The amendments to IFRS 10 and IAS 28 are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments did not have a material impact on the consolidated financial statements.

New standards and interpretations issued but not yet adopted

The following provides information requiring new standards and interpretations that have been issued but not yet adopted by the Company:

- The annual improvements process addresses issues in the 2014-2016 reporting cycles include changes to IFRS 12 - Disclosure of interests in other entities. This improvement is effective for periods beginning on or after January 1, 2017. The Company is currently evaluating the impact of adopting this improvement 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 is currently evaluating the impact of adopting this interpretation on its consolidated financial statements.
- 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 is currently evaluating the impact of adopting this standard on its consolidated financial statements.
- The IASB completed the final element of its comprehensive publication of IFRS 9 ("IFRS 9") Financial Instruments in July 2014. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements

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

(in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

- IFRS 15 - Revenue from contracts with customers ("IFRS 15"), has been issued as a new standard on revenue recognition and will supersede IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. IFRS 15 establishes a control based revenue recognition model where revenue is recognized when control of the underlying goods or services for certain performance obligations is transferred to the customer. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements by identifying relevant contracts and arrangements that fall within the scope of IFRS 15. The Company has yet to determine the final extent of the impact on the consolidated financial statements.
- IFRS 16 - Leases ("IFRS 16"), has been issued as a new standard on leases and will supersede IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. IFRS 16 establishes a single balance sheet accounting model for lessees that will result in the recognition of a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. Finance lease exemptions exist for short-term leases where the term is 12 months or less and for leases of low value items. The accounting treatment remains the same for lessors, however new criteria has been added with respect to the choice of classifying a lease as either a finance lease or operating lease. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements and has yet to determine the final extent of the impact on the consolidated financial statements.

5 Business combinations

There were no business acquisitions in 2016. The Company completed the following business combinations in 2015:

Ross Eriksmoen, Inc., GWCC, LLC, Frontier Ventures, LLC (collectively doing business as "T&R Transport")

On July 1, 2015, the Company acquired all of the issued and outstanding ownership interests of T&R Transport for total cash consideration of $34.9 million. T&R transports water and oil field waste and provides related transportation services to customers in the oil, gas, and petrochemical industry throughout the Bakken region of North Dakota.

The following table summarizes the fair value of assets acquired and liabilities assumed at the acquisition date:

	Fair Value
Trade and other receivables	$ 8,501
Inventories	619
Prepaid and other assets	67
Property, plant and equipment	22,578
Goodwill (1)	6,226
Intangible assets (2)	3,133
Trade payables and accrued charges	(6,197)
Net assets acquired	$ 34,927

The total consideration included contingent consideration of $6.2 million that the Company expected to be paid out on achieving specified targets. As of December 31, 2016 the entire amount of the contingent consideration has been either paid or written off.

(1) The goodwill arising on the acquisition is deductible for tax purposes.
(2) Consists of customer relationships of $1.3 million and non-compete agreements of $1.8 million.

The goodwill arising from the acquisition was attributable to the expected synergies with the Company's U.S. Environmental Services business segment. The goodwill for this acquisition was allocated to the U.S. Environmental Services business segment. As of December 31, 2016 the entire amount of goodwill has been written-off.

The fair value of trade receivables was $8.5 million, which approximates their gross contractual amount.

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

Littlehawk Enterprises Ltd ("Littlehawk")

On February 1, 2015, the Company acquired all of the issued and outstanding common shares of Littlehawk for total cash consideration of $11.5 million. Littlehawk is a private Canadian company which operates hydrovac units that specialize in hydro excavation, pressure testing and water hauling for the construction and energy industries.

The following table summarizes the fair value of assets acquired and liabilities assumed at the acquisition date:

	Fair Value
Trade and other receivables	$ 1,784
Inventories	128
Prepaid and other assets	57
Property, plant and equipment	8,123
Goodwill (1)	1,533
Intangible assets (2)	1,754
Other long-term assets	48
Trade payables and accrued charges	(505)
Deferred income tax liabilities	(1,391)
Net assets acquired	$ 11,531

The total consideration included contingent consideration of $0.6 million that the Company expected to be paid out on achieving specified targets. As of December 31, 2016 the entire amount of the contingent consideration has been either paid or written off.

(1) The goodwill arising on the acquisition was not deductible for tax purposes.
(2) Consists of customer relationships of $0.2 million and non-compete agreements of $1.6 million.

The goodwill arising from the acquisition was attributable to the expected synergies with the Company's existing Truck Transportation – Canada business segment. The goodwill for this acquisition was allocated to the Canadian Truck Transportation business segment.

The fair value of trade receivables is $1.8 million, which approximates their gross contractual amount.

6 Assets and liabilities held for sale, and discontinued operations

As at December 31, 2016 the Company met the criteria under IFRS 5 - *Non-Current Assets Held for Sale and Discontinued Operations* for the Industrial Propane operating segment to be classified as held for sale. The trigger was based on certain events that occurred during the fourth quarter of 2016, supporting the high probability of the sale of the Industrial Propane segment. As a result, the Industrial Propane segment, which represents a major line of business, was classified as held for sale and the results were presented as discontinued operations. In classifying the operations as discontinued, all assets were measured at the lower of carrying amount and FVLCD. The expected sale proceeds were used to determine the FVLCD. The valuation is classified as a level 2 valuation as it is based on a quoted price in an inactive market. As a result, no impairment write-downs were recorded.

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

The results of the discontinued operations are presented below:

	Year ended December 31, 2016	2015
Revenue	$ 167,699	$ 186,671
Cost of sales	152,428	165,476
Gross profit	15,271	21,195
Other operating income	523	248
Income before income taxes	15,794	21,443
Income tax provision - current (note 12)	3,179	8,207
Income tax recovery – deferred (note 12)	(5,838)	(1,482)
Net income from discontinued operations	$ 18,453	$ 14,718

Assets and liabilities held for sale are comprised of the following:

	December 31, 2016
Assets	
Trade and other receivables	$ 36,738
Inventories	6,986
Property, plant and equipment	133,426
Intangible assets	10,305
Goodwill	77,579
Other assets	1,325
Total assets held for sale	$ 266,359
Liabilities	
Trade payables and accrued charges	$ 22,330
Deferred revenue	1,339
Deferred tax liability (note 12)	13,860
Other liabilities	2,238
Total liabilities held for sale	$ 39,767

7 Trade and other receivables

	December 31, 2016	2015
Trade receivables	$ 410,325	$ 353,485
Allowance for doubtful accounts	(1,124)	(1,950)
Trade receivables - net	409,201	351,535
Risk management assets (note 30)	6,218	8,415
Broker accounts receivable	5,329	1,561
Indirect taxes receivable	4,375	5,579
Other	3,125	3,223
	$ 428,248	$ 370,313

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

Allowance for doubtful accounts

	Year ended December 31, 2016	Year ended December 31, 2015
Opening balance	$ 1,950	$ 4,678
Additional allowances	357	35
Receivables written off as uncollectible	(718)	(2,953)
Recoveries	-	(31)
Transfers to assets held for sale (note 6)	(440)	-
Effect of changes in foreign exchange rates	(25)	221
Closing balance	$ 1,124	$ 1,950

8 Inventories

	December 31, 2016	December 31, 2015
Crude oil	$ 71,627	$ 46,876
Diluent	1,371	1,244
Asphalt	16,546	10,928
Natural gas liquids	31,994	22,238
Wellsite fluids and distillate	8,556	8,856
Spare parts and other	14,501	17,451
	$ 144,595	$ 107,593

The cost of the inventory sold included in cost of sales was $3,380.5 million and $4,279.4 million for the year ended December 31, 2016 and 2015, respectively.

9 Net investment in finance leases

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

	December 31, 2016	December 31, 2015
Total minimum lease payments receivable	$ 388,956	$ 329,806
Residual value	44,944	35,858
Unearned income	(313,331)	(271,230)
	120,569	94,434
Less: current portion	2,325	1,045
Net investment in finance lease: non-current portion	$ 118,244	$ 93,389

The minimum lease receivables are expected to be as follows:

2017	$ 28,771
2018	28,771
2019	28,771
2020	28,771
2021	28,771
2022 and later	$ 245,101

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

10 Property, plant and equipment

	Land & Buildings	Pipelines and Connections	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Cost:							
At January 1, 2016	$ 207,519	$ 168,179	$542,750	$ 491,946	$ 843,111	$ 290,582	$ 2,544,087
Additions	3,129	13,696	4,069	7,592	14,152	182,327	224,965
Disposals	(6,614)	-	(3,184)	(24,684)	(13,630)	-	(48,112)
Reclassifications	14,210	28,886	184,050	16,587	96,751	(340,484)	-
Change in decommissioning provision (note 18)	-	(1,307)	3,221	-	12,984	-	14,898
Transfer to net investment in finance leases (note 9)	-	-	-	-	-	(27,258)	(27,258)
Transfers to assets held for sale (note 6)	(29,022)	-	(122,063)	(26,668)	(23,750)	(28)	(201,531)
Effect of movements in exchange rates	(842)	-	(499)	(6,902)	(8,775)	(271)	(17,289)
At December 31, 2016	$ 188,380	$ 209,454	$608,344	$ 457,871	$ 920,843	$ 104,868	$ 2,489,760
Accumulated depreciation and impairment:							
At January 1, 2016	$ 31,941	$ 62,648	$101,156	$ 251,585	$ 325,640	$ -	$ 772,970
Depreciation	8,972	10,404	28,387	59,711	71,528	-	179,002
Impairment	-	-	235	6,565	3,846	-	10,646
Disposals	(4,688)	-	(1,393)	(22,097)	(12,545)	-	(40,723)
Transfers to assets held for sale (note 6)	(4,365)	-	(31,567)	(17,147)	(15,026)	-	(68,105)
Effect of movements in exchange rates	(82)	-	(209)	(3,615)	(3,418)	-	(7,324)
At December 31, 2016	$ 31,778	$ 73,052	$ 96,609	$ 275,002	$ 370,025	$ -	$ 846,466
Carrying amounts:							
At January 1, 2016	$ 175,578	$ 105,531	$441,594	$ 240,361	$ 517,471	$ 290,582	$1,771,117
At December 31, 2016	$ 156,602	$ 136,402	$511,735	$ 182,869	$ 550,818	$ 104,868	$1,643,294

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

	Land & Buildings	Pipelines and Connections	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Cost:							
At January 1, 2015	$ 159,631	$ 137,434	$430,153	$ 454,493	$ 668,425	$200,400	$ 2,050,536
Additions	7,964	4,222	57,372	2,144	26,671	278,106	376,479
Disposals	(1,506)	-	(177)	(13,676)	(2,197)	-	(17,556)
Acquisitions through business combinations (note 5)	5,741	-	-	6,773	18,187	-	30,701
Reclassifications	29,772	23,818	47,532	-	99,659	(200,781)	-
Change in decommissioning provision (note 18)	-	2,705	5,740	-	9,180	-	17,625
Effect of movements in exchange rates	5,917	-	2,130	42,212	23,186	12,857	86,302
At December 31, 2015	$ 207,519	$ 168,179	$542,750	$ 491,946	$ 843,111	$290,582	$ 2,544,087
Accumulated depreciation and impairment:							
At January 1, 2015	$ 25,599	$ 52,652	$ 78,211	$ 184,624	$ 214,881	$ -	$ 555,967
Depreciation	5,773	9,996	23,187	60,952	82,066	-	181,974
Impairments	385	-	-	1,034	12,045	-	13,464
Disposals	(324)	-	(247)	(11,531)	(1,450)	-	(13,552)
Effect of movements in exchange rates	508	-	5	16,506	18,098	-	35,117
At December 31, 2015	$ 31,941	$ 62,648	$101,156	$ 251,585	$ 325,640	$ -	$ 772,970
Carrying amounts:							
At January 1, 2015	$ 134,032	$ 84,782	$351,942	$ 269,869	$ 453,544	$200,400	$ 1,494,569
At December 31, 2015	$ 175,578	$ 105,531	$ 441,594	$ 240,361	$ 517,470	$ 290,582	$ 1,771,117

Additions to property, plant and equipment include capitalization of interest of $12.9 million and $12.2 million for the year ended December 31, 2016 and 2015, respectively.

Property, plant and equipment are reviewed for impairment whenever events or conditions indicate that their net carrying amount may not be recoverable. During the year ended December 31, 2016, the Company recorded an impairment loss of $10.6 million that was recorded as depreciation included within cost of sales. Of the impairment loss recorded, $9.0 million related to assets within the Canadian Truck Transportation business segment and $1.6 million related to assets within the Terminals and Pipelines business segment.

During the year ended December 31, 2015, due to the general market downturn in 2015, the Company recorded an impairment loss of $13.5 million that was recorded as additional depreciation. Of the impairment loss recorded, $12.8 million related to assets within the U.S. Environmental Services business segment and $0.7 million related to assets within the Canadian Truck Transportation segment.

11 Long-term prepaid and other assets

	December 31, 2016	December 31, 2015
Long-term prepaid	$ 1,296	$ 1,189
Defined benefit pension plan assets	1,081	1,084
Other assets	1,973	2,291
	$ 4,350	$ 4,564

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

12 Income tax

The major components of income tax are as follows:

	Year ended December 31, 2016	2015
Current tax provision		
Current tax on income for the year	$ 13,302	$ 31,697
Adjustments in respect of prior years	(1,513)	8,195
Discontinued operations (note 6)	3,179	8,207
Total current tax provision	14,968	48,099
Deferred tax recovery	(68,731)	(47,410)
Origination and reversal of temporary differences	492	(5,895)
Discontinued operations (note 6)	(5,838)	(1,482)
Total deferred tax recovery	(74,077)	(54,787)
Income tax recovery	$ (59,109)	$ (6,688)

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

	Year ended December 31, 2016	2015
Loss before income taxes, continuing operations	$ (234,617)	$ (308,787)
Income before income taxes, discontinued operations	15,794	21,443
Loss before income taxes	(218,823)	(287,344)
Statutory income tax rate	26.97%	26.13%
Computed income tax recovery	(59,017)	(75,083)
Decrease (increase) in income tax recovery resulting from:		
Foreign exchange (gain) loss on long-term debt, net	(3,013)	14,622
Foreign exchange (gain) loss, other	(3,013)	15,227
Non-deductible expenses	733	1,015
Stock based compensation	6,709	5,325
Non-taxable dividends	(14,421)	(13,863)
Rate differential on foreign taxes	(12,467)	(8,237)
Goodwill impairment	33,324	45,978
Held for sale classification	(4,154)	-
Impact of corporate rate changes	-	6,825
Other, including revisions in previous tax estimates, rate reductions, and state taxes	(3,790)	1,503
	$ (59,109)	$ (6,688)
Effective income tax rate	27.01%	2.33%
Current, from continuing operations	11,789	39,892
Current, from discontinued operations	3,179	8,207
	$ 14,968	$ 48,099
Deferred, from continuing operations	(68,239)	(53,305)
Deferred, from discontinued operations	(5,838)	(1,482)
	$ (74,077)	$ (54,787)

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

Total current and deferred, from continuing operations	(56,450)	(13,413)
Total current and deferred, from discontinued operations	(2,659)	6,725

The increase in the statutory rate was due to higher provincial income tax rates in Canada.

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

	As at December 31, 2016	As at December 31, 2015
Deferred tax assets:		
Deferred tax asset to be settled after more than 12 months	$ 35,665	$ 896
Deferred tax asset to be settled within 12 months	11,500	700
	47,165	1,596
Deferred tax liabilities:		
Deferred tax liability to be settled after more than 12 months	100,950	124,284
Deferred tax liability to be settled within 12 months	1,400	21,400
	102,350	145,684
Deferred tax liabilities, net	$ 55,185	$ 144,088

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

	Year ended December 31, 2016	Year ended December 31, 2015
Opening balance	$ 144,088	$ 187,819
Effect of changes in foreign exchange rates	(1,035)	9,600
Recognized through business combinations (note 5)	-	1,391
Transfers to assets held for sale (note 6)	(13,860)	-
Income statement recovery	(74,077)	(54,787)
Tax charge (credit) relating to components of other comprehensive income	(59)	65
Tax charged directly to equity	128	-
Closing balance	$ 55,185	$ 144,088

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

Deferred tax assets	Non-capital losses carried forward	Asset retirement obligations	Retirement benefits obligations	Other	Total
At January 1, 2015	$ 18,117	$ 13,897	$ 1,443	$ 13,223	$ 46,680
Credited (charged) to the statement of operations	10,449	3,093	34	5,785	19,361
Credited to other comprehensive income	-	-	(65)	-	(65)
Effect of changes in foreign exchange rates	1,577	420	-	(4,689)	(2,692)
At January 1, 2016	$ 30,143	$ 17,410	$ 1,412	$ 14,319	$ 63,284
Credited (charged) to the statement of operations	32,087	2,860	(96)	13,193	48,044
Charged to other comprehensive income	-	-	59	-	59
Transfers from assets held for sale (note 6)	-	(81)	(6)	637	550
Effect of changes in foreign exchange rates	369	90	-	1,304	1,763
At December 31, 2016	$ 62,599	$ 20,279	$ 1,369	$ 29,453	$113,700

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

Deferred tax liabilities	Timing of Partnership Income	Property, Plant and Equipment	Accounting and tax basis differences	Other	Total
At January 1, 2015	$ (32,862)	$ (171,000)	$ (28,914)	$ (1,723)	$ (234,499)
Credited (charged) to the statement of operations	20,729	(274)	13,958	1,013	35,426
Business combinations	-	(1,391)	-	-	(1,391)
Effect of changes in foreign exchange rates	-	(6,064)	(844)	-	(6,908)
At January 1, 2016	$ (12,133)	$ (178,729)	$ (15,800)	$ (710)	$ (207,372)
Credited (charged) to the statement of operations	(2,840)	25,616	3,114	143	26,033
Credited (charged) directly to equity	-	-	-	(128)	(128)
Transfers to assets held for sale (note 6)	10,989	2,321	-	-	13,310
Effect of changes in foreign exchange rates	-	(767)	39	-	(728)
At December 31, 2016	$ (3,984)	$ (151,559)	$ (12,647)	$ (695)	$ (168,885)

Income tax losses carry forward

At December 31, 2016 and 2015, the Company had losses available to offset income for tax purposes of $165.3 million and $79.8 million, respectively. At December 31, 2016, the Company has $4.0 million and $161.3 million of the losses available in Canada and the United States, respectively that expire as follows:

December 31, 2031	$ 38,700
December 31, 2032	14,278
December 31, 2033	-
December 31, 2034	1,332
December 31, 2035	22,418
December 31, 2036	88,579
	$ 165,307

No income tax liability has been recognized in respect of temporary differences associated with investments in subsidiaries except for as disclosed on note 6 for assets held for sale. As no income taxes are expected to be paid in respect of these differences related to Canadian subsidiaries, the amounts have not been determined. There are no taxable temporary differences associated with investments in non-Canadian subsidiaries.

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

13 Intangible assets

	Brands	Customer relationships	Long-term customer contracts	Non-compete agreements	Technology and Software	License and Permits	Total
Cost:							
At January 1, 2016	$ 53,240	$ 288,880	$ 43,706	$ 31,601	$ 67,290	$ 4,434	$ 489,151
Additions	-	-	-	-	7,875	-	7,875
Disposals	-	-	-	-	(22)	-	(22)
Reclassifications	-	-	-	-	(1,193)	1,193	-
Transfers to assets held for sale (note 6)	(6,600)	(18,974)	-	(5,996)	(1,191)	-	(32,761)
Effect of movements in exchange rates	(352)	(5,319)	(1,167)	(315)	(244)	(90)	(7,487)
At December 31, 2016	$ 46,288	$ 264,587	$ 42,539	$ 25,290	$ 72,515	$ 5,537	$ 456,756
Accumulated amortization and impairment:							
At January 1, 2016	$ 48,076	$ 214,069	$ 26,510	$ 25,225	$ 25,407	$ 4,431	$ 343,718
Amortization	1,702	51,797	3,722	3,167	11,326	5	71,719
Impairment	-	-	-	99	1,514	-	1,613
Disposals	-	-	-	-	(22)	-	(22)
Reclassifications	-	-	-	-	(1,193)	1,193	-
Transfers to assets held for sale (note 6)	(5,275)	(12,735)	-	(4,199)	(247)	-	(22,456)
Effect of movements in exchange rates	(348)	(2,466)	(598)	(255)	(143)	(92)	(3,902)
At December 31, 2016	$ 44,155	$ 250,665	$ 29,634	$ 24,037	$ 36,642	$ 5,537	$ 390,670
Carrying amounts:							
At January 1, 2016	$ 5,164	$ 74,811	$ 17,196	$ 6,376	$ 41,883	$ 3	$ 145,433
At December 31, 2016	$ 2,133	$ 13,922	$ 12,905	$ 1,253	$ 35,873	$ -	$ 66,086

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

	Brands	Customer relationships	Long-term customer contracts	Non-compete agreements	Technology and Software	License and Permits	Total
Cost:							
At January 1, 2015	$ 51,330	$ 258,716	$ 37,380	$ 26,554	$50,206	$ 3,716	$ 427,902
Additions	-	-	-	-	16,087	-	16,087
Acquisitions through business combinations (note 5)	-	1,419	-	3,468	-	-	4,887
Effect of movements in exchange rates	1,910	28,745	6,326	1,579	997	718	40,275
At December 31, 2015	$ 53,240	$ 288,880	$ 43,706	$ 31,601	$67,290	$ 4,434	$ 489,151
Accumulated amortization and impairment:							
At January 1, 2015	$ 39,451	$ 136,796	$ 19,702	$ 20,923	$ 16,823	$ 2,670	$ 236,365
Amortization	6,722	65,053	3,630	2,917	8,081	1,151	87,554
Effect of movements in exchange rates	1,903	12,220	3,178	1,385	503	610	19,799
At December 31, 2015	$ 48,076	$ 214,069	$ 26,510	$ 25,225	$ 25,407	$ 4,431	$ 343,718
Carrying amounts:							
At January 1, 2015	$ 11,879	$ 121,920	$ 17,678	$ 5,631	$ 33,383	$ 1,046	$ 191,537
At December 31, 2015	$ 5,164	$ 74,811	$ 17,196	$ 6,376	$ 41,883	$ 3	$ 145,433

During the year ended December 31, 2016 the Company revised the useful lives for certain intangible assets within the Truck Transportation (Canada) segment. The net change on the current financial year was an increase to the amortization expense by $1.6 million which represents the end of their estimated useful lives.

During the year ended December 31, 2015 the Company revised the useful lives for certain intangible assets within the Environmental Services segment. The net change on the current financial year was an increase to amortization expense of $30.5 million.

14 Goodwill

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

	Year ended December 31, 2016	2015
Balance as at January 1	$ 670,907	$ 783,721
Additions through business combinations (note 5)	-	7,759
Impairments	(130,052)	(175,959)
Transfers to assets held for sale (note 6)	(77,579)	-
Effect of changes in foreign exchange rates	(8,787)	55,386
Balance as at December 31	$ 454,489	$ 670,907

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

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

	December 31, 2016 [1]	December 31, 2015 (re-stated [1])
Terminals, Pipelines and Injection Stations	$ 197,723	$ 197,786
Moose Jaw Facility	89,017	89,017
Canadian Trucking and Transportation	19,988	19,988
U.S. Trucking and Transportation	42,942	44,263
U.S. Environmental Services	-	107,884
Canadian Wholesale Marketing	75,422	75,442
U.S. Wholesale Marketing	29,397	30,301
Refined Products	-	28,647
Assets held for sale (note 6)	-	77,579
	$ 454,489	$ 670,907

1. *The goodwill amounts contain certain reallocations of goodwill which were completed as part of management's changes to segmented reporting (see note 31).*

The goodwill recorded on the balance sheet represents the excess of the cost of acquisitions over the fair value of identifiable assets, liabilities and contingent liabilities acquired. Of the balance as at December 31, 2016 and 2015, $364.8 million, net of impairment, relates to goodwill recognized on the acquisition of the Company on December 12, 2008. Of the remaining balance, $13.8 million represents additional goodwill recorded on acquisitions completed and $75.9 million relates to the effect of changes in foreign exchange rates recorded by the Company since December 12, 2008.

The recoverable amount of the CGU is determined based on a FVLCD calculation. This calculation involves comparing the fair value of each operating segment to its carrying value, including goodwill. To calculate a fair value, management uses an earning's multiple approach. In calculating earnings, the Company uses Board approved budgets to determine earnings before interest, taxes, depreciation and amortization ("EBITDA") by operating segment. To determine fair value, an implied forward multiple was applied to each operating segment's budgeted EBITDA less corporate expenses. The implied multiple is calculated by utilizing multiples of comparable public companies by operating segment. In calculating fair value for each operating segment, the Company used an implied average forward multiples that ranged from 9.1 to 15.7. The fair value of each operating segment was categorized as Level 2 fair value based on the observables inputs.

On June 30, 2016, the Company reviewed impairment indicators with respect to goodwill and determined that based on a review of actual performance being less than expected during the period, impairment indicators existed in the U.S. Environmental Services business within the Logistics segment. Accordingly, the Company performed an impairment test with respect to the U.S. Environmental Services business by comparing the FVLCD to the carrying value of the operating segment, including goodwill. As a result, it was determined that goodwill in the operating segment was impaired by $101.4 million. The recoverable amount of goodwill was determined based on a FVLCD calculation utilizing EBITDA. A multiple of 9.6 was applied to the U.S. Environmental Services business EBITDA less, corporate expenses, using comparable public company multiples which is considered a key assumption in determining the fair value less costs of disposal. The fair value of the U.S. Environmental Services business was categorized as Level 2 fair value based on the observables inputs.

On November 30, 2016, the Company carried out its annual impairment test with respect to goodwill. For all operating segments, other than the Refined Products business within the Wholesale segment, the FVLCD was greater than the operating segments carrying value, including goodwill. The impairment of $28.6 million within the Refined Products business was due to actual performance being less than expected. Key assumptions used in the determination of the recoverable amount include Board approved budgeted EBITDA for the operating segment and the application of an implied forward multiple of 10.7. These assumptions represent management's assessment of future trends in the wholesale business and were based on historical data from both external and internal sources.

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

15 Loans and Borrowings

Revolving Credit Facility

The Company has established an unsecured revolving credit facility of up to $500.0 million (the "Revolving Credit Facility"), with a maturity date of August 15, 2020, the proceeds of which are available to provide financing for working capital and other general corporate purposes. In addition, the Company has three demand letter of credit facilities totaling $150.0 million.

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

On December 16, 2016 the Company reached an agreement with its bank syndicate to amend certain covenants related to its $500.0 million Revolving Credit Facility. These amendments included an increase to the maximum consolidated senior and total debt leverage ratio from 4.85 to 1.0, to 5.25 to 1.0 for the period ending on the earlier of the date that is either the last day of the fiscal quarter immediately preceding the fiscal quarter in which the sale of the Industrial Propane segment is closed or abandoned or June 30, 2017 (covenant amendment period), with such threshold decreasing to 4.85 to 1.0 for the period beginning after the covenant amendment period and ending on December 31, 2017, and decreasing to 4.25 to 1.0 for the period beginning January 1, 2018 and ending on March 31, 2018 and further decreasing to 3.5 to 1.0 thereafter until maturity.

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

As at December 31, 2016, the Company was in compliance with all covenants under the Revolving Credit Facility. The Company had $nil and $35.0 million drawn against the Revolving Credit Facility as at December 31, 2016 and December 31, 2015, respectively. The Company had issued letters of credit totalling $48.4 million and $32.6 million as at December 31, 2016 and December 31, 2015, respectively.

Long-term debt

	December 31,	
	2016	**2015**
U.S.$550.0 million 6.75% Notes due July 15, 2021	$ 738,485	$ 761,200
$250.0 million 7.00% Notes due July 15, 2020	250,000	250,000
$300.0 million 5.375% Notes due July 15, 2022	300,000	300,000
Unamortized issue discount and debt issue costs	(16,646)	(19,777)
Long-term debt: non-current portion	$ 1,271,839	$ 1,291,423

On June 28, 2013, the Company issued U.S.$500.0 million 6.75% Senior Unsecured Notes due July 15, 2021 at an issue price of 98.476% and $250.0 million 7.00% Senior Unsecured Notes due July 15, 2020 at an issue price of 98.633%. On June 12, 2014, the Company issued U.S.$50.0 million 6.75% Senior Unsecured Notes due July 15, 2021 at an issue price of 108% under its existing indenture and issued $300.0 million 5.375% Senior Unsecured Notes due July 15, 2022 at an issue price of par (collectively, the "Notes"). Interest is payable semi–annually on January 15 and July 15 of each year the Notes are outstanding.

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

The Company's long-term debt contains non-financial covenants and customary events of default clauses. As of December 31, 2016 and December 31, 2015, the Company was in compliance with all of its covenants.

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

Foreign exchange (gain) loss on long-term debt

As a result of the movement in foreign exchange rates, the Company recorded foreign exchange (gains) and losses, net, on long-term debt as follows:

	Year ended December 31, 2016	2015
Foreign exchange (gain) loss on U.S. dollar long-term debt	$ (22,715)	$ 123,145
Gain on financial instruments relating to long-term debt (note 30)	-	(9,995)
Foreign exchange (gain) loss on long-term debt	$ (22,715)	$ 113,150

16 Convertible debentures

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

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

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

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

17 Trade payables and accrued charges

Trade payables and accrued charges include the following items:

	December 31, 2016	December 31, 2015
Trade payables	$ 376,767	$ 322,347
Accrued compensation charges	18,566	18,409
Indirect taxes payable	4,403	3,164
Risk management liabilities (note 30)	11,901	5,479
Defined benefit plan obligations	510	465
Interest payable	41,623	39,251
Due to Hunting plc	-	8,585
Other	15,064	21,032
	$ 468,834	$ 418,732

18 Provisions

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

	Year ended December 31, 2016	Year ended December 31, 2015
Opening balance	$ 155,343	$ 136,347
Settlements	(2,556)	(4,247)
Additions	22,997	6,774
Change in estimated future cash flows	(1,499)	2,240
Change in discount rate	(5,100)	8,611
Unwinding of discount	3,251	3,251
Transfer to liabilities held for sale (note 6)	(962)	-
Effect of changes in foreign exchange rates	(436)	2,367
Closing balance	$ 171,038	$ 155,343

The Company currently estimates the total undiscounted future value amount, including an inflation factor of 2.0%, of estimated cash flows to settle the future liability for asset retirement and remediation obligations to be approximately $312.9 million and $277.9 million at December 31, 2016 and 2015, respectively. In order to determine the current provision related to these future values, the estimated future values were discounted using an average risk-free rate of 2.3% and 2.1% at December 31, 2016 and 2015, respectively. The provision is expected to be settled up to 40 years into the future. A one percent increase or decrease in the risk-free rate would decrease or increase the provision by $33.4 million, respectively, with a corresponding adjustment to property, plant and equipment.

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

19 Other long-term liabilities

	December 31, 2016	December 31, 2015
Defined benefit plan obligations	$ 1,404	$ 1,530
Risk management liabilities (note 30)	274	3,824
Other post-retirement benefits obligations	4,244	4,072
Other	584	4,549
	$ 6,506	$ 13,975

20 Share capital

Authorized

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

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

The preferred shares are issuable in series and have such rights, restrictions, conditions and limitations as the Board may from time to time determine. The preferred shares shall rank senior to the common shares with respect to the payment of dividends or distribution of assets or return of capital of the Company in the event of a dissolution, liquidation or winding up of the Company. There were no issued and outstanding preferred shares as at December 31, 2016 or 2015.

Common Shares - Issued and outstanding

The following table below sets forth the issued and outstanding common shares for the years ended December 31, 2016 and 2015.

	Common Shares	
	Number of Common Shares	Amount
Balance as at January 1, 2015	124,488,545	$ 1,634,001
Issuance in connection with the exercise of stock options	12,162	105
Issuance in connection with other equity awards	412,054	-
Issuance in connection with the dividend reinvestment and stock dividend programs	1,222,805	28,956
Reclassification of contributed surplus on issuance of awards under equity incentive plans	-	9,261
Balance as at December 31, 2015	126,135,566	$ 1,672,323
Issuance for cash, net of issue costs and deferred tax	14,892,500	222,772
Issuance in connection with the exercise of stock options	115,806	1,001
Issuance in connection with other equity awards	589,160	-
Reclassification of contributed surplus on issuance of awards under equity incentive plans	-	12,936
Balance as at December 31, 2016	141,733,032	$ 1,909,032

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

A dividend of $0.33 per share, declared on November 3, 2016, was paid on January 17, 2017.

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

21 Commitments and contingencies

Commitments

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

2017	$	65,359
2018		57,315
2019		45,178
2020		26,093
2021		15,821
2022 and later		50,171
	$	259,937

Expenses related to operating leases, net of sublease income, were $69.2 million and $65.8 million for the year ended December 31, 2016 and 2015, respectively.

With respect to capital expenditures, at December 31, 2016, the Company had an estimated amount of $194.7 million remaining to be spent that relates to projects approved at that date.

Contingencies

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

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

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

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

22 Revenue

	Year ended December 31, 2016	Year ended December 31, (Restated – Note 6) 2015
Products	$ 3,796,643	$ 4,452,826
Services	797,538	952,485
	$ 4,594,181	$ 5,405,311

23 Depreciation, amortization and impairment

	Year ended December 31, 2016	Year ended December 31, (Restated – Note 6) 2015
Depreciation and impairment of property, plant and equipment	$ 175,346	$ 180,471
Amortization and impairment of intangible assets	69,062	82,623
	$ 244,408	$ 263,094

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

	Year ended December 31, 2016	Year ended December 31, (Restated – Note 6) 2015
Cost of sales	$ 234,483	$ 256,110
General and administrative	9,925	6,984
	$ 244,408	$ 263,094

24 Employee salaries and benefits

	Year ended December 31, 2016	Year ended December 31, (Restated – Note 6) 2015
Salaries and wages	$ 218,088	$ 255,748
Post-employment benefits	5,845	6,291
Share based compensation	24,876	20,379
Termination benefits	10,042	2,855
	$ 258,851	$ 285,273

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

Employee salaries and benefits have been expensed as follows:

	Year ended December 31, 2016	Year ended December 31, (Restated – Note 6) 2015
Cost of sales	$ 216,698	$ 246,422
General and administrative	42,153	38,851
	$ 258,851	$ 285,273

25 Other operating income

	Year ended December 31, 2016	Year ended December 31, (Restated – Note 6) 2015
Gain on sale of property, plant and equipment	$ (4,983)	$ (2,265)
Other income	-	(4,770)
Foreign exchange loss (gain)	1,726	(14,743)
	$ (3,257)	$ (21,778)

26 Per share amounts

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

	Year ended December 31, 2016	Year ended December 31, 2015
Weighted average common shares outstanding - Basic	135,202,472	125,652,815
Dilutive effect of:		
Stock options and other awards	-	-
Weighted average common shares – Diluted	135,202,472	125,652,815

The dilutive effect of 2.7 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the year ended December 31, 2016, and the dilutive effect of 2.0 million stock options and other awards for the year ended December 31, 2015 has not been included in the determination of the weighted average number of common shares outstanding as the inclusion would be anti-dilutive to the net loss per share.

27 Related party transactions

Joint operations

On August 11, 2011, the Company formed a partnership to jointly construct and own pipeline and emulsion treating, water disposal and oilfield waste management facilities in the Plato area of Saskatchewan. The partnership commenced operations in 2012. The Company's interest in the partnership is 50%. A member of the Company's Board is also a director of the other party with the 50% interest in the partnership. At December 31, 2016 and 2015, the Company's proportionate share of property, plant and equipment was $9.0 million and $9.4 million, respectively. The impact of the Company's share of the other financial position and results of the partnership is not material to the Company's consolidated financial statements.

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

Compensation of key management

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

	Year ended December 31, 2016	2015
Salaries and short-term employee benefits	$ 4,071	$ 4,571
Post-employment benefits	1,064	1,123
Share based compensation	6,280	6,262
	$ 11,415	$ 11,956

28 Post-retirement benefits

Defined benefit plans

The Company maintains a funded defined benefit pension plan that is funded based upon the advice of independent actuaries. The Company is required to file an actuarial valuation of the defined benefit pension plans with the provincial regulator every three years, with the most recent actuarial valuation filing as at December 31, 2016. Based on the actuarial valuations as at December 31, 2016 and 2015, the status of the defined benefit plans was as follows:

Accrued benefit obligation

	Year ended December 31, 2016	2015
Accrued benefit obligation, beginning of year	$ 16,440	$ 16,342
Current service cost	48	216
Interest cost	606	608
Benefits paid	(629)	(571)
Actuarial loss (gain)	393	(167)
Other	11	12
Accrued benefit obligation, end of year	$ 16,869	$ 16,440

Plan assets

	Year ended December 31, 2016	2015
Fair value of pension plan assets, beginning of year	$ 15,529	$ 14,696
Interest on plan assets	536	513
Actual contributions	517	809
Actual benefits paid	(629)	(571)
Actuarial gain	173	82
Fair value of pension plan assets, end of year	$ 16,126	$ 15,529

Accrued benefit liability

	Year ended December 31, 2016	2015
Accrued benefit obligation	$ (16,869)	$ (16,440)
Fair value of plan assets	16,126	15,529
Accrued benefit liability	$ (743)	$ (911)

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

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

	Year ended December 31, 2016	Year ended December 31, 2015
Discount rate	3.8%	4.0%
Rate of compensation increase	3.0%	3.0%

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

	One % point increase	One % point decrease
Increase/(decrease) in defined benefit plans obligations	$ 2,414	$ 2,414

Defined contribution pension plan

The Company operates defined contribution plans whereby, in some cases, contributions made by participants are matched by the Company up to specified annual limits and in other cases, contributions are fully funded by the Company. The total expense recorded for the defined contribution pension plans was $6.3 million and $7.1 million for the year ended December 31, 2016 and 2015, respectively.

29 Share based compensation

The Company has established an equity incentive plan which permits the award of stock options, RSUs, PSUs and DSUs for executives, directors, employees and consultants of the Company. Stock options provide the holder with the right to exercise an option to purchase a common share, upon vesting, at a price determined on the date of grant. RSUs give the holder the right to receive, upon vesting, either a common share or a cash payment, subject to consent of the Board, or its equivalent in fully paid common shares equal to the fair market value of the Company's common shares at the date of such payment. The RSUs granted in 2016 and 2015 were expected to be settled by delivery of common shares and accordingly, were considered an equity–settled award for accounting purposes. Stock options and RSUs granted generally vest equally each year over a three year period. RSUs granted with specific performance criteria are designated as PSUs. PSU's vest at the end of the three year period and granting depends on the achievement of certain performance criteria. DSUs are similar to RSUs except that DSUs may not be redeemed until the holder ceases to hold all offices, employment and directorships.

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

At December 31, 2016, awards available to grant under the equity incentive plan totalled approximately 8.3 million.

A summary of stock option activity is as follows:

	Number of Shares	Weighted-Average Exercise Price (in dollars)
Balance at January 1, 2015	2,485,215	$ 23.33
Granted	852,192	25.00
Exercised	(12,162)	8.64
Forfeited	(8,077)	26.44
Balance at December 31, 2015	3,317,168	$ 23.81
Granted	-	-
Exercised	(115,806)	8.64
Forfeited	(133,497)	26.93
Balance at December 31, 2016	3,067,865	$ 24.24
Vested and exercisable at December 31, 2016	2,315,301	$ 23.51
Vested and exercisable at December 31, 2015	1,557,276	$ 20.53

Additional information regarding stock options outstanding as of December 31, 2016 is as follows:

Outstanding			Exercisable		
Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Exercise Price (in dollars)	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Exercise Price (in dollars)
409,164	2.0	$ 8.64	409,164	2.0	$ 8.64
38,608	5.2	17.06	30,367	5.1	17.02
33,681	2.4	20.67	33,681	2.4	20.67
57,981	3.4	22.37	57,981	3.4	22.37
21,930	3.5	24.44	21,930	3.5	24.44
1,393,345	4.2	25.62	943,220	3.8	25.75
1,030,345	4.2	28.24	751,475	4.2	28.25
82,847	4.6	34.44	67,483	4.6	34.50
3,067,865	3.9		2,315,301	3.6	

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

	Number of Shares		
	RSUs	PSUs	DSUs
Balance at January 1, 2015	544,753	628,959	146,786
Granted	345,508	555,383	108,665
Issued for common shares	(241,299)	(106,254)	(64,501)
Forfeited	(38,547)	(50,042)	-
Issued for cash	(264)	(204)	-
Balance at December 31, 2015	610,151	1,027,842	190,950
Granted	893,994	852,462	167,105
Issued for common shares	(324,001)	(103,676)	(161,473)
Forfeited	(67,353)	(246,308)	-
Balance at December 31, 2016	1,112,791	1,530,320	196,582
Vested, Balance at December 31, 2016	49,229	-	196,582
Vested, Balance at December 31, 2015	106,240	-	167,406

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

Stock based compensation expense was $24.9 million and $20.4 million for the years ended December 31, 2016 and 2015, respectively, and is included in general and administrative expenses.

There were no options granted during the year ended December 31, 2016, accordingly there are no fair value assumptions and calculations for the current year period. The fair value of the options granted was estimated at $2.42 per option for the year ended December 31, 2015. The fair value of options was calculated by using the Black-Scholes model with the following weighted average assumptions:

	Year ended December 31, 2015
Expected dividend rate	5.2%
Expected volatility	24.2%
Risk-free interest rate	0.5%
Expected life of option (years)	3.0

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

30 Financial instruments

Non-Derivative financial instruments

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

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

Long-term debt is recorded at amortized cost using the effective interest method of amortization. As at December 31, 2016, the carrying amount of long-term debt was $1,288.5 million less debt discount and issue costs of $16.6 million and the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was $1,336.8 million. As at December 31, 2015, the carrying amount of long-term debt was $1,311.1 million less debt discount and issue costs of $19.8 million and the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was $1,235.6 million.

The Debentures liability component is recorded at amortized cost using the effective interest method of amortization. As at December 31, 2016, the total carrying amount of the debentures liability and equity components was $100.0 million less debt discount and issue costs of $2.7 million, and deferred taxes relating to the equity component of $2.7 million. The fair value of the Debentures based on period end trading prices on the secondary market (Level 2) was $109.0 million (December 31, 2015 – nil).

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

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

	December 31, 2016		December 31, 2015	
	Trade and other receivables	Trade payable and accrued charges	Trade and other receivables	Trade payable and accrued charges
Gross amounts	$ 400,152	$ 338,824	$ 268,602	$ 228,022
Amount offset	(269,611)	(269,611)	(169,351)	(169,351)
Net amount included in the consolidated financial statements	$ 130,541	$ 69,213	$ 99,251	$ 58,671

Derivative financial instruments (recurring fair value measurements)

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

	December 31, 2016		December 31, 2015	
	Assets	Liabilities	Assets	Liabilities
Commodity futures	$ 595	$ 5,640	$ 1,105	$ 337
Commodity swaps	5,578	2,688	6,545	3,165
Commodity options	38	747	765	13
Equity swaps	-	1,686	-	5,390
Foreign currency forwards	-	1,411	-	398
Foreign currency options	7	3	-	-
Total	$ 6,218	$ 12,175	$ 8,415	$ 9,303
Less non-current portion:				
Equity swaps	-	226	-	3,824
Foreign currency forwards	-	48	-	-
Foreign currency options	-	-	-	-
	-	274	-	3,824
Current portion	$ 6,218	$ 11,901	$ 8,415	$ 5,479

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

(i) Commodity financial instruments

Futures, options and swaps

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

(ii) Currency financial instruments

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

During the year ended December 31, 2015, the Company received cash of $53.3 million on the settlement of U.S. dollar forward contracts for a notional amount of U.S.$250.0 million. Additionally, the Company paid cash of $16.7 million to settle U.S dollar options for a notional amount of U.S. $250.0 million. At December 31, 2016, the Company had no forward and options contracts to buy and sell U.S. dollars in exchange for Canadian dollars to fix the exchange rate on its long-term borrowings denominated in U.S. dollars.

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

(iii) Equity price financial instruments

During 2016, the Company entered into additional equity swaps of 660,000 notional amount common shares (2015 – 550,000 notional amount common shares), at an initial price of $17.59 per share (2015 – $23.65 per share) for settlement over a three year period. The Company has entered into these equity swap contracts to help manage equity price and dilution exposure to shares that it issues under its stock based compensation programs. During the year ended December 31, 2016 the Company recognized an unrealized gain in the current period of $3.6 million (2015 - unrealized loss of $5.4 million).

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

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

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

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

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

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

The fair value of financial instrument contracts by fair value hierarchy at December 31, 2015 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity futures	$ 1,105	$ 1,105	$ -	$ -
Commodity swaps	6,545	-	6,545	-
Commodity options	765	-	765	
Total assets	$ 8,415	$ 1,105	$ 7,310	$ -
Liabilities from financial instrument contracts				
Commodity futures	$ 337	$ 337	$ -	$ -
Commodity swaps	3,165	-	3,165	-
Commodity options	13	-	13	-
Equity swaps	5,390	5,390	-	-
Foreign currency forwards	398	-	398	-
Total liabilities	$ 9,303	$ 5,727	$ 3,576	$ -

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

	Year ended December 31, 2016	2015
Cost of sales	$ 8,678	$ (3,899)
General and administrative	(3,605)	5,390
Foreign exchange loss (gain) on long-term debt (note 15)	-	(9,995)
	$ 5,073	$ (8,504)

Financial Risk Management

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

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

a) Foreign currency exchange risk

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

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

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

Foreign currency exchange rate sensitivity

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

	December 31, 2016	December 31, 2015
U.S. Dollar Forwards and Options		
Favorable 5% change	$ 1,796	$ 1,180
Unfavorable 5% change	(1,998)	(1,180)

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

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

b) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will be affected by changes in market interest rates. At December 31, 2016, the Company had $nil amounts drawn on its credit facilities, accordingly there is no current interest rate risk associated with the credit facility. At December 31, 2015, the Company has exposure to changes to market interest rates that relate to the $35.0 million drawn on the Company's credit facility as at December 31, 2015. A 1% increase or decrease in interest rates in relation to the amounts drawn at December 31, 2015 would impact net income by $0.3 million, when annualized, and assuming a consistent balance over the duration of the year.

c) Commodity price risk

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

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

	December 31, 2016	December 31, 2015
Crude oil and NGL related prices		
Favorable 15% change	$ 9,681	$ 6,747
Unfavorable 15% change	(10,110)	(6,092)

d) Credit risk

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

At December 31, 2016 and 2015, approximately 2% and 3%, respectively, of net trade receivables are past due but not considered to be impaired. The Company considers trade receivables as past due when they are 30 days past the due date. The maximum exposure to credit risk related to trade receivables is their carrying value as disclosed in these financial statements.

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

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

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

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

e) Equity price risk

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

	December 31,	
	2016	**2015**
Equity Swaps		
Favorable 10% change	$ 1,661	$ 558
Unfavorable 10% change	(1,661)	(558)

f) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This risk relates to the Company's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. The Company's process for managing liquidity risk includes preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures and authorization of contractual agreements. The Company may seek additional financing based on the results of these processes. The budgets are updated with forecasts when required and as conditions change. Cash and cash equivalents and the Revolving Credit Facility are available and are expected to be available to satisfy the Company's short and long-term requirements. The Company has a Revolving Credit Facility of $500.0 million and three bilateral demand letter of credit facilities totaling $150.0 million. At December 31, 2016, $nil was drawn against the Revolving Credit Facility and the Company had outstanding issued letters of credit of $48.4 million.

The terms of the Notes and Revolving Credit Facility require the Company to comply with certain covenants. If the Company fails to comply with these covenants the lenders may declare an event of default. At December 31, 2016 and December 31, 2015, the Company was in compliance with these covenants.

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

Set out below is a maturity analyses of certain of the Company's financial contractual obligations as at December 31, 2016. The maturity dates are the contractual maturities of the obligations and the amounts are the contractual undiscounted cash flows.

	On demand or within one year	Between one and five years	After five years	Total
Trade payables and accrued charges, excluding derivative financial instruments and accrued interest	$ 415,310	$ -	$ -	$ 415,310
Dividend payable	46,772	-	-	46,772
Long-term debt	-	988,485	300,000	1,288,485
Debentures (debt and equity component)	-	100,000	-	100,000
Interest on long-term debt and Debentures	98,222	392,886	186,364	677,472
Commodity futures	5,640	-	-	5,640
Commodity swaps	2,688	-	-	2,688
Commodity options	747	-	-	747
Equity swap	1,460	226	-	1,686
Foreign currency forwards	1,363	48	-	1,411
Foreign currency options	3	-	-	3
	$ 572,205	$1,481,645	$ 486,364	$ 2,540,214

Capital management

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

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

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

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

	December 31, 2016	December 31, 2015
Total financial liability borrowings	$ 1,271,839	$ 1,291,423
Debentures (liability component) (1)	89,765	-
Less: cash and cash equivalents	(60,159)	(82,775)
Net debt	1,301,445	1,208,648
Total share capital (including Debentures – equity component)	1,919,267	1,672,323
Total capital	$ 3,220,712	$ 2,880,971

(1) The Debentures are included in the above total capital calculation in accordance with the Company's view of its capital structure which includes shareholders' equity, long-term debt, the Debentures, the Revolving Credit Facility, and working capital. The Debentures and

associated interest payments are excluded from the definition of net debt included in the consolidated senior and total debt covenant ratios, as well as the consolidated interest coverage covenant ratio.

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

31 Segmental information

During the first quarter of 2016, following a review of the management of the Company's operations, and in support of improved customer interface and enhanced internal efficiencies, the Company implemented several management and organizational changes. These changes caused the Company to realign its internal management reporting structure, and, therefore, the Company has also changed its external segment reporting structure to align with how business information is regularly reviewed internally for the purposes of decision making, allocating resources and assessing performance. The results of the Company are now being reported in the following reportable segments:

(1) **Infrastructure** includes a network of midstream infrastructure assets that includes oil terminals, rail loading and unloading facilities, injection stations, gathering pipelines and processing facilities that collect, store, and process oil and other liquid hydrocarbon production and by-products before eventual distribution to end-use markets. The primary facilities within this segment include the terminals located at Edmonton and Hardisty, which are the principal hubs for aggregating and exporting oil and refined products out of the Western Canadian Sedimentary Basin; gathering pipelines, which are connected to the Hardisty Terminal; injection stations, which are located in the United States; a crude oil processing facility in Moose Jaw, Saskatchewan, and processing, recovery, and disposal terminals located throughout Western Canada and the Northern United States.

(2) **Logistics** includes a suite of logistical wellsite services that enable oil and liquids production to access fixed midstream infrastructure. This segment provides transportation and related services that allow the Company to service its customers' needs several times between the wellhead and the end market, and includes providing hauling services for crude, condensate, propane, butane, asphalt, methanol, sulfur, petroleum coke, gypsum, emulsion, waste water and drilling fluids for many of North America's leading oil and gas producers. Additionally, the Company also provides several ancillary services to production companies.

(3) **Wholesale** includes the purchasing, selling, storing and blending of hydrocarbon products, including crude oil, NGL's, road asphalt, roofing flux, frac oils, light and heavy straight run distillates, combined vacuum gas oil, and an oil based mud product. This segment earns margins by providing aggregation services to producers and/by capturing quality, locational or time-based arbitrage opportunities.

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

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

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

Accounting policies used for segment reporting are consistent with the accounting policies used for the preparation of the Company's consolidated financial statements. Inter-segmental transactions are eliminated upon consolidation and the Company does not recognize margins on inter-segmental transactions. Comparative information has been recast to conform to our current segmented reporting information. No changes were implemented with respect to the consolidated data as a result of the recast.

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

Twelve months ended December 31, 2016

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

Corporate & other reconciling items	
Depreciation of property, plant and equipment	175,346
Amortization of intangible assets	69,062
Impairment of goodwill	130,052
General and administrative	35,018
Stock based compensation	24,876
Corporate foreign exchange loss	1,098
Interest expense	86,619
Interest income	(1,093)
Foreign exchange gain on long-term debt	(22,715)
Net loss from continuing operations before income tax	(234,617)
Income tax recovery	(56,450)
Net loss from continuing operations	(178,167)
Net income from discontinued operations (note 6)	18,453
Net loss from operations	$ (159,714)

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

Twelve months ended December 31, 2015 (restated[1])

	Infrastructure	Logistics	Wholesale	Other	Total
Statement of operations					
Revenue					
External	$ 167,841	$ 625,556	$4,573,029	$ 38,885	$ 5,405,311
Inter-segmental	103,500	55,500	394,617	-	553,617
External and inter-segmental	271,341	681,056	4,967,646	38,885	5,958,928
Segment profit (loss)	$ 181,067	$ 90,116	$ 100,317	$ 5,916	$ 377,416
Corporate & other reconciling items					
Depreciation of property, plant and equipment					180,471
Amortization of intangible assets					82,623
Impairment of goodwill					175,959
General and administrative					39,569
Stock based compensation					20,379
Corporate foreign exchange gain					(4,970)
Interest expense					79,580
Interest income					(558)
Foreign exchange loss on long-term debt					113,150
Net loss from continuing operations before income tax					(308,787)
Income tax recovery					(13,413)
Net loss from continuing operations					(295,374)
Net income from discontinued operations (note 6)					14,718
Net loss from operations					$ (280,656)

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

	Twelve months ended December 31			
	2016		2015 (restated [1])	
	Property, plant and equipment	Intangible Assets	Property, plant and equipment	Intangible Assets
Infrastructure	$ 194,080	$ 2,591	$ 310,011	$ 2,910
Logistics	13,814	1,680	83,914	8,548
Wholesale	11,386	92	68	37
Corporate & other	1,055	3,127	3,517	9,479
Total	$ 220,335	$ 7,490	$ 397,510	$ 20,974

1. *Comparative period was restated to reflect the results of continuing operations separately from discontinued operations as well as the segment reporting structure changes noted earlier.*

Geographic Data

Based on the location of the end user, approximately 22% and 20% of revenue was from customers in the United States for the year ended December 31, 2016 and 2015, respectively.

The Company's non-current assets, excluding investment in finance leases and deferred tax assets, are primarily concentrated in Canada with 16% and 24% in the United States at December 31, 2016 and 2015, respectively.

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

32 Subsequent Events

Subsequent to December 31, 2016, the Company announced that it has entered into an agreement to sell its Industrial Propane business for non-refundable cash consideration of $412.0 million, subject to certain adjustments, to Superior Plus LP ("Superior"). The sale will be completed through a series of transactions. Pursuant to an option purchase agreement, dated February 13, 2017, subject to the fulfilment of customary conditions, Gibsons and Superior agreed to complete the initial transaction pursuant to which Superior would pay $412.0 million in exchange for the grant of an irrevocable option (the "Option") to Superior to acquire 100% of the partnership units and shares (the "Securities") of the Canwest and Stittco businesses. On March 1, 2017, the Company received the cash payment of $412.0 million. Gibsons will continue to operate the business based on the terms and covenants of the Option agreement under the direction of the current management team, with no disruption to its employee base and customer service levels, until the Securities are transferred, which is expected to occur no later than the fourth quarter of 2017. Upon exercise of the Option by Superior, and receipt of regulatory approvals, the Securities will be transferred to Superior for nominal consideration. The Company will derecognize the Industrial Propane segment effective March 1, 2017.

Subsequent to December 31, 2016, the Company has amended the Revolving Credit Facility whereby the maximum consolidated senior debt leverage ratio and the maximum consolidated total debt leverage ratio which are now 4.85 to 1.0 for the 2017 fiscal year, 4.25 to 1.0 for the 2018 fiscal year and 4.0 to 1.0 thereafter. Furthermore, the maturity date of our Revolver Credit Facility has been extended from August 2020 to March 2022.

On March 7, 2017, the Company announced that the Board declared a quarterly dividend of $0.33 per common share for the quarter ending March 31, 2017 on its outstanding common shares. The common share dividend is payable on April 17, 2017 to shareholders of record at the close of business on March 31, 2017.

33 Principal subsidiaries

The Company had the following subsidiaries as at December 31, 2016:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares owned by the Company
A&A Tank Truck Co.	USA	Transportation and Waste Disposal	100%
B.E.G. Liquid Mud Services Corp.	USA	Oil & Gas Support Services	100%
Cal-Gas Inc.	Canada	Industrial propane	100%
Canwest Propane Partnership	Canada	Industrial propane	100%
Canwest Propane ULC	Canada	Industrial propane	100%
Charles Houston Inc.	USA	Oil & Gas Support Services	100%
Chief Hauling Contractors ULC	Canada	Transportation Services	100%
Frontier Ventures, LLC	USA	Oil & Gas Support Services	100%
GEP ULC	Canada	Transportation and Storage	100%
Gibson (U.S) Acquisitionco Corp.	USA	Holding Company	100%
Gibson (U.S) Finco Corp.	USA	Holding Company	100%
Gibson (U.S) Holdco Corp.	USA	Holding Company	100%
Gibson Energy (US) Inc.	USA	Wholesale petroleum products	100%
Gibson Energy Inc.	Canada	Holding Company	100%
Gibson Energy Infrastructure, LLC	USA	Holding Company	100%
Gibson Energy Corp.	USA	Holding Company	100%
Gibson Energy Marketing, LLC	USA	Wholesale petroleum products	100%
Gibson Energy Partnership	Canada	Transportation and Storage	100%
2011312 Alberta Ltd. (formerly Gibson Energy Sask Ltd.)	Canada	Transportation and Storage	100%
Gibson Energy ULC	Canada	Holding Company	100%
Gibson Energy LLC	USA	Transportation	100%

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

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares owned by the Company
Gibson Energy ULC Pension Plan	Canada	Pension Fund	100%
Gibson Gas Liquids Partnership (Alberta)	Canada	Wholesale propane	100%
Gibson Gas Liquids ULC	Canada	Wholesale propane	100%
Gibson GCC Inc.	Canada	Inactive	100%
Gibson Offshore Services, LLC	USA	Oil & Gas Support Services	100%
Gibson Omni Parent Inc.	USA	Holding Company	100%
Griswold Management, Inc.	USA	Inactive	100%
GWCC, LLC	USA	Oil & Gas Support Services	100%
Industrial Lift Truck & Equipment Co, Inc.	USA	Oil & Gas Support Services	100%
Keeton Services, Inc.	USA	Oil & Gas Support Services	100%
Link Petroleum, Inc.	USA	Wholesale propane	100%
Littlehawk Enterprises Ltd.	Canada	Oil & Gas Support Services	100%
Moose Jaw Refinery Partnership	Canada	Fluids and refining	100%
Moose Jaw Refinery ULC	Canada	Fluids and refining	100%
OMNI Energy Seismic Services, LLC	USA	Oil & Gas Seismic Services	100%
OMNI Energy Services Corp.	USA	Oil & Gas Support Services	100%
OMNI Energy Transportation Corp.	USA	Oil & Gas Support Services	100%
OMNI Labor Corp.	USA	Inactive	100%
OMNI Properties Corp.	USA	Inactive	100%
Plato Services Partnership	Canada	Waste Disposal Services	50%
Preheat, Inc.	USA	Oil & Gas Support Services	100%
Rig Tools, Inc.	USA	Oil & Gas Support Services	100%
Ross Eriksmoen, Inc.	USA	Oil & Gas Support Services	100%
Stittco Energy Ltd.	Canada	Industrial propane	100%
Stittco Utilities Man Ltd.	Canada	Industrial propane	100%
Stittco Utilities NWT Ltd.	Canada	Industrial propane	100%
Taylor Transfer Services, LLC	USA	Transportation	100%
TPG Leasing, LLC	USA	Rental and Leasing	100%
TPG Transport, LLC	USA	Transportation	100%
Trussco, Inc.	USA	Oil & Gas Support Services	100%
WISCO, Inc.	USA	Oil & Gas Support Services	100%