Condensed Consolidated Financial Statements

September 30, 2018 and 2017

Gibson Energy Inc.

Condensed Consolidated Balance Sheets

(tabular amounts in thousands of Canadian dollars)

	September 30, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 39,942	$ 32,138
Trade and other receivables (note 6)	481,267	494,901
Inventories (note 7)	165,768	169,957
Income taxes receivable	-	11,102
Prepaid and other assets	13,699	18,401
Net investment in finance leases	1,063	1,828
Assets held for sale (note 4)	320,554	-
Total current assets	1,022,293	728,327
Non-current assets		
Property, plant and equipment (note 8)	1,334,870	1,619,688
Right-of-use assets (note 9)	99,312	-
Long-term prepaid and other assets	5,156	7,364
Net investment in finance leases	154,521	118,020
Deferred income tax assets	43,128	75,221
Intangible assets	42,734	33,849
Goodwill	360,545	381,965
Total non-current assets	2,040,266	2,236,107
Total assets	$ 3,062,559	$ 2,964,434
Liabilities		
Current liabilities		
Trade payables and accrued charges (note 13)	$ 524,787	$ 500,662
Income taxes payable	43,604	-
Dividends payable	47,588	47,257
Deferred revenue	-	7,013
Contract liabilities (note 3)	21,173	-
Lease liabilities – current portion (note 12)	34,930	-
Liabilities related to assets held for sale (note 4)	77,606	-
Total current liabilities	749,688	554,932
Non-current liabilities		
Long-term debt (note 11)	1,134,125	1,118,119
Lease liabilities – non-current portion (note 12)	69,986	-
Convertible debentures	91,809	89,919
Provisions (note 14)	147,127	183,527
Other long-term liabilities	5,326	6,512
Deferred income tax liabilities	80,417	100,823
Total non-current liabilities	1,528,790	1,498,900
Total liabilities	2,278,478	2,053,832
Equity		
Share capital (note 15)	1,949,749	1,932,103
Contributed surplus	44,123	48,706
Accumulated other comprehensive income	41,618	174,186
Convertible debentures	7,023	7,023
Deficit (note 3)	(1,258,432)	(1,251,416)
Total equity	784,081	910,602
Total liabilities and equity	$ 3,062,559	$ 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)

	Three months ended September 30,		Nine months ended September 30,	
		(note 4)		(note 4)
Continuing operations	**2018**	**2017**	**2018**	**2017**
Revenue (note 17)	$ 2,130,022	$ 1,293,863	$ 5,531,984	$ 4,009,201
Cost of sales (note 16)	2,063,698	1,277,301	5,346,340	3,909,282
Gross profit	66,324	16,562	185,644	99,919
General and administrative expenses (note 16)	13,228	16,712	47,814	50,600
Goodwill impairment (note 4)	18,500	-	20,479	-
Other operating income	(3,724)	(48)	(2,969)	(1,162)
Operating Income (loss)	38,320	(102)	120,320	50,481
Finance costs, net (note 11)	18,794	19,121	60,823	100,785
Income (loss) before income taxes	19,526	(19,223)	59,497	(50,304)
Income tax expense (recovery) (note 10)	12,704	(13,813)	25,648	(39,829)
Net income (loss) from continuing operations	6,822	(5,410)	33,849	(10,475)
Net (loss) income from discontinued operations, after tax (note 4)	(4,470)	(6,233)	101,133	141,157
Net income (loss)	$ 2,352	$ (11,643)	$ 134,982	$ 130,682
Earnings (loss) per share				
Basic earnings (loss) per share from continuing operations	$ 0.05	$ (0.04)	$ 0.24	$ (0.07)
Basic (loss) earnings per share from discontinued operations	(0.03)	(0.04)	0.70	0.99
Basic earnings (loss) per share	0.02	(0.08)	0.94	0.92
Diluted earnings (loss) per share from continuing operations	0.05	(0.04)	0.23	(0.07)
Diluted (loss) earnings per share from discontinued operations	(0.03)	(0.04)	0.69	0.97
Diluted earnings (loss) per share	$ 0.02	$ (0.08)	$ 0.92	$ 0.90

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.

Consolidated Statement of Comprehensive Income

(tabular amounts in thousands of Canadian dollars)

	Three months ended September 30, 2018	Three months ended September 30, (note 4) 2017	Nine months ended September 30, 2018	Nine months ended September 30, (note 4) 2017
Net income (loss)	$ 2,352	$ (11,643)	$ 134,982	$ 130,682
Other comprehensive (loss) income				
Items that may be reclassified subsequently to consolidated statement of operations				
Exchange differences of translating foreign operations	(2,537)	(12,048)	3,992	(20,387)
Other comprehensive (loss) income from discontinued operations	-	(2,272)	5,373	(7,219)
Reclassification of foreign currency translation gain on disposal of foreign operations (note 4)	-	-	(141,933)	-
Items that will not be reclassified to statement of operations				
Remeasurements of post-employment benefit obligation, net of tax	-	-	-	59
Other comprehensive loss, net of tax	(2,537)	(14,320)	(132,568)	(27,547)
Comprehensive (loss) income	$ (185)	$ (25,963)	$ 2,414	$ 103,135

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 15)	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	-	-	-	-	130,682	130,682
Other comprehensive loss, net of tax	-	-	(27,606)	-	59	(27,547)
Comprehensive (loss) income	-	-	(27,606)	-	130,741	103,135
Stock based compensation	-	12,905	-	-	-	12,905
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	14,776	(14,776)	-	-	-	-
Dividends on common shares ($0.33 per common share)	-	-	-	-	(141,212)	(141,212)
Balance – September 30, 2017	$ 1,924,888	$ 45,028	$ 173,483	$ 7,023	$(1,117,546)	$1,032,876
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 income	-	-	-	-	134,982	134,982
Reclassification of foreign currency translation gain on disposal of foreign operations (note 4)	-	-	(141,933)	-	-	(141,933)
Other comprehensive income, net of tax	-	-	9,365	-	-	9,365
Comprehensive (loss) income	-	-	(132,568)	-	134,982	2,414
Proceeds from exercise of stock options	638		-	-	-	638
Stock based compensation	-	12,425	-	-	-	12,425
Reclassification of contributed surplus on issuance of awards under equity incentive plan	17,008	(17,008)	-	-	-	-
Dividends on common shares ($0.33 per common share)	-	-	-	-	(142,627)	(142,627)
Balance – September 30, 2018	$ 1,949,749	$ 44,123	$ 41,618	$ 7,023	$(1,258,432)	$ 784,081

See accompanying notes to the condensed consolidated financial statements

Gibson Energy Inc.

Condensed Consolidated Statement of Cash Flows

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

	Three months ended September 30, 2018	Three months ended September 30, (note 4) 2017	Nine months ended September 30, 2018	Nine months ended September 30, (note 4) 2017
Cash flows from operating activities				
Net income (loss) from continuing operations	$ 6,822	$ (5,410)	$ 33,849	$ (10,475)
Adjustments for non-cash items (note 20)	131,187	48,427	290,849	168,631
Changes in items of working capital (note 20)	(19,773)	(53,916)	(73,136)	(21,113)
Income taxes refund, net (note 20)	3	1,402	13,480	858
Cash provided by (used in) operating activities from continuing operations	118,239	(9,497)	265,042	137,901
Cash provided by operating activities from discontinued operations (note 4)	7,662	14,742	26,359	14,166
Net cash provided by operating activities	125,901	5,245	291,401	152,067
Cash flows from investing activities				
Purchase of property, plant and equipment	(50,609)	(34,511)	(130,284)	(101,476)
Acquisitions, net of cash acquired (note 5)	(32,656)	-	(32,656)	-
Purchase of intangible assets	(862)	(1,286)	(2,446)	(4,422)
Proceeds from sale of assets	2,973	442	11,162	2,972
Net cash used in investing activities from continuing operations	(81,154)	(35,355)	(154,224)	(102,926)
Net cash (used in) provided by investing activities from discontinued operations (note 4)	(6,389)	(6,322)	108,553	419,652
Net cash (used in) provided by investing activities	(87,543)	(41,677)	(45,671)	316,726
Cash flows from financing activities				
Payment of shareholder dividends	(47,563)	(47,075)	(142,292)	(140,904)
Interest paid, net	(30,861)	(28,428)	(65,719)	(83,559)
Proceeds from exercise of stock options	147	-	638	1,080
Finance lease payments (note 12)	(11,829)	-	(38,598)	-
Proceeds from issuance of long-term debt, net of issuance costs	-	-	-	344,895
Repayment of long-term debt, net of costs	-	(38,948)	-	(706,971)
Debt extinguishment costs paid	-	(1,793)	-	(37,253)
Proceeds from credit facilities, net	52,680	140,000	10,417	140,000
Settlement of financial instruments not affecting operating activities (note 18)	-	-	-	(5,079)
Cash (used in) provided by financing activities from continuing operations	(37,426)	23,756	(235,554)	(487,791)
Cash (used in) provided by financing activities from discontinued operations (note 4)	(392)	-	(2,646)	-
Cash (used in) provided by financing activities	(37,818)	23,756	(238,200)	(487,791)
Net increase (decrease) in cash and cash equivalents	540	(12,676)	7,530	(18,998)
Effect of exchange rate on cash and cash equivalents	(169)	(1,163)	274	(1,871)
Cash and cash equivalents – beginning	39,571	53,129	32,138	60,159
Cash and cash equivalents – ending	$ 39,942	$ 39,290	$ 39,942	$ 39,290

See accompanying notes to the condensed consolidated financial statements

See note 20 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 related products before eventual distribution to end-use markets. The primary facilities within this segment include the terminals located at Hardisty and Edmonton, which are the principal hubs for aggregating and exporting oil and refined products out of the 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. The Moose Jaw Facility is impacted by maintenance turnarounds typically occurring within the spring period.

(2) **Logistics,** which represents the U.S logistics business due to Canadian Truck Transportation being classified as a discontinued operation during the third quarter of 2018. Accordingly, this segment includes a suite of logistical wellsite services that enable crude production to access fixed midstream infrastructure. This segment provides truck transportation services that allow the Company to service its customers' needs by providing hauling services for crude for many of the US' oil and gas producers.

(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 September 30, 2018 [1]

	Infrastructure	Logistics	Wholesale	Total
Statement of operations				
Revenue				
External	$ 77,681	$ 4,847	$ 2,047,494	$ 2,130,022
Inter-segmental	34,553	4,000	158,942	197,495
External and inter-segmental	112,234	8,847	2,206,436	2,327,517
Segment profit (loss)	$ 75,527	$ (1,678)	$ 68,378	$ 142,227
Corporate & other reconciling items				
Depreciation and impairment of property, plant and equipment				63,425
Depreciation of right-of-use assets				13,097
Amortization and impairment of intangible assets				2,452
Impairment of goodwill				18,500
General and administrative				8,285
Stock based compensation				692
Corporate foreign exchange gain				(2,544)
Interest expense, net				18,792
Foreign exchange loss on long-term debt				2
Net income from continuing operations before income tax				19,526
Income tax expense				12,704
Net income from continuing operations				6,822
Net loss from discontinued operations, after tax (note 4)				(4,470)
Net income from operations				$ 2,352

Three months ended September 30, 2017 [1&2]

	Infrastructure	Logistics	Wholesale	Total
Statement of operations				
Revenue				
External	$ 51,833	$ 15,344	$ 1,226,686	$ 1,293,863
Inter-segmental	33,372	1,794	91,525	126,691
External and inter-segmental	85,205	17,138	1,318,211	1,420,554
Segment profit (loss)	$ 61,987	$ (475)	$ (10,247)	$ 51,265
Corporate & other reconciling items				
Depreciation and impairment of property, plant and equipment				25,015
Amortization and impairment of intangible assets				11,670
General and administrative				8,266
Stock based compensation				5,385
Debt extinguishment cost				11,785
Corporate foreign exchange loss				1,031
Interest expense, net				17,315
Foreign exchange gain on long-term debt				(9,979)
Net loss from continuing operations before income tax				(19,223)
Income tax recovery				(13,813)
Net loss from continuing operations				(5,410)
Net loss from discontinued operations, after tax (note 4)				(6,233)
Net loss from operations				$ (11,643)

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

Nine months ended September 30, 2018 [1]

	Infrastructure	Logistics	Wholesale	Total
Statement of operations				
Revenue				
External	$ 196,102	$ 27,283	$ 5,308,599	$ 5,531,984
Inter-segmental	99,994	8,086	467,845	575,925
External and inter-segmental	296,096	35,369	5,776,444	6,107,909
Segment profit (loss)	$ 211,777	$ (7,896)	$ 129,637	$ 333,518

Corporate & other reconciling items	
Depreciation and impairment of property, plant and equipment	117,895
Depreciation of right-of-use assets	32,825
Amortization and impairment of intangible assets	7,724
Impairment of goodwill	20,479
General and administrative	23,558
Stock based compensation	11,074
Corporate foreign exchange gain	(357)
Interest expense, net	56,420
Foreign exchange loss on long-term debt	4,403
Net income from continuing operations before income tax	59,497
Income tax expense	25,648
Net income from continuing operations	33,849
Net income from discontinued operations, after tax (note 4)	101,133
Net income from operations	$ 134,982

Nine months ended September 30, 2017 [1&2]

	Infrastructure	Logistics	Wholesale	Total
Statement of operations				
Revenue				
External	$ 156,686	$ 51,451	$ 3,801,064	$ 4,009,201
Inter-segmental	97,525	6,645	301,938	406,108
External and inter-segmental	254,211	58,096	4,103,002	4,415,309
Segment profit (loss)	$ 179,539	$ (1,095)	$ 11,927	$ 190,371

Corporate & other reconciling items	
Depreciation and impairment of property, plant and equipment	76,248
Amortization and impairment of intangible assets	20,442
General and administrative	27,041
Stock based compensation	14,752
Debt extinguishment cost	63,122
Corporate foreign exchange loss	1,407
Interest expense, net	59,740
Foreign exchange gain on long-term debt	(22,077)
Net loss from continuing operations before income tax	(50,304)
Income tax recovery	(39,829)
Net loss from continuing operations	(10,475)
Net income from discontinued operations, after tax (note 4)	141,157
Net income from operations	$ 130,682

(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:

	Nine months ended September 30			
	2018		2017 [2]	
	Property, plant and equipment	Intangible Assets	Property, plant and equipment	Intangible Assets
Infrastructure	$ 169,559	$ 19,844	$ 99,401	$ 2,672
Logistics	2,182	-	152	66
Wholesale	159	-	86	20
Corporate	787	1,731	1,814	2,476
	$ 172,687	$ 21,575	$ 101,453	$ 5,234

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 17% and 20% of total revenue was from customers in the United States for the nine months ended September 30, 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 6% and 12% in the United States at September 30, 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 consolidated 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 November 6, 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. New standards and interpretations issued but not yet adopted

The following accounting interpretations and standards were issued during the period:

- IAS 19 – *Employee benefits* ("IAS 19"), has been amended to (i) require current service cost and net interest for the period after the re-measurement to be determined using the assumptions used for the re-measurement, and (ii) clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment to IAS 19 is effective for the years beginning on or after January 1, 2019. The Company is currently assessing the impact of this amendment.

C. 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 September 30, 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.

D. 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, 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.

E. 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.

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

4 Assets and liabilities held for sale, and discontinued operations

During the nine months ended September 30, 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.

The following tables set forth the description of disposal groups classified as held for sale as at September 30, 2018:

Disposal Group	**i) Trucking and Transportation Canada (TT Canada) business**	**ii) Natural Gas Liquid (NGL) Wholesale business [1]**	**iii) U.S. Logistics and Infrastructure disposal group**	**iv) PRD Canada business**
Held for sale classification	Met the high probability criteria of the sale of the business, including the active marketing of the disposal groups. (1)			
Valuation of net assets	Lower of carrying amount and FVLCD			
Fair value less cost of disposal (FVLCD) determination	Market based model which is considered level 2 valuation			
Discontinued operations determination	Refer to "TT Canada" section below. Represent a separate major line of business and classified as discontinued operations.	This business engages in the purchasing, selling, storing and blending of NGL products and is included within the Company's Canadian and U.S. Wholesale operating segments. Does not represent a separate major line of business or geographical area of operations.	This disposal group provides truck transportation services in the U.S. and also includes a network of midstream infrastructure assets which are included within the Company's Logistics and Infrastructure's operating segments. Does not represent a separate major line of business or geographical area of operations.	This business provides PRD services from a network of midstream infrastructure assets located throughout Western Canada, which are included within the Company's Infrastructure operating segments. Does not represent a separate major line of business or geographical area of operations.

(1) During the three months ended September 30, 2018, the Company modified the NGL disposal group from its original composition for selected inventories, related assets and liabilities, based on modified terms of the anticipated sale transaction. As such, assets removed from the disposal group have been measured at the carrying amount adjusted for depreciation in the results of continuing operations that would have been recognized had the assets not been classified as held for sale. No impairment was recognized on the recoverable amount at the date of the subsequent decision not to sell such assets.

Assets and liabilities held for sale for all disposal groups as discussed above comprises of the following:

	As at September 30, 2018
Assets	
Trade and other receivables	$ 41,954
Inventories	16,711
Property, plant and equipment (note 8)	197,672
Right-of-use assets (note 9)	27,297
Intangible assets	2,339
Goodwill	33,329
Other assets and prepaids	1,252
Total assets held for sale	$ 320,554

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

Liabilities

	As at September 30, 2018
Trade payables and accrued charges	$ 18,561
Contract liabilities	109
Lease liability (note 12)	25,295
Provisions (note 14)	20,494
Deferred income tax liability	13,147
Total liabilities held for sale	$ 77,606

During the three and nine months ended September 30, 2018, goodwill impairment of $18.5 million and $20.5 million was recorded. During the three and nine months ended September 30, 2018, asset impairment of $40.0 million and $45.3 million was recorded within the cost of sales.

Noted below are details relating to discontinued operations:

i) U.S. Environmental Services business

During the nine months ended September 30, 2018, the Company met the criteria under IFRS 5 for its U.S. Environmental Services business to be classified as discontinued operations. This business was sold on May 3, 2018 for adjusted gross proceeds of $123.3 million (U.S.$96 million) which resulted in recognition of an after-tax gain as follows:

Sale price	$ 123,619
Sale price adjustments	(278)
Total cash consideration	123,341
Cash and cash equivalents	1,127
Trade and other receivables	50,225
Inventories	12,756
Prepaid and other assets	1,999
Property, plant and equipment (note 8)	85,245
Right-of-use asset (note 9)	19,679
Intangible assets	1,261
Deferred income tax asset	27,394
Other non-current assets	247
Trade payables and accrued charges	(16,478)
Other current liabilities	(2,431)
Lease liabilities (note 12)	(19,217)
Provisions	(17,309)
Net assets disposed	144,498
Costs to sell	(13,634)
Loss on sale before income taxes and reclassification of foreign currency translation gain	(34,791)
Reclassification of foreign currency translation gain on disposal of foreign operations	141,933
Income tax provision - deferred	12,436
After-tax gain on sale	$ 94,706

The U.S. Environmental Services business included the provision of environmental and production services, such as emulsion hauling and treating, water hauling and disposal services and oilfield waste management, as well as industrial lift, exploration support services and accommodation facilities. It was reported historically within Company's Infrastructure, Logistics and Other reportable segments. Comparative period balances of the condensed consolidated statements of operations and cash flows have been restated.

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

The following tables set forth the operating results from discontinued operations for the three and nine months ended September 30, 2018 and 2017:

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Revenue	$ -	$ 60,511	$ 93,281	$ 170,443
Cost of sales	-	66,060	86,481	193,050
Gross (loss) profit	-	(5,549)	6,800	(22,607)
Finance cost and other (income), net	-	(489)	1,364	(824)
(Loss) income before income taxes	-	(5,060)	5,436	(21,783)
Income tax provision – current	-	25	-	95
Income tax (recovery) provision – deferred	-	(1,958)	1,448	(8,323)
Net (loss) income from discontinued operations after tax	-	(3,127)	3,988	(13,555)
After-tax (loss) gain on sale	(6,554)	-	94,706	-
(Loss) gain from discontinued operations, after tax	$ (6,554)	$ (3,127)	$ 98,694	$ (13,555)

ii) TT Canada

During the three months ended September 30, 2018, the Company met the criteria under IFRS 5 for its TT Canada business to be classified as discontinued operations.

The TT Canada business provides hauling services for crude and other products for oil and gas producers and was reported historically within the Company's Logistics reportable segment. Operating results related to these segments 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 and nine months ended September 30, 2018 and 2017:

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Revenue - External and inter-segmental	$ 54,269	$ 57,182	$ 160,903	$ 178,480
Revenue - Inter-segmental	(6,347)	(7,362)	(19,903)	(24,172)
Revenue - External	47,922	49,820	141,000	154,308
Cost of sales	45,137	49,889	138,776	155,397
Gross profit (loss)	2,785	(69)	2,224	(1,089)
Finance cost and other (income), net	(28)	(124)	(1,113)	(1,229)
Income before income taxes	2,813	55	3,337	140
Income tax provision – current	1,882	507	3,197	1,018
Income tax recovery – deferred	(1,153)	(492)	(2,299)	(980)
Net income from discontinued operations after tax	$ 2,084	$ 40	$ 2,439	$ 102

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

iii) Industrial Propane

During the first quarter of 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 consolidated financial statements for the year ended December 31, 2017. The following tables set forth operating results from discontinued operations:

	Nine months ended September 30, 2017 [1]
Revenue	$ 58,296
Cost of sales	44,678
Gross profit	13,618
Other operating income	(19)
Income before income taxes	13,637
Income tax expense – current	4,161
Income tax expense – deferred	275
Net income from discontinued operations, after tax	9,201
After-tax gain on sale	145,409
Gain from discontinued operations, after tax	$ 154,610

1. *The Company derecognized the Industrial Propane segment effective March 1, 2017, accordingly, results for nine months ended September 30, 2017 represent the activity for the period January 1, 2017 to February 28, 2017.*

5 Business combination

On August 8, 2018, the Company acquired certain assets comprising of pipeline and gathering system for total consideration of $72 million (U.S.$55 million). The purchase price is payable in two installments, with U.S.$25 million paid on August 8, 2018 and U.S.$30 million payable by August 8, 2019. Acquisition costs of $0.1 million were incurred and charged to general and administrative expenses during the three months ended September 30, 2018.

Due to the limited time between the closing of this acquisition and the preparation of these condensed consolidated financial statements, the fair value of the assets acquired and the liabilities assumed are based upon preliminary financial information available and are subject to change. The following table summarizes the preliminary fair value of assets acquired and liabilities assumed at the acquisition date:

Fair Value	
Property, Plant and Equipment	$ 20,038
Intangible assets (1&2)	19,594
Provisions	(444)
Goodwill	32,656
Net assets acquired	$ 71,844

(1) The goodwill arising on this acquisition is expected to be deductible for income tax purposes.
(2) Consists of customer relationships of $19.6 million attributed to a long-term customer contract.

The goodwill arising from the acquisition was attributable to the expected synergies with the Company's existing Pyote gathering system in the U.S. The goodwill for this acquisition was allocated to the Infrastructure reporting segment.

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

6 Trade and other receivables

	September 30, 2018	December 31, 2017
Trade receivables	$ 443,740	$ 480,084
Allowance for doubtful accounts	(204)	(931)
Trade receivables – net	443,536	479,153
Risk management assets (note 18)	9,716	6,032
Broker accounts receivable	18,243	4,441
Indirect taxes receivable	7,051	2,712
Other	2,721	2,563
	$ 481,267	$ 494,901

7 Inventories

	September 30, 2018	December 31, 2017
Crude oil and diluent	$ 78,629	$ 79,223
Asphalt	18,275	19,817
Natural gas liquids	53,956	44,087
Wellsite fluids and distillate	14,908	13,150
Spare parts and other	-	13,680
	$ 165,768	$ 169,957

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

8 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	814	628	1,808	4,587	7,951	141,539	157,327
Disposals	(1,038)	-	(2,711)	(68,984)	(33,210)	-	(105,943)
Acquisitions through business combinations (note 5)	-	19,097	-	-	941	-	20,038
Reclassifications	3,417	35,894	32,024	-	48,434	(119,769)	-
Change in decommissioning provision (note 14)	-	(1,025)	2,933	-	(2,797)	-	(889)
Reclassed to net investment in finance leases	-	-	(36,389)	-	-	-	(36,389)
Effect of movements in exchange rates	966	11	433	7,573	7,745	35	16,763
Transferred to held for sale and disposals (note 4)	(103,107)	(6,688)	(34,776)	(293,484)	(324,502)	(4,957)	(767,514)
At September 30, 2018	$ 90,142	$ 273,596	$ 605,459	$ 61,386	$ 641,940	$ 202,587	$ 1,875,110
Accumulated depreciation:							
At January 1, 2018	$ 37,865	$ 82,192	$ 121,173	$ 286,181	$ 444,618	$ -	$ 972,029
Depreciation	3,940	7,731	18,535	14,638	40,888	-	85,732
Impairment	5,000	2,000	8,082	5,453	25,115	-	45,650
Disposals	(733)	(1)	(2,282)	(57,043)	(30,311)	-	(90,370)
Effect of movements in exchange rates	165	-	194	5,934	5,503	-	11,796
Transferred to held for sale and disposals (note 4)	(27,788)	(3,849)	(18,512)	(213,831)	(220,617)	-	(484,597)
At September 30, 2018	$ 18,449	$ 88,073	$ 127,190	$ 41,332	$ 265,196	$ -	$ 540,240
Carrying amounts:							
At January 1, 2018	$ 151,225	$ 143,487	$ 520,964	$ 125,513	$ 492,760	$ 185,739	$ 1,619,688
At September 30, 2018	$ 71,693	$ 185,523	$ 478,269	$ 20,054	$ 376,744	$ 202,587	$ 1,334,870

Additions to property, plant and equipment include capitalization of interest of $1.8 million and $1.3 million for the three months ended September 30, 2018 and 2017, respectively, and includes capitalization of interest of $5.9 million and $2.8 million for the nine months ended September 30, 2018 and 2017, respectively. Amounts in relation to tanks are under operating lease arrangements.

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

9 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	3,970	3,662	(397)	2,127	9,362
Disposals	(224)	-	(683)	-	(907)
Effects of movements in exchange rates	256	-	1,325	49	1,630
Transferred to held for sale and disposals (note 4)	(8,365)	(19,101)	(17,974)	(3,911)	(49,351)
At September 30, 2018	$ 53,343	$ 72,019	$ 1,793	$ 4,127	$ 131,282
Accumulated depreciation:					
At January 1, 2018 (note 3)	$ -	$ -	$ -	$ -	$ -
Depreciation	6,845	25,552	776	1,265	34,438
Disposals	(81)	-	(32)	-	(113)
Effects of movements in exchange rates	6	-	15	(1)	20
Transferred to held for sale and disposals (note 4)	(903)	(909)	(437)	(126)	(2,375)
At September 30, 2018	$ 5,867	$ 24,643	$ 322	$ 1,138	$ 31,970
Carrying amounts:					
At January 1, 2018	$ 57,706	$ 87,458	$ 19,522	$ 5,862	$ 170,548
At September 30, 2018	$ 47,476	$ 47,376	$ 1,471	$ 2,989	$ 99,312

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

10 Income tax provision (recovery)

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Current, from continuing operations	$ 22,278	$ (8,963)	$ 37,782	$ (20,910)
Current, from discontinued operations (note 4)	1,882	(100)	3,197	31,451
	$ 24,160	$ (9,063)	$ 40,979	$ 10,541
Deferred, from continuing operations	$ (9,574)	$ (4,850)	$ (12,134)	$ (18,919)
Deferred, from discontinued operations (note 4)	(1,098)	(2,450)	11,585	(9,028)
	$ (10,672)	$ (7,300)	$ (549)	$ (27,947)
Total current and deferred, from continuing operations	$ 12,704	$ (13,813)	$ 25,648	$ (39,829)
Total current and deferred, from discontinued operations (note 4)	$ 784	$ (2,550)	$ 14,782	$ 22,423
Effective income tax rate – continuing operations	65.1%	71.9%	43.1%	79.2%
Effective income tax rate – discontinued operations (note 4)	(21.3)%	29.0%	12.8%	13.7%

11 Loans and Borrowings

Revolving Credit Facility

During the nine months ended September 30, 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 September 30, 2018, the Company was in compliance with all covenants under the Revolving Credit Facility.

The Company had $245.0 million (U.S.$0 million; $245.0 million) and $230.2 million (U.S.$100.0 million; $105.0 million) drawn on its $560.0 million and $500.0 million Revolving Credit Facility as of September 30, 2018 and December 31, 2017, respectively, and had issued letters of credit totaling $69.8 million and $68.9 million under its bilateral demand letter of credit facilities as at September 30, 2018 and December 31, 2017, respectively. During the three months and nine months ended September 30, 2018, the Company had net proceeds from the Revolving Credit Facility of $52.7 million and $10.4 million.

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

Long-term debt

	September 30, 2018	December 31, 2017
Revolving credit facility, due March 31, 2023	$ 245,000	$ 230,180
$300 million 5.375% Notes due July 15, 2022	300,000	300,000
$600 million 5.25% Notes due July 15, 2024	600,000	600,000
Unamortized issue discount and debt issue costs	(10,875)	(12,061)
Long-term debt	$ 1,134,125	$ 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 at September 30, 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 September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Interest expense, net of capitalized interest	$ 17,705	$ 17,635	$ 52,991	$ 61,022
Interest expense, finance lease (note 12)	1,455	-	4,575	-
Interest income	(368)	(320)	(1,145)	(1,282)
Realized foreign exchange loss (gain) on long-term debt	32	-	4,411	(2,710)
Unrealized foreign exchange gain on long-term debt	(30)	(9,979)	(9)	(19,367)
Debt extinguishment cost	-	11,785	-	63,122
Total finance cost, net	$ 18,794	$ 19,121	$ 60,823	$ 100,785

12 Lease liabilities

	Nine months ended September 30, 2018
Opening balance (note 3)	$ 172,834
Additions	9,362
Disposals	(834)
Interest expense	4,575
Interest expense from discontinued operations (note 4)	523
Lease payments	(41,244)
Effect of movements in exchange rates	4,212
Transferred to held for sale and disposals (note 4)	(44,512)
Ending balance	104,916
Less: current portion	34,930
Ending balance – non-current portion	$ 69,986

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

	Three months ended September 30, 2018 [1]	Nine months ended September 30, 2018 [1]
Variable lease payments	$ 37,714	$ 137,083
Short-term and low-value leases	1,052	6,512
Sub-lease income	(1,148)	(2,291)
Total	$ 37,618	$ 141,304

1. *Variable lease payments, short-term and low-value leases on discontinued operations of $27.3 million and $113.8 million for the three and nine months ended September 30, 2018 are included in the above amounts.*

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 September 30, 2018 at an 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 the condensed consolidated statement of operations.

13 Trade payables and accrued charges

Trade payables and accrued charges include the following items:

	September 30, 2018	December 31, 2017
Trade payables	$ 402,528	$ 413,745
Accrued compensation charges	20,569	30,523
Accrued payment obligation (note 5)	39,156	-
Indirect taxes payable	1,291	3,122
Risk management liabilities (note 18)	23,379	11,276
Defined benefit plan obligations	686	686
Interest payable	11,375	25,607
Insurance payable	6,129	7,114
Other	19,674	8,589
	$ 524,787	$ 500,662

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

14 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:

	Nine months ended September 30, 2018	Year ended December 31, 2017
Opening balance	$ 183,527	$ 171,038
Settlements	(1,690)	(3,146)
Additions	6,267	3,656
Acquisitions through business combinations (note 5)	444	-
Change in discount rate	(7,156)	9,607
Unwinding of discount	2,903	3,912
Liabilities transferred to held for sale and disposals (note 4)	(37,803)	-
Effect of changes in foreign exchange rates	635	(1,540)
Closing balance	$ 147,127	$ 183,527

In order to determine the current provision, the estimated future values were discounted using an average risk-free rate of 2.42% and 2.20% at September 30, 2018 and December 31, 2017, respectively. The provision is expected to be settled up to 40 years into the future.

15 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 the exercise of stock options	65,463	638
Issuance in connection with other equity awards	937,229	-
Reclassification of contributed surplus on issuance of awards under equity incentive plans	-	17,008
At September 30, 2018	144,207,080	$ 1,949,749

(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	126,939	22.63	623,408	574,264	197,115
Exercised and released for common shares	(65,463)	9.76	(598,246)	(282,307)	(56,667)
Forfeited	(353,742)	26.67	(194,003)	(469,073)	(1,086)
Balance at September 30, 2018	3,004,449	$ 22.48	768,460	853,719	645,054
Vested	2,353,981	$ 24.22	16,843	-	645,054

Per share amounts

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Weighted average common shares outstanding - Basic	144,155,360	142,653,431	143,819,642	142,377,975
Dilutive effect of:				
Stock options and other awards	2,566,885	-	2,575,909	-
Weighted average common shares outstanding - Diluted	146,722,245	142,653,431	146,395,551	142,377,975

The dilutive effect of 2.6 million and 2.6 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the three and nine months ended September 30, 2018 have been included in the determination of the weighted average number of common shares outstanding. The dilutive effect of 2.6 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the nine months ended September 30, 2018 have been included in the determination of the weighted average number of common shares outstanding for discontinued operations. The dilutive effect of 2.6 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 September 30, 2018 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 discontinuing operations per share.

The dilutive effect of 3.2 million and 3.1 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the three and nine months ended September 30, 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 3.2 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 September 30, 2017 have not been included in the determination of the weighted average number of common shares outstanding for discontinued operations. The dilutive effect of 3.1 million stock options and other awards, and the potential common stock that would be issued upon the conversion of the Debentures for the nine months ended September 30, 2017 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)

16 Employee salaries and benefits

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Salaries and wages	$ 28,216	$ 25,237	$ 77,713	$ 80,074
Post-employment benefits	1,235	1,115	3,843	3,973
Share based compensation	693	5,385	11,075	14,752
Termination benefits	1,376	468	2,521	1,840
	$ 31,520	$ 32,205	$ 95,152	$ 100,639

Employee salaries and benefits have been expensed as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cost of sales	$ 21,457	$ 22,137	$ 65,994	$ 70,358
General and administrative	10,063	10,068	29,158	30,281
	$ 31,520	$ 32,205	$ 95,152	$ 100,639

17 Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017[1]	2018	2017[1]
Revenue from contracts with customers recognized at a point in time (2017 – Products)	$ 2,048,613	$ 1,228,328	$ 5,312,380	$ 3,806,068
Revenue from contracts with customers recognized over time (2017 – Services)	50,703	65,535	127,500	203,133
Total revenue from contracts with customers	2,099,316	1,293,863	5,439,880	4,009,201
Total revenue from lease arrangements	30,706	-	92,104	-
	$ 2,130,022	$ 1,293,863	$ 5,531,984	$ 4,009,201

1. *Due to the adoption of IFRS 15 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 September 30, 2018

	Infrastructure	Logistics	Wholesale	Total
Statement of operations				
Canada				
External Service Revenue				
Terminals storage and throughput/pipeline transportation and services	$ 30,176	$ -	$ -	$ 30,176
Rail services	6,956	-	-	6,956
PRD and other services	5,525	-	858	6,383
External Product Revenue				
Crude and diluent	-	-	1,354,146	1,354,146
Propane and other NGL	-	-	230,939	230,939
Refined products	-	-	80,439	80,439
Other	1,978	-	-	1,978
Total revenue – Canada	$ 44,635	$ -	$ 1,666,382	$ 1,711,017
United States (U.S.)				
External Service Revenue				
Hauling and transportation	$ -	$ 3,792	$ -	$ 3,792
PRD and other services	2,340	1,055	-	3,395
External Product Revenue				
Crude and diluent	-	-	232,624	232,624
Propane and other NGL	-	-	96,080	96,080
Refined products	-	-	52,408	52,408
Total revenue – U.S.	$ 2,340	$ 4,847	$ 381,112	$ 388,299
Total revenue from contract with customers	$ 46,975	$ 4,847	$ 2,047,494	$ 2,099,316

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

Nine months ended September 30, 2018

	Infrastructure	Logistics	Wholesale	Total
Statement of operations				
Canada				
External Service Revenue				
Terminals storage and throughput/pipeline transportation and services	$ 62,760	$ -	$ -	$ 62,760
Rail services	20,624	-	-	20,624
PRD and other services	11,476	-	2,115	13,591
External Product Revenue				
Crude and diluent	-	-	3,927,552	3,927,552
Propane and other NGL	-	-	307,492	307,492
Refined products	-	-	156,385	156,385
Other	5,896	-	-	5,896
Total revenue – Canada	$ 100,756	$ -	$ 4,393,544	$ 4,494,300
United States (U.S.)				
External Service Revenue				
Hauling and transportation	$ -	$ 22,930	$ -	$ 22,930
PRD and other services	3,242	4,353	-	7,595
External Product Revenue				
Crude and diluent	-	-	442,107	442,107
Propane and other NGL	-	-	292,585	292,585
Refined products	-	-	180,363	180,363
Total revenue – U.S.	$ 3,242	$ 27,283	$ 915,055	$ 945,580
Total revenue from contract with customers	$ 103,998	$ 27,283	$ 5,308,599	$ 5,439,880

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

18 Financial instruments

Derivative financial instruments (recurring fair value measurements)

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

	September 30, 2018		December 31, 2017	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Commodity futures	$ 871	$ 17,645	$ 384	$ 6,257
Commodity swaps	6,555	3,841	4,808	2,214
Equity swaps	2,080	1,774	324	3,297
Foreign currency forwards	822	119	1,883	-
Total	$ 10,328	$ 23,379	$ 7,399	$ 11,768
Less non-current portion:				
Commodity futures	329	-	384	215
Commodity swaps	-	-	567	-
Equity swaps	283	-	294	277
Foreign currency forwards	-	-	122	-
	612	-	1,367	492
Current portion	$ 9,716	$ 23,379	$ 6,032	$ 11,276

During the nine months ended September 30, 2017, the Company entered into U.S. dollar forward contracts to buy U.S. dollars on a notional amount of U.S.$310.0 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 nine months ended September 30, 2018, the Company entered into certain WTI differential futures to manage the exposure to price risks associated with the purchases of crude oil feedstock. During the three and nine months ended September 30, 2018 the Company recognized an unrealized loss of $4.3 million and an unrealized loss of $3.5 million, respectively on refined products.

During the three and nine months ended September 30, 2018, the Company recognized an unrealized gain of $4.1 million and $3.2 million on its equity swaps compared to an unrealized gain of $1.8 million and an unrealized loss of $1.8 million during the three and nine months ended September 30, 2017, respectively.

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

The fair value of financial instrument contracts by fair value hierarchy at September 30, 2018 was:

	Total	Level 1	Level 2	Level 3
Assets from financial instrument contracts				
Commodity futures	$ 871	$ 871	$ -	$ -
Commodity swaps	6,555	-	6,555	-
Equity swaps	2,080	2,080	-	-
Foreign currency forward	822	-	822	-
Total assets	$ 10,328	$ 2,951	$ 7,377	$ -
Liabilities from financial instrument contracts				
Commodity futures	$ 17,645	$ 17,645	$ -	$ -
Commodity swaps	3,841	-	3,841	-
Equity swaps	1,774	1,774	-	-
Foreign currency forwards	119	-	119	-
Total liabilities	$ 23,379	$ 19,419	$ 3,960	$ -

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 September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cost of sales (loss) gain	$ (3,597)	$ (474)	$ (11,851)	$ 3,481
Stock based compensation gain (loss)	4,079	1,838	3,162	(1,847)
	$ 482	$ 1,364	$ (8,689)	$ 1,634

As at September 30, 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 $903.4 million and $1,144.1 million, respectively.

As at September 30, 2018 and December 31, 2017, the fair value of the Debentures based on period end trading prices on the secondary market (Level 2) was $110.6 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:

	As at September 30, 2018	As at September 30, 2017
U.S. Dollar Forwards and Options		
Favorable 5% change	$ 4,903	$ 2,325
Unfavorable 5% change	(4,903)	(2,415)

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.

	As at September 30, 2018	As at September 30, 2017
Crude oil and NGL related prices		
Favorable 15% change	$ 13,388	$ 8,504
Unfavorable 15% change	(13,388)	(8,800)

	As at September 30, 2018	As at September 30, 2017
WTI Differential Futures		
Favorable 15% change	$ 1,893	$ -
Unfavorable 15% change	(1,893)	-

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:

	As at September 30, 2018	As at September 30, 2017
Equity Swaps		
Favorable 10% change	$ 2,161	$ 1,877
Unfavorable 10% change	(2,161)	(1,877)

(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 September 30, 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	$ 490,033	$ -	$ -	$ 490,033
Dividend payable	47,588	-	-	47,588
Long-term debt	-	300,000	600,000	900,000
Credit facilities	-	-	245,000	245,000
Debentures (debt and equity component)	-	100,000	-	100,000
Interest on long-term debt and Debentures	52,875	180,407	26,250	259,532
Commodity futures	17,645	-	-	17,645
Commodity swaps	3,841	-	-	3,841
Equity swap	1,774	-	-	1,774
Foreign currency forwards	119	-	-	119
Lease liabilities	41,517	66,450	25,754	133,721
	$ 655,392	$ 646,857	$ 897,004	$ 2,199,253

19 Subsequent Events

On November 6, 2018, the Board declared a quarterly dividend of $0.33 per common share for the fourth quarter on its outstanding common shares. The dividend is payable on January 17, 2019 to shareholders of record at the close of business on December 31, 2018.

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

20 Supplemental cash flow information

	Three months ended September 30,		Nine months ended September 30,	
	2018	**(note 4) 2017**	**2018**	**(note 4) 2017**
Cash flows from operating activities				
Net income (loss) from continuing operations	$ 6,822	$ (5,410)	$ 33,849	$ (10,475)
Adjustments for non-cash items:				
Finance costs, net (note 11)	18,794	19,121	60,823	100,785
Income tax expense (recovery)	12,704	(13,813)	25,648	(39,829)
Depreciation and impairment of property, plant and equipment (note 8)	63,425	25,015	117,895	76,248
Depreciation on right-of-use assets (note 9)	13,097	-	32,825	-
Amortization and impairment of intangible assets	2,452	11,670	7,724	20,442
Impairment of goodwill	18,500	-	20,479	-
Stock based compensation	692	5,385	11,074	14,752
Loss (gain) on sale of property, plant and equipment	910	(936)	1,620	(2,720)
Other	(2,984)	(336)	910	587
Net loss (gain) on fair value movement of financial instruments (note 18)	3,597	2,321	11,851	(1,634)
Subtotal of adjustments	131,187	48,427	290,849	168,631
Changes in items of working capital				
Trade and other receivables	(76,610)	519	(69,081)	57,593
Inventories	15,982	(18,532)	(30,395)	(22,044)
Other current assets	875	(4,914)	1,120	(3,211)
Trade payables and accrued charges	49,663	(24,482)	10,934	(49,695)
Deferred revenue	-	(6,507)	-	(3,756)
Contract liabilities (note 3)	(9,683)	-	14,286	-
Subtotal of changes in items of working capital	(19,773)	(53,916)	(73,136)	(21,113)
Income taxes refund, net	3	1,402	13,480	858
Cash provided by (used in) operating activities from continuing operations	118,239	(9,497)	265,042	137,901
Cash provided by operating activities from discontinued operations (note 4)	7,662	14,742	26,359	14,166
Net cash provided by operating activities	$ 125,901	$ 5,245	$ 291,401	$ 152,067

See accompanying notes to the condensed consolidated financial statements