



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 November 3, 2015 and should be read in conjunction with the unaudited condensed consolidated financial statements and related notes of Gibson Energy Inc. ("Gibsons" or the "Company") for the three and nine months ended September 30, 2015 and 2014, the audited consolidated financial statements and related notes 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 Professional Accountants and as issued by the International Accounting Standards Board (IASB), and the MD&A for the year ended December 31, 2014. The unaudited condensed consolidated financial statements referred to above include all adjustments of a normal recurring nature necessary for the fair statement of the Company's financial position as of September 30, 2015, its results of operations for the three and nine months ended September 30, 2015 and 2014, and its cash flows for the three and nine months ended September 30, 2015 and 2014. The unaudited condensed consolidated financial statements do not include all the annual disclosures required by IFRS and should be read in conjunction with the annual audited consolidated financial statements and related notes. The results for the interim periods are not necessarily indicative of the results to be expected for any future period or for the fiscal year ending December 31, 2015. Amounts are stated in Canadian dollars unless otherwise noted.

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

EXECUTIVE OVERVIEW

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

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

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



Highlights

The key highlights for the three and nine months ended September 30, 2015 were as follows:

- Overall segment profit decreased by 15% to \$102.2 million in the three months ended September 30, 2015 compared to \$119.9 million in the three months ended September 30, 2014. Segment profit decreased by 14% to \$306.7 million in the nine months ended September 30, 2015 compared to \$357.6 million in the nine months ended September 30, 2014;
- Segment profit for the Terminal and Pipelines segment increased by 10% and 24% in the three and nine months ended September 30, 2015, respectively, compared to the three and nine months ended September 30, 2014;
- Pro Forma Adjusted EBITDA for the twelve months ended September 30, 2015 was \$413.0 million, down 3% from the twelve months ended June 30, 2015;
- Adjusted EBITDA for the three months ended September 30, 2015 decreased by 17% to \$95.1 million compared to \$114.1 million in the three months ended September 30, 2014. Adjusted EBITDA for the nine months ended September 30, 2015 decreased by \$48.5 million, or 15%, to \$285.3 million compared to \$333.8 million in the nine months ended September 30, 2014 with \$27.4 million of the decline relating to the Marketing segment;
- Revenue decreased by 43% and 35% in the three and nine months ended September 30, 2015, respectively, compared to the three and nine months ended September 30, 2014 primarily due to lower product revenue as a result of lower commodity prices and also lower service revenues that exhibited a reduction of 23% and 15% in the three and nine months ended September 30, 2015, respectively;
- The Company declared a dividend of \$0.32 per common share in the third quarter of 2015. Total dividends declared were \$40.4 million and \$120.6 million in the three and nine months ended September 30, 2015, respectively, compared to \$37.2 million and \$111.1 million in the three and nine months ended September 30, 2014, respectively;
- On August 6, 2015, the Company suspended, until further notice, Gibson's Dividend Reinvestment Plan ("DRIP") and Stock Dividend Program ("SDP");
- For the twelve months ended September 30, 2015, distributable cash flow was \$228.3 million resulting in a gross dividend payout ratio of 69% and a net dividend payout ratio of 56% based on declared dividends paid in cash;
- Capital expenditures were \$296.7 million for the nine months ended September 30, 2015, of which \$259.3 million related to growth capital. Growth capital expenditures are primarily related to the construction of tankage and pipeline connections at the Company's facilities, in particular at the Hardisty and Edmonton terminals. At September 30, 2015, the Company had capital expenditures totaling \$317.5 million included in work in progress;
- On February 1, 2015, the Company acquired all of the issued and outstanding shares of Littlehawk Enterprises Ltd. ("Littlehawk") for approximately \$11.5 million. Littlehawk operates hydrovac units and specializes in hydro excavation, pressure testing and water hauling for the construction and energy industries;
- In February and March 2015, the Company successfully commissioned two new tanks on the east side of the Hardisty Terminal resulting in a 900,000 barrel increase in capacity. In addition, the Company successfully commissioned its connectivity enhancement project related to the twinning of the Cold Lake pipeline connection to the Hardisty Terminal;
- On April 13, 2015, the Company announced its intention to construct 900,000 barrels of additional crude oil storage capacity at the Hardisty Terminal, comprised of a 400,000 barrel storage tank and a 500,000 barrel storage tank;
- On April 27, 2015, the Company announced that it will build and operate an additional 900,000 barrels of storage capacity at Gibson's Hardisty West Terminal. The expansion is intended to support Suncor Energy's ("Suncor") growth plans. The Hardisty West Terminal was developed in 2011 as a joint venture with Suncor involving the construction of four storage tanks totaling 1.2 million barrels. The terminal is an important part of Suncor's logistics infrastructure that is designed to facilitate the transportation of its crude oil production and manage the quality of its proprietary commodity streams. The expansion of the Hardisty West Terminal will support growth in Suncor's oil sands operations and increase total storage capacity at the Hardisty West Terminal by 75% to 2.1 million barrels. The new storage capacity is expected to be in-service by the middle of 2017;



- On July 1, 2015, the Company acquired all of the issued and outstanding ownership interests of Ross Eriksmoen, Inc., GWCC, LLC, and Frontier Ventures, LLC (collectively doing business as “T&R Transport”) for approximately \$34.9 million, subject to the final purchase price adjustments. T&R transports water and oil field waste and provides related transportation services to customers in the oil, gas, and petrochemical industry throughout the Bakken region in North Dakota.

On November 3, 2015, the Board declared a quarterly dividend of \$0.32 per common share for the three months ended December 31, 2015 on its outstanding common shares. The dividend is payable on January 15, 2016 to shareholders of record at the close of business on December 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 complementary midstream businesses. 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 (two to five years) are:

- Increased oil production in North America over the last number of years has increased demand for many facets of the midstream energy value chain including storage, transportation, distribution, processing, refining and environmental and production services, all of which are activities the Company participates in. However, the recent decline in crude oil prices has caused many North American oil producers, who form a significant part of Gibson’s customer base, to lower their near term capital spending plans. This is expected to negatively impact North American production over the short-term. Over the medium to long-term, as crude oil supply and demand rebalances and crude oil prices realign with global cost structures, the Company anticipates a return to increased activity and production levels and a continued demand for midstream value chain assets;
- Over the medium to long-term the growing supply of Canadian heavy crude oil from the 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, have created demand for crude by rail as a solution for export market access. While the recent decline in crude oil prices has negatively impacted the economics of this transportation alternative, the Company expects that a return to higher oil prices should create opportunities for the Company to increase its service offering to include more crude oil 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 that went into operation in July 2015 and the replacement of its Line 3 will help the growing supply of Canadian crude oil gain access to the largest refining markets in the United States and Eastern Canada. The replacement of Line 3, if approved, could provide incremental capacity by 2018. 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 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 and an increase in foreign exchange gains with respect to the Company's U.S. denominated assets;

- 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 believes demand for its services should remain strong.

Capital expenditures

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

	Nine months ended September 30,	
	2015	2014
Growth capital	\$ 259,268	\$ 251,460
Upgrade and replacement capital	37,470	39,161
	<u>\$ 296,738</u>	<u>\$ 290,621</u>

Total expenditures for growth and upgrade and replacement capital were \$296.7 million and \$290.6 million in the nine months ended September 30, 2015 and 2014, respectively. In the nine months ended September 30, 2015 and 2014, \$284.0 million and \$276.2 million, respectively, were included as additions to property, plant and equipment and \$12.7 million and \$14.4 million, respectively, were included as additions to intangible assets.

Growth capital

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

	Nine months ended September 30,	
	2015	2014
Terminals and Pipelines ⁽¹⁾	\$ 177,618	\$ 153,599
Environmental Services ⁽²⁾	35,291	55,235
Truck Transportation ⁽³⁾	21,845	15,252
Propane and NGL Marketing and Distribution ⁽⁴⁾	1,736	9,000
Processing and Wellsite Fluids ⁽⁵⁾	15,399	6,320
Other ⁽⁶⁾	7,379	12,054
Total.....	<u>\$ 259,268</u>	<u>\$ 251,460</u>

- (1) Expenditures in the nine months ended September 30, 2015 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 purchase of small terminals in the United States.
- (2) Expenditures in the nine months ended September 30, 2015 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 costs for constructing a new office and maintenance facility in Edmonton, Alberta.
- (4) Mainly represents the addition of tanks and generators in key market areas.
- (5) Expenditures in the nine months ended September 30, 2015 largely relate to increasing truck and rail capabilities at the facility in Moose Jaw.
- (6) Mainly related to costs associated with the Company's 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 4% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.

Acquisitions

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

On July 1, 2015, the Company acquired all of the issued and outstanding ownership interests of T&R Transport for approximately \$34.9 million, subject to final purchase price adjustments. T&R transports water and oil field waste and provides related transportation services to customers in the oil, gas, and petrochemical industry throughout the Bakken region in North Dakota. These services complete an integrated business model centered around the new Bakken Process Recovery Disposal and Landfill commissioned in the fourth quarter of 2014.

Seasonality

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

Within the Company's Processing and Wellsite Fluids segment, certain products are impacted by seasonality. Canadian road asphalt activity is affected by the impact of weather conditions on road construction. Road asphalt demand peaks during the summer months when most of the road construction activity in Canada takes place. In the off peak demand months for road asphalt, the demand for roofing flux continues. Demand for wellsite fluids is dependent on overall well drilling 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.



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 three and nine months ended September 30, 2015 and 2014 and the following table sets forth revenue and profit by segment for those periods:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Segment revenue				
Terminals and Pipelines	\$ 46,628	\$ 41,618	\$ 134,826	\$ 113,882
Environmental Services	91,934	131,190	252,739	315,968
Truck Transportation	106,536	139,024	348,473	413,638
Propane and NGL Marketing and Distribution	168,855	303,041	686,638	969,476
Processing and Wellsite Fluids	114,225	184,486	312,447	505,540
Marketing	1,071,115	1,998,940	3,392,792	5,502,185
Total segment revenue	1,599,293	2,798,299	5,127,915	7,820,689
Revenue—inter-segmental	(250,303)	(438,292)	(812,156)	(1,223,625)
Total revenue—external	1,348,990	2,360,007	4,315,759	6,597,064
Segment profit				
Terminals and Pipelines	34,194	31,082	102,418	82,504
Environmental Services	14,215	28,522	45,857	72,176
Truck Transportation	11,431	20,518	41,122	60,435
Propane and NGL Marketing and Distribution	19,095	13,183	63,688	54,747
Processing and Wellsite Fluids	17,249	14,263	30,163	36,868
Marketing	6,018	12,296	23,411	50,848
Total segment profit	102,202	119,864	306,659	357,578
General and administrative and other	8,397	8,968	28,779	26,401
Depreciation and amortization	61,010	53,510	181,387	151,587
Stock based compensation	5,135	3,642	14,717	10,150
Foreign exchange loss	49,466	18,207	84,994	16,250
Net interest expense	19,451	18,549	59,616	47,493
Income (loss) before income tax	(41,257)	16,988	(62,834)	105,697
Income tax provision (recovery)	(62)	8,446	5,602	27,162
Net income (loss)	\$ (41,195)	\$ 8,542	\$ (68,436)	\$ 78,535

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)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Terminals				
Hardisty Terminal	53,917	49,673	153,390	135,916
Edmonton Terminal.....	4,038	4,204	10,966	12,953
Injection stations	10,472	12,321	30,418	36,227
Total terminals.....	68,427	66,198	194,774	185,096
	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Revenue	\$ 46,628	\$ 41,618	\$ 134,826	\$ 113,882
Operating expenses and other	12,434	10,536	32,408	31,378
Segment profit.....	\$ 34,194	\$ 31,082	\$ 102,418	\$ 82,504

Three months ended September 30, 2015 and 2014.

Volumes, revenues and cost of sales.

Hardisty Terminal volumes increased by 9% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014, as a result of increased throughput volumes from customers with dedicated tank usage partially offset by lower volumes to the crude oil unit train loading facility. Revenue at the Hardisty Terminal increased by \$5.9 million in the three months ended September 30, 2015 compared to the three months ended September 30, 2014. The increase in revenue was mainly due to the additional revenue from the Company's share of operations at the crude oil unit train rail loading facility which was not being charged at full capacity in the third quarter of 2014 and the impact of these customers being subject to minimum volume charges. The increase was also due to the additional revenue and volumes from customers with dedicated tank usage that are subject to minimum volume charges, including the impact of the four new tanks at the east side of the Hardisty Terminal that were commissioned in the first quarter of 2015 and the fourth quarter of 2014.

Edmonton Terminal volumes decreased by 4% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014 mainly due to a decrease in diesel receipt volumes through the terminal from a customer that is subject to minimum volume charges, lower Marketing volumes and also the impact of tanks temporarily being taken out of service to facilitate the expansion of the facility. As a result, revenue decreased by \$0.6 million in the three months ended September 30, 2015 compared to the three months ended September 30, 2014.

Injection station volumes decreased by 15% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014 due to a decrease in activity with a major customer. As a result, revenue decreased by \$0.1 million in the three months ended September 30, 2015 compared to the three months ended September 30, 2014.

Operating expenses and other. Overall operating expenses and other increased by \$1.9 million, or 18%, in the three months ended September 30, 2015 compared to the three months ended September 30, 2014. The increase was largely due to higher operating costs, such as maintenance and repair and payroll related costs.

Segment profit. Overall, segment profit in the three months ended September 30, 2015 increased by \$3.1 million, or 10%, compared to the three months ended September 30, 2014. The increase was primarily due to the impact of the crude oil unit train rail loading facility, additional revenues from the commissioning of new dedicated tanks in 2015, partially offset by higher operating expenses.

Nine months ended September 30, 2015 and 2014.

Volumes, revenues and cost of sales.

Hardisty Terminal volumes increased by 13% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014, as a result of increased throughput volumes from customers with dedicated tank usage, partially offset by lower volumes to the crude oil unit train loading facility. Revenue at the Hardisty Terminal increased by \$23.2 million in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. The increase in revenue was mainly due to additional revenue from the Company's share of operations at the crude oil unit train rail loading facility which was



commissioned in June 2014 and was not being charged at full capacity in the third quarter of 2014 and the impact of these customers being subject to minimum volume charges. The increase was also due to the additional revenue and volumes from customers with dedicated tank usage that are subject to minimum volume charges, including the impact of the four new tanks at the east side of the Hardisty Terminal that were commissioned in the first quarter of 2015 and the fourth quarter of 2014.

Edmonton Terminal volumes decreased by 15% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 mainly due to a decrease in diesel receipt volumes through the terminal from a customer that is subject to minimum volume charges, lower Marketing volumes and also the impact of tanks temporarily being taken out of service to facilitate the expansion of the facility. As a result, revenue decreased by \$1.2 million in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.

Injection station volumes decreased by 16% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 due to a decrease in activity with a major customer. As a result, revenue decreased by \$0.3 million in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.

Operating expenses and other. Overall operating expenses and other increased by \$1.0 million, or 3%, in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. The increase was largely due to higher operating costs, such as maintenance and repair, power and payroll related costs.

Segment profit. Overall, segment profit in the nine months ended September 30, 2015 increased by \$19.9 million, or 24%, compared to the nine months ended September 30, 2014. The increase was primarily due to the impact of the crude oil unit train rail loading facility, additional revenues from the commissioning of new dedicated tanks in 2015, partially offset by higher operating expenses.

Environmental Services

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Revenues				
Environmental services and fluid handling.....	\$ 72,471	\$ 91,787	\$ 195,215	\$ 229,738
Production services.....	10,450	17,440	31,216	51,388
Other services.....	9,013	21,963	26,308	34,842
Total revenues.....	91,934	131,190	252,739	315,968
Cost of sales.....	61,379	84,223	159,709	189,046
Operating expenses and other.....	16,340	18,445	47,173	54,746
Segment profit.....	\$ 14,215	\$ 28,522	\$ 45,857	\$ 72,176

Three months ended September 30, 2015 and 2014.

Revenues and cost of sales. Environmental services and fluid handling revenues decreased by 21% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014. The decrease was primarily driven by the reduction in oilfield drilling and completion activity in the United States and Canada resulting in a reduction in the fluid handling services business in the United States and a decrease in volumes processed at the Canadian environmental processing facilities, partially offset by additional revenues from the acquisition of T&R Transport.

Production services revenue decreased by 40% in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. The decrease was primarily due to the impact of lower overall activity in the Bakken and Eagleford regions of the United States.

Other services revenue decreased by 59% in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. The decrease was primarily due to a reduction in exploration support services revenue that was largely related to a reduction in overall seismic activity and the timing of seismic projects compared to the prior year period.

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

Cost of sales decreased by 27% in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. The decrease was primarily due to the impact of the decline in revenue, which was partially offset by additional costs of sales from T&R Transport and the unfavorable impact of translating costs of sales denominated in U.S. dollars.



Operating expenses and other. Operating costs decreased by \$2.1 million in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014, mainly due to a decrease in payroll related and administrative costs, partially offset by additional operating expenses from T&R Transport and the unfavorable impact of translating operating costs denominated in U.S. dollars.

Segment profit. Segment profit decreased by \$14.3 million in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014, largely as a result of the decline in revenue and lower margins offset in part by a decrease in cost of sales and operating expenses.

Nine months ended September 30, 2015 and 2014.

Revenues and cost of sales. Environmental services and fluid handling revenues decreased by 15% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. The decrease was primarily driven by the reduction in oilfield drilling and completion activity in the United States and Canada resulting in a reduction in the fluid handling services business in the United States and a decrease in volumes processed at the Canadian environmental processing facilities, partially offset by additional revenues from the acquisition of T&R Transport.

Production services revenue decreased by 39% in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. The decrease was primarily due to the impact of lower overall activity in the Bakken and Eagleford regions of the United States.

Other services revenue decreased by 25% in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. The decrease was primarily due to a reduction in exploration support services revenue that was largely related to a reduction in overall seismic activity and the timing of seismic projects compared to the prior year period.

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

Cost of sales decreased by 16% in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. The decrease was primarily due to the impact of the decline in revenue, which was partially offset by additional costs of sales from T&R Transport and the unfavorable impact of translating costs of sales denominated in U.S. dollars.

Operating expenses and other. Operating costs decreased by \$7.6 million in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014, mainly due to a decrease in payroll related, and administrative costs, as well as lower bad debt expense, partially offset by additional operating expenses from T&R Transport and by the unfavorable impact of translating operating costs denominated in U.S. dollars.

Segment profit. Segment profit decreased by \$26.3 million in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014, largely as a result of the decline in revenue and lower margins offset in part by a decrease in cost of sales and operating expenses.



Truck Transportation

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

Volumes (barrels in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Barrels hauled	27,423	32,529	84,991	99,322
	Three months ended September 30,		Nine months ended September 30,	
	2015		2015	
	2014		2014	
	(in thousands)			
Revenue	\$ 106,536	\$ 139,024	\$ 348,473	\$ 413,638
Cost of sales	69,813	93,805	229,137	280,390
	36,723	45,219	119,336	133,248
Operating expenses and other	25,292	24,701	78,214	72,813
Segment profit.....	\$ 11,431	\$ 20,518	\$ 41,122	\$ 60,435

Three months ended September 30, 2015 and 2014.

Volumes, revenues and cost of sales. For the three months ended September 30, 2015, barrels hauled decreased by 16% compared to the three months ended September 30, 2014. The decrease was mainly due to the impact of lower crude oil prices resulting in lower production and drilling activity in the Company's service areas. As a result of the reduction in volumes and rates, overall hauling and other revenue decreased 23% in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales decreased by 26% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014 due to the overall decrease in volumes and overall activity levels.

Operating expenses and other. Overall operating expenses increased by \$0.6 million, or 2%, in the three months ended September 30, 2015 compared to the three months ended September 30, 2014, mainly due to the additional costs from the acquisition of Littlehawk, increased owner-operator operational costs in the U.S. operations and the unfavorable impact of translating operating costs denominated in U.S. dollars.

Segment profit. Segment profit decreased by \$9.1 million, or 44%, in the three months ended September 30, 2015 compared to the three months ended September 30, 2014, primarily due to lower hauling activity and an increase in operating costs.

Nine months ended September 30, 2015 and 2014.

Volumes, revenues and cost of sales. For the nine months ended September 30, 2015, barrels hauled decreased by 14% compared to the nine months ended September 30, 2014. The decrease was mainly due to the impact of lower crude oil prices resulting in lower production and drilling activity in the Company's service areas. As a result of the reduction in volumes and rates, overall hauling and other revenues decreased 16% in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales decreased by 18% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 due to the overall decrease in volumes and overall activity levels.

Operating expenses and other. Overall operating expenses increased by \$5.4 million, or 7%, in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014, mainly due to the additional costs from the acquisition of Littlehawk, increased owner-operator operational costs in the U.S. operations and the unfavorable impact of translating operating costs denominated in U.S. dollars.

Segment profit. Segment profit decreased by \$19.3 million, or 32%, in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014, primarily due to lower hauling activity and an increase in operating costs.



Propane and NGL Marketing and Distribution

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

Volumes	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Sales volumes—Industrial (litres in thousands)				
Oil and gas.....	53,458	56,536	187,503	156,597
Commercial.....	16,183	14,851	107,990	68,479
Automotive.....	6,495	6,424	16,735	16,160
Residential.....	6,183	7,204	26,699	21,080
Other.....	9,221	7,549	32,323	20,903
	<u>91,540</u>	<u>92,564</u>	<u>371,250</u>	<u>283,219</u>
Sales volumes—wholesale (barrels in thousands)				
Propane.....	605	479	2,848	2,062
Other NGLs				
Butane.....	1,062	652	3,028	2,029
Condensate.....	622	1,045	2,359	2,178
U.S. division.....	1,021	639	3,617	2,322
	<u>2,705</u>	<u>2,336</u>	<u>9,004</u>	<u>6,529</u>
			Nine months ended September 30,	
	Three months ended September 30,		2015	
	2015	2014		
			(in thousands)	
Revenues				
Industrial				
Propane.....	\$ 24,219	\$ 41,775	\$ 115,207	\$ 167,976
Other.....	5,784	5,907	21,395	19,948
Total industrial.....	<u>30,003</u>	<u>47,682</u>	<u>136,602</u>	<u>187,924</u>
Wholesale				
Propane.....	18,338	26,129	95,738	157,329
Other NGLs.....	120,514	229,230	454,298	624,223
Total wholesale.....	<u>138,852</u>	<u>255,359</u>	<u>550,036</u>	<u>781,552</u>
Total revenues.....	168,855	303,041	686,638	969,476
Cost of sales.....	129,398	270,934	560,579	863,337
Operating expenses and other.....	20,362	18,924	62,371	51,392
Segment profit.....	<u>\$ 19,095</u>	<u>\$ 13,183</u>	<u>\$ 63,688</u>	<u>\$ 54,747</u>

Three months ended September 30, 2015 and 2014.

Volumes, revenues and cost of sales. Industrial volumes decreased by 1% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014 as a result of lower oil and gas volumes offset partially by higher commercial and other volumes.

Industrial propane revenues decreased by 37% in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014, as a result of the significant decline in overall rack prices. Other industrial revenue relates to equipment sales, service labour and rental and delivery charges. Other industrial revenue decreased by 2% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014, with the small reduction due to the impact of lower demand from oil and gas customers.

Wholesale propane volumes increased by 26% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014. The increase in volumes was largely driven by higher propane demand by certain customers and also the positive impact of the Company's expansion of its rail car fleet. Wholesale propane revenues decreased by 30% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014 due to lower propane prices during the period.

Other NGLs volumes increased by 16% in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014, primarily as a result of higher demand from internal and external customers and the impact of a larger rail car



fleet. Despite the increase in volumes, other NGLs revenues decreased by 47% in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014 due to lower commodity prices.

Cost of sales decreased 52% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014 primarily driven by the impact of lower price levels.

Operating expenses and other. Overall operating expenses increased by \$1.4 million, or 8%, in the three months ended September 30, 2015 compared to the three months ended September 30, 2014, primarily due to the full quarter impact of the operating costs from the Cal-Gas acquisition in the current year period compared to a partial period in the prior year quarter.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the three months ended September 30, 2015 by \$5.9 million, or 45%, compared to the three months ended September 30, 2014 largely as a result of higher wholesale propane and NGL margins, partially offset by higher operating expenses.

Nine months ended September 30, 2015 and 2014.

Volumes, revenues and cost of sales. Industrial volumes increased by 31% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014, largely due to increased volumes from the Cal-Gas and Stittco Energy Limited ("Stittco") acquisitions completed during the prior year. However, the increase in overall volumes was negatively impacted by warmer weather in Western Canada, earlier spring break up and lower overall oilpatch activity.

Despite the increase in volumes, industrial propane revenues decreased by 27% in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014, as a result of the significant decline in overall rack prices. Other industrial revenue relates to equipment sales, service labour and rental and delivery charges. Other industrial revenue increased by 7% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014, largely due to the Company's investment in related equipment and the impact of the Cal-Gas and Stittco acquisitions.

Wholesale propane volumes increased by 38% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014. The increase in volumes was largely driven by higher propane demand by certain customers and also the impact of the Company's expansion of its rail car fleet. Wholesale propane revenues decreased by 39% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 due to lower overall propane wholesale prices.

Other NGLs volumes increased by 38% in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014, primarily as a result of higher demand from internal and external customers and the impact of a larger rail car fleet. Despite the increase in volumes, other NGLs revenues decreased by 27% in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014 due to lower overall commodity prices.

Cost of sales decreased 35% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 primarily driven by the decrease in price levels.

Operating expenses and other. Overall operating expenses increased by \$10.9 million, or 21%, in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014, primarily due to the additional operating costs from the Cal-Gas and Stittco acquisitions.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the nine months ended September 30, 2015 by \$8.9 million, or 16%, compared to the nine months ended September 30, 2014 largely as a result of the increase in volumes in the industrial propane business that was mainly created because of the Cal-gas and Stittco acquisitions and by higher wholesale and NGL margins, partially offset by lower commodity prices and higher operating expenses from the Cal-Gas and Stittco acquisitions.



Processing and Wellsite Fluids

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

Volumes (barrels in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Roofing flux.....	366	427	1,314	1,425
Road asphalt.....	345	214	465	280
Frac oils (Gibson clear and light straight run distillate).....	69	122	207	374
Distillate (D822).....	186	257	413	579
Tops.....	403	523	1,417	1,606
Other.....	71	49	218	136
Total sales volumes.....	1,440	1,592	4,034	4,400

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Revenues				
Road asphalt and roofing flux.....	\$ 62,971	\$ 72,379	\$ 150,783	\$ 185,761
Frac oils (Gibson clear and light straight run distillate).....	5,612	19,588	21,417	54,390
Distillate (D822).....	18,199	35,016	41,180	85,614
Tops.....	21,255	49,165	78,398	156,153
Other.....	6,188	8,338	20,669	23,622
Total revenues.....	114,225	184,486	312,447	505,540
Cost of sales.....	95,643	166,550	271,585	451,600
Operating expenses and other.....	1,333	3,673	10,699	17,072
Segment profit.....	\$ 17,249	\$ 14,263	\$ 30,163	\$ 36,868

Three months ended September 30, 2015 and 2014.

Volumes, revenue and cost of sales. Sales volumes for roofing flux decreased by 14% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014 due to a decrease in customer demand and also an increase in road asphalt volumes. Sales volumes for road asphalt increased by 61% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014, due to a strong paving season as a result of favorable activity levels and good weather in Western Canada and increased demand in the Northern United States. Road asphalt and roofing flux revenue decreased by 13% in the three months ended September 30, 2015 compared to three months ended September 30, 2014 mainly due to the impact of lower crude oil prices.

Frac oils volumes decreased 43% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014 largely due to an overall decrease in customer demand from lower drilling activity in the Company's markets. As a result of lower volumes and selling prices, frac oils revenue decreased by 71% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014.

Sales volumes for distillate decreased 28% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014 due to lower customer demand as a result of lower drilling activity in the Company's markets. As a result of lower volumes and selling prices, distillate revenue decreased by 48% in the quarter ended September 30, 2015, compared to the three months ended September 30, 2014.



Tops volumes decreased 23% in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014 due to the impact of more production allocated to Combined Vacuum Gas Oil ("CVGO"). Tops revenues decreased by 57% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014 due to lower crude oil prices and lower volumes sold.

Other volumes include the sale of CVGO, oil based mud product ("OBM") and solvents. Other volumes increased by 45% in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014, largely driven by sales of CVGO. Other revenue decreased by 26% in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014 due to the decrease in selling prices.

The overall cost per barrel for the suite of products sold by the Processing and Wellsite Fluids segment decreased by 37% due to the decrease in crude oil costs.

Overall margins increased by \$0.6 million, or 4%, in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. The increase was largely due to increased margins for road asphalt and roofing flux, offset in part by lower overall margins for frac oils, distillate, tops, and OBM.

Operating expenses and other. Operating expenses and other decreased by \$2.3 million, or 64%, in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. Other expenses and other decreased mainly due to the impact of foreign exchange gains on realizing U.S. dollar denominated revenue in the quarter, partially offset by an increase in maintenance and repair costs.

Segment profit. The Processing and Wellsite Fluids segment profit increased in the three months ended September 30, 2015 by \$2.9 million, or 21%, as compared to the three months ended September 30, 2014, primarily due to increased margins for road asphalt and roofing flux and lower operating expenses, offset in part by lower overall margins for frac oils, distillate, Tops.

Nine months ended September 30, 2015 and 2014.

Volumes, revenue and cost of sales. Sales volumes for roofing flux decreased by 8% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 due to a decrease in customer demand and an increase in road asphalt volumes. Sales volumes for road asphalt increased by 66% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014, due to a strong paving season as a result of favorable activity levels and good weather in Western Canada and in the Northern United States. Road asphalt and roofing flux revenue decreased by 19% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 mainly due to the impact of lower crude oil prices.

Frac oils volumes decreased 45% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 largely due to an overall decrease in customer demand from lower drilling activity in the Company's markets. As a result of lower volumes and selling prices, frac oils revenue decreased by 61% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014.

Sales volumes for distillate decreased 29% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 due to lower customer demand as a result of lower drilling activity in the Company's markets. As a result of lower volumes and selling prices, distillate revenue decreased by 52% in the year ended September 30, 2015, compared to the nine months ended September 30, 2014.

Tops volumes decreased 12% in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014 due to lower opening inventories at the start of the year and the impact of more production allocated to CVGO. Tops revenue decreased by 50% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 due to lower volumes and lower crude oil prices.

Other volumes include the sale of the Company's CVGO, OBM and solvents. Other volumes increased by 60% in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014, largely driven by new sales of the Company's CVGO. Other revenue decreased by 13% in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014 due to lower selling prices.

The overall cost per barrel for the suite of products sold by the Processing and Wellsite Fluids segment decreased by 34% due to the decrease in crude oil costs.

Overall margins decreased by \$13.1 million, or 24%, in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. The decrease was largely due to decreased margins for frac oils, distillate and tops, offset in part by higher overall margins for road asphalt and roofing flux, CVGO and OBM.



Operating expenses and other. Operating expenses decreased by \$6.4 million, or 37%, in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. Other expenses decreased mainly due to the impact of foreign exchange gains on realizing U.S. dollar denominated revenue and also a decrease in payroll related and maintenance and repair costs.

Segment profit. The Processing and Wellsite Fluids segment profit decreased in the nine months ended September 30, 2015 by \$6.7 million, or 18%, as compared to the nine months ended September 30, 2014, primarily due to decreased demand for frac oils and distillate, partially offset by lower operating costs, and higher overall margins for road asphalt and roofing flux, CVGO and OBM.

Marketing

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

Volumes (barrels in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Sales Volumes				
Crude and diluent.....	29,379	32,869	84,882	89,801

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Revenues.....	\$ 1,071,115	\$ 1,998,940	\$ 3,392,792	\$ 5,502,185
Cost of sales.....	1,063,775	1,984,364	3,364,298	5,443,329
Operating expenses and other.....	1,322	2,280	5,083	8,008
Segment profit.....	<u>\$ 6,018</u>	<u>\$ 12,296</u>	<u>\$ 23,411</u>	<u>\$ 50,848</u>

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

Calendar Period

2014

January.....	\$ 94.86
February.....	100.68
March.....	100.51
April.....	92.07
May.....	94.80
June.....	93.80
July.....	104.67
August.....	106.57
September.....	106.24
October.....	84.34
November.....	75.81
December.....	59.29

2015

January.....	47.33
February.....	50.72
March.....	47.85
April.....	54.63
May.....	59.37
June.....	59.83
July.....	50.93
August.....	42.89
September.....	45.47



Average for the three months ended September 30, 2015	\$ 46.43
Average for the nine months ended September 30, 2015	51.00
Average for the three months ended September 30, 2014	97.17
Average for the nine months ended September 30, 2014	99.61

Three months ended September 30, 2015 and 2014.

Volumes, revenues and cost of sales. Sales volumes for crude and diluent decreased by 11% in the three months ended September 30, 2015 due to a decrease in buy/sell transactions in the current year period. Revenue decreased by 46% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014 due to lower crude oil prices and lower volumes, offset in part by the revenue impact of buy/sell transactions that are recorded on a net basis.

Cost of sales decreased by 46% in the three months ended September 30, 2015 compared to the three months ended September 30, 2014 mainly due to the reduced crude oil prices.

Operating expenses and other. Operating expenses decreased by \$1.0 million, or 42%, in the three months ended September 30, 2015 compared to the three months ended September 30, 2014 primarily due to lower payroll related costs.

Segment profit. The Marketing segment profit decreased by \$6.3 million, or 51%, in the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. The three months ended September 30, 2015 was negatively impacted by the decrease in crude oil prices, the impact of tightening crude oil price differentials during the quarter and the decline in the demand for crude by rail, partially offset by a decrease in operating costs.

Nine months ended September 30, 2015 and 2014.

Volumes, revenues and cost of sales. Sales volumes for crude and diluent decreased by 6% in the nine months ended September 30, 2015 due to a decrease in buy/sell transactions in the current year period. Revenue decreased by 38% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014, primarily due to lower crude oil prices and lower volumes, offset in part by the revenue impact of buy/sell transactions that are recorded on a net basis.

Cost of sales decreased by 38% in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 mainly due to the reduced crude oil prices.

Operating expenses and other. Operating expenses decreased by \$2.9 million, or 37%, in the nine months ended September 30, 2015 compared to the nine months ended September 30, 2014 primarily due to lower payroll related costs.

Segment profit. The Marketing segment profit decreased by \$27.4 million, or 54%, in the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. In addition to a strong first quarter in 2014, the nine months ended September 30, 2015, was negatively impacted by the decrease in crude oil prices, the impact of a tightening in crude oil price differentials during the period and the decline in the demand for crude by rail, partially offset by a reduction in operating costs. In addition, profitability was negatively impacted by supply disruptions as a result of wildfires in Northern Alberta in the second quarter of 2015.

General and administrative and other, excluding depreciation and amortization

General and administrative expense (“G&A”) is comprised of costs incurred for executive services, commercial development, accounting, finance, treasury, legal, human resources, investor relations and communications that are incurred at a corporate level and are not related to a specific segment. G&A expense was \$8.4 and \$28.8 million in the three and nine months ended September 30, 2015, respectively, compared to \$9.0 and \$26.4 million in the three months and nine months ended September 30, 2014, respectively. The decrease in the three months ended September 30, 2015 was due to an increase in other income, partially offset by the incurrence of severance costs of \$1.1 million and also the inclusion of commercial development salaries in G&A and higher rent costs due to expansion of the head office space. The increase in the nine months ended September 30, 2015 was driven by an increase in payroll related costs from salary increases in 2014, the incurrence of severance costs of \$2.0 million, and the inclusion of commercial development salaries in G&A and higher rent costs due to expansion of the head office space, partially offset by an increase in other income. Also included in G&A is a loss on equity financial instruments of \$3.2 million and \$3.8 million in the three and nine months ended September 30, 2015, respectively. These equity financial instruments were entered into in the first quarter of 2015 to help manage the exposures relating to the Company’s stock based compensation programs.



Depreciation and amortization

Depreciation and amortization expense was \$61.0 million and \$181.4 million in the three and nine months ended September 30, 2015 compared to \$53.5 and \$151.6 million in the three and nine months ended September 30, 2014. 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 in 2014 as well as the Littlehawk and T&R Transport acquisitions that were completed in 2015.

Stock based compensation

Stock based compensation expense was \$5.1 million and \$14.7 million in the three and nine months ended September 30, 2015, respectively, compared to \$3.6 million and \$10.2 million in the three and nine months ended September 30, 2014, respectively. The increase was primarily due to the additional non-cash expense from the granting of stock awards in the nine months ended September 30, 2015.

Foreign exchange loss not affecting segment profit

In the three months ended September 30, 2015 and 2014, the Company recorded a foreign exchange loss of \$49.5 million and \$18.2 million, respectively. In the nine months ended September 30, 2015 and 2014, the Company recorded a foreign exchange loss of \$84.9 million and \$16.3 million, respectively.

The gains and losses recorded are primarily driven by the movement in exchange rates on the Company's U.S. dollar denominated long-term debt and related financial instruments. In the three months ended September 30, 2015 and 2014, a loss of \$50.6 million and \$29.3 million, respectively, was recorded due to the unfavorable movement in exchange rates on the Company's U.S. dollar denominated long-term debt. In the three months ended September 30, 2014, the loss was partially offset by a gain of \$10.3 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.

In the nine months ended September 30, 2015, a loss of \$98.6 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 \$10.0 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. In addition, in the first quarter of 2015, the Company received net cash of \$36.6 million on the settlement of U.S. dollar forward contracts for a notional amount of U.S.\$250.0 million and U.S dollar options for a notional amount of U.S. \$250.0 million. In the nine months ended September 30, 2014, a loss of \$30.4 million was recorded due to the unfavorable movement in exchange rates, that was offset by a gain of \$11.4 million related to the change in fair value of the Company's U.S. dollar forward and option contracts.

Net interest expense

Net interest expense, excluding the non-cash movement in financial instruments relating to interest expense, was \$19.5 million and \$59.6 million in the three and nine months ended September 30, 2015, respectively, compared to \$18.5 million and \$47.5 million in the three and nine months ended September 30, 2014, respectively. The increase was primarily due to an increase in interest charges as a result of the increase in outstanding debt balance and related foreign exchange which increased the U.S. denominated interest when expressed in Canadian dollars.

Income tax provision (recovery)

Income tax recovery was \$0.1 million in the three months ended September 30, 2015 and income tax expense was \$5.6 million in the nine months ended September 30, 2015 compared to income tax expense of \$8.4 million and \$27.2 million in the three and nine months ended September 30, 2014, respectively. The effective tax rate was 0.2% and negative 8.9% during the three and nine months ended September 30, 2015, respectively, compared to 49.7% and 25.7% in the three and nine months ended September 30, 2014, respectively. The main reasons for the lower tax expense and change in effective rate was the loss before income tax in the current year periods compared to income before tax in the prior year periods and also increase in the impact of non-deductible net capital gains and losses relating to foreign exchange movements on the Company's long-term debt. In addition, as a result of the increase in the Alberta corporate tax rate, the income tax amount in the nine months ended September 30, 2015 includes a \$6.7 million charge relating to the impact of the higher tax rate on the valuation of the Company's net deferred tax liabilities. In order to lessen the impact of the increase in the Alberta corporate tax rate, the Company elected in its 2014 tax returns to settle the provincial portion of an existing partnership deferral that would have been taxed for 2015 and 2016, resulting in an additional \$11.0 million in income tax being paid during the nine months ended September 30, 2015. In addition, income tax expense in the nine months ended September 30, 2015 includes approximately \$4.6 million of additional current tax expense relating to the net realized gain



on the settlement of the U.S. dollar forward contracts and U.S dollar options in the first quarter of 2015.

SUMMARY OF QUARTERLY RESULTS

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

	2015			December 31	2014			December 31
	September 30	June 30	March 31		September 30	June 30	March 31	
Revenues.....	\$1,348,990	\$1,574,427	\$1,392,342	\$1,976,465	\$2,360,007	\$2,126,365	\$2,110,692	\$1,916,038
Net income (loss).....	(41,195)	(6,741)	(20,500)	13,406	8,542	23,838	46,155	20,724
EBITDA ⁽¹⁾	39,224	74,816	64,652	100,001	89,272	89,798	125,981	96,806
Adjusted EBITDA ⁽²⁾	95,107	75,643	114,573	119,302	114,134	82,684	136,945	115,284
Earnings (loss) per share								
Basic.....	(0.33)	(0.05)	(0.16)	0.10	0.07	0.19	0.38	0.17
Diluted.....	(0.33)	(0.05)	(0.16)	0.10	0.07	0.19	0.37	0.16

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

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

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

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



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

	2015			2014				2013
	September 30	June 30	March 31	December 31	September 30	June 30	March 31	December 31
Net income (loss)	\$ (41,195)	\$ (6,741)	\$ (20,500)	\$ 13,406	\$ 8,542	\$ 23,838	\$ 46,155	\$ 20,724
Depreciation and amortization	61,010	62,007	58,370	58,338	53,510	49,264	48,813	52,002
Interest expense ⁽¹⁾	19,471	20,206	20,462	19,831	18,774	15,331	13,662	14,749
Income tax expense (recovery)	(62)	(656)	6,320	8,426	8,446	1,365	17,351	9,331
EBITDA	\$ 39,224	\$ 74,816	\$ 64,652	\$ 100,001	\$ 89,272	\$ 89,798	\$ 125,981	\$ 96,806

(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 twelve months ended September 30, 2015 and 2014:

	Three months ended				Twelve months ended
	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2015
EBITDA.....	\$ 39,224	\$ 74,816	\$ 64,652	\$ 100,001	\$ 278,693
Unrealized foreign exchange loss (gain) on long-term debt ⁽¹⁾	50,600	(11,495)	59,510	21,615	120,230
Net unrealized loss (gain) from financial instruments ⁽²⁾	82	7,206	(14,066)	(6,141)	(12,919)
Stock based compensation ⁽³⁾	5,135	5,116	4,466	3,827	18,544
Acquisition related costs ⁽⁴⁾	66	-	11	-	77
Adjusted EBITDA.....	\$ 95,107	\$ 75,643	\$ 114,573	\$ 119,302	\$ 404,625
Pro forma impact of acquisitions ⁽⁵⁾					8,398
Pro Forma Adjusted EBITDA.....					\$ 413,023

	Three months ended				Twelve months ended
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2014
EBITDA.....	\$ 89,272	\$ 89,798	\$ 125,981	\$ 96,806	\$ 401,857
Unrealized foreign exchange loss (gain) on long-term debt ⁽¹⁾	29,260	(19,725)	20,850	17,549	47,934
Net unrealized loss (gain) from financial instruments ⁽²⁾	(8,361)	9,064	(13,014)	(1,329)	(13,640)
Stock based compensation ⁽³⁾	3,642	3,380	3,128	2,258	12,408
Acquisition related costs ⁽⁴⁾	321	167	-	-	488
Adjusted EBITDA.....	\$ 114,134	\$ 82,684	\$ 136,945	\$ 115,284	\$ 449,047
Pro forma impact of acquisitions ⁽⁵⁾					11,484
Pro Forma Adjusted EBITDA.....					\$ 460,531

- (1) Non-cash adjustment representing the unrealized foreign exchange loss (gain) on long-term debt, as a result of the movement in exchange rates in the periods.
- (2) Reflects the exclusion of the movement in the mark-to-market valuation of financial instruments used in risk management activities. The Company uses crude oil and NGL priced futures, options and swaps to manage the exposure to commodities price movements and foreign currency forward contracts and options to manage foreign exchange risks, although the Company does not formally designate these financial instruments as hedges for accounting purposes. Accordingly, the unrealized gains or losses on these financial instruments are recorded directly to the income statement. Management believes that this adjustment better correlates the effect of risk management activities to the underlying operating activities to which they relate.
- (3) Represents the non-cash stock based compensation relating to the Company's equity incentive plan.
- (4) Represents transaction fees that were expensed in connection with acquisitions made by the Company.
- (5) Reflects the pro forma impact of acquisitions on the Company's Adjusted EBITDA as if the acquisitions that took place in the twelve months period occurred on October 1 of each twelve month period. The pro forma impact of acquisitions is calculated on the same basis as Adjusted EBITDA.



LIQUIDITY AND CAPITAL RESOURCES

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

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

The following table summarizes the Company’s sources and uses of funds for the three and nine months ended September 30, 2015 and 2014:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	(in thousands)			
Statement of Cash Flows				
Cash flows provided by (used in):				
Operating activities	\$ 51,835	\$ 28,783	\$ 345,897	\$ 199,225
Investing activities	(120,444)	(198,908)	(311,711)	(390,735)
Financing activities	(70,952)	(55,861)	(135,714)	217,388

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 three months ended September 30, 2015 was \$51.9 million compared to \$28.8 million in the three months ended September 30, 2014. This was due to use of cash to fund working capital of \$44.8 million in cash in the three months ended September 30, 2015 compared to \$83.3 million in the three months ended September 30, 2014. The increase was offset in part by the decline in segment profit.

Cash provided by operations in the nine months ended September 30, 2015 was \$345.9 million compared to \$199.2 million in the nine months ended September 30, 2014. The increase was primarily attributable to working capital that generated \$60.5 million in cash in the nine months ended September 30, 2015 compared to a use of cash to fund working capital of \$127.0 million in the nine months ended September 30, 2014. The increase was offset in part by the decline in segment profit.

Cash used in investing activities

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

Cash used in investing activities was \$120.4 million and \$311.7 million in the three and nine months ended September 30, 2015, respectively, compared to \$198.9 million and \$390.7 million in the three and nine months ended September 30, 2014, respectively. Cash used in investing activities largely relates to capital expenditures and acquisitions. For a summary of capital expenditures and acquisitions, see “Acquisitions and Capital expenditures” included in this MD&A.

Cash provided by (used in) financing activities

Cash used in financing activities was \$70.9 million in the three months ended September 30, 2015 compared to cash used in financing activities of \$55.9 million in the three months ended September 30, 2014. In the three months ended September 30, 2015, net interest and cash dividends of \$41.3 million and \$29.6 million were paid compared to net interest and cash dividends of \$29.2 million and \$27.9 million in the three months ended September 30, 2014.



Cash used in financing activities was \$135.7 million in the nine months ended September 30, 2015 compared to cash provided by financing activities of \$217.4 million in the nine months ended September 30, 2014. The change was primarily due to the net proceeds from a debt issuance totaling \$300 million and U.S. \$50 million completed in June 2014. The change was also due to the payment of net interest and cash dividends of \$83.3 million and \$88.7 million in the nine months ended September 30, 2015 compared to net interest and cash dividends of \$60.8 million and \$83.1 million in the nine months ended September 30, 2014, partially offset by the net proceeds on settlement of financial instruments of \$36.6 million.

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 \$36.3 million and \$466.3 million available under the Revolving Credit Facility as at September 30, 2015.

The Company's ability to make interest payments on the Company's indebtedness, to pay targeted dividends and to fund the Company's other liquidity requirements will depend on the Company's ability to generate cash in the future. In the three months ended September 30, 2015, the Company declared a dividend of \$0.32 per share for a total dividend of \$40.4 million, of which the entire amount was paid in cash on October 16, 2015. 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 \$296.7 million in the nine months ended September 30, 2015. For a summary of planned capital expenditures, see "2015 Capital Expenditure Program" included in this MD&A. 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 strategic acquisitions and additional capital expenditures as opportunities arise that benefit the Company's existing operations by expanding the Company's reach in existing markets or by providing platforms by which to enter new markets. Any such acquisition or capital expenditure could be material and could have a material effect on the Company's liquidity, cash flows and capital commitments and resources. Any future acquisitions, capital expenditures or other similar transactions may require additional capital and there can be no assurance that such capital will be available to the Company on acceptable terms, or at all.

As of September 30, 2015, the Company had total outstanding Senior Unsecured Notes, excluding debt discount and the issuance costs, of U.S.\$550.0 million bearing fixed interest of 6.75% per annum due July 15, 2021, \$250.0 million bearing fixed interest of 7.00% per annum due July 15, 2020 and \$300.0 million bearing fixed interest of 5.375% per annum due July 15, 2022 (collectively the "Notes"). Interest is payable semi-annually on January 15 and July 15 of each year the Notes are outstanding.

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

The Revolving Credit Facility of \$500.0 million, the proceeds of which are available to provide financing for working capital and other general corporate purposes, has an accordion feature whereby the Company can increase the Revolving Credit Facility to \$750.0 million subject to obtaining incremental lender commitments. The Revolving Credit Facility has an extendible term of five years, expiring on August 15, 2020. The Revolving Credit Facility provides sub-facilities for letters of credit, swingline loans and borrowings in Canadian dollars and U.S. dollars. Borrowings under the Revolving Credit Facility bear interest at a rate equal to Canadian Prime Rate or U.S. Base Rate or U.S. LIBOR or Canadian Bankers Acceptance Rate as the case may be plus an applicable margin. The applicable margin for borrowings under the Revolving Credit Facility is subject to step up and step down based on the Company's total debt leverage ratio. In addition, the Company must pay a standby fee on the unused portion of the Revolving Credit Facility and customary letter of credit fees equal to the applicable margins determined in a manner similar to the interest. In addition, the Company has three bilateral demand letter of credit facilities totaling \$150.0 million.

At September 30, 2015, the Company had no amounts drawn under the Revolving Credit Facility, had no restricted cash, and had issued letters of credit totaling \$33.7 million.



The terms of the Company's Revolving Credit Facility require the Company to maintain certain covenants including a consolidated senior debt leverage ratio of no greater than 4.0 to 1.0 until June 30, 2017 and 3.5 to 1.0 thereafter, a consolidated total debt leverage ratio of no greater than 4.0 to 1.0 and an interest coverage ratio of no less than 2.5 to 1.0. The consolidated senior debt ratio represents the ratio of all senior debt obligations, letters of credit and capitalized leases to Pro Forma Adjusted EBITDA. The consolidated total debt ratio represents the ratio of total debt, letters of credit and capitalized leases to Pro Forma Adjusted EBITDA. The consolidated interest coverage ratio represents the ratio of Pro Forma Adjusted EBITDA to consolidated cash interest expense. As at September 30, 2015, the Company was in compliance with the financial ratios with the senior debt leverage ratio at 3.0 to 1.0, total debt leverage ratio at 3.0 to 1.0, and the interest coverage ratio at 5.0 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 September 30, 2015, the Company was in compliance with all of its covenants under the Notes and the Revolving Credit Facility.

Contingencies

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

In the normal course of business, the Company is obligated to make future payments. These obligations represent contracts and other commitments that are known and non-cancellable. Refer to the Company's 2014 Annual MD&A, which summarizes contractual obligations as at December 31, 2014. At September 30, 2015, the Company did not have any additional material contractual obligations.

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.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at September 30, 2015, there were 126.1 million common shares outstanding and no preferred shares outstanding. In addition, under the Company's equity incentive plan, there were an aggregate of 1.8 million restricted share units, performance share units and deferred share units outstanding and 3.3 million stock options outstanding as at September 30, 2015.

At September 30, 2015, awards available to grant under the equity incentive plan were approximately 7.5 million.

As at November 2, 2015, 126.1 million common shares, 1.8 million restricted share units, performance share units and deferred share units and 3.3 million stock options were outstanding.



TRADING PRICE AND VOLUME

The Company's common shares trade on the TSX under the ticker symbol GEI. The following table sets forth the high and low sales prices per common share at the close of market, as well as total monthly trading volumes for the common shares on the TSX for the periods indicated.

Calendar Period	Price Range		Volume
	High	Low	
2014			
January	\$ 27.76	\$ 26.84	4,542,184
February	\$ 27.22	\$ 26.22	4,267,439
March	\$ 28.74	\$ 27.04	5,212,515
April	\$ 29.93	\$ 27.33	8,421,728
May	\$ 31.85	\$ 29.74	6,126,981
June	\$ 34.06	\$ 32.59	5,681,502
July	\$ 34.41	\$ 33.08	6,849,844
August	\$ 36.45	\$ 33.41	8,097,991
September	\$ 37.43	\$ 34.87	13,311,380
October	\$ 34.54	\$ 30.06	15,609,264
November	\$ 32.00	\$ 27.26	7,452,800
December	\$ 27.19	\$ 23.83	16,301,300
2015			
January	\$ 27.38	\$ 21.98	14,441,733
February	\$ 27.12	\$ 22.61	13,839,924
March	\$ 27.72	\$ 24.93	12,278,975
April	\$ 29.29	\$ 26.52	13,240,982
May	\$ 27.69	\$ 23.42	13,873,786
June	\$ 24.52	\$ 21.98	14,049,937
July	\$ 23.02	\$ 18.62	11,008,116
August	\$ 19.40	\$ 17.00	10,777,508
September	\$ 19.80	\$ 16.54	8,360,169
October	\$ 20.20	\$ 16.95	8,833,648

DIVIDENDS

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



DISTRIBUTABLE CASH FLOW

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

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

	Twelve months ended September 30, 2015
	(in thousands)
Cash flow from operating activities	\$ 482,900
Adjustments:	
Changes in non-cash working capital	(82,180)
Upgrade and replacement capital	(57,343)
Cash interest expense.....	(83,178)
Current income tax ⁽¹⁾	(31,851)
Distributable cash flow	<u>\$ 228,348</u>
 Dividends declared to shareholders	 <u>\$ 157,986</u>

(1) Excludes the \$11.0 million payment to settle the provincial portion of the partnership deferral for 2015 and 2016 and approximately \$4.6 million of additional current tax expense relating to the net realized gain on the settlement of the U.S. dollar forward contracts and U.S. dollar options in the first quarter of 2015.

Dividends declared in the twelve months ended September 30, 2015 were \$158.0 million, of which \$129.0 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 September 30, 2015, dividends declared represented 69% of the distributable cash flow generated or, distributable cash flow was 1.4 times dividends declared. On a net basis after consideration of the DRIP and SDP, declared dividends paid in cash represented 56% of the distributable cash flow generated, or distributable cash flow was 1.7 times dividends paid in cash.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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



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

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

The fair value of futures contracts is based on quoted market prices obtained from the Chicago Mercantile Exchange. The fair value of swaps and option contracts is estimated based on quoted prices from various sources such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at the period end. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. No such positions existed as at September 30, 2015 and December 31, 2014. All derivative positions offset existing or anticipated physical exposures. Price-risk sensitivities were calculated by assuming 15% volatility in crude oil and NGL related prices, regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an increase or decrease in prices, the fair value of the Company's derivative portfolio would typically increase or decrease, offsetting changes in the Company's physical positions. A 15% favorable change would increase the Company's net income by \$7.3 million and \$8.2 million as of September 30, 2015 and 2014, respectively. A 15% unfavorable change would decrease the Company's net income by \$5.9 million and \$7.2 million as of September 30, 2015 and 2014, respectively. However, these changes may be offset by the use of one or more risk management strategies.

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

Under the Revolving Credit Facility, the Company is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either U.S. LIBOR, U.S. Base Rate, Canadian Prime Rate or Canadian Bankers' Acceptance rate, plus an applicable margin based on the Company's total leverage ratio. As at September 30, 2015, 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 \$2.3 million and \$5.4 million as at September 30, 2015 and 2014, respectively. A 5% favorable change would increase the Company's net income by \$2.1 million and \$5.2 million as at September 30, 2015 and 2014, respectively. The Company expects to continue to enter into financial derivatives, primarily forward contracts, to reduce foreign exchange volatility.

Additionally, currency exposure occurs on a portion of the principal of the Company's long-term debt and the related interest payments, as they are denominated in U.S. dollars. As at September 30, 2015, the Company had outstanding U.S. dollar denominated debt of U.S.\$550.0 million.

As a result of the settlement of U.S. forward and options contracts in the first quarter of 2015 the Company had no foreign currency contracts outstanding relating to its long-term debt at September 30, 2015. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would impact both the carrying value of the Company's long-term debt and any related foreign currency contracts and would decrease the Company's net income by \$32.0 and \$16.8 million as at September 30, 2015 and 2014 respectively. A corresponding favorable change would increase the Company's net income by \$32.0 and \$16.8 million as at September 30, 2015 and 2014, respectively.

With respect to the related interest payments on the U.S. dollar denominated long-term debt, to date the Company has not entered into any foreign currency hedges as the Company believes that it will generate enough U.S. dollar cash inflows to pay these interest payments when due. Based on the interest rate in effect at September 30, 2015, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar as of September 30, 2015 would increase the Company's annual interest expense by \$2.5 million.



A 5% favorable change in the value of the Canadian dollar relative to the U.S. dollar as of September 30, 2015 would decrease the Company's annual interest expense by \$2.5 million.

Equity price risk: The Company has equity price and dilution exposure to shares that it issues under its stock based compensation programs. Gibsons uses equity derivatives to manage volatility derived from its stock based compensation programs. On January 2, 2015, the Company entered into derivative share swap contracts to manage the risks relating to its stock based compensation programs. These contracts will mature at the prevailing share prices in accordance with the specific maturities of each contract over a three year period. As at September 30, 2015, the Company estimates that a 10% increase in the Company's share price would have resulted in a \$0.7 million increase in the Company's net income. A corresponding decrease in the Company's share price would decrease the Company's net income by \$0.7 million. Such contracts did not exist in 2014.

ACCOUNTING POLICIES

Critical accounting policies and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. Predicting future events is inherently an imprecise activity and, as such, requires the use of judgment. Actual results may vary from estimates in amounts that may be material to the financial statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the Company's consolidated financial statements. The Company's critical accounting policies and estimates are discussed in the Company's Annual 2014 MD&A dated March 3, 2015 as filed on SEDAR.

Amended standards adopted by the Company

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

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

DISCLOSURE CONTROLS & PROCEDURES

Based on the evaluation of the design and operating effectiveness of the Company's disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), the Chief Executive Officer and the Chief Financial Officer concluded that Gibson's DC&P and ICFR were effective as at September 30, 2015.

During the three months ended September 30, 2015, there were no changes made to Gibsons ICFR that materially affected, or are reasonably likely to materially affect, its 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 Gibsons website at www.gibsons.com.



NON-GAAP FINANCIAL MEASURES

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

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