Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared and approved by the Company's Board of Directors as of March 3, 2015 and should be read in conjunction with the audited consolidated financial statements and related notes of Gibson Energy Inc. ("Gibson" or the "Company") for the years ended December 31, 2014 and 2013, which were prepared under International Financial Reporting Standards ("IFRS") as set out in the Handbook of the Canadian Institute of Chartered Accountants and as issued by the International Accounting Standards Board (IASB). Amounts are stated in Canadian dollars unless otherwise noted.

This MD&A contains forward-looking statements and non-GAAP measures and readers are cautioned that this MD&A should be read in conjunction with the Company's disclosure under "Forward-Looking Statements" and "Non-GAAP Financial Measures" included at the end of this MD&A. Non-GAAP measures contained in this MD&A include EBITDA, Adjusted EBITDA, Pro-forma Adjusted EBITDA, and Distributable Cash flow.

EXECUTIVE OVERVIEW

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

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

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

Highlights

The key highlights for the year ended December 31, 2014 were as follows:

- Revenue increased by 24% in the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was primarily due to increased overall activity in the Company's segments;
- Overall segment profit increased by 7% to $487.1 million in the year ended December 31, 2014 compared to $456.4 million in the year ended December 31, 2013. The increase in segment profit was primarily driven by increases in the Terminals and Pipelines, Environmental Services, Processing and Wellsite Fluids, and Propane and NGL Marketing and Distribution segments;
- Adjusted EBITDA in the year ended December 31, 2014 increased by 6% to $453.1 million compared to $427.0 million in the year ended December 31, 2013. The increase in adjusted EBITDA was primarily due to the increase in segment profits. Pro Forma Adjusted EBITDA for the year ended December 31, 2014 was $458.2 million;
- Net income was $91.9 million in the year ended December 31, 2014 compared to $103.8 million in the year ended December 31, 2013. The decrease was largely due to an increase in the non-cash foreign exchange loss incurred on translating the Company's U.S. dollar denominated long-term debt, higher depreciation and amortization and interest charges, partially offset by an increase in overall segment profitability and decreased debt extinguishment charges;
- The Company declared a dividend of $0.30 per common share in each of the four quarters of 2014 for total dividends of $148.6 million for the year ended December 31, 2014. For the year ended December 31, 2014, distributable cash flow was $265.2 million resulting in a dividend payout ratio of 56%;
- Capital expenditures were $411.5 million for the year ended December 31, 2014, of which $352.5 million related to growth capital. Growth capital expenditures are primarily related to the construction of tankage and pipeline connections at the Company's facilities, in particular at the Hardisty Terminal, and the expansion of the Environmental Services business. At December 31, 2014, the Company had capital expenditures totaling $200.4 million included in work in progress;
- In June 2014, the crude oil unit train rail loading facility at Hardisty, Alberta, was successfully commissioned. The facility, which the Company jointly developed with US Development Group LLC, is underpinned by long-term customer commitments. With pipeline connectivity from the Company's Hardisty Terminal, the facility provides customers with increased optionality to facilitate crude oil movements across North America;
- In October 2014, Gibson revised the design configuration of its storage tank construction project currently underway at the Hardisty Terminal resulting in a 200,000 barrel increase in the original planned capacity and the construction of an incremental 300,000 barrel tank to accommodate current and forecasted operational requirements at the terminal;
- In October 2014, the Company successfully commissioned two new tanks at the east side of the Hardisty Terminal resulting in a 800,000 barrel increase in capacity;
- In December 2014, the Company successfully commissioned a processing, recovery, and disposal (PRD) facility in North Dakota. The facility is well located, offers modern processing technologies and establishes Gibson as a full-service waste provider in the US Bakken tight oil play. This facility is co-located with the licensed landfill which was commissioned earlier in 2014, both of which will contribute to our efforts to shift the profile of our environmental services business toward more stable production-related revenue sources;
- On August 1, 2014, the Company completed the acquisition of Cal-Gas Inc. ("Cal-Gas") for cash consideration of $96.4 million subject to final purchase price adjustments. Cal-Gas is one of the largest propane distribution companies in western Canada, with operations in British Columbia, Alberta, Saskatchewan, Manitoba and Northwest Ontario. Cal-Gas has been in business for over 40 years, providing propane equipment, service and delivery to the oil and gas, commercial, mining and residential sectors;
- On April 1, 2014, the Company completed the acquisition of all of the issued and outstanding common shares of Stittco Energy Limited ("Stittco") for cash consideration of $32.1 million. Stittco is a private company which provides propane equipment, service and delivery to residential and commercial and mining customers in Northern Manitoba and the Northwest Territories;
- On June 12, 2014, the Company completed an offering of Senior Unsecured Notes totaling $300.0 million aggregate principal amount of 5.375% Senior Unsecured Notes due July 15, 2022 issued at par and U.S.$50.0 million aggregate

principal amount of 6.75% Senior Unsecured Notes due July 15, 2021 at an issue price of 108% of par. The net proceeds were used to repay all outstanding indebtedness under the existing revolving credit facility (excluding letters of credit), with the remaining net proceeds used to fund capital expenditures and general corporate purposes; and

- On August 20, 2014, the Company amended the terms of its $500.0 million secured revolving credit facility to, among other things, release all security required by the lenders, and to extend the maturity date from June 2018 to August 2019 (the "Revolving Credit Facility").

On January 31, 2015, the Company acquired all of the issued and outstanding shares of Littlehawk Enterprises Ltd. ("Littlehawk") for approximately $8.2 million, subject to the final purchase price adjustments. 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.

In February 2015, the Company successfully commissioned a new tank on the east side of the Hardisty Terminal resulting in a 400,000 barrel increase in capacity. In addition, the Company successfully commissioned its connectivity enhancement project related to the twining of the Cold Lake pipeline connection to the Hardisty Terminal.

On March 3, 2015, the Board declared a quarterly dividend on its outstanding common shares of $0.32 cents per common share for the quarter ended March 31, 2015. The dividend is payable on April 17, 2015 to shareholders of record at the close of business on March 31, 2015.

Trends affecting the Company's business

In accordance with the Company's long-range strategic plan, the Company continuously evaluates organic growth opportunities and potential acquisitions of transportation, industrial propane distribution, gathering, terminalling or storage and other complementary midstream businesses, such as emulsion treating, water disposal and oilfield waste management services. Some of the key industry trends that currently affect Gibson's business and prospects over the short-term (2 years or less) and the medium to long-term (in two to five years) are:

- Increased oil production in North America has increased demand for many facets of the midstream energy value chain including storage, transportation, distribution, processing, refining and environmental and production services, all of which are activities the Company participates in. However, the recent decline in crude oil prices has caused many North American oil producers, who form a significant part of Gibsons customer base, to lower their near term capital spending plans. This is expected to impact the overall rate of North American production growth over the short-term. Over the medium to long-term, as crude oil supply and demand rebalances and crude oil prices realign with global cost structures the Company anticipates a return to increased activity and production levels and a continued demand for midstream value chain assets;
- The growing supply of Canadian heavy crude oil from the oilsands will result in an increasing demand for diluent in the Western Canada Sedimentary Basin (the "WCSB"). This should result in increased movements of diluent through the Edmonton area pipeline and terminal infrastructure and may generate increased opportunities for Gibson's services;
- Crude oil pricing, location and quality disconnects combined with a shortage of pipeline takeaway capacity from the WCSB has created demand for crude by rail as a solution for export market access. While the recent decline in crude oil prices has negatively impacted the economics of this export alternative, the Company expects that a return to higher oil prices should create opportunities for the Company to increase its service offering to include more crude rail movements;
- The Keystone XL and Energy East pipeline projects, if approved, would help provide the growing supply of Canadian crude oil access to the large refining markets in the United States, Eastern Canada and other foreign markets. If approved, the starting point for both pipelines would be adjacent to the Company's Hardisty Terminal which could provide increased opportunities for the Company's terminalling services;
- Enbridge's expansion of its Line 67 and replacement of its Line 3 will also help provide the growing supply of Canadian crude oil access to the largest refining markets in the United States and Eastern Canada. The additional capacity from Line 67 expansion is expected to be available in Q3 2015. The replacement of Line 3, if approved, could provide incremental capacity by 2018. Gibson's Hardisty Terminal is connected to deliver to both of these pipelines and these expansions should provide increased opportunities for the Company's terminalling services at Hardisty;
- Enbridge's twinning of the southern section of its Athabasca pipeline as well as Inter Pipeline Ltd.'s twinning of its Cold Lake pipeline should provide for additional volumes into the Hardisty area and increased opportunities for the Company's terminalling services at Hardisty;

- Price fluctuations between crude oil types can create incremental margin opportunities in multiple areas of the Company's operations. While current price differentials have compressed in response to the recent decline in benchmark crude oil prices, the Company remains attentive to opportunities as this trend continues to evolve;
- The growing supply of propane related to higher liquids rich natural gas development has resulted in declining propane prices in Western Canada. This may result in increased volumes and potential margin improvement related to our Propane and NGL Marketing and Distribution segment;
- The recent reduction in the value of the Canadian dollar relative to the U.S. dollar highlights added foreign currency volatility which could result in both positive and negative impacts for the Company. A weakening Canadian dollar should result in increased profit contributions from the Company's U.S. business. In addition, it would result in increased revenues and cost of sales for the Company's Canadian operations that transact in U.S. dollars. Furthermore, a weakening Canadian dollar will result in an increase in foreign exchange losses with respect to the Company's U.S. dollar denominated debt, which are partially offset by gains on foreign currency forward contracts and options;
- Over the medium to long-term the Company expects new technology for drilling and well completion methodology to be deployed towards conventional and unconventional production within the Company's operating areas; and
- Over the medium to long-term the Company expects increased oil and natural gas production in North America should also mean a significant increase in produced water and other oilfield waste. This increase in oilfield waste, together with increased regulatory scrutiny, should increase demand for the Company's Environmental Services solutions.

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

Capital expenditures

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

	Year ended December 31,	
	2014	2013
Growth capital	$ 352,487	$ 177,443
Upgrade and replacement capital	59,035	69,513
	$ 411,522	$ 246,956

Total expenditures for growth capital and upgrade and replacement capital were $411.5 million and $247.0 million in the year ended December 31, 2014 and 2013, respectively. In the year ended December 31, 2014 and 2013, $391.2 million and $238.5 million, respectively, were included as additions to property, plant and equipment and $20.3 million and $8.5 million, respectively, were included as additions to intangible assets.

Growth capital

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

	Year ended December 31, 2014	2013
Terminals and Pipelines[1]	$ 220,916	$ 101,300
Environmental Services [2]	68,430	46,649
Truck Transportation[3]	22,164	19,156
Propane and NGL Marketing and Distribution [4]	12,131	6,807
Processing and Wellsite Fluids[5]	13,979	2,528
Other[6]	14,867	1,003
Total	$ 352,487	$ 177,443

(1) *Expenditures in the year ended December 31, 2014 relate to a number of construction and expansion projects including the construction of additional tanks and related infrastructure at the Hardisty and Edmonton Terminals and the related infrastructure to connect the unit rail facility to the Hardisty Terminal.*

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

(3) *Largely represents the purchase of land in the Edmonton area and the initial costs for constructing a new office and maintenance facility.*

(4) *Mainly represents the addition of trucks, tanks and generators to meet growing demand in key market areas and the expansion of rail infrastructure at a Company facility.*

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

(6) *Mainly includes the purchase of land in Strathcona County in Alberta's Industrial Heartland as well as equipment and software related to information and operational systems.*

Upgrade and replacement capital

Upgrade and replacement capital includes improvement projects that extend the physical life of an asset, while replacement capital includes purchases that replace existing assets as necessary to maintain current service levels or replace assets that no longer have a useful economic life. Upgrade and replacement capital decreased by 15% to $59.0 million in the year ended December 31, 2014 from $69.5 million in the year ended December 31, 2013. The decrease was mainly due to a reduction in the replacement of rolling stock within the Truck Transportation segment.

Acquisitions

On August 1, 2014, the Company acquired all of the issued and outstanding common shares of Cal-Gas for cash consideration of $96.4 million. Cal-Gas is one of the largest propane distributors in Western Canada with operations in British Columbia, Alberta, Saskatchewan, Manitoba and Northwest Ontario. Cal-Gas has been in business for over 40 years, providing propane equipment, service and delivery to the oil and gas, commercial, mining and residential sectors.

On April 1, 2014, the Company acquired all of the issued and outstanding common shares of Stittco for cash consideration of $32.1 million. Stittco provides propane equipment, service and delivery to residential and commercial and mining customers in Northern Manitoba and Northwest Territories.

Seasonality

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

Within the Company's Processing and Wellsite Fluids segment, certain products are impacted by seasonality. Canadian road asphalt activity is affected by the impact of weather conditions on road construction. Refineries produce liquid asphalt year round, but road asphalt demand peaks during the summer months when most of the road construction activity in Canada takes place. In the off peak demand months for road asphalt, the demand for roofing flux continues. Demand for wellsite fluids is dependent on overall well drilling activity, with drilling activity normally the busiest in the winter months. As a result, the Company's Processing and Wellsite Fluids segment's sales of road asphalt peak in the summer and sales of wellsite fluids peak in the winter.

The Company's Propane and NGL Marketing and Distribution segment is characterized by a high degree of seasonality driven by the impact of weather on the need for heating and the amount of propane required to produce power for oil and gas related applications. Therefore, volumes are low during the summer months relative to the winter months. Operating profits are also considerably lower during the summer months. Most of the annual segment profit is earned from October to March each year.

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

SELECTED ANNUAL FINANCIAL MEASURES

	Year ended December 31,		
	2014	2013	2012
	(in thousands except per share amounts)		
Revenue	$ 8,573,529	$ 6,940,669	$ 4,913,029
Net income	91,941	103,816	116,186
Earnings per share			
Basic	$ 0.74	$ 0.86	$ 1.13
Diluted	0.73	0.84	1.10
Dividends declared per common share	$ 1.20	$ 1.10	$ 1.01

	As at December 31,		
	2014	2013	2012
Total assets	$ 3,573,029	$ 3,049,382	$ 2,796,525
Total non-current liabilities	1,507,876	1,058,582	947,374

SEGMENTED RESULTS OF OPERATIONS

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

The following is a discussion of the Company's segmented results of operations for the year ended December 31, 2014 and 2013 and the following table sets forth revenue and profit by segment for those periods:

	Year ended December 31,	
	2014	2013
	(in thousands)	
Segment revenue		
Terminals and Pipelines	$ 157,969	$ 132,144
Environmental Services	431,153	325,059
Truck Transportation	557,735	532,490
Propane and NGL Marketing and Distribution	1,352,741	1,151,206
Processing and Wellsite Fluids	667,793	611,097
Marketing	7,005,045	5,580,040
Total segment revenue	10,172,436	8,332,036
Revenue—inter-segmental	(1,598,907)	(1,391,367)
Total revenue—external	8,573,529	6,940,669
Segment profit		
Terminals and Pipelines	116,524	95,613
Environmental Services	100,273	83,094
Truck Transportation	83,178	83,674
Propane and NGL Marketing and Distribution	70,271	62,277
Processing and Wellsite Fluids	51,675	48,720
Marketing	65,180	83,004
Total segment profit	487,101	456,382
General and administrative	37,385	34,664
Depreciation and amortization	209,925	184,057
Stock based compensation	13,977	8,271
Debt extinguishment costs	-	38,209
Foreign exchange loss	31,519	15,725
Net interest expense	66,766	52,987
Gain on financial instruments relating to interest expense	-	(18,252)
Income before income tax	127,529	140,721
Income tax provision	35,588	36,905
Net income	$ 91,941	$ 103,816

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

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

Terminals and Pipelines

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

Volumes (barrels in thousands)	Year ended December 31, 2014	2013
Terminals		
Hardisty Terminal	184,519	144,940
Edmonton Terminal	16,822	17,161
Injection stations	47,154	46,582
Total terminals	248,495	208,683

	Year ended December 31, 2014	2013
	(in thousands)	
Revenues	$ 157,969	$ 132,144
Operating expenses and other	41,445	36,531
Segment profit	$ 116,524	$ 95,613

Volumes, revenues and cost of sales. Hardisty Terminal volumes increased by 27% in the year ended December 31, 2014 compared to the year ended December 31, 2013, as a result of increased throughput volumes from customers with dedicated tank usage and increased volumes from the Company's crude oil train rail loading facility which commenced operations in June 2014. Revenue at the Hardisty Terminal increased by $23.3 million in the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase in revenue was mainly due to the increase in volume and the additional revenue from customers with dedicated tank usage that are subject to minimum volume charges, and in particular, due to the impact of two new tanks at the east side of the Hardisty Terminal that were commissioned in October 2014. Revenue also increased due to the commencement of operations at the crude oil train rail loading facility in June 2014.

Edmonton Terminal volumes decreased by 2% in the year ended December 31, 2014 compared to the year ended December 31, 2013 mainly due to various tanks being taken out of service to facilitate the expansion of the facility, offset in part by the increase in diesel receipt volumes from a major customer. Although volumes at the Edmonton Terminal decreased, revenues increased by $1.9 million in the year ended December 31, 2014 compared to the year ended December 31, 2013 as a result of the impact of minimum volume charges and an increase in fixed fee arrangements.

Injection station volumes increased by 1% in the year ended December 31, 2014 compared to the year ended December 31, 2013 due to an increase in activity with a major customer in the fourth quarter of 2014. As a result of increased volumes and the impact of foreign exchange rates on translating revenue denominated in U.S dollars, revenue increased by $0.1 million in the year ended December 31, 2014 compared to the year ended December 31, 2013.

Operating expenses and other. Overall operating expenses increased by $4.9 million, or 13%, in the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was largely related to the increase in operating costs due to the expansion of the Hardisty Terminal and costs incurred related to the crude oil train rail loading facility that was commissioned in June 2014.

Segment profit. Overall, segment profit in the year ended December 31, 2014 increased by $20.9 million, or 22%, compared to the year ended December 31, 2013. The increase was primarily due to an overall increase in volumes, the impact of additional customers with dedicated tank usage that are subject to minimum volume charges, and the commencement of operations for the crude oil train rail loading facility, offset in part by an increase in operating costs.

Environmental Services

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

	Year ended December 31, 2014	2013
	(in thousands)	
Revenues		
Environmental services and fluid handling	$ 312,806	$ 214,595
Production services	66,344	68,713
Other services	52,003	41,751
Total revenues	431,153	325,059
Cost of sales	256,990	183,133
Operating expenses and other	73,890	58,832
Segment profit	$ 100,273	$ 83,094

Revenues and cost of sales. Environmental services and fluid handling revenues increased by 46% in the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was primarily driven by an increase in the fluid disposal business in the United States and the impact of an increase in volumes processed at the Canadian environmental processing facilities. Further, the increase was also due to the favorable impact of the change in foreign exchange rates on translating revenue denominated in U.S. dollars from the Company's United States operations.

Production services revenue decreased by 3% in the year ended December 31, 2014 as compared to the year ended December 31, 2013. The decrease was primarily due to the impact of lower overall activity, pricing pressure related to additional competition and weather conditions which negatively impacted the first and third quarters of 2014 in the United States. The decrease was offset by the favorable impact of the change in foreign exchange rates on translating revenue denominated in U.S. dollars from the Company's United States operations.

Other services revenue increased by 25% in the year ended December 31, 2014 as compared to the year ended December 31, 2013 primarily due to an increase in exploration support services revenue resulting from increased seismic activity in the United States, partially offset by lower accommodations revenue due to the impact of additional competition in the Bakken region. Further, the increase was also due to the favorable impact of the change in foreign exchange rates on translating revenue denominated in U.S. dollars from the segment's U.S. operations.

Cost of sales increased by 40% in the year ended December 31, 2014 as compared to the year ended December 31, 2013, as a result of increased activity and also due to the unfavorable impact of translating costs of sales denominated in U.S. dollars.

Operating expenses and other. Operating costs increased by $15.1 million in the year ended December 31, 2014 as compared to the year ended December 31, 2013, mainly due to increased payroll related costs and also due to the unfavorable impact of translating operating costs denominated in U.S. dollars.

Segment profit. Segment profit increased by $17.2 million in the year ended December 31, 2014 as compared to the year ended December 31, 2013, largely as a result of the impact of improved margins in the environmental services and fluid handling operations.

Truck Transportation

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

Volumes (barrels in thousands)	Year ended December 31, 2014	2013
Barrels hauled	131,998	144,340

	Year ended December 31, 2014	2013
	(in thousands)	
Revenues	$ 557,735	$ 532,490
Cost of sales	376,685	352,728
	181,050	179,762
Operating expenses and other	97,872	96,088
Segment profit	$ 83,178	$ 83,674

Volumes, revenues and cost of sales. For the year ended December 31, 2014, barrels hauled decreased by 9% compared to the year ended December 31, 2013. The decrease was mainly due to the impact of adverse weather conditions in both Canada and the United States that limited the Company's ability to haul in certain regions on a short-term basis and also a decline in overall volumes hauled of sulphur and petroleum coke particularly in the first quarter of 2014.

Despite the decrease in volumes, revenues increased 5% in the year ended December 31, 2014 as compared to the year ended December 31, 2013. The impact of decreased volumes was offset by increased rates for spot hauling activities due to more long haul opportunities, increased service related charges, and also the favorable foreign exchange impact of translating revenue denominated in U.S. dollars from the Company's United States operations.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales increased by 7% in the year ended December 31, 2014 compared to the year ended December 31, 2013 due to the overall increase in revenues and an increase in service related activities from Canadian operations.

Operating expenses and other. Overall operating expenses increased by $1.8 million, or 2%, in the year ended December 31, 2014 compared to the year ended December 31, 2013, mainly due to the unfavorable impact of translating operating costs denominated in U.S. dollars partially offset by the impact of a gain of $1.5 million on sale of certain property, plant and equipment.

Segment profit. Segment profit decreased by $0.5 million, or 1%, in the year ended December 31, 2014 compared to the year ended December 31, 2013, primarily due to the impact of lower margins, offset in part by lower operating costs.

Propane and NGL Marketing and Distribution

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

Volumes	Year ended December 31, 2014	2013
Sales volumes—Industrial (litres in thousands)		
Oil and gas	250,173	207,449
Commercial	126,448	89,960
Automotive	20,786	21,108
Residential	39,292	22,824
Other	34,899	21,627
	471,598	362,968
Sales volumes—wholesale (barrels in thousands)		
Propane	3,129	4,656
Other NGLs		
Butane	2,986	2,046
Condensate	3,864	1,980
U.S. division	3,220	4,332
	10,070	8,358

Revenues	Year ended December 31, 2014 (in thousands)	2013
Industrial		
Propane	$ 248,776	$ 170,144
Other	29,721	23,855
Total industrial	278,497	193,999
Wholesale		
Propane	228,771	235,828
Other NGLs	845,473	721,379
Total wholesale	1,074,244	957,207
Total revenues	1,352,741	1,151,206
Cost of sales	1,206,361	1,028,479
Operating expenses and other	76,109	60,450
Segment profit	$ 70,271	$ 62,277

Volumes, revenues and cost of sales. Industrial volumes increased by 30% in the year ended December 31, 2014 compared to the year ended December 31, 2013, largely due to the increased volumes in the oil and gas, commercial, and residential markets as a result of the Cal-Gas and Stittco acquisitions completed during 2014.

Industrial propane revenues increased 46% in the year ended December 31, 2014 as compared to the year ended December 31, 2013, as a result of higher sales volumes and overall rack prices. Other industrial revenue relates to equipment sales, service labour and rental and delivery charges. Other industrial revenue increased by 25% in the year ended December 31, 2014 compared to the year ended December 31, 2013, largely due to the Company's investment in related equipment and the impact of the Cal-Gas and Stittco acquisitions.

Wholesale propane volumes decreased by 33% in the year ended December 31, 2014 compared to the year ended December 31, 2013. The decrease in volumes was largely driven by the impact of lower propane demand by certain customers. Wholesale propane revenues decreased by 3% in the year ended December 31, 2014 compared to the year ended December 31, 2013 due to lower propane volumes, offset in part by higher overall propane wholesale prices.

Other NGLs volumes increased by 20% in the year ended December 31, 2014 as compared to the year ended December 31, 2013, primarily as a result of higher demand from internal and external customers. As a result of the increase in volumes, other NGLs revenues increased by 17% in the year ended December 31, 2014 as compared to the year ended December 31, 2013.

Cost of sales increased 17% in the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to the increases in both industrial and wholesale business. The increase in industrial cost of sales was due to the impact of the acquisitions of Cal-Gas and Stittco completed during 2014. The increase in wholesale cost of sales was largely in line with increased revenue.

Operating expenses and other. Overall operating expenses increased by $15.7 million, or 26%, in the year ended December 31, 2014 compared to the year ended December 31, 2013, primarily due to the impact of the Cal-Gas and Stittco acquisitions.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the year ended December 31, 2014 by $8.0 million, or 13%, compared to the year ended December 31, 2013 as a result of the increase in industrial and wholesale propane segment profit partially offset by lower wholesale other NGLs segment profit. Increased industrial segment profit was mainly due to the higher volumes as a result of the acquisitions of Cal-gas and Stittco acquisitions completed during 2014. Higher wholesale propane segment profit was positively impacted by the increase in overall higher wholesale propane prices. Lower other NGLs segment profit was primarily due to the impact of unfavorable pricing conditions.

Processing and Wellsite Fluids

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

	Year ended December 31,	
Volumes (barrels in thousands)	**2014**	**2013**
Roofing flux	1,830	2,076
Road asphalt	470	186
Frac oils (Gibson Clear and light straight run distillate)	539	466
Distillate (D822)	754	835
Tops	2,117	1,909
Other	222	152
Total sales volumes	5,932	5,624

	Year ended December 31,	
	2014	**2013**
	(in thousands)	
Revenues		
Road asphalt and roofing flux	$ 247,423	$ 234,887
Frac oils (Gibson Clear and light straight run distillate)	77,897	59,353
Distillate (D822)	110,914	118,632
Tops	192,512	174,071
Other	39,047	24,154
Total revenues	667,793	611,097
Cost of sales	594,331	540,182
Operating expenses and other	21,787	22,195
Segment profit	$ 51,675	$ 48,720

Volumes, revenues and cost of sales. Sales volumes for road asphalt increased by 153% in the year ended December 31, 2014 compared to the year ended December 31, 2013 mainly due to an increase in demand from customers as a result of increased paving activities. Sales volumes for roofing flux decreased by 12% in the year ended December 31, 2014 compared to the year ended December 31, 2013 due to an increase in the amount of asphalt being sold as road asphalt. Road asphalt and roofing flux revenue increased by 5% in the year ended December 31, 2014 compared to year ended December 31, 2013 mainly due to the impact of higher road asphalt volumes.

Frac oils volumes increased 16% in the year ended December 31, 2014 compared to the year ended December 31, 2013 largely due to an overall increase in customer demand. Frac oils revenues increased by 31% in the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to higher overall selling prices and higher sales volumes.

Sales volumes for distillate decreased 10% in the year ended December 31, 2014 compared to the year ended December 31, 2013 due to more volumes being sold as frac oils and due to lower customer demand in the United States, particularly in the fourth quarter of 2014. As a result of lower volumes, distillate revenues decreased by 7% in the year ended December 31, 2014, compared to the year ended December 31, 2013.

Tops volumes increased 11% in the year ended December 31, 2014 as compared to the year ended December 31, 2013 due to an increase in customer demand. As a result, tops revenues increased by 11% in the year ended December 31, 2014 compared to the year ended December 31, 2013.

Other volumes include the sale of the Company's oil based mud product ("OBM") and solvents. Other volumes increased by 46% in the year ended December 31, 2014 as compared to the year ended December 31, 2013, largely driven by increased demand for the Company's OBM product. Other revenue increased by 62% in the year ended December 31, 2014 as compared to the year ended December 31, 2013 largely due to the increase in volumes.

The overall cost per barrel for the suite of products sold by the Processing and Wellsite Fluids segment increased by 4% due to the increase in crude oil costs driven by tighter differentials and a negative foreign exchange impact on crude oil purchases denominated in U.S. dollars, particularly in the fourth quarter of 2014.

Overall margins increased by $2.5 million, or 4%, in the year ended December 31, 2014 as compared to the year ended December 31, 2013. The increase was largely due to increased margins for frac oils, distillate and other products, offset in part by lower overall margins for roofing flux, road asphalt and tops.

Operating expenses and other. Operating expenses decreased by $0.4 million, or 2%, in the year ended December 31, 2014 as compared to the year ended December 31, 2013. Operating expenses decreased mainly due to an increase in foreign exchange gains on realizing U.S. dollar denominated and other revenue.

Segment profit. The Processing and Wellsite Fluids segment profit increased in the year ended December 31, 2014 by $2.9 million, or 6%, as compared to the year ended December 31, 2013, primarily due to higher margins for frac oils, distillate and other products and lower operating costs, partially offset by lower overall margins for roofing flux, asphalt, and tops.

Marketing

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

	Year ended December 31,	
Volumes (barrels in thousands)	**2014**	**2013**
Sales Volumes		
Crude and diluent	120,676	103,549

	Year ended December 31,	
	2014	**2013**
	(in thousands)	
Revenues	$ 7,005,045	$ 5,580,040
Cost of sales	6,931,758	5,487,361
Operating expenses and other	8,107	9,675
Segment profit	$ 65,180	$ 83,004

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

Calendar Period	**2014**	**2013**
January	$ 94.86	$ 94.83
February	100.68	95.32
March	100.51	92.96
April	102.03	92.07
May	101.79	94.80
June	105.15	93.80
July	102.39	104.67
August	96.08	106.57
September	93.03	106.24
October	84.34	100.55
November	75.81	93.93
December	59.29	97.89
Average for the year ended December 31	92.99	97.80

Volumes, revenues and cost of sales. Sales volumes for crude and diluent increased by 17% in the year ended December 31, 2014, due to a continued focus on bringing volumes to the Company's integrated assets. Revenue increased by 26% in the year ended December 31, 2014 compared to the year ended December 31, 2013, primarily due to higher volumes, higher crude oil prices in the first half of the year and the impact of a tightening in crude oil differentials during the year.

Cost of sales increased by 26% in the year ended December 31, 2014 compared to the year ended December 31, 2013 mainly due to the increase in revenue.

Operating expenses and other. Operating expenses decreased by $1.6 million, or 16%, in the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to lower payroll related costs.

Segment profit. The Marketing segment profit decreased by $17.8 million, or 21%, in the year ended December 31, 2014 as compared to the year ended December 31, 2013. In the year ended December 31, 2014, overall margins were positively impacted by the increase in volumes, especially deliveries to the Company's terminals, including crude oil shipped via rail at the Company's various rail loading facilities. However, lower margins were earned in the year ended December 31, 2014 compared to the year ended December 31, 2013 which led to the overall decrease in segment profitability.

General and administrative, excluding depreciation and amortization

General and administrative expense ("G&A") is comprised of costs incurred for executive services, accounting, finance, treasury, legal, human resources, investor relations and communications that are incurred at a corporate level and are not related to a specific segment. G&A expense was $37.4 million in the year ended December 31, 2014 compared to $34.7 million in the year ended December 31, 2013. The increase was largely driven by the continued growth of the Company resulting in an increase in payroll related costs.

Depreciation and amortization

Depreciation and amortization expense was $209.9 million in the year ended December 31, 2014 compared to $184.1 million in the year ended December 31, 2013. The increase was largely due to the additional depreciation and amortization related to the increase in the Company's tangible assets resulting from the completion of capital projects and the completion of the Cal-Gas and Stittco acquisitions during 2014.

Stock based compensation

Stock based compensation expense was $14.0 million in the year ended December 31, 2014 compared to $8.3 million in the year ended December 31, 2013. The increase was primarily due to granting of additional annual stock awards in 2014 as a result of the expansion of the equity incentive plan to include more employees.

Debt extinguishment costs

On June 28, 2013, upon the issuance of senior unsecured notes and the revolving credit facility, the Company repaid and terminated its previous senior secured credit facility which was comprised of a Tranche B Term Loan facility of U.S.$650.0 million and a revolving credit facility of U.S.$375.0 million. Accordingly, the Company recorded debt extinguishment costs of $38.2 million in the year ended December 31, 2013. No similar debt extinguishment costs were incurred in the year ended December 31, 2014.

Foreign exchange loss (gain) not affecting segment profit

In the year ended December 31, 2014, the Company recorded a foreign exchange loss of $31.5 million compared to $15.7 million in the year ended December 31, 2013.

The gains and losses recorded are primarily as a result of the impact of the movement in exchange rates on the Company's U.S. dollar denominated long-term debt and related financial instruments. In the year ended December 31, 2014, a loss of $52.0 million was recorded due to the unfavorable movement in exchange rates on the Company's U.S. dollar denominated long-term debt. This was partially offset by a gain of $16.6 million, related to the change in mark-to-market value of U.S. dollar forward contracts and options used to mitigate the currency risk associated with the Company's U.S. dollar denominated long-term debt. In the year ended December 31, 2013, a loss of $42.5 million was recorded due to the unfavorable movement in exchange rates on the Company's U.S. dollar denominated long-term debt. This was partially offset by a gain of $22.5 million, related to the change in mark-to-market value of U.S. dollar denominated forward contracts and options used to mitigate the currency risk associated with the Company's U.S. dollar denominated long-term debt.

Net interest expense

Net interest expense, excluding the non-cash movement in financial instruments relating to interest expense, was $66.8 million in the year ended December 31, 2014 compared to $52.9 million in the year ended December 31, 2013. The increase was primarily due to an increase in interest charges as a result of the increase in outstanding debt balance.

Financial instruments relating to interest expense

In the year ended December 31, 2013, the Company recorded a gain of $18.3 million relating to an embedded derivative on an interest rate floor within the Company's Tranche B Term Loan that was required to be separated from the carrying value of long-term debt and was accounted for as a separate financial instrument that was measured at fair value at each balance sheet date. Following the repayment of the Tranche B Term Loan on June 28, 2013, the Company no longer has an embedded derivative relating to the interest rate floor.

Income tax expense

Income tax expense was $35.6 million in the year ended December 31, 2014 compared to $36.9 million in the year ended December 31, 2013 with the decrease due to lower income before taxes in the current year. The effective tax rate was 27.9% during the year ended December 31, 2014, compared to 26.2% in the year ended December 31, 2013, respectively. The main reason for the increase in the effective rate was the increase in non-deductible net capital losses related to foreign exchange losses on the Company's long-term debt. The non-deductible net capital losses for the year ended December 31, 2014 were $9.4 million.

Fourth Quarter Results

	Three months ended December 31,	
	2014	2013
	(in thousands)	
Segment revenue		
Terminals and Pipelines	$ 44,087	$ 35,208
Environmental Services	115,185	81,386
Truck Transportation	144,097	134,102
Propane and NGL Marketing and Distribution	383,265	369,418
Processing and Wellsite Fluids	162,253	156,930
Marketing	1,502,860	1,424,424
Total segment revenue	2,351,747	2,201,468
Revenue – inter-segmental	(375,282)	(285,430)
Total revenue – external	1,976,465	1,916,038
Segment profit		
Terminals and Pipelines	34,020	25,065
Environmental Services	28,097	22,564
Truck Transportation	22,743	22,165
Propane and NGL Marketing and Distribution	15,524	23,204
Processing and Wellsite Fluids	14,807	13,612
Marketing	14,332	16,733
Total segment profit	129,523	123,343
General and administrative	10,984	9,310
Depreciation and amortization	58,338	52,002
Stock based compensation	3,827	2,258
Foreign exchange loss	15,269	15,056
Net interest expense	19,273	14,662
Income before income tax	21,832	30,055
Income tax provision	8,426	9,331
Net income	$ 13,406	$ 20,724

Segment revenue increased by $60.4 million in the three months ended December 31, 2014 compared to the three months ended December 31, 2013. Changes in segment revenue were as follows:

- Terminals and Pipelines segment revenue for the three months ended December 31, 2014 increased by $8.9 million compared to the three months ended December 31, 2013. The increase was largely due to an increase in revenue at the Hardisty Terminal resulting from an increase in revenue from customers with dedicated tank usage that are subject to minimum volumes and fixed fee arrangements, two additional large tanks coming into service and revenue from the commencement of operations at the crude oil train rail loading facility;
- Environmental Services segment revenue increased by $33.8 million in the three months ended December 31, 2014 as compared to the year ended December 31, 2013 mainly due to increased volumes at the Company's Canadian environmental services facilities and an increase in the U.S. fluid disposal business;
- Truck Transportation segment revenue increased by $9.9 million mainly as a result of increased rates for spot hauling activities due to more long haul opportunities, increased service related charges, and also the favorable foreign exchange impact of translating revenue denominated in U.S. dollars from the Company's United States operations;
- Propane and NGL Marketing and Distribution segment revenue increased by $13.8 million due to higher industrial sales volumes realized from the Cal-gas and Stittco acquisitions, offset in part by lower wholesale revenue;
- Processing and Wellsite Fluids segment revenue increased by $5.3 million due to an increase in demand for road asphalt, frac oils and tops and OBM products, partially offset by lower roofing flux and distillate revenues; and
- Marketing segment revenue increased by $78.4 million which was driven by the impact of higher volumes.

Segment profit increased by $6.2 million or 5% in the three months ended December 31, 2014 compared to the three months ended December 31, 2013. The increase in segment profit was due to:

- Terminals and Pipelines segment profit increased by $8.9 million, largely due to increased volumes through the Company's terminals and the additional profit from customers with dedicated tank usage and the impact of the commencement or start-up of operations at the crude oil train rail loading facility;
- Environmental Services segment profit increased $5.5 million largely as a result of an increase in volumes from the Canadian environmental services facilities and an increase in the U.S. fluid disposal business;
- Truck Transportation segment profit increased by $0.6 million with the increase in revenues largely offset by higher operating costs;
- Propane and NGL Marketing and Distribution segment profit decreased by $7.7 million due to reduced margins from the wholesale business, largely as a result of lower volumes and unfavorable pricing conditions;
- Processing and Wellsite Fluids segment profit increased by $1.2 million, primarily as a result of higher margins on asphalt, frac oils and OBM products, partially offset by lower tops and distillate revenues; and
- Marketing segment profit decreased by $2.4 million mainly due to lower margins partially offset by the impact of higher volumes.

Net income was $13.4 million in the three months ended December 31, 2014 compared to $20.7 million in the three months ended December 31, 2013. Net income decreased due to higher interest, depreciation and amortization, general and administrative and stock based compensation expenses.

SUMMARY OF QUARTERLY RESULTS

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

	2014				2013			
Three months ended	**December 31**	**September 30**	**June 30**	**March 31**	**December 31**	**September 30**	**June 30**	**March 31**
(in thousands)								
Revenues	$1,976,465	$2,360,007	$2,126,365	$2,110,692	$1,916,038	$1,841,894	$1,619,726	$1,563,011
Net income (loss)	13,406	8,542	23,838	46,155	20,724	42,599	(5,235)	45,728
EBITDA(1)	100,001	89,272	89,798	125,981	96,806	115,385	33,060	114,733
Adjusted EBITDA(2)	119,302	114,134	82,684	136,945	115,284	103,533	87,176	121,044
Earnings (loss) per share								
Basic	0.10	0.07	0.19	0.38	0.17	0.35	(0.04)	0.38
Diluted	0.10	0.07	0.19	0.37	0.16	0.35	(0.04)	0.37

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

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

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

- EBITDA:
  - excludes certain income tax payments that may represent a reduction in cash available to the Company;
  - does not reflect the Company's cash expenditures, or future requirements, for capital expenditures or contractual commitments;
  - does not reflect changes in, or cash requirements for, the Company's working capital needs; and
  - does not reflect the significant interest expense, or the cash requirements necessary to service interest payments on the Company's debt, including the Senior Unsecured Notes and the Revolving Credit Facility;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in the industry may calculate EBITDA differently than the Company does, limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to the Company to invest in the growth of the Company's business. The Company compensates for these limitations by relying primarily on the Company's IFRS results and using EBITDA only supplementally. The following table reconciles consolidated net income (loss) to EBITDA:

	2014				2013			
Three months ended	**December 31**	**September 30**	**June 30**	**March 31**	**December 31**	**September 30**	**June 30**	**March 31**
(in thousands)								
Net income (loss)	$ 13,406	$ 8,542	$ 23,838	$ 46,155	$ 20,724	$ 42,599	$ (5,235)	$ 45,728
Depreciation and amortization	58,338	53,510	49,264	48,813	52,002	44,460	44,942	42,653
Interest expense[(1)]	19,831	18,774	15,331	13,662	14,749	14,901	(5,286)	10,842
Income tax expense (recovery)	8,426	8,446	1,365	17,351	9,331	13,425	(1,361)	15,510
EBITDA	$ 100,001	$ 89,272	$ 89,798	$ 125,981	$ 96,806	$ 115,385	$ 33,060	$ 114,733

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

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

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

The following tables reconcile EBITDA to Adjusted EBITDA for each of the last eight quarters and Pro Forma Adjusted EBITDA for the year ended December 31, 2014 and 2013:

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

	Three months ended				Year ended
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2013
	(in thousands)				
EBITDA	$ 96,806	$ 115,385	$ 33,060	$ 114,733	$ 359,984
Unrealized foreign exchange loss (gain) on long-term debt (1)	17,549	(11,350)	22,898	13,354	42,451
Net unrealized (gain) from financial instruments (2)	(1,329)	(2,867)	(9,014)	(8,668)	(21,878)
Share based compensation (3)	2,258	2,365	2,023	1,625	8,271
Debt extinguishment costs (4)	-	-	38,209	-	38,209
Adjusted EBITDA	$ 115,284	$ 103,533	$ 87,176	$ 121,044	$ 427,037
Pro forma impact of acquisitions (6)					-
Pro Forma Adjusted EBITDA					$ 427,037

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

(2) Reflects the exclusion of the movement in the mark-to-market valuation of financial instruments used in risk management activities. The Company uses crude oil and NGL priced futures, options and swaps to manage the exposure to commodities price movements and foreign currency forward contracts and options to manage foreign exchange risks, although the Company does not formally designate these financial instruments as hedges for accounting purposes. Accordingly, the unrealized gains or losses on these financial instruments are recorded directly to the income statement. Management believes that this adjustment better correlates the effect of risk management activities to the underlying operating activities to which they relate.

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

(4) In connection with the repayment of the Company's long-term debt and termination of the previous revolving credit facility, the Company recorded $38.2 million of non-cash debt extinguishment expenses in the three months ended June 30, 2013.

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

The Company's operating cash flow has historically been affected by the overall profitability of sales within the Company's segments, the Company's ability to invoice and collect from customers in a timely manner and the Company's ability to efficiently implement the Company's acquisition strategy and manage costs. The Company's cash, cash equivalents and cash flow from operations have historically been sufficient to meet the Company's working capital, capital expenditure and debt servicing requirements.

The following table summarizes the Company's sources and uses of funds for the year ended December 31, 2014 and 2013:

	Year ended December 31, 2014	Year ended December 31, 2013
	(in thousands)	
Statement of Cash Flows		
Cash flows provided by (used in):		
Operating activities	$ 336,228	$ 331,631
Investing activities	(495,015)	(232,250)
Financing activities	188,199	(66,672)

Cash provided by operating activities

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

Cash provided by operations in the year ended December 31, 2014 was $336.2 million compared to $331.6 million in the year ended December 31, 2013. The increase was primarily attributable to increases in overall segment profitability, partially offset by an increase in net accounts receivable and accounts payable and income tax paid.

Cash used in investing activities

Cash used in investing activities consists primarily of expenditures for growth capital, upgrade and replacement capital and business acquisitions.

Cash used in investing activities was $495.0 million in the year ended December 31, 2014 compared to $232.3 million in the year ended December 31, 2013. The increase in cash used in investing activities was due largely to the Cal-Gas and Stittco acquisitions and capital expenditures in 2014. For a summary of capital expenditures, see "Capital expenditures" included in this MD&A.

Cash provided by (used in) financing activities

Cash provided by financing activities was $188.2 million compared to cash used in financing activities of $66.7 million in the year ended December 31, 2013.

The main reason for the change in the year ended December 31, 2014 compared to December 31, 2013 was primarily the completion of the debt offering and amendment for net proceeds of $352.0 million offset in part by the payment of net cash dividends of $108.2 million and interest of $62.1 million.

In addition, in the year ended December 31, 2013, the Company completed the notes offering on June 28, 2013 for proceeds, net of issue discount of, $764.2 million, which was offset in part by the repayment of the Tranche B Term Loan of $678.1 million. During the year ended December 31, 2013, the Company also paid debt issue and financing costs of $16.2 million, paid net cash dividends of $93.9 million, paid interest of $19.8 million, received net proceeds of $8.7 million on settlement of certain derivative financial instruments relating to interest expense and foreign exchange and received proceeds of $1.2 million on the exercise of stock options.

Liquidity sources, requirements and contractual cash requirements and commitments

The Company believes that cash on hand, together with cash from operations and borrowings under the Revolving Credit Facility, will be adequate to meet its working capital needs, upgrade and replacement capital expenditures, currently sanctioned growth capital projects, debt service, targeted dividend level and other cash requirements for at least the next twelve months. The Company had unrestricted cash of $131.9 million and $442.5 million available under the Revolving Credit Facility as at December 31, 2014.

The Company's ability to make interest payments on the Company's indebtedness, to pay targeted dividends and to fund the Company's other liquidity requirements will depend on the Company's ability to generate cash in the future. In the three months ended December 31, 2014, the Company declared a dividend of $0.30 per share for a total dividend of $37.3 million, of which $29.1 million was paid in cash on January 16, 2015 with the remainder of the dividend being settled with the issuance of common shares to shareholders participating in the Company's dividend reinvestment plan ("DRIP") and stock dividend program ("SDP"). The declaration of dividends is considered on a quarterly basis and is at the sole discretion of the Board and will be determined on the basis of earnings, financial requirements for operations and a solvency calculation.

Capital expenditures amounted to $411.5 million in the year ended December 31, 2014. As previously announced, the Company's planned capital expenditures for 2015 are expected to be approximately $510.0 million. While the Company anticipates that these planned capital expenditures will occur, they are subject to general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond the Company's control.

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

On June 12, 2014, the Company closed a Senior Unsecured Notes offering consisting of $300.0 million aggregate principal amount of 5.375% Senior Unsecured Notes due July 15, 2022 and U.S.$50.0 million aggregate principal amount of 6.75% Senior Unsecured Notes due July 15, 2021. The net proceeds from this offering were used to repay all outstanding indebtedness under its existing Revolving Credit Facility (excluding letters of credit), with the remaining net proceeds used to fund capital expenditures and general corporate purposes.

As of December 31, 2014, the Company had total outstanding Senior Unsecured Notes, excluding debt discount and the issuance costs, of U.S.$550.0 million bearing fixed interest of 6.75% per annum due July 15, 2021, $250.0 million bearing fixed interest of 7.00% per annum due July 15, 2020 and $300.0 million bearing fixed interest of 5.375% per annum due July 15, 2022 (collectively the "Notes"). Interest is payable semi-annually on January 15 and July 15 of each year the Notes are outstanding.

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

On August 20, 2014, the Company amended the terms of its $500.0 million secured revolving credit facility to, among other things, release all security held by its lenders, to extend the maturity date from June 2018 to August 2019 and to revise the definition of senior debt leverage ratio to consist of total debt excluding subordinated debt.

The Revolving Credit Facility of $500.0 million, the proceeds of which are available to provide financing for working capital and other general corporate purposes, has an accordion feature whereby the Company can increase the Revolving Credit Facility to $750.0 million subject to obtaining incremental lender commitments. The Revolving Credit Facility has an extendible term of five years, expiring on August 15, 2019. The Revolving Credit Facility provides sub-facilities for letters of credit, swingline loans and borrowings in Canadian dollars and U.S. dollars. Borrowings under the Revolving Credit Facility bear interest at a rate equal to Canadian Prime Rate or U.S. Base Rate or U.S. LIBOR or Canadian Bankers Acceptance Rate as the case may be plus an applicable margin. The applicable margin for borrowings under the Revolving Credit Facility is subject to step up and step down based on the Company's total debt leverage ratio. In addition, the Company must pay a standby fee on the unused portion of the Revolving Credit Facility and customary letter of credit fees equal to the applicable margins determined in a manner similar to the interest.

At December 31, 2014, the Company had no amounts drawn under the Revolving Credit Facility, had no restricted cash, and had issued letters of credit totaling $57.5 million.

The terms of the Company's Revolving Credit Facility require the Company to maintain certain covenants defined in the agreement including a consolidated senior debt leverage ratio of no greater than 3.5 to 1.0, a consolidated total debt leverage ratio of no greater than 4.0 to 1.0 and an interest coverage ratio of no less than 2.5 to 1.0. As at December 31, 2014, the Company was in compliance with the financial ratios with the senior debt leverage ratio at 2.2 to 1.0, total debt leverage ratio at 2.2 to 1.0, and the interest coverage ratio at 6.7 to 1.0. If the Company fails to comply with the financial covenants, the lenders may declare an event of default. An event of default resulting from a breach of a financial covenant may result, at the option of lenders holding a majority of the loans, in an acceleration of repayment of the principal and interest outstanding and a termination of the Revolving Credit Facility.

The Notes and the Revolving Credit Facility contain non-financial covenants that restrict, subject to certain thresholds, some of the Company's activities, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments and engage in specified transactions with affiliates. The Notes and the Revolving Credit Facility also contain customary events of default, including defaults based on events of bankruptcy and insolvency, non-payment of principal, interest or fees when due, breach of covenants, change in control and material inaccuracy of representations and warranties, subject to specified grace periods. As of December 31, 2014, the Company was in compliance with all of its covenants under the Notes and the Revolving Credit Facility.

Contingencies

The Company is currently undergoing various income tax related and excise tax 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. As a part of the acquisition of the Company by the wholly-owned subsidiary of R/C Guitar Cooperatief U.A., a Dutch Co-operative owned by investment funds affiliated with Riverstone Holdings LLC, from Hunting PLC ("Hunting") on December 12, 2008, Hunting has indemnified the Company for the pre-closing period impact of these audits.

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

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

Contractual obligations

The following table presents, at December 31, 2014, the Company's obligations and commitments to make future payments under contracts and contingent commitments:

	Payments due by period				
(in thousands)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-term debt[1]	$1,188,055	$ -	$ -	$ -	$1,188,055
Interest payments on long-term debt[1]	596,647	76,694	153,388	153,388	213,177
Operating lease and other commitments[2]	301,274	70,097	119,333	87,523	24,321
Total contractual obligations	$2,085,976	$ 146,791	$ 272,721	$ 240,911	$1,425,553

(1) The exchange rate used to translate the U.S. dollar obligations on the Company's long-term debt and interest payments is the rate as of December 31, 2014 of U.S.$0.8620 to $1.00.

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

As at December 31, 2014, the Company has identified and approved a capital expenditure budget, excluding acquisitions, of $409.1 million that the Company expects to undertake over the next 12 to 24 months. In addition, the Company had accrued liabilities for obligations with respect to the Company's defined benefit plans of $5.7 million and provisions associated with site restoration on the retirement of assets and environmental costs of $136.3 million but the timing of such payments is uncertain due to the estimates used to calculate these amounts and the long-term nature of these balances. The Company also has commitments relating to its risk management contracts which are discussed further in "Quantitative and Qualitative Disclosures about Market Risks".

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

On August 11, 2011, the Company formed a partnership (the "Plato Partnership") to jointly construct and own a pipeline and emulsion treating, water disposal and oilfield waste management facilities in the Plato area of Saskatchewan. The Plato Partnership commenced operations in 2012. The Company's interest in the Plato Partnership is 50%. A member of the Company's Board is also a director of the other party with the 50% interest in the Plato Partnership. At December 31, 2014 and 2013, the Company's proportionate share of property, plant and equipment was $10.2 million and $10.5 million, respectively. The impact of the Company's share of the other financial position and results of the Plato Partnership is not material to the Company's consolidated financial statements.

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

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at December 31, 2014, there were 124.5 million common shares outstanding and no preferred shares outstanding. In addition, under the Company's equity incentive award plan, there were an aggregate of 1.3 million restricted share units, performance share units and deferred share units outstanding and 2.5 million stock options outstanding as at December 31, 2014.

At December 31, 2014, awards available to grant under the Company's amended equity incentive plan were approximately 8.6 million.

As at February 27, 2015, 124.9 million common shares, 1.3 million restricted share units, performance share units and deferred share units and 2.5 million stock options were outstanding.

DIVIDENDS

The Company is currently paying quarterly dividends to holders of common shares. The payment of dividends is not guaranteed, and the amount and timing of any dividends payable by Gibson will be at the discretion of the Board and will be established on the basis of Gibson's earnings, financial requirements for operations, the satisfaction of a solvency calculation and the terms of the Company's debt agreements. In addition, in connection with Company's dividend policy, after each fiscal year end the Board will formally review the annual dividend amount.

The Board has approved a DRIP and a SDP that provide eligible holders of common shares with the opportunity to reinvest their cash dividends, on each dividend payment date, in additional common shares to be issued from treasury of Gibson. For the dividend paid on January 16, 2015, holders of approximately 22.0% of the common shares participated in the DRIP and SDP.

DISTRIBUTABLE CASH FLOW

Distributable cash flow is not a standard measure under IFRS and, therefore, may not be comparable to similar measures reported by other entities. Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends. Changes in non-cash working capital are excluded from the determination of distributable cash flow because they are primarily the result of fluctuations in product inventories or other temporary changes. Upgrade and replacement capital expenditures are deducted from distributable cash flow as they are ongoing recurring expenditures.

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

	Year ended December 31	
	2014	2013
	(in thousands)	
Cash flow from operating activities	$ 336,228	$ 331,631
Adjustments:		
Changes in non-cash working capital	105,291	90,043
Upgrade and replacement capital	(59,035)	(69,513)
Cash interest expense, including capitalized interest	(68,708)	(46,909)
Current income tax	(48,549)	(52,074)
Distributable cash flow	$ 265,227	$ 253,178
Dividends declared to shareholders	$ 148,573	$ 133,682

Dividends declared in the twelve months ended December 31, 2014 were $148.6 million, of which $112.5 million was paid in cash and the balance was settled with the issuance of common shares under the Company's DRIP and SDP. In the twelve months ended December 31, 2014, dividends declared represented 56% of the distributable cash flow generated, or distributable cash flow was 1.8 times dividends declared.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

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

The fair value of futures contracts is based on quoted market prices obtained from the CME. The fair value of swaps and option contracts is estimated based on quoted prices from various sources such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at the period end. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. No such positions existed as at December 31, 2014 and 2013. All derivative positions offset existing or anticipated physical exposures. Price-risk sensitivities were calculated by assuming 15% volatility in crude oil and NGL related prices, regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an increase or decrease in prices, the fair value of the Company's derivative portfolio would typically increase or decrease, offsetting changes in the Company's physical positions. A 15% favorable change would increase the Company's net income by $5.6 million and $3.1 million as of December 31, 2014 and 2013, respectively. A 15% unfavorable change would decrease the Company's net income by $5.6 million and $3.0 million as of December 31, 2014 and 2013, respectively. However, these changes may be offset by the use of one or more risk management strategies.

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

Under the Revolving Credit Facility, the Company is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either U.S. LIBOR, U.S. Base Rate, Canadian Prime Rate or Canadian Bankers' Acceptance rate, plus an applicable margin based on the Company's total leverage ratio. As at December 31, 2014, the Company had no amounts drawn under the Revolving Credit Facility and accordingly, was not exposed to the interest rate cash flow risk.

Currency exchange risks. The Company's monetary assets and liabilities in foreign currencies are translated at the period-end rate. Exchange differences arising from this translation are recorded in the Company's statement of operations. In addition, currency exposures can arise from revenues and purchase transactions denominated in foreign currencies. Generally, transactional currency exposures are naturally hedged (i.e., revenues and expenses are approximately matched), but where appropriate, are covered using forward exchange contracts. All of the foreign currency forward exchange contracts entered into by the Company, although effective hedges from an economic perspective, have not been designated as hedges for accounting purposes, and therefore any gains and losses on such forward exchange contracts impact the Company's earnings. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would affect the fair value of the Company's outstanding forward currency contracts and options and would decrease the Company's net income by $3.2 million and $5.3 million as at December 31, 2014 and 2013, respectively. A 5% favorable change would increase the Company's net income by $3.2 million and $5.1 million as at December 31, 2014 and 2013, respectively. The Company expects to continue to enter into financial derivatives, primarily forward contracts, to reduce foreign exchange volatility.

Additionally, currency exposure occurs on a portion of the principal of the Company's long-term debt and the related interest payments, as they are denominated in U.S. dollars. As at December 31, 2014, the Company had outstanding U.S. dollar denominated debt of U.S.$550.0 million.

As at December 31, 2014, the Company had U.S. dollar forward contracts to buy U.S. dollars at a weighted average rate of $1.0242 for U.S.$1.00 for a notional amount of U.S.$250.0 million expiring on September 15, 2017 and the Company also sold U.S. dollar call options at a strike price of $1.295 for U.S.$1.00 on a notional amount of U.S.$250.0 million expiring on September 15, 2017. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would impact both the carrying value of the Company's long-term debt and the related foreign currency contracts and would decrease the Company's net income by $10.7 million and $11.6 million as at December 31, 2014 and 2013, respectively. A corresponding favorable change would increase the Company's net income by $10.7 million and $11.6 million as at December 31, 2014 and 2013, respectively.

With respect to the related interest payments on the U.S. dollar denominated long-term debt, to date the Company has not entered into any foreign currency hedges as the Company believes that it will generate enough U.S. dollar cash inflows to pay these interest payments when due. Based on the interest rate in effect at December 31, 2014, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar as of December 31, 2014 would increase the Company's annual interest expense by $2.2 million. A 5% favorable change in the value of the Canadian dollar relative to the U.S. dollar as of December 31, 2014 would decrease the Company's annual interest expense by $2.2 million.

ACCOUNTING POLICIES

Critical accounting policies and estimates

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

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

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

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

In the year ended December 31, 2014 and 2013, the Company did not have any impairment charge with respect to property, plant and equipment, goodwill or intangible assets.

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

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

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

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

Liabilities for site restoration on the retirement of assets are recognized when the Company has an obligation to restore the site, and when a reliable estimate of that liability can be made. An obligation may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The present value is determined by discounting the expenditures expected to be required to settle the obligation using a risk-free discount rate. Estimated future expenditure is based on all known facts at the time and current expected plans for decommissioning. Among the many uncertainties that may impact the estimates are changes in laws and regulations, public expectations, prices and changes in technology. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recorded. This is subsequently depreciated as part of the asset. Other than the unwinding discount on the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding item of property, plant and equipment. As a result of a change in the risk-free rate and upward revision to the initial costs estimates, the Company recorded an increase to the provision of $40.5 million during the year ended December 31, 2014, with a corresponding increase to property, plant and equipment.

Liabilities for environmental costs are recognized when a clean-up is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the completion of a feasibility study or a commitment to a formal plan of action. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure. Estimated future expenditure is based on all known facts at the time and an assessment of the ultimate outcome. A number of factors affect the cost of environmental remediation, including the determination of the extent of contamination, the length of time remediation may require, the complexity of environmental regulations and the advancement of remediation technology.

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

Amended standards adopted by the Company

The Company adopted the following amendments to IFRS that were effective for the first time for the financial year beginning on or after January 1, 2014.

- IAS 32, Financial Instruments, Presentation (''IAS 32'') has been amended to clarify the requirements for offsetting financial assets and liabilities. The amendment clarifies that the right to offset must be available on the current date and cannot be contingent on a future event. The Company adopted these amendments on January 1, 2014 which did not result in any material impact on the consolidated financial statements.

- IFRIC 21, Accounting for Levies imposed by governments (''IFRIC 21'') was issued which clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. The Company adopted IFRIC 21 on January 1, 2014 which did not result in any material impact on the consolidated financial statements.

- IFRS 2, Share based payments (''IFRS 2'') has been amended to clarify the definition of vesting conditions. The amendment clarifies that the vesting condition is either a service or performance condition and separately defines these two conditions. The Company adopted these amendments on July 1, 2014 which did not result in any impact on the consolidated financial statements.
- IFRS 3, Business combinations (''IFRS 3'') has been amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognized in profit and loss. The Company adopted these amendments on July 1, 2014 which did not result in any impact on the consolidated financial statements.

New standards and interpretations issued but not yet adopted

- The annual improvements process addresses issues in the 2012-2014 reporting cycles including changes to IFRS 5, Non-current assets held for sale and discontinued operations, IFRS 7, Financial instruments: Disclosures, IAS 19, Employee benefits, and IAS 34, Interim financial reporting. These improvements are effective for periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of adopting these improvements on its consolidated financial statements.
- The annual improvements process addresses issues in the 2010-2012 and 2011-2013 reporting cycles including changes to IFRS 13, Fair value measurements, IFRS 8, Operating segments and IAS 24, Related party transactions. These improvements are effective for annual periods beginning on or after July 1, 2014. The Company is currently evaluating the impact of adopting these improvements on its consolidated financial statements.
- IAS 19, Employee benefits, has been amended to clarify the application of requirements to plans that require employees or third parties to contribute toward the cost of the benefits. The amendment to IAS 19 is effective for annual periods beginning on or after July 1, 2014. The Company is currently evaluating the impact of adopting these improvements on its consolidated financial statements.
- IAS 16, Property Plant and Equipment ("IAS 16"), and IAS 38, Intangible Assets ("IAS 38"), has been amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriate, and (ii) provide a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The amendments to IAS 16 and IAS 38 are effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of adopting these amendments on its consolidated financial statements.
- 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 Company is currently evaluating the impact of adopting these amendments on its consolidated financial statements.
- IFRS 11, Accounting for acquisitions of interests in joint operations ("IFRS 11"), has been amended to provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. The amendment to IFRS 11 is effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of adopting these amendments on its consolidated financial statements.
- 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, 2017. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.
- The International Accounting Standards Board ("IASB") completed the final element of its comprehensive publication of IFRS 9 Financial Instruments in July 2014. The package of improvements introduced by IFRS 9 includes a logical model for

classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

- IAS 1, Presentation of financial statements (“IAS 1”), has been amended to clarify the guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment to IAS 1 is effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of adopting these amendments on its consolidated financial statements.

DISCLOSURE CONTROLS & PROCEDURES

As part of the requirements mandated by the Canadian securities regulatory authorities under National Instrument 52-109-Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company’s Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have evaluated the design and operation of the Company's disclosure controls and procedures ("DC&P"), as such term is defined in NI 52-109, as at December 31, 2014. The CEO and CFO are also responsible for establishing and maintaining internal controls over financial reporting, ("ICFR"), as such term is defined in NI 52-109. In making its assessment, management used the Committee of Sponsoring Organizations of the Treadway Commission framework in Internal Control – Integrated Framework (2013) to evaluate the design and effectiveness of internal control over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of the Company’s financial reporting and compliance with IFRS. The Company’s CEO and CFO have evaluated, or caused to be evaluated under their supervision, the design and operational effectiveness of such controls as at December 31, 2014.

In accordance with the provisions of NI 52-109, management, including the CEO and CFO, have limited the scope of their design of the Company's DC&P and ICFR to exclude controls, policies and procedures of Cal-Gas and Stittco. Gibson acquired Cal-Gas and Stittco on August 1, 2014, and April 1, 2014, respectively. Cal-Gas and Stittco’s contribution to the Company's audited consolidated financial statements for the year ended December 31, 2014 was approximately $61.8 million of consolidated net revenues and approximately $3.1 million of consolidated income before tax. Additionally, as at December 31, 2014, Cal-Gas and Stittco’s current assets and current liabilities were approximately $43.8 million and $13.3 million, respectively, and its non-current assets and non-current liabilities were approximately $112.6 million and $13.6 million, respectively The scope limitation is primarily due to the time required for the Company’s management to assess Cal-Gas and Stittco’s DC&P and ICFR in a manner consistent with the Company's other operations.

Based on the evaluation of the design and operating effectiveness of the Company’s DC&P and ICFR, the CEO and the CFO concluded that Gibson's DC&P and ICFR were effective as at December 31, 2014. There have been no changes in ICFR that occurred during the period beginning January 1, 2014 and ended on December 31, 2014 that has materially affected or is reasonably likely to materially affect Gibson’s ICFR.

FORWARD-LOOKING STATEMENTS

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

- *the addition of assets to the business and the increase in the number of services to be offered by the Company;*
- *the Company's investment in new equipment, technology, facilities and personnel;*
- *the Company's growth strategy to expand in existing and new markets;*
- *the availability of sufficient liquidity for planned growth;*
- *new technology and drilling methodology being deployed towards conventional and unconventional production within the Company's operating areas;*
- *uncertainty and volatility relating to crude prices and price differentials between crude oil streams and blending agents;*
- *increased crude oil production and exploration activity on shore in North America, including from the Canadian oil sands;*
- *the expansion of midstream infrastructure in North America to handle increased production and expansion of capacity in the U.S. refining complex to handle heavier crude oil from the WCSB;*
- *the effect of competition in regions of North America and its impact on downward pricing pressure and regional crude oil price differentials among crude oil grades and locations;*
- *the effect of market volatility on the Company's marketing revenues and activities;*
- *the Company's ability to pay down and retire indebtedness;*
- *the Company's plans for additional strategic acquisitions, capital expenditures or other similar transaction, including the costs thereof;*
- *the Company's planned hedging activities;*
- *the Company's projections of commodity purchase and sales activities;*
- *the Company's projections of currency and interest rate fluctuations;*
- *the Company's projections of a growing dividend; and*
- *the Company's dividend policy and continuing availability of the Company's DRIP and SDP.*

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

- *future growth in world-wide demand for crude oil and petroleum products;*
- *crude oil prices supporting increased production and services in North America, including the Canadian oil sands;*
- *no material defaults by the counterparties to agreements with the Company;*
- *the Company's ability to obtain qualified personnel, owner-operators, lease operators and equipment in a timely and cost-efficient manner;*
- *the regulatory framework governing taxes and environmental matters in the jurisdictions in which the Company conducts and will conduct its business;*
- *operating costs;*
- *future capital expenditures to be made by the Company;*
- *the Company's ability to obtain financing for its capital programs on acceptable terms;*
- *the Company's future debt levels;*
- *the impact of increasing competition on the Company; and*
- *the impact of future changes in accounting policies on the Company's consolidated financial statements.*

In addition, this MD&A may contain forward-looking statements and forward-looking information attributed to third party industry sources. The Company does not undertake any obligations to publicly update or revise any forward-looking statements except as required by securities law. Actual results could differ materially from those anticipated in these forward-looking statements as a result of numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in "Forward-Looking Statements" and "Risk Factors" included in the Company's Annual Information Form dated March 3, 2015 as filed on SEDAR at www.sedar.com and available on the Gibson website at www.gibsons.com.

NON-GAAP FINANCIAL MEASURES

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

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