Condensed Consolidated Financial Statements

March 31, 2018 and 2017

GIBSON ENERGY

Gibson Energy Inc.

Condensed Consolidated Balance Sheets

(tabular amounts in thousands of Canadian dollars)

	March 31, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 55,250	$ 32,138
Trade and other receivables (note 5)	351,792	494,901
Inventories (note 6)	101,793	169,957
Income taxes receivable	8,760	11,102
Prepaid and other assets	10,817	18,401
Net investment in finance leases	893	1,828
Assets held for sale (note 4)	371,316	-
Total current assets	900,621	728,327
Non-current assets		
Property, plant and equipment (note 7)	1,483,110	1,619,688
Right-of-use assets (note 8)	102,305	-
Long-term prepaid and other assets	7,093	7,364
Net investment in finance leases	155,073	118,020
Deferred income tax assets	23,935	75,221
Intangible assets	30,274	33,849
Goodwill	348,224	381,965
Total non-current assets	2,150,014	2,236,107
Total assets	$ 3,050,635	$ 2,964,434
Liabilities		
Current liabilities		
Trade payables and accrued charges (note 12)	343,730	500,662
Income taxes payable	6,560	-
Dividends payable	47,472	47,257
Deferred revenue	-	7,013
Contract liabilities (note 3)	13,100	-
Lease liabilities – current portion (note 11)	27,148	-
Liabilities related to assets held for sale (note 4)	159,258	-
Total current liabilities	597,268	554,932
Non-current liabilities		
Long-term debt (note 10)	1,144,479	1,118,119
Lease liabilities – non-current portion (note 11)	79,509	-
Convertible debentures	90,536	89,919
Provisions (note 13)	167,079	183,527
Other long-term liabilities	6,610	6,512
Deferred income tax liabilities	96,566	100,823
Total non-current liabilities	1,584,779	1,498,900
Total liabilities	2,182,047	2,053,832
Equity		
Share capital (note 14)	1,944,023	1,932,103
Contributed surplus	38,349	48,706
Accumulated other comprehensive income	182,757	174,186
Convertible debentures	7,023	7,023
Deficit (note 3)	(1,303,564)	(1,251,416)
Total equity	868,588	910,602
Total liabilities and equity	$ 3,050,635	$ 2,964,434

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.

Condensed Consolidated Statements of Operations

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

	Three months ended March 31,	
		(Restated – note 4)
Continuing operations	**2018**	**2017**
Revenue (note 16)	$ 1,736,619	$ 1,398,823
Cost of sales (note 15)	1,675,274	1,348,809
Gross profit	61,345	50,014
General and administrative expenses (note 15)	17,637	10,925
Goodwill impairment (note 4)	1,979	-
Other operating income	(706)	(1,593)
Operating income	42,435	40,682
Finance costs, net (note 10)	23,160	68,618
Income (loss) before income taxes	19,275	(27,936)
Income tax expense (recovery) (note 9)	6,451	(24,819)
Net income (loss) from continuing operations	12,824	(3,117)
Net (loss) income from discontinued operations, after tax (note 4)	(18,129)	150,965
Net (loss) income	$ (5,305)	$ 147,848
(Loss) earnings per share		
Basic earnings (loss) per share from continuing operations	$ 0.09	$ (0.02)
Basic (loss) earnings per share from discontinued operations	(0.13)	1.06
Basic (loss) earnings per share	$ (0.04)	$ 1.04
Diluted earnings (loss) per share from continuing operations	$ 0.09	$ (0.02)
Diluted (loss) earnings per share from discontinued operations	(0.12)	1.04
Diluted (loss) earnings per share	$ (0.03)	$ 1.02

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.

Condensed Consolidated Statements of Comprehensive Income

(tabular amounts in thousands of Canadian dollars)

	Three months ended March 31, 2018	Three months ended March 31, (Restated – note 4) 2017
Net (loss) income	$ (5,305)	$ 147,848
Other comprehensive income (loss)		
Items that may be reclassified subsequently to statement of operations		
Exchange differences on translating foreign operations	2,354	(1,693)
Other comprehensive income (loss) from discontinued operations	6,217	(1,322)
Items that will not be reclassified to statement of operations		
Remeasurements of post-employment benefit obligation, net of tax	-	59
Other comprehensive income (loss), net of tax	8,571	(2,956)
Comprehensive income	$ 3,266	$ 144,892

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.

Condensed Consolidated Statements of Changes in Equity

(tabular amounts in thousands of Canadian dollars)

	Share capital (note 14)	Contributed surplus	Accumulated other comprehensive income (loss)	Convertible debentures	Deficit	Total Equity
Balance – January 1, 2017	$1,909,032	$ 46,899	$ 201,089	$ 7,151	$(1,107,075)	$1,057,096
Net income	-	-	-	-	147,848	147,848
Other comprehensive loss, net of tax	-	-	(3,015)	-	59	(2,956)
Comprehensive (loss) income	-	-	(3,015)	-	147,907	144,892
Stock based compensation	-	(1,145)	-	-	-	(1,145)
Convertible debentures - tax	-		-	(128)	-	(128)
Proceeds from exercise of stock options	1,080	-	-	-	-	1,080
Reclassification of contributed surplus on issuance of awards under equity incentive plan	12,499	(12,499)	-	-	-	-
Dividends on common shares ($0.33 per common share)	-	-	-	-	(47,057)	(47,057)
Balance – March 31, 2017	$ 1,922,611	$ 33,255	$ 198,074	$ 7,023	$(1,006,225)	$1,154,738
Balance – January 1, 2018, as previously reported	$1,932,103	$ 48,706	$ 174,186	$ 7,023	$(1,251,416)	$ 910,602
Impact of change in accounting policy (note 3)	-	-	-	-	629	629
Restated balance – January 1, 2018	$1,932,103	$ 48,706	$ 174,186	$ 7,023	$(1,250,787)	$ 911,231
Net loss	-	-	-	-	(5,305)	(5,305)
Other comprehensive income, net of tax	-	-	8,571	-	-	8,571
Comprehensive income	-	-	8,571	-	(5,305)	3,266
Stock based compensation	-	1,563	-	-	-	1,563
Reclassification of contributed surplus on issuance of awards under equity incentive plan	11,920	(11,920)	-	-	-	-
Dividends on common shares ($0.33 per common share)	-	-	-	-	(47,472)	(47,472)
Balance – March 31, 2018	$ 1,944,023	$ 38,349	$ 182,757	$ 7,023	$(1,303,564)	$ 868,588

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.

Condensed Consolidated Statements of Cash Flows

(tabular amounts in thousands of Canadian dollars)

	Three months ended March 31, 2018	(Restated – note 4) 2017
Cash flows from operating activities		
Net income (loss) from continuing operations	$ 12,824	$ (3,117)
Adjustments for non-cash items (note 19)	80,838	70,219
Changes in items of working capital (note 19)	32,259	31,333
Income taxes refund, net (note 19)	1,267	714
Cash provided by operating activities from continuing operations	127,188	99,149
Cash provided by (used in) discontinued operations (note 4)	9,621	(4,730)
Net cash provided by from operating activities	**136,809**	**94,419**
Cash flows from investing activities		
Purchase of property, plant and equipment	(48,106)	(45,605)
Purchase of intangible assets	(898)	(1,637)
Proceeds on sale of assets	3,929	2,958
Cash used in by investing activities from continuing operations	(45,075)	(44,284)
Cash (used in) provided by discontinued operations (note 4)	(2,350)	432,172
Net cash (used in) provided by investing activities	**(47,425)**	**387,888**
Cash flows from financing activities		
Payment of shareholder dividends	(47,257)	(46,772)
Interest paid, net	(31,169)	(54,347)
Proceeds from exercise of stock options	-	1,080
Finance lease payments (note 11)	(13,670)	-
Proceeds from issuance of long-term debt, net of cost	-	345,600
Repayment of long-term debt, net of cost	-	(703,483)
Proceeds from credit facilities, net	25,929	-
Settlement of financial instruments not affecting operating activities (note 17)	-	(5,079)
Cash used in financing activities from continuing operations	(66,167)	(463,001)
Cash used in financing activities from discontinued operations (note 4)	(987)	-
Net cash used in financing activities	**(67,154)**	**(463,001)**
Net increase in cash and cash equivalents	22,230	19,306
Effect of exchange rate on cash and cash equivalents	882	266
Cash and cash equivalents – beginning	32,138	60,159
Cash and cash equivalents – ending	**$ 55,250**	**$ 79,731**

See accompanying notes to the condensed consolidated financial statements

See note 19 for supplemental disclosures

1 Description of the business and segmented disclosure

Gibson Energy Inc. ("Gibson Energy" or the "Company") was incorporated pursuant to the Business Corporations Act (Alberta) on April 11, 2011. The Company is incorporated in Alberta and domiciled in Canada. The address of the Company's principal place of business is 1700, 440 Second Avenue S.W., Calgary, Alberta, Canada. The Company's common shares are traded on the Toronto Stock Exchange under the symbol "GEI".

Gibson is an oil Infrastructure company with our principal businesses consisting of the storage, optimization, processing, and gathering of crude oil and refined products.

The Company's reportable segments are:

(1) **Infrastructure,** which includes a network of midstream infrastructure assets that includes oil terminals, rail loading and unloading facilities, injection stations, gathering pipelines and processing facilities that collect, store, and process oil and other liquid hydrocarbon production and by-products before eventual distribution to end-use markets. The primary facilities within this segment include the terminals located at Edmonton and Hardisty, which are the principal hubs for aggregating and exporting oil and refined products out of the Western Canadian Sedimentary Basin; gathering pipelines, which are connected to the Hardisty Terminal; injection stations, which are located in the United States (U.S.); a crude oil processing facility in Moose Jaw, Saskatchewan, and processing, recovery, and disposal (PRD) terminals located throughout Western Canada. The PRD business is dependent upon the drilling activity in various areas of operations and as a result, the PRD business is impacted by seasonality due to road bans as part of spring break-up.

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

(3) **Wholesale,** which includes the purchasing, selling, storing and blending of hydrocarbon products, including crude oil, road asphalt, roofing flux, frac oils, light and heavy straight run distillates, combined vacuum gas oil, and an oil based mud product. This segment earns margins by providing aggregation services to producers and/by capturing quality, locational or time-based arbitrage opportunities. Canadian road asphalt activity, related to Refined Products, is affected by the impact of weather conditions on road construction. Road asphalt demand peaks during the summer months when most of the road construction activity in Canada takes place. In the off peak demand months for road asphalt, the demand for roofing flux continues. Demand for wellsite fluids is dependent on overall well drilling and completion activities, with activity normally the busiest in the winter months. Demand for propane and other NGLs is also highest in the colder months of the year.

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

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

Accounting policies used for segment reporting are consistent with the accounting policies used for the preparation of the Company's consolidated financial statements. Inter-segmental transactions are eliminated upon consolidation and the Company does not recognize margins on inter-segmental transactions.

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

Three months ended March 31, 2018 [1]

	Infrastructure	Logistics	Wholesale	Total
Statement of operations				
Revenue				
External	$ 59,506	$ 62,690	$ 1,614,423	$ 1,736,619
Inter-segmental	33,028	9,361	154,267	196,656
External and inter-segmental	92,534	72,051	1,768,690	1,933,275
Segment profit	$ 68,582	$ 4,333	$ 29,149	$ 102,064
Corporate & other reconciling items				
Depreciation and impairment of property, plant and equipment				28,809
Depreciation of right-of-use assets				12,489
Amortization and impairment of intangible assets				3,556
Impairment of goodwill				1,979
General and administrative				8,468
Stock based compensation				4,498
Corporate foreign exchange gain				(170)
Interest expense, net				19,331
Foreign exchange loss on long-term debt				3,829
Net income from continuing operations before income tax				19,275
Income tax expense				6,451
Net income from continuing operations				12,824
Net loss from discontinued operations, after tax (note 4)				(18,129)
Net loss from operations				$ (5,305)

Three months ended March 31, 2017 [1] (restated [2])

	Infrastructure	Logistics	Wholesale	Total
Statement of operations				
Revenue				
External	$ 52,680	$ 69,210	$ 1,276,933	$ 1,398,823
Inter-segmental	32,045	11,716	109,694	153,455
External and inter-segmental	84,725	80,926	1,386,627	1,552,278
Segment profit	$ 60,383	$ 6,150	$ 17,916	$ 84,449
Corporate & other reconciling items				
Depreciation and impairment of property, plant and equipment				30,627
Amortization and impairment of intangible assets				4,452
General and administrative				9,519
Stock based compensation recovery				(1,359)
Debt extinguishment cost				49,327
Corporate foreign exchange loss				528
Interest expense, net				24,219
Foreign exchange gain on long-term debt				(4,928)
Net loss from continuing operations before income tax				(27,936)
Income tax recovery				(24,819)
Net loss from continuing operations				(3,117)
Net income from discontinued operations, after tax (note 4)				150,965
Net income from operations				$ 147,848

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

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

	Three months ended March 31			
	2018		2017 (restated [2])	
	Property, plant and equipment	Intangible Assets	Property, plant and equipment	Intangible Assets
Infrastructure	$ 28,608	$ 70	$ 26,039	$ 246
Logistics	588	43	1,355	21
Wholesale	89	-	-	-
Corporate	496	758	65	1,463
	$ 29,781	$ 871	$ 27,459	$ 1,730

1. *Due to the adoption of new accounting standards effective January 1, 2018 as discussed in note 3, the comparative information has not been restated and, therefore, the results may not be comparable.*
2. *Comparative period segment information was restated to reflect the results of continuing operations separately from discontinued operations. See note 4 for further details.*

Other Geographic Data

Based on the location of the end user, approximately 15% and 21% of total revenue was from customers in the United States for the three months ended March 31, 2018 and 2017, respectively.

The Company's non-current assets, excluding investment in finance leases and deferred tax assets, are primarily concentrated in Canada with 8% and 12% in the United States at March 31, 2018 and December 31, 2017, respectively.

2 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, as set out in IAS 34, "Interim Financial Reporting". The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with IFRS as issued by the IASB. For changes in accounting policies effective January 1, 2018, refer to note 3. These condensed consolidated financial statements were approved for issuance by the Company's board of directors ("Board") on May 8, 2018. Certain reclassifications of prior year amounts have been made to conform to the current year presentation and current information presented are not comparable due to the adoption of new IFRSs as discussed in note 3 and the presentation of continuing operations separately from discontinued operations as discussed in note 4. These condensed consolidated financial statements are presented in Canadian dollars, the Company's functional and presentation currency, and all values are rounded to the nearest thousands of dollars, except where indicated otherwise. All references to $ are to Canadian dollars and references to U.S.$ are to United States dollars.

3 Changes in accounting policies and disclosures

A. New interpretations and amended standards adopted by the Company

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

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

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

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

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

B. Adoption of new accounting standards

IFRS 16 – Leases ("IFRS 16") is effective for years beginning on or after January 1, 2019, however the Company has elected to adopt IFRS 16 effective January 1, 2018, concurrent with the adoption date of IFRS 9 – Financial Instruments ("IFRS 9"), and IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). These standards have been applied using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Accordingly, comparative information in the Company's condensed consolidated balance sheets, condensed consolidated statements of operations, condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated cash flow statements are not restated.

The impacts of the adoption of IFRS 9, 15 and 16, as at January 1, 2018 are as follows:

Condensed consolidated balance sheet adjustments

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

Footnotes

(i) Financial instruments

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

- Trade receivables
- Net investments in finance leases

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

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

(ii) Revenue recognition

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

(iii) Leases

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

There was no impact to lessor accounting from the adoption of IFRS 16.

C. Change in significant accounting policies

Upon the adoption of IFRS 15, 9 and 16, the Company adopted the following significant accounting policies effective January 1, 2018:

(i) Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer, at a point in time or over time. The Company does not have contracts where the period between the transfer of the promised goods or services to the customer and payments by the customer exceeds one year. As such, no adjustments are made to the transaction prices for the time value of money. The following is a description of principal activities, from which the Company generates its revenue.

Infrastructure – principally generates revenue through the provision of services which are charged through long-term fixed-fee contracts primarily related to a network of midstream infrastructure assets that includes oil terminals, rail loading and unloading facilities, PRD terminals, injection stations, gathering pipelines and processing facilities that collect, store, and process oil and other liquid hydrocarbon production and by-products before eventual distribution to end-use markets. The typical length of a contract is 10 years, with contract lengths extending up to 25 years, and includes a fixed and/or take or pay portion for the use of the midstream infrastructure and a variable portion related to the servicing of volume throughput. The Company accounts for individual services separately if they are distinct, indicated by the fact that they are separately identifiable from other services provided and the customer can benefit from these distinct services. The stand-alone prices on services are determined by the rates listed within the individual contracts related to the service. The Company recognizes revenue over time as services are provided on a monthly basis, consistent with when the services are billed and paid.

Logistics – generates revenue by providing transportation and related services that include providing hauling services for crude, condensate, propane, butane, asphalt, methanol, sulfur, petroleum coke, gypsum, emulsion, waste water and drilling fluids for many of North America's leading oil and gas producers. The typical length of the arrangement is short-term in accordance with a customer's current hauling requirements. The Company accounts for individual hauling services separately if they are distinct, indicated by the fact that they are separately identifiable from other hauling services provided and the customer can benefit from these distinct services. The stand-alone prices on services are determined by the rates listed by the Company and are predetermined based on the volume of products serviced. The Company recognizes revenue over time as hauling and transportation services are provided and control of the service transfers to the customer, consistent with when the services are billed and paid.

Wholesale – generates revenue through the purchasing, selling, storing and blending of hydrocarbon products, including crude oil, NGLs, road asphalt, roofing flux, frac oils, light and heavy straight run distillates, combined vacuum gas oil, and an oil based mud product, as well as by providing aggregation services to producers and/by capturing quality, locational or time-based arbitrage opportunities. The typical length of the arrangement is short to long term in accordance with a customer's current product demands which are generally grouped as spot sales where no commitment exists prior to the day of the transaction, term sales where a commitment exists over a period of time for negotiated sales, and evergreen sales where contracts are automatically renewed on a month to month basis. The Company accounts for individual product sales separately if they are distinct, indicated by the fact that they are separately identifiable from other enforceable rights and obligations and the customer can benefit from these distinct services. The stand-alone prices on product sales are determined by the rates listed within market indexes and benchmarks and usually include quality or transportation adjustments. The Company recognizes revenue at a point in time as products are delivered and control of the product has transferred to the customer, consistent with when the products are billed and paid. All payments received before delivery are recorded as deferred revenue and are recognized as revenue when delivery occurs, assuming all other criteria are met. Revenues from buy/sell transactions which are monetary transactions containing commercial substance is recognized on a gross-basis as separate performance obligations. Revenues from buy/sell transactions of non-monetary exchanges of similar products, which lack commercial substance, are recognized on a net basis.

(ii) Financial Instruments

Financial assets

For trade receivables, the simplified approach is applied to the Company's respective business units, which requires the use of the lifetime expected loss provisions for expected credit losses. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of operations. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. For lease receivables, the general approach is applied which requires the recognition of twelve-month expected loss provisions for expected credit losses on lease receivables that have low credit risk at January 1, 2018. Where such lease receivables have had a significant increase in credit risk since initial recognition but no objective evidence of impairment, lifetime expected loss provision is used with interest calculated on the gross carrying amount of the asset. Where objective evidence of impairment exists, interest is calculated on the carrying amount net of the impairment.

(iii) Leases – lessee

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 – Leases ("IAS 17"). Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of operations over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company uses a single discount rate for a portfolio of leases with reasonably similar characteristics. Lease payments on short term leases with lease terms of less than twelve months or leases on which the underlying asset is of low value are accounted for as expenses in the consolidated statement of operations.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. These lease payments are discounted using the Company's incremental borrowing rate where the rate implicit in the lease is not readily determinable.

Right-of-use assets are measured at cost comprising of the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date, any initial direct costs, and restoration costs.

D. Critical accounting estimates and judgements

(i) Estimation uncertainty arising from variable lease payments

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

(ii) Critical judgements in determining the lease term

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

(iii) Impairment provision for financial assets

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

E. New standards and interpretations issued but not yet adopted

There were no new standards or interpretations issued during the quarter.

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

4 Assets and liabilities held for sale, and discontinued operations

During the quarter ended March 31, 2018, the Company completed the assessment of various disposal groups that met the criteria under IFRS 5 – *Non-Current Assets Held for Sale and Discontinued Operations* ("IFRS 5") as held for sale and/or discontinued operations. Noted below is a brief description of each disposal group:

i) U.S. Environmental Services business

During the quarter ended March 31, 2018, the Company met the criteria under IFRS 5 for its U.S. Environmental Services business to be classified as held for sale. The trigger was based on certain events that occurred during the period supporting the high probability of the sale of the business, including the announcement of entering into definitive sale agreements. As a result, the related assets and liabilities were classified as held for sale and the results were presented as discontinued operations. The net assets of the business were measured at the lower of carrying amount and fair value less cost of disposal (FVLCD). The aggregate sale proceeds of US$96 million (CAD$125 million), less expected transaction costs of US$4 million (CAD$5 million), were used to determine the FVLCD. The valuation is classified as a level 3 valuation as it is based on a quoted price in an inactive market. As a result, no additional impairment write-downs were recorded in Q1 2018.

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

The following tables set forth the operating results from discontinued operations for the three months ended March 31, 2018 and 2017:

	Three months ended March 31,	
	2018	**2017**
Revenue	$ 68,868	$ 50,739
Cost of sales	64,482	61,734
Gross profit	4,386	(10,995)
Other operating income	273	104
Income (loss) before income taxes	4,659	(10,891)
Income tax provision – current	-	455
Income tax expense (recovery) – deferred	22,788	(4,555)
Net loss from discontinued operations, after tax	$ (18,129)	$ (6,791)

ii) Natural Gas Liquid (NGL) Wholesale business

As at March 31, 2018, the Company met the criteria under IFRS 5 for its NGL Wholesale businesses to be classified as held for sale. The trigger was based on certain events that occurred during the period supporting the high probability of the sale of the business. As a result, the related assets and liabilities were classified as held for sale. The net assets were measured at the lower of carrying amount and FVLCD. The FVLCD was determined based on the multiples approach, which is classified as a level 3 valuation. As a result, no impairment write-downs were recorded.

The NGL Wholesale businesses, which is included within Company's Canadian and U.S. Wholesale operating segments, did not meet the criteria to be classified as discontinued operations as it does not represent a separate major line of business or geographical area of operations.

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

iii) U.S. Logistics and Infrastructure disposal group

As at March 31, 2018, the Company met the criteria under IFRS 5 for certain assets related to U.S. Trucking and Transportation and U.S. Injection Station business (together referred to as "U.S. other disposal group") to be classified as held for sale. The trigger was based on certain events that occurred during the period supporting the high probability of the sale of the business. As a result, the related assets and liabilities were classified as held for sale. The net assets were measured at the lower of carrying amount FVLCD. The FVLCD was determined based on a cash-flow model, which is classified as a level 3 valuation. As a result, an impairment charge to goodwill of $2 million was recorded as at March 31, 2018. The disposal group relates to assets within Company's Logistics and Infrastructure operating segment.

The U.S. other disposal group, which is included within Company's U.S. Trucking operating segments, did not meet the criteria to be classified as discontinued operations as it does not represent a separate major line of business or geographical area of operations.

Assets and liabilities held for sale comprises of the following:

	As at March 31, 2018			
Assets	**U.S. Environmental Services business**	**NGL Wholesale business**	**U.S. other disposal group**	**Total**
Trade and other receivables	$ 49,493	$ 61,527	$ -	$ 111,020
Inventories	12,400	20,848	-	33,248
Property, plant and equipment (note 7)	84,877	10,463	8,063	103,403
Intangible assets	853	-	-	853
Right-of-use assets (note 8)	19,364	38,140	669	58,173
Goodwill	-	31,840	-	31,840
Deferred income tax asset	27,444	-	-	27,444
Other assets	2,200	3,135	-	5,335
Total assets held for sale	$ 196,631	$ 165,953	$ 8,732	$ 371,316
Liabilities				
Trade payables and accrued charges	$ 22,547	$ 58,306	$ -	$ 80,853
Contract liabilities	-	1,161	-	1,161
Lease liability (note 11)	19,155	38,989	707	58,851
Provisions (note 13)	17,315	-	1,031	18,346
Other liabilities	-	47	-	47
Total liabilities held for sale	$ 59,017	$ 98,503	$ 1,738	$ 159,258

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

iv) Industrial Propane

During Q1 2017, the Company sold its Industrial Propane segment for cash proceeds of $433.1 million as disclosed in note 8 of the Company's annual audited consolidated financial statements for the year ended December 31, 2017. The following tables set forth operating results from discontinued operations:

	Three months ended March 31, 2017 [1]
Revenue	$ 58,296
Cost of sales	44,678
Gross profit	13,618
Other operating income	19
Segment profit	13,637
Gain on sale	175,364
Income before income taxes	189,001
Income tax expense – current	30,970
Income tax expense – deferred	275
Net income from discontinued operations, after tax	$ 157,756

1. The Company derecognized the Industrial Propane segment effective March 1, 2017, accordingly, results for three months ended March 31, 2017 represent the activity for the period January 1, 2017 to February 28, 2017.

5 Trade and other receivables

	March 31, 2018	December 31, 2017
Trade receivables	$ 340,526	$ 480,084
Allowance for doubtful accounts	(128)	(931)
Trade receivables – net	340,398	479,153
Risk management assets (note 17)	3,823	6,032
Broker accounts receivable	3,144	4,441
Indirect taxes receivable	19	2,712
Other	4,408	2,563
	$ 351,792	$ 494,901

6 Inventories

	March 31, 2018	December 31, 2017
Crude oil and diluent	$ 62,362	$ 79,223
Asphalt	24,613	19,817
Natural gas liquids	1,102	44,087
Wellsite fluids and distillate	12,461	13,150
Spare parts and other	1,255	13,680
	$ 101,793	$ 169,957

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

7 Property, plant and equipment

	Land & Buildings	Pipelines and Connections	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Cost:							
At January 1, 2018	$ 189,090	$ 225,679	$ 642,137	$ 411,694	$ 937,378	$ 185,739	$ 2,591,717
Additions	417	48	160	1,710	931	29,273	32,539
Disposals	(651)	-	(832)	(11,874)	(3,436)	-	(16,793)
Reclassifications	552	11,689	26,133	-	27,755	(66,129)	-
Change in decommissioning provision (note 13)	-	(199)	1,292	-	(379)	-	714
Reclassed to net investment in finance leases	-	-	(36,389)	-	-	-	(36,389)
Effect of movements in exchange rates	825	-	404	6,468	6,861	186	14,744
Transferred to held for sale (note 4)	(28,727)	-	(8,573)	(119,272)	(217,734)	-	(374,306)
At March 31, 2018	$ 161,506	$ 237,217	$ 624,332	$ 288,726	$ 751,376	$ 149,069	$ 2,212,226
Accumulated depreciation:							
At January 1, 2018	$ 37,865	$ 82,192	$ 121,173	$ 286,181	$ 444,618	-	$ 972,029
Depreciation	1,573	2,399	6,056	6,194	15,062	-	31,284
Impairment	-	-	82	197	116	-	395
Disposals	(412)	-	(735)	(9,460)	(3,434)	-	(14,041)
Effect of movements in exchange rates	142	-	179	5,129	4,902	-	10,352
Transferred to held for sale (note 4)	(5,622)	-	(3,583)	(107,765)	(153,933)	-	(270,903)
At March 31, 2018	$ 33,546	$ 84,591	$ 123,172	$ 180,476	$ 307,331	-	$ 729,116
Carrying amounts:							
At January 1, 2018	$ 151,225	$ 143,487	$ 520,964	$ 125,513	$ 492,760	$ 185,739	$ 1,619,688
At March 31, 2018	$ 127,960	$ 152,626	$ 501,160	$ 108,250	$ 444,045	$ 149,069	$ 1,483,110

Additions to property, plant and equipment include capitalization of interest of $2.1 million and $0.9 million for the three months ended March 31, 2018 and 2017, respectively. Amounts in relation to tanks are under operating lease arrangements.

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

8 Right-of-use assets

	Buildings	Rail cars	Surface leases	Other	Total
Cost:					
At January 1, 2018 (note 3)	$ 57,706	$ 87,458	$ 19,522	$ 5,862	$ 170,548
Additions and adjustments	-	-	-	2,255	2,255
Effects of movements in exchange rates	156	-	571	27	754
Transferred to held for sale (note 4)	(2,109)	(42,673)	(18,067)	(473)	(63,322)
At March 31, 2018	$ 55,753	$ 44,785	$ 2,026	$ 7,671	$ 110,235
Accumulated depreciation:					
At January 1, 2018 (note 3)	$ -	$ -	$ -	$ -	$ -
Depreciation	2,447	9,753	489	368	13,057
Effects of movements in exchange rates	9	-	12	1	22
Transferred to held for sale (note 4)	(141)	(4,533)	(441)	(34)	(5,149)
At March 31, 2018	$ 2,315	$ 5,220	$ 60	$ 335	$ 7,930
Carrying amounts:					
At January 1, 2018	$ 57,706	$ 87,458	$ 19,522	$ 5,862	$ 170,548
At March 31, 2018	$ 53,438	$ 39,565	$ 1,966	$ 7,336	$ 102,305

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

9 Income tax provision (recovery)

The income tax provision (recovery) included in the condensed consolidated statement of operations is classified as follows:

	Three months ended March 31, 2018	(Restated – note 4) 2017
Current, from continuing operations	$ 7,660	$ (15,437)
Current, from discontinued operations (Note 4)	-	31,425
	7,660	15,988
Deferred, from continuing operations	(1,209)	(9,382)
Deferred, from discontinued operations (Note 4)	22,788	(4,280)
	21,579	(13,662)
Total current and deferred, from continuing operations	$ 6,451	$ (24,819)
Total current and deferred, from discontinued operations (Note 4)	$ 22,788	$ 27,145
Effective income tax rate – continuing	33%	89%
Effective income tax rate – discontinued	489%	15%

10 Loans and Borrowings

Revolving Credit Facility

Subsequent to the period end, but effective March 31, 2018, the Company amended the unsecured revolving credit facility of $560.0 million (the “Revolving Credit Facility”), to extend the maturity date of the facility to March 31, 2023 and amend certain financial covenants as noted below. In addition, the Company has three demand letter of credit facilities totaling $150.0 million.

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

Under the terms of Revolving Credit Facility, the Company is required to adhere to certain financial and maintenance covenants including maintaining maximum consolidated senior and maximum consolidated total debt leverage ratios of 4.85 to 1.0 for the 2018 fiscal year, 4.5 to 1.0 for the 2019 fiscal year and 4.0 to 1.0 thereafter. In addition, the Company is also required to maintain a minimum interest coverage ratio of no less than 2.5 to 1.0. As at March 31, 2018, the Company was in compliance with all covenants under the Revolving Credit Facility including the financial covenants effective prior to the March 31, 2018 amendment.

The Company had $256.1 million (US$90.0 million; $140.0 million) and $230.2 million (US$100.0 million; $105.0 million) drawn on its $560.0 million and $500.0 million Revolving Credit Facility as of March 31, 2018 and December 31, 2017, respectively, and had issued letters of credit totaling $93.3 million and $68.9 million under its bilateral demand letter of credit facilities as at March 31, 2018 and December 31, 2017, respectively.

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

Long-term debt

	March 31, 2018	December 31, 2017
Revolving credit facility, due March 31, 2023	$ 256,109	$ 230,180
$300 million 5.375% Notes due July 15, 2022	300,000	300,000
$600 million 5.25% Notes due July 15, 2024	600,000	600,000
Unamortized issue discount and debt issue costs	(11,630)	(12,061)
Long-term debt: non-current portion	$ 1,144,479	$ 1,118,119

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

The Company's long-term debt contains non-financial covenants and customary events of default clauses. As of March 31, 2018 and December 31, 2017, the Company was in compliance with all of its covenants.

The components of finance costs are as follows:

	Three months ended March 31,	
	2018	2017
Interest expense, net of capitalized interest	$ 17,797	$ 24,884
Interest expense, finance lease (note 11)	1,828	-
Interest income	(294)	(665)
Foreign exchange loss (gain) on long-term debt	3,829	(4,928)
Debt extinguishment cost	-	49,327
Total finance cost, net	$ 23,160	$ 68,618

11 Lease liabilities

	Three months ended March 31, 2018
Opening balance (note 3)	$ 172,834
Additions	2,255
Interest expense	1,828
Lease payments	(14,657)
Effect of movements in exchange rates	3,248
Transferred to held for sale (note 4)	(58,851)
Ending balance	$ 106,657
Less: current portion	27,148
Ending balance – non-current portion	$ 79,509

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

	Three months ended March 31, 2018
Variable lease payments	$ 41,537
Short-term and Low-value leases	869
Sub-lease income	(528)
Total	$ 41,878

The Company incurs lease payments related to rail cars, head office facilities, vehicles and equipment, and surface leases. Leases are entered into and exited in coordination with specific business requirements which includes the assessment of the appropriate durations for the related leased assets. The Company has recognised lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments from commitments disclosed as at March 31, 2018 at the incremental borrowing rate of 5.0%.

Short-term leases are leases with a lease term of twelve months or less while low-value assets comprised of information technology and miscellaneous equipment. Such items are charged to cost of sales and general and administrative expenses in these condensed consolidated statement of operations.

12 Trade payables and accrued charges

Trade payables and accrued charges include the following items:

	March 31, 2018	December 31, 2017
Trade payables	$ 299,078	$ 413,745
Accrued compensation charges	8,015	30,523
Indirect taxes payable	1,060	3,122
Risk management liabilities (note 17)	9,828	11,276
Defined benefit plan obligations	686	686
Interest payable	11,492	25,607
Insurance payable	6,368	7,114
Other	7,203	8,589
	$ 343,730	$ 500,662

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

13 Provisions

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

	Three months ended March 31, 2018	Year ended December 31, 2017
Opening balance	$ 183,527	$171,038
Settlements	(474)	(3,146)
Additions	2,009	3,656
Change in estimated future cash flows	-	-
Change in discount rate	(1,295)	9,607
Unwinding of discount	995	3,912
Liabilities transferred to held for sale (note 4)	(18,346)	-
Effect of changes in foreign exchange rates	663	(1,540)
Closing balance	$ 167,079	$183,527

In order to determine the current provision, the estimated future values were discounted using an average risk-free rate of 2.3% and 2.2% at March 31, 2018 and December 31, 2017, respectively. The provision is expected to be settled up to 40 years into the future.

14 Share capital

Common Shares – Issued and Outstanding

	Common Shares	
	Number of Common shares	Amount
At January 1, 2018	143,204,388	$1,932,103
Issuance in connection with other equity awards	650,527	-
Reclassification of contributed surplus on issuance of awards under equity incentive plans	-	11,920
At March 31, 2018	143,854,915	$ 1,944,023

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

Share based compensation

A summary of activity under the equity incentive plan is as follows:

	Stock Options		Restricted Share Units	Performance Share Units	Deferred Share Units
	Number of shares	Weighted average exercise price (in dollars)	Number of Shares		
Balance at January 1, 2018	3,296,715	$ 22.89	937,301	1,030,835	505,692
Granted	-	-	558,403	428,698	77,770
Exercised and released for common shares	-	-	(532,623)	(99,051)	(18,849)
Forfeited	(180,655)	23.04	(21,690)	(200,903)	(1,086)
Balance at March 31, 2018	3,116,060	$ 22.63	941,391	1,159,579	563,527
Vested	2,353,012	24.33	23,694	-	563,527

Per share amounts

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
Weighted average common shares outstanding – Basic	143,300,486	141,850,719
Dilutive effect of:		
Stock options and other awards	2,438,912	-
Weighted average common shares outstanding – Diluted	145,739,398	141,850,719

The dilutive effect of 2.4 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the three months ended March 31, 2018 have been included in the determination of the weighted average number of common shares outstanding. The dilutive effect of 2.4 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the three months ended March 31, 2018 have been not been included in the determination of the weighted average number of common shares outstanding for discontinued operations.

The dilutive effect of 2.8 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the three months ended March 31, 2017 have not been included in the determination of the weighted average number of common shares outstanding as the inclusion would be anti-dilutive to the net loss from continuing operations per share. The dilutive effect of 2.8 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures have been included in the determination of the weighted average number of common shares outstanding for discontinued operations.

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

15 Employee salaries and benefits

	Three months ended March 31, 2018	(restated) 2017
Salaries and wages	$ 31,085	$ 35,803
Post-employment benefits	1,353	1,411
Share based compensation expense (recovery)	4,498	(1,359)
Termination benefits	552	863
	$ 37,488	$ 36,718

Employee salaries and benefits have been expensed as follows:

	Three months ended March 31, 2018	(restated) 2017
Cost of sales	$ 28,637	$ 32,992
General and administrative	8,851	3,726
	$ 37,488	$ 36,718

16 Revenue

	Three months ended March 31, 2018	2017[1]
Revenue from contracts with customers recognized at a point in time (2017 – Products)	$ 1,615,913	$ 1,278,436
Revenue from contracts with customers recognized over time (2017 – Services)	90,024	120,387
Total revenue from contracts with customers	1,705,937	1,398,823
Total revenue from lease arrangements	30,682	-
	$ 1,736,619	$ 1,398,823

1. *Due to the adoption of new accounting standards effective January 1, 2018 as discussed in note 3, the comparative information has not been restated and, therefore, the results may not be comparable.*

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

Disaggregation of revenue from contracts with customers are as follows:

Three months ended March 31, 2018

	Infrastructure	Logistics	Wholesale	Total
Statement of operations				
Canada				
External Service Revenue				
Terminals storage and throughput/pipeline transportation and services	$ 16,051	$ -	$ -	$ 16,051
Rail services	6,829	-	-	6,829
Hauling and transportation	-	45,967	-	45,967
PRD and other services	3,498	3,004	819	7,321
External Product Revenue				
Crude and diluent	-	-	1,271,570	1,271,570
Propane and other NGL	-	-	73,012	73,012
Refined products	-	-	43,197	43,197
Other	$ 2,273	$ 36	$ -	$ 2,309
Total revenue – Canada	$ 28,651	$ 49,007	$ 1,388,598	$ 1,466,256
United States				
External Service Revenue				
Hauling and transportation	$ -	$ 11,778	$ -	$ 11,778
PRD and other services	173	1,905	-	2,078
External Product Revenue				
Crude and diluent	$ -	$ -	$ 65,978	$ 65,978
Propane and other NGL			106,621	106,621
Refined products	-	-	53,226	53,226
Total revenue – U.S.	$ 173	$ 13,683	$ 225,825	$ 239,681
Total Revenue from contract with customers	$ 28,824	$ 62,690	$ 1,614,423	$ 1,705,937

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

17 Financial instruments

Derivative financial instruments (recurring fair value measurements)

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

	March 31, 2018		December 31, 2017	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Commodity futures	$ 1,591	$ 4,736	$ 384	$ 6,257
Commodity swaps	2,462	594	4,808	2,214
Equity swaps	-	5,208	324	3,297
Foreign currency forwards	769	152	1,883	-
Total	$ 4,822	$ 10,690	$ 7,399	$ 11,768
Less non-current portion:				
Commodity futures	438	189	384	215
Commodity swaps	443	-	567	-
Equity swaps	-	673	294	277
Foreign currency forwards	118	-	122	-
	999	862	1,367	492
Current portion	$ 3,823	$ 9,828	$ 6,032	$ 11,276

During the three months ended March 31, 2017, the Company entered into U.S. dollar forward contracts to buy U.S. dollars on a notional amount of U.S.$310 million at a weighted average rate of $1.3504 for U.S. $1.00 settling on March 22, 2017. The value of the U.S. dollar forward contracts at settlement was $5.1 million.

During the three months ended March 31, 2018, the Company recognized an unrealized loss of $2.2 million on its equity swaps (2017 – unrealized gain of $0.2 million).

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

The fair value of financial instrument contracts by fair value hierarchy at March 31, 2018 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity futures	$ 1,591	$ 1,591	$ -	$ -
Commodity swaps	2,462	-	2,462	-
Foreign currency forward	769	-	769	-
Total assets	$ 4,822	$ 1,591	$ 3,231	$ -
Liabilities from financial instrument contracts				
Commodity futures	$ 4,736	$ 4,736	$ -	$ -
Commodity swaps	594	-	594	-
Equity swaps	5,208	5,208	-	-
Foreign currency forwards	152	-	152	-
Total liabilities	$ 10,690	$ 9,944	$ 746	$ -

The fair value of financial instrument contracts by fair value hierarchy at December 31, 2017 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity futures	$ 384	$ 384	$ -	$ -
Commodity swaps	4,808	-	4,808	-
Equity swaps	324	324	-	-
Foreign currency forwards	1,883	-	1,883	-
Total assets	$ 7,399	$ 708	$ 6,691	$ -
Liabilities from financial instrument contracts				
Commodity futures	$ 6,257	$ 6,257	$ -	$ -
Commodity swaps	2,214	-	2,214	-
Equity swaps	3,297	3,297	-	-
Total liabilities	$ 11,768	$ 9,554	$ 2,214	$ -

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

	Three months ended March 31,	
	2018	2017
Cost of sales	$ 732	$ 4,115
Stock based compensation (loss) gain	(2,234)	214
Foreign exchange loss on financial instruments related to long-term debt (note 10)	-	(5,079)
	$ (1,502)	$ (750)

As at March 31, 2018 and December 31, 2017, the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was $906.9 million and $1,144.1 million, respectively.

As at March 31, 2018 and December 31, 2017, the fair value of the Debentures based on period end trading prices on the secondary market (Level 2) was $105.9 million and $105.0 million, respectively.

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

Sensitivity

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

	March 31, 2018	March 31, 2017
U.S. Dollar Forwards and Options		
Favorable 5% change	$ 3,261	$ 1,942
Unfavorable 5% change	(3,261)	(2,179)

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

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

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

	March 31, 2018	March 31, 2017
Crude oil and NGL related prices		
Favorable 15% change	$ 925	$ 6,337
Unfavorable 15% change	(925)	(5,471)

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

	March 31, 2018	March 31, 2017
Equity Swaps		
Favorable 10% change	$ 1,755	$ 1,636
Unfavorable 10% change	(1,755)	(1,636)

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

Set out below is a maturity analyses of certain of the Company's financial contractual obligations as at March 31, 2018. The maturity dates are the contractual maturities of the obligations and the amounts are the contractual undiscounted cash flows.

	On demand or within one year	Between one and five years	After five years	Total
Trade payables and accrued charges, excluding derivative financial instruments and accrued interest	$ 322,410	$ -	$ -	$ 322,410
Dividend payable	47,472	-	-	47,472
Long-term debt	-	300,000	600,000	900,000
Credit facilities	-	-	256,109	256,109
Debentures (debt and equity component)	-	100,000	-	100,000
Interest on long-term debt and Debentures	52,875	191,095	42,000	285,970
Commodity futures	4,547	189	-	4,736
Commodity swaps	594	-	-	594
Equity swap	4,536	672	-	5,208
Foreign currency forwards	152	-	-	152
Lease liabilities	31,191	64,670	27,777	123,638
	$ 463,777	$ 656,626	$ 925,886	$ 2,046,289

18 Subsequent Events

On May 8, 2018, the Board declared a quarterly dividend of $0.33 per common share for the three months ended June 30, 2018 on its outstanding common shares. The dividend is payable on July 17, 2018 to shareholders of record at the close of business on June 29, 2018.

On May 3, 2018, the Company completed the sale of its U.S. energy services businesses, including U.S. Environmental Services and its U.S. seismic assets, for gross proceeds of US$96 million (CAD $125 million), prior to closing adjustments.

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

19 Supplemental cash flow information

	Three months ended March 31, 2018	Three months ended March 31, (Restated – note 4) 2017
Cash flow from operating activities		
Net income (loss) from continuing operations	$ 12,824	$ (3,117)
Adjustments for non-cash items:		
Finance costs, net	23,160	68,618
Income tax expense (recovery)	6,451	(24,819)
Depreciation and impairment of property, plant and equipment	28,809	30,627
Depreciation on right-of-use assets (note 8)	12,489	-
Amortization and impairment of intangible assets	3,556	4,452
Impairment of goodwill	1,979	-
Stock based compensation	4,498	(1,359)
Gain on sale of property, plant and equipment	(1,291)	(2,440)
Other	1,919	(746)
Net gain on fair value movement of financial instruments	(732)	(4,115)
Subtotal of adjustments	80,838	70,219
Changes in items of working capital:		
Trade and other receivables	32,095	18,900
Inventories	35,080	9,135
Other current assets	1,575	1,680
Trade payables and accrued charges	(43,749)	5,272
Deferred revenue	7,258	(3,654)
Subtotal of changes in items of working capital	32,259	31,333
Income taxes refund, net	1,267	714
Cash inflow provided by operating activities from continuing operations	$ 127,188	$ 99,149
Cash inflow (outflow) provided by operating activities from discontinued operations (note 4)	9,621	(4,730)
Net cash provided by operating activities	$ 136,809	$ 94,419