



Rising to the
Challenge

Annual Report 2015



Our Business

Gibsons is a midstream energy company with operations in some of the most hydrocarbon-rich basins in North America.

For over 60 years, Gibsons has provided market access to leading oil and gas companies in Western Canada. By diversifying our service offerings and expanding geographically, we continue to meet our customers' needs in key hydrocarbon producing regions throughout North America. Our unparalleled service level is what sets us apart from our competitors and we strive to provide hands-on service between the producer and end-user.

Gibsons' diversified service offering includes terminals, storage, blending, processing, marketing and distribution of crude oil, condensate, natural gas liquids and refined products. We also provide emulsion treating, water disposal and oilfield waste management services.

Our integrated operations allow us to participate in the full midstream energy value chain. We transport millions of barrels of energy products each year by pipeline, truck and rail through our strategically located terminals in Hardisty and Edmonton, Alberta, Canada, our small Canadian terminals and our injection stations in the United States.



Annual General Meeting Information

Wednesday, May 4, 2016, at 11:00 a.m. (Mountain Time)
The Metropolitan Conference Centre
333 - 4 Ave SW, Calgary, Alberta

Forward-Looking Statements

This annual report contains forward-looking statements. Please refer to the caution on forward-looking information on the inside back cover.

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Our 2015 Highlights

Financial

- Achieved record Terminal and Pipelines Segment Profit of \$143 million, a 23% increase over 2014.
- Delivered Adjusted EBITDA for the year of \$386 million.
- Executed growth capital expenditures of \$346 million, primarily for the expansion of terminal storage and pipeline connectivity.
- Declared total dividends of \$161.0 million, or \$1.28 per share, in the year, representing an 8% increase in total dividends over 2014.
- Ended the year with \$83 million of cash on the balance sheet, \$465 million of availability under our \$500 million revolving credit facility and a senior debt leverage ratio of 3.2 to 1.0.

Operations

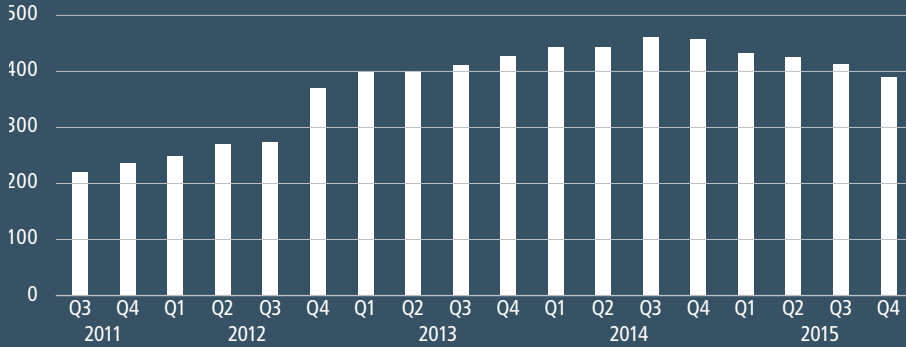
- Successfully commissioned two new tanks at the Hardisty Terminal, resulting in a 900,000 barrel, or 18%, increase in capacity.
- Commissioned our connectivity enhancement project related to the twinning of the Cold Lake pipeline connection to the Hardisty Terminal.
- Completed the connectivity enhancement project at the Hardisty Terminal related to the twinning of the Athabasca pipeline system.
- Commenced construction on an additional 1.8 million barrels of storage capacity at Gibsons' Hardisty Terminal to support our customers' growth plans.
- Completed the integrations of two industrial propane companies, which were acquired in 2014.

Health, Safety, Security and Environment

- Conducted 103 formal Safety Stand Down events throughout the year, engaging senior management and front line staff to discuss ways we can continue to strengthen our health and safety commitment and improve our overall safety performance.
- Expanded a unique One on One interview process which allows direct conversation between management and their employees regarding HSS&E matters and continues to provide valuable insight for both management and employees involved in the process.
- Completed 34 internal HSS&E Management System Assessments across our operating units.
- Continued our focus on emergency response planning and training with 180 emergency scenario drills.
- Introduced a company-wide Learning Management System which allows for improved employee training tracking and transparency across all functions of the organization.

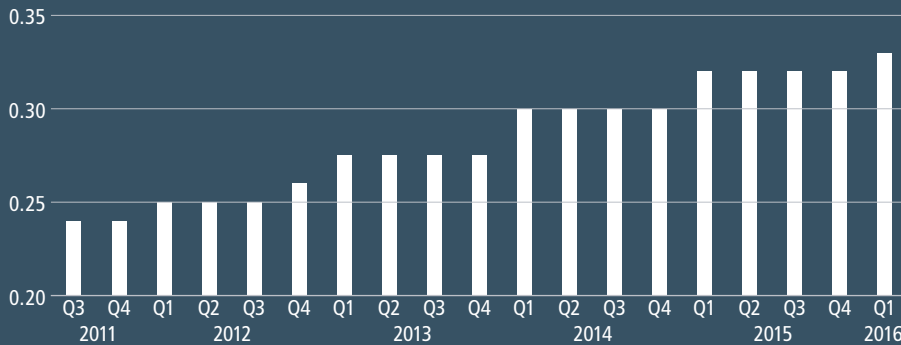
Our Commitment to Creating Long-term Value

Trailing Twelve Month Adjusted EBITDA (\$ Millions)



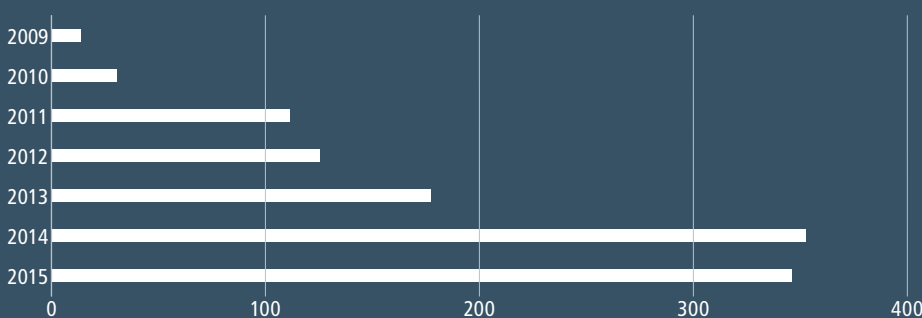
\$386MM
Adjusted
EBITDA in 2015

Quarterly Dividend (\$/share)



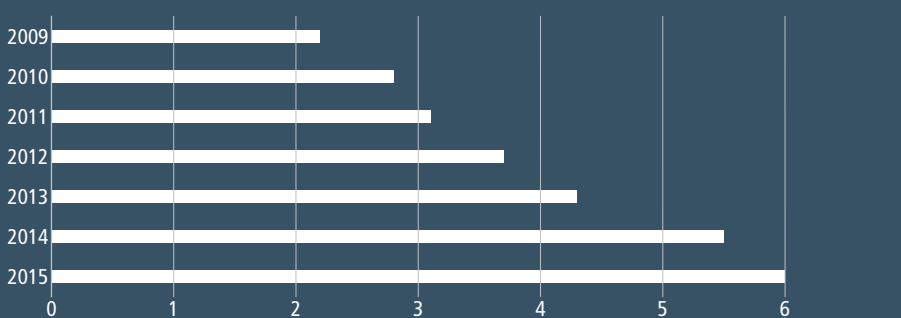
\$161MM
Total Dividends
Declared in 2015
(\$1.28/share)

Growth Capital (\$ Millions)



\$346MM
Growth Capital
Expenditures
in 2015

Hardisty Storage Capacity (Millions of Barrels)



6.0MMbbl
Storage Capacity at
Gibsons' Hardisty
Terminal, Growing
to **8.9 MMbbl**

Message from Stewart Hanlon



Stewart Hanlon
President & CEO

2015 was a year of highs and lows marked by an oversupplied energy market and massive declines in oil prices which heralded a dramatic slowdown in activity in the energy industry across North America. Without question, it has been a period of uncertainty, volatility and challenge throughout the global energy industry.

These conditions affected Gibsons as well. But, at the same time, this year confirmed the strength and resiliency of our business. We emerged from 2015 strong and stable, largely due to our commitment to sound business practices: maintaining a solid balance sheet, delivering a sustainable dividend, focusing on our long-term strategy and ensuring a conservative approach to capital allocation.

In this environment, the toughest I've seen in my twenty-five years with the company, Gibsons delivered. We achieved annual adjusted EBITDA of \$386 million—a decrease of only 15% from our record 2014 results.

We also benefited from a slowdown in construction activities in Alberta as we progressed on our 2015 capital program, with expenditures primarily directed toward growing our infrastructure at our Hardisty and Edmonton terminals in Alberta.

Disciplined Capital Allocation

In 2015, we supported our customers' oil volume growth by committing to long-term storage contracts. We also successfully commissioned two new tanks on the east side of our Hardisty Terminal, resulting in a capacity increase of 900,000 barrels. We saw the successful completion of our

connectivity enhancement projects which serve to connect our Hardisty Terminal to both the Cold Lake and Athabasca Pipeline twinning projects. And, we have "shovels in the ground" for an additional 2.9 million barrels of crude oil storage at Hardisty that are scheduled to come into service in 2016 and 2017.

At our Edmonton facility, we progressed the construction of a 300,000 barrel tank and an expansion of the rail loading rack. The project is on-track and will contribute to our 2016 cash flow mid-way through the year.

In 2015, we also capitalized on opportunity.

We acquired two small companies to enhance our logistics capabilities. Littlehawk Enterprises, a Western Canadian business that specializes in hydro excavation, pressure testing and water hauling for the construction and energy industries, and T&R Transport, a crude and water hauling business that services the Bakken and Three Forks plays. Both acquisitions complement, and are vertically integrated with, our existing services.

We also saw the successful completion of our new Edmonton facility that was built to consolidate and optimize our Canadian trucking operations. The facility brings the business closer to our fleet operations, while minimizing waste and reducing costs. Longer-term, the move allows Gibsons to use the valuable strategic land vacated by the trucking group for future tank construction at our Edmonton terminal.

“As an integrated midstream company, we are well-positioned to weather oil price volatility through the long-term infrastructure contracts on our terminal assets.”

Protecting our Balance Sheet and Ensuring Dividend Sustainability

Clearly, when the price of oil drops as dramatically as it has, it's necessary to look at things differently and to take action accordingly. In 2014, we made adjustments and continued to do so throughout 2015. We progressed the rebalancing of our portfolio towards fee-based infrastructure; we realigned our cost structures; and we took a disciplined and flexible approach to capital allocation.

As an integrated midstream company, we are well-positioned to weather oil price volatility through the long-term infrastructure contracts on our terminal assets. Our 2015 capital growth program, focused on our terminals and pipelines business, is largely backed by long-term, take-or-pay contracts that average 10 years or more with large and strong customers. This shields an ever-growing proportion of our cash flow from fluctuations in oil prices, providing increased predictability and stability for our shareholders and increased support for our dividend.

Making Communities Stronger

We take pride in knowing that our community contributions serve community needs, harness our employees' interests and align with our business goals. In 2015, we invested in our communities through the following efforts:

- Supporting the new Moose Jaw Hospital with state-of-the-art medical equipment. We donated \$500,000 toward specialized x-ray equipment to diagnose and evaluate many conditions.
- Investing in a wide range of emergency service programs in our operating communities.
- Contributing over \$320,000 (employee donations plus Gibsons' match) to organizations, like the United Way and St. Jude's Hospital, through our employee giving program.
- Partnering with business, government and Texas A&M University to support the Produced Water Irrigation Project in Texas. Gibsons provided water storage for this unique cotton-growing project that uses recycled produced water from oil and natural gas activity in the Delaware Basin to irrigate a cotton crop.



Gibsons' annual truck-pull event kicks off our 2015 employee giving campaign

We also looked at the impact of the changing environment through our customers' eyes. That perspective evolved into a doubling-down of our commitment to outstanding customer service and operational excellence. Now, more than ever, we need to ensure that we react quickly to changing market conditions and customer needs, while working efficiently and collaboratively as one strong team to solve our customer's challenges. To do this, we must continue to adjust our cost structures to ensure that our services remain cost-competitive.

Most importantly, we must continue to operate safely and responsibly.

To give credit, where credit is due, our success would not be possible without the efforts of our people—the women and men who work with our customers every day to provide innovative midstream solutions. They have risen to the challenge this year and I would like to thank them for that. Their efforts helped us end 2015 with solid financial results and a strong position for the future. I would also like to thank our Board of Directors. Their guidance and governance have been invaluable over the past year.

But to emerge from this cycle as a more valuable company also requires a commitment to execute on our long-term strategy: to provide midstream solutions that capitalize on growth trends in North American oil and liquids production.

Focused on Our Long-term Strategy

In 2015, we had several senior executives announce their retirements. Rodney Bantle, Senior Vice President of Truck Transportation decided to retire after 20 years of service and Warren Osatiuk, Senior Vice President of Refining announced his retirement after 15 years with Gibsons. I want to thank them for their dedication and leadership. And last, but by no means least, after 23 years with Gibsons, Don Fowles, Chief Financial Officer will retire in 2016. Don is one of the longest-serving members of our senior management team and his leadership has played a major role in shaping our company into what it is today. I wish them all well and look forward to working with the newest member of our senior executive team, Sean Brown, who joined Gibsons as Chief Financial Officer early in 2016.

Our Strategic Priorities

Strive for **leadership** in **HSS&E** and operational performance

Provide a **leading** integrated portfolio of services

Be **responsive** and adaptable to a continuously changing business environment

Be a superb **business partner** by providing innovative, **cost-effective solutions** for all of our stakeholders

Ensure our workforce is **highly engaged** and **customer solution focused**

Be a **socially responsible** organization that is valued by the communities in which we do business

Endeavor to be an **outstanding investment** for our shareholders

Looking ahead to 2016 and 2017, we see strong growth in our Terminals and Pipelines segment where we will direct the majority of our capital at a range of \$200 and \$300 million each year. For 2016, the \$200 million low-end in growth capital spending primarily represents projects currently underway within our Terminals and Pipelines segment, the majority of which are underpinned by long-term take-or-pay contracts. The \$300 million high-end incorporates an additional \$100 million for projects that are either currently being negotiated or are under consideration. We expect to have greater visibility to the remaining, uncommitted capital spending as we progress through 2016.

“We remain confident in the near, and medium term, that oil sands production will continue to grow given the resiliency of our customers’ project development plans and their financial strength.”

These projects are underpinned by highly visible production from specific oil sands projects that are currently under development or in a production ramp-up phase. Despite today’s challenging oil price environment, our key oil sands customers take a long-term view on oil prices due to the nature of their reserve profile, and we remain confident in the near, and medium term, that oil sands production will continue to grow given the resiliency of our customers’ project development plans and their financial strength. In the interim, they are realizing material operating and capital cost efficiencies in the current deflationary environment, just as we are at Gibsons.

We believe in the value of our North American footprint. We remain competitive, and healthy, in those basins where activity levels are currently depressed, but where we expect to see a rebound in shale production when we see improvement in crude oil pricing. To that end, we continue to review and address costs to ensure that we are well-positioned to be successful this year and for years to come.

2015 was a tough year for our customers and we expect 2016 may be even tougher. While we are cautious and conservative about conditions over the near term, we remain positive about the prospects for our business. Our consistent financial strength, sound management and diversified business mix have enabled us to deliver value to both our customers and shareholders, and we believe that they will continue to do so well into the future.

For investors looking to 2016 and beyond, there are many reasons why Gibsons represents a compelling investment:

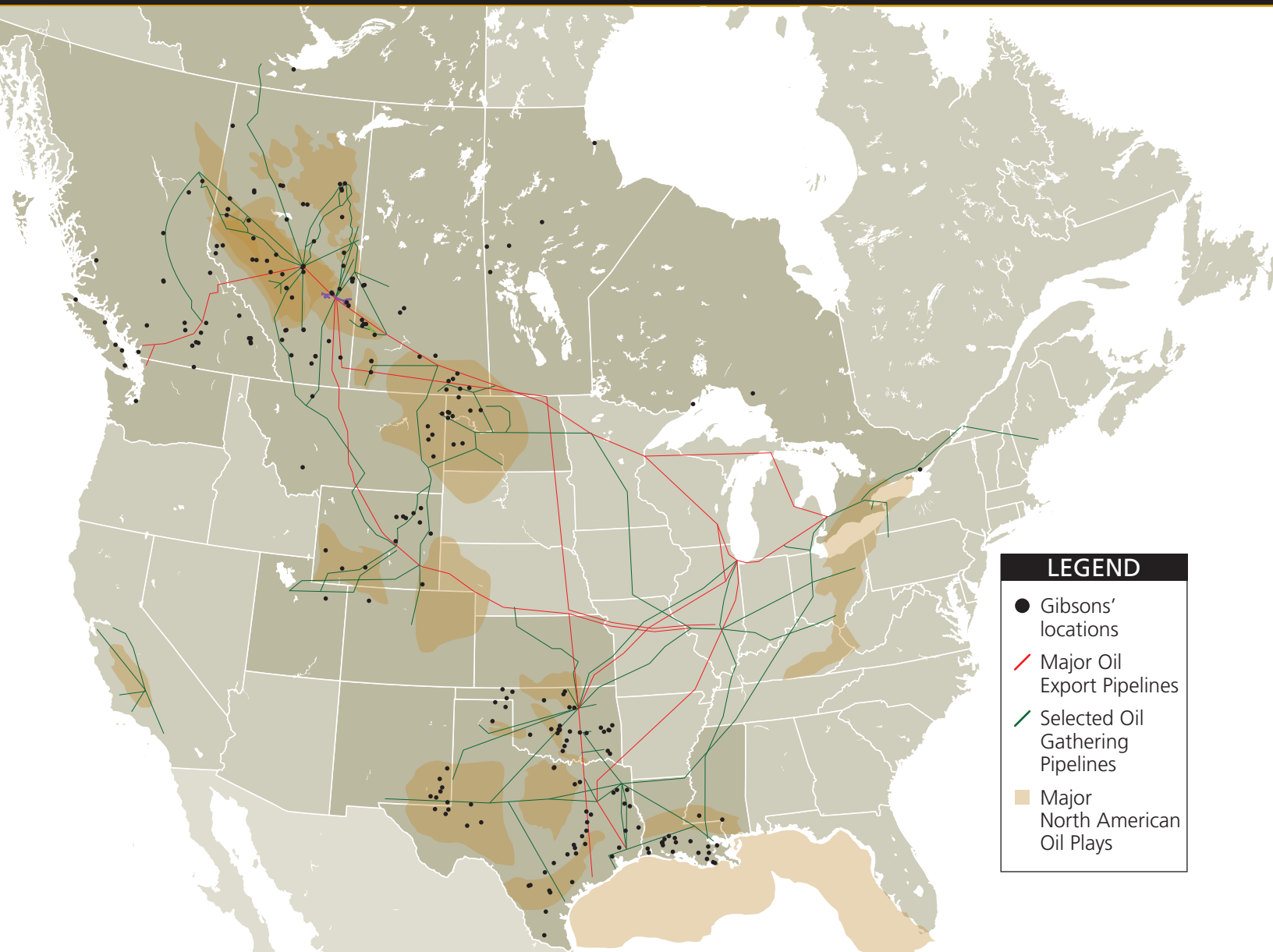
- we continue to strengthen the quality of our cashflows;
- we have a strong balance sheet and liquidity to fund our growth capital program; and
- we offer an attractive and sustainable total shareholder return.

My thanks go out to all investors who continue to support our efforts.

We’ve been in the midstream business for more than six decades. And while we’ve seen cycles in our industry before, it’s difficult to predict how this pricing cycle will evolve. We do know that conditions will improve at some point in the future. I’m proud of what we’ve accomplished in 2015, and I am confident that the steps we have taken will enable us to rise to the challenges and position us for an exciting future.



Stewart Hanlon
President & CEO



LEGEND

- Gibsons' locations
- Major Oil Export Pipelines
- Selected Oil Gathering Pipelines
- Major North American Oil Plays

Our Strategic Footprint

Gibsons' strategic footprint spans some of the most hydrocarbon-rich basins in North America. Our diversified business model serves customers across Western Canada and in the oil-rich regions of the United States. Our significant presence in these key basins provides our customers with flexible midstream solutions while giving us a competitive advantage.



Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared and approved by the Company's Board of Directors as of March 1, 2016 and should be read in conjunction with the audited consolidated financial statements and related notes of Gibson Energy Inc. ("Gibsons" or the "Company") for the years ended December 31, 2015 and 2014, which were prepared under International Financial Reporting Standards ("IFRS") as set out in the Handbook of the Canadian Institute of Chartered Professional Accountants and as issued by the International Accounting Standards Board (IASB). Amounts are stated in Canadian dollars unless otherwise noted.

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

EXECUTIVE OVERVIEW

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

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

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



Highlights

The key highlights for the year ended December 31, 2015 were as follows:

- Despite challenging industry conditions, overall segment profit only decreased by 14% to \$418.8 million in the year ended December 31, 2015 compared to \$487.1 million in the year ended December 31, 2014;
- Segment profit for the Terminal and Pipelines segment increased by 23% in the year ended December 31, 2015, compared to the year ended December 31, 2014;
- Pro Forma Adjusted EBITDA for the year ended December 31, 2015 was \$389.9 million, down 15% from the year ended December 31, 2014;
- Adjusted EBITDA for the year ended December 31, 2015 decreased by 15% to \$386.3 million compared to \$453.1 million in the year ended December 31, 2014;
- Revenue decreased by 35% in the year ended December 31, 2015 compared to the year ended December 31, 2014. The decrease was primarily driven by lower product revenue as a result of lower commodity prices and also lower service revenues that exhibited a reduction of 20% in the year ended December 31, 2015;
- During the year ended December 31, 2015, management reduced costs within the Company resulting in lower overall headcount of approximately 15%, after adjusting for the impact of acquisitions. Management is committed to cost control and will continue to proactively work to align costs in light of overall economic conditions;
- The Company declared a dividend of \$0.32 per common share in the fourth quarter of 2015. Total dividends declared were \$161.0 million in the year ended December 31, 2015, representing an 8% increase over the \$148.6 million declared in the year ended December 31, 2014;
- On August 6, 2015, the Company suspended, until further notice, Gibsons' Dividend Reinvestment Plan ("DRIP") and Stock Dividend Program ("SDP") as the Company believes that the continuation of these programs would result in unwarranted dilution of its shareholders;
- For the year ended December 31, 2015, distributable cash flow was \$219.5 million resulting in a gross dividend payout ratio of 73% and a net dividend payout ratio of 64% based on declared dividends paid in cash;
- Capital expenditures were \$392.6 million for the year ended December 31, 2015, of which \$345.8 million related to growth capital. Growth capital expenditures are primarily related to the construction of tankage and pipeline connections at the Company's facilities, in particular at the Hardisty and Edmonton terminals. At December 31, 2015, the Company had capital expenditures totaling \$290.6 million included in work in progress;
- In February and March 2015, the Company successfully commissioned two new tanks on the east side of the Hardisty Terminal resulting in a 900,000 barrel increase in capacity. In addition, the Company successfully commissioned its connectivity enhancement project related to the twinning of the Cold Lake pipeline connection to the Hardisty Terminal;
- On April 13, 2015, the Company announced its intention to construct 900,000 barrels of additional crude oil storage capacity at the Hardisty Terminal, comprised of a 400,000 barrel storage tank and a 500,000 barrel storage tank, that are expected to be commissioned in mid-2017;
- On April 27, 2015, the Company announced that it will build and operate an additional 900,000 barrels of storage capacity at Gibsons' Hardisty West Terminal. The expansion is intended to support Suncor Energy's ("Suncor") growth plans. The Hardisty West Terminal was developed in 2011 as a joint venture with Suncor involving the construction of four storage tanks totaling 1.2 million barrels. The terminal is an important part of Suncor's logistics infrastructure that is designed to facilitate the transportation of its crude oil production and manage the quality of its proprietary commodity streams. The expansion of the Hardisty West Terminal will support growth in Suncor's oil sands operations and increase total storage capacity at the Hardisty West Terminal by 75% to 2.1 million barrels. The new storage capacity is expected to be in-service by the third quarter of 2017;



- On July 1, 2015, the Company acquired all of the issued and outstanding ownership interests of Ross Eriksmoen, Inc., GWCC, LLC, and Frontier Ventures, LLC (collectively doing business as “T&R Transport”) for approximately \$34.9 million. T&R transports water and oil field waste and provides related transportation services to customers in the oil, gas, and petrochemical industry throughout the Bakken region in North Dakota;
- On December 1, 2015, the Company successfully commissioned its connectivity enhancement project related to the twinning of the Athabasca pipeline connection to the Hardisty Terminal; and

On March 1, 2016, the Board declared a quarterly dividend of \$0.33 per common share for the three months ended March 31, 2016 on its outstanding common shares. The dividend is payable on April 15, 2016 to shareholders of record at the close of business on March 31, 2016.

Trends affecting the Company’s business

Gibsons periodically evaluates its long-range strategic plan in order to assess the implications of emerging industry trends, including organic growth and potential acquisition opportunities, in the energy midstream sector. Some of the key industry trends that will affect Gibson’s business and prospects over the short-term (2 years or less) and the medium to long-term (two to five years) are:

- Increased oil production in North America over the last number of years has increased demand for many facets of the midstream energy value chain including storage, transportation, distribution, processing, refining and environmental and production services, all of which are activities the Company participates in. However, the recent decline in crude oil prices has caused many North American oil producers, who form a significant part of Gibsons’ customer base, to lower their near term capital spending plans. This is expected to negatively impact North American production over the short-term. Over the medium to long-term, as crude oil supply and demand rebalances and crude oil prices realign with global cost structures, the Company anticipates a return to increased activity and production levels and a continued demand for midstream value chain assets;
- Over the medium to long-term, the growing supply of Canadian heavy crude oil from the oil sands will result in an increasing demand for diluent in the Western Canada Sedimentary Basin (the “WCSB”). This should result in increased movements of diluent through the Edmonton and Alberta heartland area, pipeline and terminal infrastructure and may generate increased opportunities for Gibsons’ services;
- Crude oil pricing, location and quality disconnects, combined with a shortage of pipeline takeaway capacity from the WCSB, have created demand for crude by rail as a solution for export market access. While the recent decline in crude oil prices has negatively impacted the economics of this transportation alternative, the Company expects that if oil prices rise or export pipeline access becomes a barrier to reach markets, opportunities for the Company to increase its service offering to include more crude oil rail movements will arise;
- The Keystone XL and Energy East pipeline projects are crucial initiatives that should help provide the growing supply of Canadian crude oil access to the large refining markets in the United States, Eastern Canada and other foreign markets. The recent denial of presidential permit to Keystone XL by the U.S. Department of State in November, 2015, as well as continued delays to the approval of Energy East, the starting point for both pipelines which would be adjacent to the Company’s Hardisty Terminal, defers the prospects of increased opportunities for the Company’s terminalling services that are anticipated from these projects, but brings to fore the likelihood of an increased usage of the Company’s crude oil rail transportation infrastructure, in the near term;
- Enbridge’s expansion of its Line 67 that went into operation in July 2015 and the replacement of its Line 3 will help the growing supply of Canadian crude oil gain access to the largest refining markets in the United States and Eastern Canada. The replacement of Line 3, if approved, could provide incremental capacity by 2018. Gibsons’ Hardisty Terminal is connected to deliver to both of these pipelines and these expansions should provide increased opportunities for the Company’s terminalling services at Hardisty;
- When completed, Enbridge’s twinning of the southern section of its Athabasca pipeline which should provide for incremental volumes into the Gibson Hardisty terminal and increased opportunities for the Company’s terminalling services at Hardisty;
- Price fluctuations between crude oil types can create incremental margin opportunities in multiple areas of the Company’s operations. While current price differentials have compressed in response to the recent decline in benchmark crude oil prices, the Company remains attentive to opportunities as this trend continues to evolve;
- The growing supply of propane, butane and other natural gas liquids in North America related to higher liquids rich natural gas development has resulted in declining propane and butane prices in North America. This may result in increased volumes and potential margin improvement related to the Propane and NGL Marketing and Distribution segment;



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- The recent reduction in the value of the Canadian dollar relative to the U.S. dollar highlights added foreign currency volatility which could result in both positive and negative impacts for the Company. A weakening Canadian dollar should result in increased profit contributions from the Company's U.S. business. In addition, it could result in increased revenues and cost of sales for the Company's Canadian operations that transact in U.S. dollars. Furthermore, a weakening Canadian dollar will result in an increase in foreign exchange losses with respect to the Company's U.S. dollar denominated debt and an increase in foreign exchange gains with respect to the Company's U.S. denominated assets;
 - The lifting of the U.S. crude oil export ban in December, 2015, may further advance demand for the utilization of midstream assets to enable an increasing volume of crude oil to access tidewater export locations. Gibsons' U.S. presence and extensive footprint offer an important growth platform and that should prove advantageous to the Company's North America-wide core midstream infrastructure development plan;
 - The weak oil price and capital market conditions are expected to adversely impact many energy industry participants in North America, some of which are either customers or competitors. In the ensuing period, the Company anticipates increasing credit risk within certain segments of its customer base. Offsetting this, the Company expects a moderation in valuation expectations for midstream asset and corporate transactions;
 - Over the medium to long-term the Company expects new technology for drilling and well completion methodology to be deployed towards conventional and unconventional production within the industry which should further enhance the viability and resilience of the specific basins Gibsons has strategically chosen to operate in; and
 - Over the medium to long-term, the Company expects that increased oil and natural gas production in North America should also translate to a significant increase in produced water and other oilfield waste. This increase in oilfield waste, together with increased regulatory scrutiny, should increase demand for the Company's Environmental Services solutions.

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



Capital expenditures

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

	Year ended December 31,	
	2015	2014
Growth capital	\$ 345,791	\$ 352,487
Upgrade and replacement capital	46,775	59,035
	<u>\$ 392,566</u>	<u>\$ 411,522</u>

Total expenditures for growth and upgrade and replacement capital were \$392.6 million and \$411.5 million in the year ended December 31, 2015 and 2014, respectively. In the year ended December 31, 2015 and 2014, \$376.5 million and \$391.2 million, respectively, were included as additions to property, plant and equipment and \$16.1 million and \$20.3 million, respectively, were included as additions to intangible assets.

Growth capital

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

	Year ended December 31,	
	2015	2014
Terminals and Pipelines ⁽¹⁾	\$ 243,057	\$ 220,916
Environmental Services ⁽²⁾	45,935	68,430
Truck Transportation ⁽³⁾	27,755	22,164
Propane and NGL Marketing and Distribution ⁽⁴⁾	2,032	12,131
Processing and Wellsite Fluids ⁽⁵⁾	18,471	13,979
Other ⁽⁶⁾	8,541	14,867
Total	<u>\$ 345,791</u>	<u>\$ 352,487</u>

(1) Expenditures in the year ended December 31, 2015 and 2014 relate to a number of construction and expansion projects including the construction of additional tanks and related infrastructure at the Hardisty and Edmonton terminals. Expenditures in the year ended December 31, 2015 also include the purchase of small terminals in the United States. Expenditures in the year ended December 31, 2014 includes the related infrastructure to connect the unit rail facility to the Hardisty Terminal.

(2) Expenditures in the year ended December 31, 2015 and 2014 relate to the expansion of existing and construction of new emulsion and waste treatment and salt water disposal facilities in both Canada and the United States and also the addition of equipment and rolling stock.

(3) Expenditures in the year ended December 31, 2015 and 2014 largely represent the costs for constructing a new office and maintenance facility in Edmonton, Alberta, including the purchase of land in the Edmonton area.

(4) Expenditures in the year ended December 31, 2015 mainly represent the addition of tanks and generators in key market areas. Expenditures in the year ended December 31, 2014 mainly represent the addition of trucks, tanks and generators in key market areas and the expansion of rail infrastructure at a Company facility.

(5) Expenditures in the year ended December 31, 2015 largely relate to increasing truck and rail capabilities at the facility in Moose Jaw. Expenditures in the year ended December 31, 2014 largely relates to increasing throughput capacity and rail capabilities at the facility in Moose Jaw.

(6) Expenditures in the year ended December 31, 2015 mainly relate to costs associated with the Company's information and operational systems. Expenditures in the year ended December 31, 2014 mainly includes the purchase of land in Strathcona County in Alberta's Industrial Heartland as well as equipment and software related to information and operational systems.

Upgrade and replacement capital

Upgrade and replacement capital includes improvement projects that extend the physical life of an asset, while replacement capital includes purchases that replace existing assets as necessary to maintain current service levels or replace assets that no longer have a useful economic life. Upgrade and replacement capital decreased 21% in the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to a reduction in spending relating to the replacement of the truck and trailer fleet within the Truck Transportation segment.



Acquisitions

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

On July 1, 2015, the Company acquired all of the issued and outstanding ownership interests of T&R Transport for approximately \$34.9 million. T&R Transport transports water and oil field waste and provides related transportation services to customers in the oil, gas, and petrochemical industry throughout the Bakken region in North Dakota. These services complete an integrated business model centered around the Company’s new Bakken Process Recovery Disposal and Landfill commissioned in the fourth quarter of 2014.

Seasonality

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

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

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

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

SELECTED ANNUAL FINANCIAL MEASURES

	Year ended December 31,		
	2015	2014	2013
	(in thousands except per share amounts)		
Revenue	\$ 5,591,982	\$ 8,573,529	\$ 6,940,669
Net income (loss)	(280,656)	91,941	103,816
Earnings (loss) per share			
Basic.....	\$ (2.23)	\$ 0.74	\$ 0.86
Diluted.....	(2.23)	0.73	0.84
Dividends declared per common share	\$ 1.28	\$ 1.20	\$ 1.10
	As at December 31,		
	2015	2014	2013
Total assets.....	\$ 3,282,986	\$ 3,573,029	\$ 3,049,382
Total non-current liabilities.....	1,606,425	1,507,876	1,058,582



SEGMENTED RESULTS OF OPERATIONS

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

The following is a discussion of the Company’s segmented results of operations for the year ended December 31, 2015 and 2014 and the following table sets forth revenue and profit by segment for those periods:

	Year ended December 31,	
	2015	2014
	(in thousands)	
Segment revenue		
Terminals and Pipelines	\$ 184,179	\$ 157,969
Environmental Services	334,449	431,153
Truck Transportation	445,969	557,735
Propane and NGL Marketing and Distribution	924,111	1,352,741
Processing and Wellsite Fluids	395,787	667,793
Marketing	4,330,978	7,005,045
Total segment revenue	<u>6,615,473</u>	<u>10,172,436</u>
Revenue—inter-segmental	(1,023,491)	(1,598,907)
Total revenue—external	<u>5,591,982</u>	<u>8,573,529</u>
Segment profit		
Terminals and Pipelines	142,796	116,524
Environmental Services	57,257	100,273
Truck Transportation	52,034	83,178
Propane and NGL Marketing and Distribution	94,192	70,271
Processing and Wellsite Fluids	37,207	51,675
Marketing	35,271	65,180
Total segment profit	<u>418,757</u>	<u>487,101</u>
General and administrative	39,569	37,385
Depreciation	195,438	154,934
Amortization	87,554	54,991
Impairment of goodwill	175,959	-
Stock based compensation	20,379	13,977
Foreign exchange loss	108,180	31,519
Net interest expense	79,022	66,766
Income (loss) before income tax	<u>(287,344)</u>	<u>127,529</u>
Income tax provision (recovery)	(6,688)	35,588
Net income (loss)	<u>\$ (280,656)</u>	<u>\$ 91,941</u>

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

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



Terminals and Pipelines

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

Volumes (barrels in thousands)	Year ended December 31,	
	2015	2014
Terminals		
Hardisty Terminal	208,292	184,519
Edmonton Terminal.....	14,510	16,822
Injection stations	40,511	47,154
Total terminals	263,313	248,495
	Year ended December 31,	
	2015	2014
	(in thousands)	
Revenues.....	\$ 184,179	\$ 157,969
Operating expenses and other	41,383	41,445
Segment profit.....	\$ 142,796	\$ 116,524

Volumes, revenues and cost of sales. Hardisty Terminal volumes increased by 13% in the year ended December 31, 2015 compared to the year ended December 31, 2014, as a result of increased throughput volumes from customers with dedicated tank usage partially offset by lower volumes to the crude oil unit train loading facility located close to the Hardisty Terminal. Revenue at the Hardisty Terminal increased by \$29.4 million in the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase was largely driven by the increase in revenue from customers with dedicated tank usage that are subject to fixed fee arrangements and additional revenue from the commissioning of the connectivity enhancement projects related to the twinning of the Cold Lake and Athabasca pipeline connections to the Hardisty Terminal. Also, the increase in revenue was due to the additional revenue from the Company's share of a full year of operations at the crude oil unit train rail loading facility compared to a half year of operations in 2014, with these customers being subject to minimum volume charges. The increase in revenue and volumes from customers with dedicated tank usage that are subject to fixed monthly rental fees, primarily relate to the impact of the four new tanks at the east side of the Hardisty Terminal that were commissioned in the fourth quarter of 2014 and the first quarter of 2015.

Edmonton Terminal volumes decreased by 14% in the year ended December 31, 2015 compared to the year ended December 31, 2014 mainly due to a decrease in diesel receipt volumes through the terminal from a customer that is subject to minimum volume charges, and the impact of tanks temporarily being taken out of service to facilitate the current expansion of the facility that is expected to be completed in late 2016. Revenue decreased by \$1.4 million in the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to the impact of the tanks being temporarily being taken out of service as revenue on other volumes remained relatively stable as they are subject to minimum volume charges.

Injection station volumes decreased by 14% in the year ended December 31, 2015 compared to the year ended December 31, 2014 due to a decrease in activity with a major customer. As a result, revenue decreased by \$0.4 million in the year ended December 31, 2015 compared to the year ended December 31, 2014.

Operating expenses and other. Overall operating expenses and other was consistent in the year ended December 31, 2015 compared to the year ended December 31, 2014.

Segment profit. Segment profit in the year ended December 31, 2015 increased by \$26.3 million, or 23%, compared to the year ended December 31, 2014. The increase was primarily due to the impact of the crude oil unit train rail loading facility and the additional revenues from the commissioning of four new dedicated tanks in late 2014 and early 2015 and also new pipeline connections completed during the year.



Environmental Services

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

	Year ended December 31,	
	2015	2014
	(in thousands)	
Revenues		
Environmental services and fluid handling	\$ 261,820	\$ 312,806
Production services	39,087	66,344
Other services	33,542	52,003
Total revenues	334,449	431,153
Cost of sales	214,286	256,990
Operating expenses and other	62,906	73,890
Segment profit.....	\$ 57,257	\$ 100,273

Revenues and cost of sales. Environmental services and fluid handling revenues decreased by 16% in the year ended December 31, 2015 compared to the year ended December 31, 2014. The decrease was primarily driven by the reduction in oilfield drilling and completion activity in the United States and Canada resulting in a reduction in the fluid handling services business in the United States and a decrease in volumes processed at the Canadian environmental processing facilities, partially offset by additional revenues from the acquisition of T&R Transport.

Production services revenue decreased by 41% in the year ended December 31, 2015 as compared to the year ended December 31, 2014. The decrease was primarily due to the impact of lower overall activity in the Bakken and Eagleford regions of the United States.

Other services revenue decreased by 35% in the year ended December 31, 2015 as compared to the year ended December 31, 2014. The decrease was primarily due to a reduction in exploration support services revenue that was due to a reduction in overall seismic activity compared to the prior year.

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

Cost of sales decreased by 17% in the year ended December 31, 2015 as compared to the year ended December 31, 2014. The decrease was primarily due to the decline in total revenue of 22% in the year, with margins showing a slight decline due to the impact of lower rates. The decrease in cost of sales was partially offset by the unfavorable impact of translating costs denominated in U.S. dollars.

Operating expenses and other. Operating costs decreased by \$10.9 million in the year ended December 31, 2015 as compared to the year ended December 31, 2014, mainly due to a decrease in payroll related and administrative costs, and a lower bad debt provision of \$1.2 million compared to the prior year. These declines were partially offset by additional operating expenses from the T&R Transport acquisition and the unfavorable impact of translating operating costs denominated in U.S. dollars.

Segment profit. Segment profit decreased by \$43.0 million in the year ended December 31, 2015 as compared to the year ended December 31, 2014, largely due to the impact of the decline in revenue, offset in part by a decrease in overall operating expenses.



Truck Transportation

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

Volumes (barrels in thousands)	Year ended December 31,	
	2015	2014
Barrels hauled	111,525	131,998

	Year ended December 31,	
	2015	2014
	(in thousands)	
Revenues.....	\$ 445,969	\$ 557,735
Cost of sales	293,839	376,685
	152,130	181,050
Operating expenses and other	100,096	97,872
Segment profit.....	\$ 52,034	\$ 83,178

Volumes, revenues and cost of sales. For the year ended December 31, 2015, barrels hauled decreased by 16% compared to the year ended December 31, 2014. The decrease was mainly due to the impact of lower crude oil prices resulting in lower production and drilling activity in the Company's service areas. However, this was partially offset by strong demand for sulphur hauling during the year. Revenue decreased by 20% in the year ended December 31, 2015 as compared to the year ended December 31, 2014 due mainly to the impact of the lower overall volume, but also the impact of lower hauling rates in certain of the Company areas.

Cost of sales is primarily comprised of payments to owner-operators and lease operators. Cost of sales decreased by 22% in the year ended December 31, 2015 compared to the year ended December 31, 2014 due to the overall decrease in volumes and overall activity levels.

Operating expenses and other. Overall operating expenses increased by \$2.2 million, or 2%, in the year ended December 31, 2015 compared to the year ended December 31, 2014, mainly due to the additional costs from the acquisition of Littlehawk, increased owner-operator operational costs in the U.S. operations and the unfavorable impact of translating operating costs denominated in U.S. dollars, partially offset by lower payroll related costs.

Segment profit. Segment profit decreased by \$31.1 million, or 37%, in the year ended December 31, 2015 compared to the year ended December 31, 2014, primarily due to lower hauling activity and an increase in operating costs.



Propane and NGL Marketing and Distribution

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

Volumes	Year ended December 31,	
	2015	2014
Sales volumes—Industrial (litres in thousands)		
Oil and gas.....	248,970	250,173
Commercial.....	157,926	126,448
Automotive.....	21,166	20,786
Residential.....	41,184	39,292
Other.....	40,002	34,899
	<u>509,248</u>	<u>471,598</u>
Sales volumes—wholesale (barrels in thousands)		
Propane.....	3,807	3,129
Other NGLs		
Butane.....	4,650	2,986
Condensate.....	3,168	3,864
U.S. division.....	5,131	3,220
	<u>12,949</u>	<u>10,070</u>
	Year ended December 31,	
	2015	2014
	(in thousands)	
Revenues		
Industrial		
Propane.....	\$ 157,099	\$ 248,776
Other.....	29,820	29,721
Total industrial.....	186,919	278,497
Wholesale		
Propane.....	117,182	228,771
Other NGLs.....	620,010	845,473
Total wholesale.....	737,192	1,074,244
Total revenues.....	924,111	1,352,741
Cost of sales.....	745,093	1,206,361
Operating expenses and other.....	84,826	76,109
Segment profit.....	<u>\$ 94,192</u>	<u>\$ 70,271</u>

Volumes, revenues and cost of sales. Industrial volumes increased by 8% in the year ended December 31, 2015 compared to the year ended December 31, 2014 as a result of higher commercial, automotive, residential, and other volumes which were created by an increase in volumes from the Cal-Gas Inc. ('Cal-Gas') and Stittco Energy Limited ('Stittco') acquisitions completed during the prior year. However, despite the increase, overall volumes were negatively impacted by warmer weather in Western Canada, earlier spring break up in the year and lower overall oilpatch activity.

Despite the increase in volumes, industrial propane revenues decreased by 37% in the year ended December 31, 2015 as compared to the year ended December 31, 2014, as a result of the significant decline in overall rack price of propane. Other revenue relates to equipment sales, service labour and rental and delivery charges. Other revenue was consistent in the year ended December 31, 2015 compared to the year ended December 31, 2014.

Wholesale propane volumes increased by 22% in the year ended December 31, 2015 compared to the year ended December 31, 2014. The increase in volumes was largely driven by higher propane demand by certain customers and also the positive contribution due to the Company's expansion of its rail car fleet. Wholesale propane revenues decreased by 49% in the year ended December 31, 2015 compared to the year ended December 31, 2014 due to lower propane prices during the year.

Other NGLs volumes increased by 29% in the year ended December 31, 2015 as compared to the year ended December 31, 2014, primarily as a result of higher demand from internal and external customers and also the positive impact of having access to a larger



rail car fleet. Despite the increase in volumes, other NGLs revenues decreased by 27% in the year ended December 31, 2015 as compared to the year ended December 31, 2014 due to lower commodity prices.

Cost of sales decreased 38% in the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily driven by the impact of lower price levels.

Operating expenses and other. Overall operating expenses increased by \$8.7 million, or 11%, in the year ended December 31, 2015 compared to the year ended December 31, 2014, primarily due to the full year impact of the operating costs from the Cal-Gas and Stittco acquisitions in the current year compared to a partial period in the prior year.

Segment profit. The Propane and NGL Marketing and Distribution segment profit increased in the year ended December 31, 2015 by \$23.9 million, or 34%, compared to the year ended December 31, 2014 largely as a result of higher wholesale propane and NGL margins and the full year impact of the Cal-Gas and Stittco acquisitions that occurred during the prior year.

Processing and Wellsite Fluids

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

Volumes (barrels in thousands)	Year ended December 31,	
	2015	2014
Roofing flux	1,702	1,830
Road asphalt.....	540	470
Frac oils (Gibson Clear and light straight run distillate)	282	539
Distillate (D822)	591	754
Tops	1,871	2,117
Other	253	222
Total sales volumes.....	5,239	5,932

	Year ended December 31,	
	2015	2014
	(in thousands)	
Revenues		
Road asphalt and roofing flux	\$ 185,830	\$ 247,423
Frac oils (Gibson Clear and light straight run distillate)	26,892	77,897
Distillate (D822).....	57,285	110,914
Tops.....	100,697	192,512
Other.....	25,083	39,047
Total revenues	395,787	667,793
Cost of sales	342,571	594,331
Operating expenses and other.....	16,009	21,787
Segment profit.....	\$ 37,207	\$ 51,675

Volumes, revenue and cost of sales. Sales volumes for road asphalt increased by 15% in the year ended December 31, 2015 compared to the year ended December 31, 2014, due to a strong paving season as a result of favorable activity levels and good weather in Western Canada and increased demand in the Northern United States. Sales volumes for roofing flux decreased by 7% in the year ended December 31, 2015 compared to the year ended December 31, 2014 due to a decrease in customer demand and also an increase in road asphalt volumes. Road asphalt and roofing flux revenue decreased by 25% in the year ended December 31, 2015 compared to year ended December 31, 2014 mainly due to the impact of lower crude oil prices.

Frac oils volumes decreased 48% in the year ended December 31, 2015 compared to the year ended December 31, 2014 largely due to an overall decrease in customer demand from lower drilling activity in the Company's markets. As a result of lower volumes and selling prices, frac oils revenue decreased by 65% in the year ended December 31, 2015 compared to the year ended December 31, 2014.

Sales volumes for distillate decreased 22% in the year ended December 31, 2015 compared to the year ended December 31, 2014 due to lower customer demand as a result of lower drilling activity in the Company's markets. As a result of lower volumes and selling prices, distillate revenue decreased by 48% in the quarter ended December 31, 2015, compared to the year ended December 31, 2014.



Tops volumes decreased 12% in the year ended December 31, 2015 as compared to the year ended December 31, 2014 due to lower opening inventories at the start of the year and the impact of more production of Combined Vacuum Gas Oil (“CVGO”). Tops revenues decreased by 48% in the year ended December 31, 2015 compared to the year ended December 31, 2014 due to lower volumes and the decline in crude oil prices.

Other volumes include the sale of CVGO, oil based mud product (“OBM”) and solvents. Other volumes increased by 14% in the year ended December 31, 2015 as compared to the year ended December 31, 2014, largely driven by new sales of the Company’s CVGO. Other revenue decreased by 36% in the year ended December 31, 2015 as compared to the year ended December 31, 2014 due to the decrease in selling prices.

The overall cost per barrel for the suite of products sold by the Processing and Wellsite Fluids segment decreased by 35% due to the decrease in crude oil costs.

Overall margins decreased by \$20.2 million, or 28%, in the year ended December 31, 2015 as compared to the year ended December 31, 2014. The decrease was largely due to decreased margins for frac oils, distillate, tops, and OBM offset in part by higher overall margins for road asphalt and roofing flux.

Operating expenses and other. Operating expenses and other decreased by \$5.8 million, or 27%, in the year ended December 31, 2015 as compared to the year ended December 31, 2014. Operating expenses and other decreased mainly due to an incremental foreign exchange gain of \$4.2 million on realizing U.S. dollar denominated revenue in the year compared to the prior year and also the impact of lower salaries and benefit costs.

Segment profit. The Processing and Wellsite Fluids segment profit decreased in the year ended December 31, 2015 by \$14.5 million, or 28%, as compared to the year ended December 31, 2014, primarily due to decreased overall margins for frac oils, distillate, tops, offset in part by higher overall margins for asphalt and roofing flux and lower operating costs.

Marketing

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

Volumes (barrels in thousands)	Year ended December 31,	
	2015	2014
Sales Volumes		
Crude and diluent.....	112,824	120,676

	Year ended December 31,	
	2014	2014
	(in thousands)	
Revenues	\$ 4,330,978	\$ 7,005,045
Cost of sales.....	4,289,086	6,931,758
Operating expenses and other.....	6,621	8,107
Segment profit	\$ 35,271	\$ 65,180

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

Calendar Period

2014

January.....	\$ 94.86
February.....	100.68
March.....	100.51
April.....	102.03
May.....	101.79
June.....	105.15
July.....	102.39
August.....	96.08
September.....	93.03
October.....	84.34
November.....	75.81
December.....	59.29



2015

January	47.33
February	50.72
March	47.85
April	54.63
May	59.37
June	59.83
July	50.93
August	42.89
September	45.47
October	46.29
November	42.92
December	37.33
Average for the year ended December 31, 2015	\$ 48.80
Average for the year ended December 31, 2014	92.99

Volumes, revenues and cost of sales. Sales volumes for crude and diluent decreased by 7% in the year ended December 31, 2015 due to a decrease in buy/sell transactions in the current year. Revenue decreased by 38% in the year ended December 31, 2015 compared to the year ended December 31, 2014 due to lower crude oil prices and lower volumes, offset in part by the revenue impact of buy/sell transactions that are recorded on a net basis and tighter crude oil price differentials.

Cost of sales decreased by 38% in the year ended December 31, 2015 compared to the year ended December 31, 2014 mainly due to the reduction in crude oil prices.

Operating expenses and other. Operating expenses decreased by \$1.5 million, or 18%, in the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to lower payroll related costs.

Segment profit. The Marketing segment profit decreased by \$29.9 million, or 46%, in the year ended December 31, 2015 as compared to the year ended December 31, 2014. In addition to the impact of a strong first quarter in 2014, the year ended December 31, 2015 was negatively impacted by the decrease in crude oil prices, the impact of tightening crude oil price differentials during the year, supply disruptions as a result of wildfires in Northern Alberta in the second quarter of 2015 and the decline in the demand for crude by rail, partially offset by a decrease in operating costs.

General and administrative and other, excluding depreciation and amortization

General and administrative expense (“G&A”) is comprised of costs incurred for executive services, commercial development, accounting, finance, treasury, legal, human resources, investor relations and communications that are incurred at a corporate level and are not related to a specific segment. G&A expense was \$39.6 million in the year ended December 31, 2015, compared to \$37.4 million in the year ended December 31, 2014. The increase in the year ended December 31, 2015 was largely driven by the incurrence of severance costs of \$2.9 million in the year and a loss on equity financial instruments of \$5.4 million. These equity financial instruments were entered into in the first quarter of 2015 to help manage the exposures relating to the Company’s stock based compensation programs. These were partially offset by an increase in other income and also lower general G&A costs of \$1.3 million, with the decline partly due to lower salary and benefit costs and despite the inclusion of commercial development costs in G&A for the first time in 2015 and also higher rent costs due to expansion of head office space.

Depreciation

Depreciation expense was \$195.4 million in the year ended December 31, 2015 compared to \$154.9 million in the year ended December 31, 2014. The increase was largely due to the additional depreciation related to the increase in the Company’s assets resulting from the completion of capital projects and the completion of the Cal-Gas and Stittco acquisitions in 2014 as well as the Littlehawk and T&R Transport acquisitions that were completed in 2015. In addition, included in depreciation expense in the year ended December 31, 2015 are impairment charges related to the Company’s property, plant and equipment of \$13.5 million. These impairment charges largely related to assets within the Company’s Environmental Services segment.



Amortization

Amortization expense was \$87.6 million in the year ended December 31, 2015 compared to \$55.0 million in the year ended December 31, 2014. The increase was largely due to the additional amortization related to the completion of the Cal-Gas and Stittco acquisitions in 2014 as well as the Littlehawk and T&R Transport acquisitions that were completed in 2015. In addition, included in amortization expense in the year ended December 31, 2015 is additional amortization of \$30.5 million relating to a revision in the useful lives of certain intangible assets within the Company's Environmental Services segment.

Impairment of goodwill

In the year ended December 31, 2015, a goodwill impairment loss within the Environmental Services segment of \$176.0 million was recorded. During the fourth quarter of 2015, the Company completed its annual impairment review and compared the calculated recoverable value of each segment to the carrying value to determine if there was any goodwill impairment. As a result of this process, it was determined that the recoverable value of the Environmental Services segment was less than the carrying value and therefore an impairment loss was recorded. No impairment of goodwill existed in any other segment.

There was no impairment of goodwill recorded in the year ended December 31, 2014.

Stock based compensation

Stock based compensation expense was \$20.4 million in the year ended December 31, 2015, respectively, compared to \$13.9 million in the year ended December 31, 2014, respectively. The increase was primarily due to the additional non-cash expense from the granting of stock awards in the year ended December 31, 2015, due in part to the cumulative impact of the conversion of the long-term incentive plan from a cash plan to an equity based plan over the last two years.

Foreign exchange loss not affecting segment profit

In the year ended December 31, 2015 and 2014, the Company recorded a foreign exchange loss of \$108.2 million and \$31.5 million, respectively.

The gains and losses recorded are primarily driven by the movement in exchange rates on the translation of the Company's U.S. dollar denominated long-term debt and related financial instruments. In the year ended December 31, 2015 and 2014, a loss of \$123.1 million and \$52.0 million, respectively, was recorded due to the unfavorable movement in exchange rates on the translation of Company's U.S. dollar denominated long-term debt. In the year ended December 31, 2015 and 2014, the loss was partially offset by a gain of \$10.0 million and \$16.6 million, respectively, related to the change in mark-to-market value of U.S. dollar denominated forward contracts and options used to mitigate the currency risk associated with the Company's U.S. dollar denominated long-term debt.

In the first quarter of 2015, the Company settled its forward contracts and options used to mitigate the currency risk associated with the Company's U.S. dollar denominated long-term debt and as a result, received net cash of \$36.6 million on the settlement of U.S. dollar forward contracts for a notional amount of U.S.\$250.0 million and U.S dollar options for a notional amount of U.S.\$250.0 million.

Net interest expense

Net interest expense was \$79.0 million in the year ended December 31, 2015, compared to \$66.7 million in the year ended December 31, 2014. The increase was primarily due to an increase in interest charges as a result of the increase in outstanding debt balance following the issuance of incremental debt of \$300.0 million and U.S.\$50.0 million in June 2014. The increase was also related to the unfavorable foreign exchange impact which increased the U.S. denominated interest when expressed in Canadian dollars.

Income tax provision (recovery)

Income tax recovery was \$6.7 million in the year ended December 31, 2015 compared to an income tax provision of \$35.6 million in the year ended December 31, 2014. The effective tax rate was 2.3% during the year ended December 31, 2015 compared to 27.9% in the year ended December 31, 2014. The main reasons for the income tax recovery and the change in the effective rate was the loss before income tax in the current year period of \$287.3 million compared to income before tax of \$127.5 million in the prior year and also the increase in the impact of non-deductible amounts relating to the impairment of goodwill as well as net capital losses relating to foreign exchange movements on the Company's U.S. dollar denominated long-term debt. In addition, as a result of the increase in the Alberta corporate tax rate, the income tax amount in the year ended December 31, 2015 includes a \$6.8 million charge relating to the impact of the higher tax rate on the valuation of the Company's net deferred tax liabilities. In order to lessen the future impact of the increase in the Alberta corporate tax rate, the Company elected in its 2014 tax returns to settle the provincial



portion of an existing partnership deferral that would have been taxed in 2015 and 2016, resulting in an additional \$11.0 million in income tax being paid during the year ended December 31, 2015. In addition, income tax expense in the year ended December 31, 2015 includes approximately \$4.6 million of additional current tax expense relating to the net realized gain on the settlement of the U.S. dollar forward contracts and U.S dollar options in the first quarter of 2015.

Fourth Quarter Results

	Three months ended December 31,	
	2015	2014
	(in thousands)	
Segment revenue		
Terminals and Pipelines	\$ 49,353	\$ 44,087
Environmental Services	81,710	115,185
Truck Transportation	97,496	144,097
Propane and NGL Marketing and Distribution	237,473	383,265
Processing and Wellsite Fluids	83,340	162,253
Marketing	938,186	1,502,860
Total segment revenue	1,487,558	2,351,747
Revenue – inter-segmental	(211,335)	(375,282)
Total revenue – external	1,276,223	1,976,465
Segment profit		
Terminals and Pipelines	40,378	34,020
Environmental Services	11,400	28,097
Truck Transportation	10,912	22,743
Propane and NGL Marketing and Distribution	30,504	15,524
Processing and Wellsite Fluids	7,044	14,807
Marketing	11,860	14,332
Total segment profit	112,098	129,523
General and administrative	10,790	10,984
Depreciation	57,437	44,632
Amortization	44,168	13,706
Impairment of goodwill	175,959	-
Stock based compensation	5,662	3,827
Foreign exchange loss	23,186	15,269
Net interest expense	19,406	19,273
Income (loss) before income tax	(224,510)	21,832
Income tax provision (recovery)	(12,290)	8,426
Net income (loss)	\$ (212,220)	\$ 13,406



Segment revenue decreased by \$700.2 million in the three months ended December 31, 2015 compared to the three months ended December 31, 2014. Changes in segment revenue were as follows:

- Terminals and Pipelines revenue increased in the three months ended December 31, 2015 by \$5.3 million compared to the three months ended December 31, 2014. The increase was largely driven by increased revenue at the Hardisty Terminal due to an increase in revenue from customers with dedicated tank usage that are subject to minimum fixed fee arrangements and additional revenue from the commissioning of the connectivity enhancement projects related to the twinning of the Cold Lake and Athabasca pipeline connections to the Hardisty Terminal;
- Environmental Services revenue decreased by \$33.5 million in the three months ended December 31, 2015 as compared to the year ended December 31, 2014 mainly due to the reduction in oilfield drilling and completion activity in the United States and Canada that resulted in lower volumes at the Company's Canadian environmental services facilities and a decrease in the U.S. fluid disposal and production services business, partially offset by the favorable foreign exchange impact of translating revenue denominated in U.S. dollars from the Company's United States operations;
- Truck Transportation revenue decreased by \$16.6 million mainly as a result of the impact of lower crude oil prices resulting in lower production and drilling activity in the Company's service areas. As a result of this reduction in volumes and also in rates, revenue decreased, which was partially offset by the favorable foreign exchange impact of translating revenue denominated in U.S. dollars from the Company's United States operations;
- Propane and NGL Marketing and Distribution revenue decreased by \$145.8 million due to the impact of lower prices for propane and other NGL products, and also lower overall industrial propane volumes. Lower volumes for propane were generally related to warmer weather patterns over the quarter in 2015 which reduced overall demand;
- Processing and Wellsite Fluids revenue decreased by \$78.9 million due to a decrease in demand for products which was largely driven by lower customer demand as a result of lower drilling activity in the Company's markets. The decline was also driven by the impact of lower crude oil prices; and
- Marketing revenue decreased by \$564.7 million which was driven by the impact of lower crude oil prices and volumes.

Segment profit decreased by \$17.4 million, or 13%, in the three months ended December 31, 2015 compared to the three months ended December 31, 2014. The changes in segment profit were as follows:

- Terminals and Pipelines segment profit increased by \$6.4 million, largely due to increased revenues at the Hardisty terminal from the commissioning of four new dedicated tanks in late 2014 and early 2015 and pipeline connections during the year and also lower operating costs;
- Environmental Services segment profit decreased \$16.7 million largely as a result of the decline in revenues partially offset by lower operating expenses;
- Truck Transportation segment profit decreased by \$11.8 million due to the decline in revenues partially offset by lower operating expenses;
- Propane and NGL Marketing and Distribution segment profit increased by \$15.0 million due mainly to increased margins within the Wholesale and NGL Marketing and Distribution business as a result of higher overall volumes that was driven in part by access to a larger rail car fleet in 2015. The increase was also driven by a reduction in operating expenses and in particular lower payroll related costs. These positive impacts to segment profit were partially offset by the impact of lower industrial propane volumes;
- Processing and Wellsite Fluids segment profit decreased by \$7.8 million, primarily as a result of lower margins on frac oils, distillate and OBM products in the quarter, partially offset by higher tops and asphalt margins; and
- Marketing segment profit decreased by \$2.5 million mainly due to the impact of both lower volumes and crude oil prices on margins.

Net loss was \$212.2 million in the three months ended December 31, 2015 compared to net income of \$13.4 million in the three months ended December 31, 2014. Net income declined to a net loss due mainly to lower segment profit and the impact of higher depreciation and amortization, impairment and stock based compensation costs and also an increase in foreign exchange losses, partially offset by the recovery of income taxes.



SUMMARY OF QUARTERLY RESULTS

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

Three months ended (in thousands)	2015				2014			
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Revenues	\$1,276,223	\$1,348,990	\$1,574,427	\$1,392,342	\$1,976,465	\$2,360,007	\$2,126,365	\$2,110,692
Net income (loss).....	(212,220)	(41,195)	(6,741)	(20,500)	13,406	8,542	23,838	46,155
EBITDA ⁽¹⁾	(103,464)	39,224	74,816	64,652	100,001	89,272	89,798	125,981
Adjusted EBITDA ⁽²⁾	100,961	95,107	75,643	114,573	119,302	114,134	82,684	136,945
Earnings (loss) per share								
Basic.....	(1.69)	(0.33)	(0.05)	(0.16)	0.10	0.07	0.19	0.38
Diluted.....	(1.69)	(0.33)	(0.05)	(0.16)	0.10	0.07	0.19	0.37

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

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

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

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



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

Three months ended (in thousands)	2015				2014			
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Net income (loss)	\$(212,220)	\$ (41,195)	\$ (6,741)	\$ (20,500)	\$ 13,406	\$ 8,542	\$ 23,838	\$ 46,155
Depreciation and amortization	101,605	61,010	62,007	58,370	58,338	53,510	49,264	48,813
Interest expense ⁽¹⁾	19,441	19,471	20,206	20,462	19,831	18,774	15,331	13,662
Income tax expense (recovery)	(12,290)	(62)	(656)	6,320	8,426	8,446	1,365	17,351
EBITDA	\$(103,464)	\$ 39,224	\$ 74,816	\$ 64,652	\$ 100,001	\$ 89,272	\$ 89,798	\$ 125,981

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

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

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



The following tables reconcile EBITDA to Adjusted EBITDA for each of the last eight quarters and Pro Forma Adjusted EBITDA for the year ended December 31, 2015 and 2014:

	Three months ended				Year ended
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2015
	(in thousands)				
EBITDA.....	\$ (103,464)	\$ 39,224	\$ 74,816	\$ 64,652	\$ 75,228
Unrealized foreign exchange loss (gain) on long-term debt ⁽¹⁾	24,530	50,600	(11,495)	59,510	123,145
Net unrealized loss (gain) from financial instruments ⁽²⁾	(1,726)	82	7,206	(14,066)	(8,504)
Stock based compensation ⁽³⁾	5,662	5,135	5,116	4,466	20,379
Impairment of goodwill ⁽⁴⁾	175,959	-	-	-	175,959
Acquisition related costs ⁽⁵⁾	-	66	-	11	77
Adjusted EBITDA.....	\$ 100,961	\$ 95,107	\$ 75,643	\$ 114,573	\$ 386,284
Pro forma impact of acquisitions ⁽⁶⁾					3,611
Pro Forma Adjusted EBITDA.....					\$ 389,895

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

- (1) Non-cash adjustment representing the unrealized foreign exchange loss (gain) on long-term debt, as a result of the movement in exchange rates in the periods.
- (2) Reflects the exclusion of the movement in the mark-to-market valuation of financial instruments used in risk management activities. The Company uses crude oil and NGL priced futures, options and swaps to manage the exposure to commodities price movements and foreign currency forward contracts and options to manage foreign exchange risks, although the Company does not formally designate these financial instruments as hedges for accounting purposes. Accordingly, the unrealized gains or losses on these financial instruments are recorded directly to the income statement. Management believes that this adjustment better correlates the effect of risk management activities to the underlying operating activities to which they relate.
- (3) Represents the non-cash stock based compensation relating to the Company's equity incentive plan.
- (4) Represents the non-cash impairment of goodwill charge recorded in the three months ended December 31, 2015.
- (5) Represents transaction fees that were expensed in connection with acquisitions made by the Company.
- (6) Reflects the pro forma impact of acquisitions on the Company's Adjusted EBITDA as if the acquisitions that took place in the twelve months period occurred on January 1 of each twelve month period. The pro forma impact of acquisitions is calculated on the same basis as Adjusted EBITDA.



LIQUIDITY AND CAPITAL RESOURCES

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

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

The following table summarizes the Company’s sources and uses of funds for the year ended December 31, 2015 and 2014:

	Year ended December 31,	
	2015	2014
	(in thousands)	
Statement of Cash Flows		
Cash flows provided by (used in):		
Operating activities	\$ 458,067	\$ 336,228
Investing activities	(372,628)	(495,015)
Financing activities	(141,862)	188,199

Cash provided by operating activities

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

Cash provided by operations in the year ended December 31, 2015 was \$458.1 million compared to \$336.2 million in the year ended December 31, 2014. The increase was due to a decline in working capital that resulted in a generation of \$74.3 million in cash in the year ended December 31, 2015 compared to a use of cash to fund working capital of \$105.3 million in the year ended December 31, 2014. This increase was offset in part by the decline in segment profit.

Cash used in investing activities

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

Cash used in investing activities was \$372.6 million in the year ended December 31, 2015, compared to \$495.0 million in the year ended December 31, 2014. Cash used in investing activities largely relates to capital expenditures and acquisitions. For a summary of capital expenditures and acquisitions, see “Acquisitions and Capital expenditures” included in this MD&A.

Cash provided by (used in) financing activities

Cash used in financing activities was \$141.8 million in the year ended December 31, 2015 compared to cash provided by financing activities of \$188.2 million in the year ended December 31, 2014. The change was primarily due to the net proceeds from a debt issuance totaling \$300.0 million and U.S.\$50 million completed in June 2014. The change was also due to the payment of net interest and cash dividends of \$84.1 million and \$129.0 million in the year ended December 31, 2015 compared to net interest and cash dividends of \$62.1 million and \$108.2 million in the year ended December 31, 2014, partially offset by the net proceeds on the settlement of financial instruments of \$36.6 million, and the net proceeds from credit facilities of \$35.0 million. The increase in dividends paid was driven by the \$0.02 per share increase effective in the first quarter of 2015 resulting in a \$13.1 million increase in cash dividend paid and also the impact of the suspension of the DRIP during the year resulting in a \$7.7 million increase in cash dividend paid.



Liquidity sources, requirements and contractual cash requirements and commitments

The Company believes that cash on hand, together with cash from operations and borrowings under the Revolving Credit Facility, will be adequate to meet its working capital needs, upgrade and replacement capital expenditures, currently sanctioned growth capital projects, debt service, targeted dividend level and other cash requirements for at least the next twelve months. The Company had unrestricted cash of \$82.8 million and \$432.3 million available under the Revolving Credit Facility as at December 31, 2015.

The Company's ability to make interest payments on the Company's indebtedness, to pay targeted dividends and to fund the Company's other liquidity requirements will depend on the Company's ability to generate cash in the future. In the three months ended December 31, 2015, the Company declared a dividend of \$0.32 per share for a total dividend of \$40.4 million, of which the entire amount was paid in cash on January 15, 2016. The declaration of dividends is considered on a quarterly basis and is at the sole discretion of the Board and will be determined on the basis of earnings, financial requirements for operations and a solvency calculation.

Capital expenditures amounted to \$392.6 million in the year ended December 31, 2015. As previously announced, the Company has approved a 2016 growth capital expenditure budget ranging between \$200.0 million and \$300.0 million and an additional \$50.0 million allocated to upgrade and replacement capital expenditures. While the Company anticipates that these planned capital expenditures will occur, certain projects are subject to general economic, financial, competitive, legislative, regulatory and other factors, some of which are beyond the Company's control.

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

As of December 31, 2015, the Company had total outstanding Senior Unsecured Notes, excluding debt discount and the issuance costs, of U.S.\$550.0 million bearing fixed interest of 6.75% per annum due July 15, 2021, \$250.0 million bearing fixed interest of 7.00% per annum due July 15, 2020 and \$300.0 million bearing fixed interest of 5.375% per annum due July 15, 2022 (collectively the "Notes"). Interest is payable semi-annually on January 15 and July 15 of each year the Notes are outstanding.

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

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

At December 31, 2015, the Company had \$35.0 million drawn under the Revolving Credit Facility, had no restricted cash, and had issued letters of credit totaling \$32.6 million.

The terms of the Company's Revolving Credit Facility require the Company to maintain certain covenants including a consolidated senior debt leverage ratio of no greater than 4.0 to 1.0 until June 30, 2017 and 3.5 to 1.0 thereafter, a consolidated total debt leverage ratio of no greater than 4.0 to 1.0 and an interest coverage ratio of no less than 2.5 to 1.0. The consolidated senior debt ratio represents the ratio of all senior debt obligations to Pro Forma Adjusted EBITDA. The consolidated total debt ratio represents the ratio of total debt, letters of credit and capitalized leases to Pro Forma Adjusted EBITDA. The consolidated interest coverage ratio represents the ratio of Pro Forma Adjusted EBITDA to consolidated cash interest expense. As at December 31, 2015, the Company was in compliance with the financial ratios with the senior debt leverage ratio at 3.2 to 1.0, total debt leverage ratio at 3.2 to 1.0,



and the interest coverage ratio at 4.6 to 1.0. If the Company fails to comply with the financial covenants, the lenders may declare an event of default. An event of default resulting from a breach of a financial covenant may result, at the option of lenders holding a majority of the loans, in an acceleration of repayment of the principal and interest outstanding and a termination of the Revolving Credit Facility.

Subsequent to year end, the Company reached an agreement with its bank syndicate to amend its \$500M revolving credit facility maturing in August 2020. These amendments included an increase to the maximum consolidated senior and total debt leverage ratio covenants from 4.0:1.0 to 4.85:1.0 until December 31, 2017, with such threshold decreasing to 4.25:1.0 for the period beginning January 1, 2018 and ending on March 31, 2018, and decreasing thereafter to 4.0:1.0 for total debt and 3.5:1.0 for senior debt.

The Notes and the Revolving Credit Facility contain non-financial covenants that restrict, subject to certain thresholds, some of the Company's activities, including the Company's ability to dispose of assets, incur additional debt, pay dividends, create liens, make investments and engage in specified transactions with affiliates. The Notes and the Revolving Credit Facility also contain customary events of default, including defaults based on events of bankruptcy and insolvency, non-payment of principal, interest or fees when due, breach of covenants, change in control and material inaccuracy of representations and warranties, subject to specified grace periods. As of December 31, 2015, the Company was in compliance with all of its covenants under the Notes and the Revolving Credit Facility.

Contingencies

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

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

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

Contractual obligations

The following table presents, at December 31, 2015, the Company's obligations and commitments to make future payments under contracts and contingent commitments:

(in thousands)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt ⁽¹⁾	\$1,311,200	\$ -	\$ -	\$ 250,000	\$1,061,200
Interest payments on long-term debt ⁽¹⁾	662,815	85,006	170,012	170,012	237,785
Operating lease and other commitments ⁽²⁾	287,442	78,790	127,885	67,916	12,851
Total contractual obligations.....	<u>\$2,261,457</u>	<u>\$ 163,796</u>	<u>\$ 297,897</u>	<u>\$ 487,928</u>	<u>\$1,311,836</u>

(1) The exchange rate used to translate the U.S. dollar obligations on the Company's long-term debt and interest payments is the rate as of December 31, 2015 of U.S.\$0.7225 to \$1.00.

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

As at December 31, 2015, the Company has identified and approved a capital expenditure budget, excluding acquisitions, of \$264.7 million that the Company expects to undertake over the next 12 to 24 months. In addition, the Company had accrued liabilities for obligations with respect to the Company's defined benefit plans of \$5.2 million and provisions associated with site restoration on the retirement of assets and environmental costs of \$155.3 million but the timing of such payments is uncertain due to the estimates used to calculate these amounts and the long-term nature of these balances. The Company also has commitments relating to its risk management contracts which are discussed further in "Quantitative and Qualitative Disclosures about Market Risks".



OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

On August 11, 2011, the Company formed a partnership (the "Plato Partnership") to jointly construct and own a pipeline and emulsion treating, water disposal and oilfield waste management facilities in the Plato area of Saskatchewan. The Plato Partnership commenced operations in 2012. The Company's interest in the Plato Partnership is 50%. A member of the Company's Board is also a director of the other party with the 50% interest in the Plato Partnership. At December 31, 2015 and 2014, the Company's proportionate share of property, plant and equipment was \$9.4 million and \$10.2 million, respectively. The impact of the Company's share of the other financial position and results of the Plato Partnership is not material to the Company's consolidated financial statements.

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

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. As at December 31, 2015, there were 126.1 million common shares outstanding and no preferred shares outstanding. In addition, under the Company's equity incentive plan, there were an aggregate of 1.8 million restricted share units, performance share units and deferred share units outstanding and 3.3 million stock options outstanding as at December 31, 2015.

At December 31, 2015, awards available to grant under the equity incentive plan were approximately 7.5 million.

As at February 29, 2016, 126.2 million common shares, 1.8 million restricted share units, performance share units and deferred share units and 3.3 million stock options were outstanding.

DIVIDENDS

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



DISTRIBUTABLE CASH FLOW

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

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

	Year ended December 31	
	2015	2014
	(in thousands)	
Cash flow from operating activities	\$ 458,067	\$ 336,228
Adjustments:		
Changes in non-cash working capital	(74,293)	105,291
Upgrade and replacement capital	(46,775)	(59,035)
Cash interest expense, including capitalized interest	(84,965)	(68,708)
Current income tax ⁽¹⁾	(32,503)	(48,549)
Distributable cash flow	<u>\$ 219,531</u>	<u>\$ 265,227</u>
Dividends declared to shareholders	<u>\$ 161,002</u>	<u>\$ 148,573</u>

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

Dividends declared in the year ended December 31, 2015 were \$161.0 million, of which \$140.3 million was paid in cash and the balance was settled with the issuance of common shares under the Company's DRIP and SDP. In the year ended December 31, 2015, dividends declared represented 73% of the distributable cash flow generated or, distributable cash flow was 1.4 times dividends declared. On a net basis after consideration of the DRIP and SDP, declared dividends paid in cash represented 64% of the distributable cash flow generated, or distributable cash flow was 1.6 times dividends paid in cash. On August 6, 2015, the Company suspended, until further notice, its DRIP and SDP.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Commodity Price Risk. The Company hedges its exposure to price fluctuations with respect to crude oil, refined products, natural gas and NGLs, and expected purchases and sales of these commodities (relating primarily to crude oil, roofing flux, propane sales and purchases of natural gasoline). The derivative instruments utilized consist primarily of futures and option contracts traded on the NYMEX, ICE and over-the-counter transactions, including swap and option contracts entered into with financial institutions and other energy companies. The Company's policy is to transact only in commodity derivative products for which the Company



physically transacts, and to structure the Company's hedging activities so that price fluctuations for those products do not materially affect the net cash the Company ultimately receives from its commodity related marketing activities.

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

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

The fair value of futures contracts is based on quoted market prices obtained from the Chicago Mercantile Exchange. The fair value of swaps and option contracts is estimated based on quoted prices from various sources such as independent reporting services, industry publications and brokers. These quotes are compared to the contract price of the swap, which approximates the gain or loss that would have been realized if the contracts had been closed out at the period end. For positions where independent quotations are not available, an estimate is provided, or the prevailing market price at which the positions could be liquidated is used. No such positions existed as at December 31, 2015 and December 31, 2014. All derivative positions offset existing or anticipated physical exposures. Price-risk sensitivities were calculated by assuming 15% volatility in crude oil and NGL related prices, regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. In the event of an increase or decrease in prices, the fair value of the Company's derivative portfolio would typically increase or decrease, offsetting changes in the Company's physical positions. A 15% favorable change would increase the Company's net income by \$6.8 million and \$5.6 million as of December 31, 2015 and 2014, respectively. A 15% unfavorable change would decrease the Company's net income by \$6.1 million and \$5.6 million as of December 31, 2015 and 2014, respectively. However, these changes may be offset by the use of one or more risk management strategies.

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

Under the Revolving Credit Facility, the Company is subject to interest rate risk, as borrowings bear interest at a rate equal to, at the Company's option, either U.S. LIBOR, U.S. Base Rate, Canadian Prime Rate or Canadian Bankers' Acceptance rate, plus an applicable margin based on the Company's total leverage ratio. As at December 31, 2015, the Company had \$35.0 million drawn under the Revolving Credit Facility and accordingly is subject to the interest rate cash flow risk associated with these amounts. A 1% favorable and unfavorable change in interest rates in relation to the amounts drawn at December 31, 2015 would impact net income by \$0.3 million.

Currency exchange risks. The Company's monetary assets and liabilities in foreign currencies are translated at the period-end rate. Exchange differences arising from this translation are recorded in the Company's statement of operations. In addition, currency exposures can arise from revenues and purchase transactions denominated in foreign currencies. Generally, transactional currency exposures are naturally hedged (i.e., revenues and expenses are approximately matched), but where appropriate, are covered using forward exchange contracts. All of the foreign currency forward exchange contracts entered into by the Company, although effective hedges from an economic perspective, have not been designated as hedges for accounting purposes, and therefore any gains and losses on such forward exchange contracts impact the Company's earnings. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would affect the fair value of the Company's outstanding forward currency contracts and options and would decrease the Company's net income by \$1.2 million and \$3.2 million as at December 31, 2015 and 2014, respectively. A 5% favorable change would increase the Company's net income by \$1.2 million and \$3.2 million as at December 31, 2015 and 2014, respectively. The Company expects to continue to enter into financial derivatives, primarily forward contracts, to reduce foreign exchange volatility.

Additionally, currency exposure occurs on a portion of the principal of the Company's long-term debt and the related interest payments, as they are denominated in U.S. dollars. As at December 31, 2015, the Company had outstanding U.S. dollar denominated debt of U.S.\$550.0 million.

As a result of the settlement of U.S. forward and options contracts in the first quarter of 2015 the Company had no foreign currency contracts outstanding relating to its long-term debt at December 31, 2015. A 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar would impact both the carrying value of the Company's long-term debt and any related foreign currency contracts and would decrease the Company's net income by \$33.1 and \$10.7 million as at December 31, 2015 and 2014 respectively. A corresponding favorable change would increase the Company's net income by \$33.1 and \$10.7 million as at December 31, 2015 and 2014, respectively.



With respect to the related interest payments on the U.S. dollar denominated long-term debt, to date the Company has not entered into any foreign currency hedges as the Company believes that it will generate enough U.S. dollar cash inflows to pay these interest payments when due and/or hedge the incremental exposure using derivative instruments. Based on the interest rate in effect at December 31, 2015, a 5% unfavorable change in the value of the Canadian dollar relative to the U.S. dollar as of December 31, 2015 would increase the Company's annual interest expense by \$2.6 million. A 5% favorable change in the value of the Canadian dollar relative to the U.S. dollar as of December 31, 2015 would decrease the Company's annual interest expense by \$2.6 million.

Equity price risk: The Company has equity price and dilution exposure to shares that it issues under its stock based compensation programs. Gibsons uses equity derivatives to manage volatility derived from its stock based compensation programs. On January 2, 2015, the Company entered into derivative share swap contracts to manage the risks relating to its stock based compensation programs. These contracts will mature at the prevailing share prices in accordance with the specific maturities of each contract over a three year period. As at December 31, 2015, the Company estimates that a 10% increase in the Company's share price would have resulted in a \$0.6 million increase in the Company's net income. A corresponding decrease in the Company's share price would decrease the Company's net income by \$0.6 million. Such contracts did not exist in 2014.

ACCOUNTING POLICIES

Critical accounting policies and estimates

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

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

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

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

Income tax. Income tax expense represents the sum of the income tax currently payable and deferred income tax. Interest and penalties relating to income tax are also included in income tax expense. Deferred income tax is provided for using the liability method of accounting. Deferred income tax assets and liabilities are determined based on differences between the financial reporting

and income tax basis of assets and liabilities. These differences are then measured using enacted or substantially enacted income tax rates and laws that will be in effect when these differences are expected to reverse. The effect of a change in income tax rates on deferred tax assets and liabilities is recognized in income in the period that the change occurs.

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

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

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

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

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

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



Amended standards adopted by the Company

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

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

New standards and interpretations issued but not yet adopted

- The annual improvements process addresses issues in the 2012-2014 reporting cycles including changes to IFRS 5, Non-current assets held for sale and discontinued operations, IFRS 7, Financial instruments: Disclosures, IAS 19, Employee benefits, and IAS 34, Interim financial reporting. These improvements are effective for periods beginning on or after January 1, 2016. The adoption of these improvements will not have a material impact on the consolidated financial statements.
- IFRS 10, Consolidated financial statements ("IFRS 10"), and IAS 28, Investments in associates and joint ventures ("IAS 28"), has been amended to address an inconsistency between IFRS 10 and IAS 28 in regards to a sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when the transaction involves a business combination, and whereas a partial gain is recognized when the transaction involves the assets that do not constitute a business. Additionally, the amendments clarify the exception from preparing consolidated financial statements, the consolidation requirements for subsidiaries which act as an extension of an investment entity, and the requirements for equity accounting for investments in associates and joint ventures. The amendments to IFRS 10 and IAS 28 are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments will not have a material impact on the consolidated financial statements.
- IFRS 15, Revenue from contracts with customers ("IFRS 15"), has been issued as a new standard on revenue recognition and will supersede IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.
- The International Accounting Standards Board ("IASB") completed the final element of its comprehensive publication of IFRS 9 Financial Instruments in July 2014. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.
- IAS 1, Presentation of financial statements ("IAS 1"), has been amended to clarify the guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment to IAS 1 is effective for annual periods beginning on or after January 1, 2016. The Company is currently evaluating the impact of adopting these amendments on its consolidated financial statements. The adoption of this amendment will not have a material impact on the consolidated financial statements.
- IFRS 16, Leases ("IFRS 16"), has been issued as a new standard on leases and will supersede IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.



DISCLOSURE CONTROLS & PROCEDURES

As part of the requirements mandated by the Canadian securities regulatory authorities under National Instrument 52-109-Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company's Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have evaluated the design and operation of the Company's disclosure controls and procedures ("DC&P"), as such term is defined in NI 52-109, as at December 31, 2015. The CEO and CFO are also responsible for establishing and maintaining internal controls over financial reporting, ("ICFR"), as such term is defined in NI 52-109. In making its assessment, management used the Committee of Sponsoring Organizations of the Treadway Commission framework in Internal Control – Integrated Framework (2013) to evaluate the design and effectiveness of internal control over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and compliance with IFRS. The Company's CEO and CFO have evaluated, or caused to be evaluated under their supervision, the design and operational effectiveness of such controls as at December 31, 2015.

Based on the evaluation of the design and operating effectiveness of the Company's DC&P and ICFR, the CEO and the CFO concluded that Gibson's DC&P and ICFR were effective as at December 31, 2015. There have been no changes in ICFR that occurred during the period beginning January 1, 2015 and ended on December 31, 2015 that has materially affected or is reasonably likely to materially affect Gibson's ICFR.

FORWARD-LOOKING STATEMENTS

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

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

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

- *future growth in world-wide demand for crude oil and petroleum products;*
- *crude oil prices;*
- *no material defaults by the counterparties to agreements with the Company;*



- the Company's ability to obtain qualified personnel, owner-operators, lease operators and equipment in a timely and cost-efficient manner;
- the regulatory framework governing taxes and environmental matters in the jurisdictions in which the Company conducts and will conduct its business;
- changes in credit ratings applicable to the Company;
- operating costs;
- future capital expenditures to be made by the Company;
- the Company's ability to obtain financing for its capital programs on acceptable terms;
- the Company's future debt levels;
- the impact of increasing competition on the Company; and
- the impact of future changes in accounting policies on the Company's consolidated financial statements.

In addition, this MD&A may contain forward-looking statements and forward-looking information attributed to third party industry sources. The Company does not undertake any obligations to publicly update or revise any forward-looking statements except as required by securities law. Actual results could differ materially from those anticipated in these forward-looking statements as a result of numerous risks and uncertainties including, but not limited to, the risks and uncertainties described in "Forward-Looking Statements" and "Risk Factors" included in the Company's Annual Information Form dated March 1, 2016 as filed on SEDAR at www.sedar.com and available on Gibsons website at www.gibsons.com.

NON-GAAP FINANCIAL MEASURES

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

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

Gibson Energy Inc.

Consolidated Financial Statements
For the years ended December 31, 2015 and 2014
(in thousands of Canadian dollars)



March 1, 2016

Independent Auditor's Report

To the Shareholder of Gibson Energy Inc.

We have audited the accompanying consolidated financial statements of Gibson Energy Inc. which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014 and the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gibson Energy Inc. as at December 31, 2015 and December 31, 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

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T: 403 509 7500, F: 403 781 1825, www.pwc.com/ca

Gibson Energy Inc.

Consolidated Balance Sheet

(tabular amounts in thousands of Canadian dollars)

	December 31,	
	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 82,775	\$ 131,911
Trade and other receivables (note 6)	370,313	641,283
Inventories (note 7)	107,593	154,937
Income taxes receivable	16,130	12,100
Prepaid expenses and other assets	18,124	24,366
Net investment in finance leases (note 8).....	1,045	908
Total current assets.....	<u>595,980</u>	<u>965,505</u>
Non-current assets		
Property, plant and equipment (note 9).....	1,771,117	1,494,569
Long-term prepaid expenses and other assets (note 10).....	4,564	39,778
Net investment in finance leases (note 8).....	93,389	94,387
Deferred income tax assets (note 11)	1,596	3,532
Intangible assets (note 12).....	145,433	191,537
Goodwill (note 13).....	670,907	783,721
Total non-current assets	<u>2,687,006</u>	<u>2,607,524</u>
Total assets	<u>\$ 3,282,986</u>	<u>\$ 3,573,029</u>
Liabilities		
Current liabilities		
Credit facilities (note 14).....	35,000	-
Trade payables and accrued charges (note 15).....	418,732	581,463
Dividends payable (note 18)	40,363	37,346
Deferred revenue	7,690	19,042
Income taxes payable	7,775	122
Total current liabilities	<u>509,560</u>	<u>637,973</u>
Non-current liabilities		
Long-term debt (note 14)	1,291,423	1,165,368
Provisions (note 16)	155,343	136,347
Other long-term liabilities (note 17).....	13,975	14,810
Deferred income tax liabilities (note 11).....	145,684	191,351
Total non-current liabilities	<u>1,606,425</u>	<u>1,507,876</u>
Total liabilities	<u>2,115,985</u>	<u>2,145,849</u>
Equity		
Share capital (note 18)	1,672,323	1,634,001
Contributed surplus	34,959	23,841
Accumulated other comprehensive income.....	224,866	93,011
Deficit.....	(765,147)	(323,673)
Total equity	<u>1,167,001</u>	<u>1,427,180</u>
Total liabilities and equity	<u>\$ 3,282,986</u>	<u>\$ 3,573,029</u>

Commitments and contingencies (note 19)

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors:

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

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

Gibson Energy Inc.

Consolidated Statement of Operations

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

	Year ended	
	December 31,	
	2015	2014
Revenue (note 20)	\$ 5,591,982	\$ 8,573,529
Cost of sales (notes 7, 21, 22 and 28).....	5,461,519	8,299,403
Gross profit	130,463	274,126
General and administrative expenses (notes 21 and 22).....	71,702	56,245
Impairment of goodwill (note 13)	175,959	-
Other operating income (note 23)	(22,026)	(11,845)
Income (loss) from operating activities	(95,172)	229,726
Interest expense	79,580	67,598
Interest income	(558)	(832)
Foreign exchange loss on long-term debt (note 14)	113,150	35,431
Income (loss) before income taxes	(287,344)	127,529
Income tax provision (recovery) (note 11).....	(6,688)	35,588
Net income (loss)	\$ (280,656)	\$ 91,941
Earnings (loss) per share (note 24)		
Basic.....	\$ (2.23)	\$ 0.74
Diluted.....	\$ (2.23)	\$ 0.73

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statement of Comprehensive Income (Loss)

(tabular amounts in thousands of Canadian dollars)

	Year ended	
	December 31,	
	2015	2014
Net income (loss)	<u>\$ (280,656)</u>	<u>\$ 91,941</u>
Other comprehensive income (loss)		
<i>Items that may be reclassified subsequently to statement of operations</i>		
Exchange differences on translating foreign operations.....	131,855	59,132
<i>Items that will not be reclassified to statement of operations</i>		
Remeasurements of post-employment benefit obligation, net of tax	<u>184</u>	<u>(521)</u>
Other comprehensive income, net of tax	<u>132,039</u>	<u>58,611</u>
Comprehensive income (loss)	<u>\$ (148,617)</u>	<u>\$ 150,552</u>

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statement of Changes in Equity

(tabular amounts in thousands of Canadian dollars)

	Share capital (note 18)	Contributed surplus	Accumulated other comprehensive income	Deficit	Total Equity
Balance – January 1, 2014	\$ 1,585,145	\$ 16,130	\$ 33,879	\$ (266,520)	\$ 1,368,634
Net income	-	-	-	91,941	91,941
Other comprehensive income, net of tax	-	-	59,132	(521)	58,611
Comprehensive income	-	-	59,132	91,420	150,552
Employee share options:					
Stock based compensation	-	13,977	-	-	13,977
Proceeds from exercise of stock options ...	5,942	-	-	-	5,942
Reclassification of contributed surplus on exercise of stock option and other stock awards	6,266	(6,266)	-	-	-
Issuance of common shares in connection with the dividend reinvestment and stock dividend programs	36,648	-	-	-	36,648
Dividends on common shares (\$1.20 per common share)	-	-	-	(148,573)	(148,573)
Balance – December 31, 2014	<u>\$ 1,634,001</u>	<u>\$ 23,841</u>	<u>\$ 93,011</u>	<u>\$ (323,673)</u>	<u>\$ 1,427,180</u>
Net loss	-	-	-	(280,656)	(280,656)
Other comprehensive income, net of tax	-	-	131,855	184	132,039
Comprehensive income (loss)	-	-	131,855	(280,472)	(148,617)
Employee share options:					
Stock based compensation	-	20,379	-	-	20,379
Proceeds from exercise of stock options	105	-	-	-	105
Reclassification of contributed surplus on exercise of stock option and other stock awards	9,261	(9,261)	-	-	-
Issuance of common shares in connection with the dividend reinvestment and stock dividend programs	28,956	-	-	-	28,956
Dividends on common shares (\$1.28 per common share)	-	-	-	(161,002)	(161,002)
Balance – December 31, 2015	<u>\$ 1,672,323</u>	<u>\$ 34,959</u>	<u>\$ 224,866</u>	<u>\$ (765,147)</u>	<u>\$ 1,167,001</u>

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Consolidated Statement of Cash Flows

(tabular amounts in thousands of Canadian dollars)

	Year ended	
	December 31,	
	2015	2014
Cash provided by (used in)		
Operating activities		
Income (loss) from operating activities.....	\$ (95,172)	\$ 229,726
Items not affecting cash		
Depreciation of property, plant and equipment (notes 9 and 21)	195,438	154,934
Amortization of intangible assets (notes 12 and 21).....	87,554	54,991
Impairment of goodwill (note 13)	175,959	-
Stock based compensation (note 22)	20,379	13,977
Gain on sale of property, plant and equipment (note 23)	(2,515)	(2,717)
Other.....	640	(7,509)
Net (gain) loss on fair value movement of financial instruments (note 28).....	1,491	(1,883)
Changes in items of working capital		
Trade and other receivables.....	297,699	4,819
Inventories	52,000	10,252
Other current assets	6,948	3,127
Trade payables and accrued charges	(226,809)	(63,264)
Deferred revenue	(11,382)	15,764
Income taxes paid, net.....	(44,163)	(75,989)
Net cash provided by operating activities	<u>458,067</u>	<u>336,228</u>
Investing activities		
Purchase of property, plant and equipment	(328,647)	(354,682)
Purchase of intangible assets.....	(10,728)	(19,123)
Acquisitions, net of cash acquired (note 5).....	(39,772)	(128,440)
Proceeds on sale of assets	6,519	7,230
Net cash used in investing activities.....	<u>(372,628)</u>	<u>(495,015)</u>
Financing activities		
Payment of shareholder dividends	(157,985)	(144,832)
Proceeds from dividend reinvestment plans (note 18)	28,956	36,648
Interest paid.....	(84,665)	(62,058)
Interest received	556	850
Proceeds from exercise of stock options	105	5,942
Proceeds from long-term debt, net of debt discount and premium (note 14).....	-	358,595
Payment of debt issue and financing costs.....	-	(7,072)
Proceeds from credit facilities.....	163,257	463,601
Repayment of credit facilities	(128,257)	(463,494)
Repayment of finance lease liabilities	(411)	(563)
Net proceeds on settlement of derivative financial instruments (note 28)	36,582	582
Net cash provided by (used in) financing activities	<u>(141,862)</u>	<u>188,199</u>
Effect of exchange rate on cash and cash equivalents	7,287	5,317
Net increase (decrease) in cash and cash equivalents	(49,136)	34,729
Cash and cash equivalents – beginning of year	131,911	97,182
Cash and cash equivalents – end of year	<u>\$ 82,775</u>	<u>\$ 131,911</u>

See accompanying notes to the consolidated financial statements

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

1 General Information

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

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

2 Basis of preparation

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

These consolidated financial statements were approved for issuance by the Company’s board of directors (“Board”) on March 1, 2016.

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

3 Summary of significant accounting policies

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

Basis of measurement

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

Basis of consolidation

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

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

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

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

Foreign currency translation

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

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

Business combinations and goodwill

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

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

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

Intangible assets

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

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

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

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

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

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

Property, plant and equipment

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

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

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

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

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

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

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

The carrying value of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

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

Impairments

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

The assessment for impairment entails comparing the carrying value of the asset or cash-generating unit with its recoverable amount, that is, the higher of fair value less costs of disposal and value in use. Value in use is usually determined on the basis

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

of discounted estimated future net cash flows. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used.

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

Non-derivative financial instruments – recognition and measurement

Financial assets

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

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

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

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

Financial liabilities

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

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

Derivative financial instruments

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

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

Inventories

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

Leases - lessee

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

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

Leases - lessor

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

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

Provisions and contingencies

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

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

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

Decommissioning

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

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

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

Environmental liabilities

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

Employee benefits

Defined benefit pension plan

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

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

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

Defined contribution pension plans

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

Share-based payments

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

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

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

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

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

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

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

Termination benefit

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

Income taxes

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

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

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

Revenue recognition

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

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

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

Cost of sales

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

Interest

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

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

Borrowing costs

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

Share capital

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

Per share amounts

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

Dividends

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

Segmental reporting

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

Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

Fair value of assets and liabilities acquired in a business combination

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

Gibson Energy Inc.

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Impairment assessment of non-financial assets

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

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

Income taxes

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

Fair value of derivatives financial instruments

The Company reflects the fair value of derivative financial instruments based on valuation information from third parties. The calculation of the fair value of certain of these instruments is based on proprietary models and assumptions of third parties because such instruments are not quoted on an active market. Additionally, estimates of fair value may vary among different models due to a difference in assumptions applied, such as the estimate of prevailing market prices, volatility, correlations and other factors, and may not be reflective of the price at which they can be settled due to the lack of a liquid market. As a result of changes in key assumptions, the actual amounts may vary significantly from estimated amounts.

Provisions

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

Critical judgements in applying the Company's accounting policies

Identification of cash-generating unit ("CGU")

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

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Investment in finance leases

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

Current and deferred taxation

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

4 Changes in accounting policies and disclosures

New and amended standards adopted by the Company

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

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

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New standards and interpretations issued but not yet adopted

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

- The annual improvements process addresses issues in the 2012-2014 reporting cycles including changes to IFRS 5, Non-current assets held for sale and discontinued operations, IFRS 7, Financial instruments: Disclosures, IAS 19, Employee benefits, and IAS 34, Interim financial reporting. These improvements are effective for periods beginning on or after January 1, 2016. The adoption of these improvements will not have a material impact on the consolidated financial statements.
- IAS 1, Presentation of financial statements (“IAS 1”), has been amended to clarify the guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment to IAS 1 is effective for annual periods beginning on or after January 1, 2016. The adoption of this amendment will not have a material impact on the consolidated financial statements.
- The IASB completed the final element of its comprehensive publication of IFRS 9 Financial Instruments in July 2014. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and completes the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.
- IFRS 10, Consolidated financial statements (“IFRS 10”), and IAS 28, Investments in associates and joint ventures (“IAS 28”), has been amended to address an inconsistency between IFRS 10 and IAS 28 in regards to a sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when the transaction involves a business combination, and whereas a partial gain is recognized when the transaction involves the assets that do not constitute a business. Additionally, the amendments clarify the exception from preparing consolidated financial statements, the consolidation requirements for subsidiaries which act as an extension of an investment entity, and the requirements for equity accounting for investments in associates and joint ventures. The amendments to IFRS 10 and IAS 28 are effective for annual periods beginning on or after January 1, 2016. The adoption of these amendments will not have a material impact on the consolidated financial statements.
- IFRS 15, Revenue from contracts with customers (“IFRS 15”), has been issued as a new standard on revenue recognition and will supersede IAS 18, Revenue, IAS 11, Construction Contracts and related interpretations. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.
- IFRS 16, Leases (“IFRS 16”), has been issued as a new standard on leases and will supersede IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

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5 Business combinations

The Company completed the following business combinations in 2015:

Littlehawk Enterprises Ltd (“Littlehawk”)

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

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

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

The total consideration includes contingent consideration of \$0.6 million that the Company has recorded as it expects that the specified targets will be achieved.

(1) The goodwill arising on the acquisition is not deductible for tax purposes.

(2) Consists of customer relationships of \$0.2 million and non-compete agreements of \$1.6 million.

The goodwill arising from the acquisition is attributable to the expected synergies with the Company's existing Truck Transportation segment. The goodwill for this acquisition is allocated to the Truck Transportation segment.

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

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

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

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

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

The total consideration includes contingent consideration of \$6.2 million that the Company has recorded as it expects that the specified targets will be achieved.

(1) The goodwill arising on the acquisition is deductible for tax purposes.

(2) Consists of customer relationships of \$1.3 million and non-compete agreements of \$1.8 million.

The goodwill arising from the acquisition is attributable to the expected synergies with the Company's existing Environmental Services segment. The goodwill for this acquisition is allocated to the Environmental Services segment.

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

Additional Information

If the Littlehawk and T&R Transport acquisitions had occurred on January 1, 2015, the Company estimates that it would have reported combined revenue of \$5,621.9 million and net loss before income taxes of \$286.1 million for the year ended December 31, 2015. From the date that each acquisition was completed to December 31, 2015, the acquisitions contributed revenue of \$23.7 million and net loss before income taxes of \$0.4 million.

The Company completed the following business combinations in 2014:

Cal-Gas Inc. ("Cal-Gas")

On August 1, 2014, the Company acquired all of the issued and outstanding common shares of Cal-Gas for total cash consideration of \$96.4 million, including final closing adjustments. Cal-Gas is a provider of propane and related equipment, service and delivery to commercial, industrial and residential customers in Western Canada and Northwestern Ontario.

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

	<u>Fair Value</u>
Trade and other receivables	\$ 11,314
Inventories.....	1,457
Prepaid and other assets	331
Property, plant and equipment	64,401
Goodwill ⁽¹⁾	29,152
Intangible assets ⁽²⁾	7,534
Other long-term assets	105
Trade payables and accrued charges	(10,957)
Deferred revenue.....	(442)
Provisions.....	(90)
Deferred income tax liabilities	(6,420)
Net assets acquired.....	<u>\$ 96,385</u>

(3) *The goodwill arising on the acquisition is not deductible for tax purposes.*

(4) *Consists of customer relationships of \$5.1 million and non-compete agreements of \$2.4 million.*

Acquisition-related costs of \$0.3 million have been charged to general and administrative expenses in the consolidated statement of operations for the year ended December 31, 2014.

The goodwill arising from the acquisition is attributable to the expected synergies with the Company's existing propane operations within the Propane and NGL Marketing and Distribution segment. The goodwill for this acquisition is allocated to the Propane and NGL Marketing and Distribution segment.

The fair value of trade receivables is \$11.3 million, which approximates its gross contractual amount.

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Stittco Energy Limited (“Stittco”)

On April 1, 2014, the Company acquired all of the issued and outstanding common shares of Stittco for total cash consideration of \$32.1 million including final closing adjustments. Stittco is a provider of propane and related equipment, service and delivery to commercial, industrial and residential customers in northern Manitoba and the Northwest Territories.

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

	Fair Value
Trade and other receivables	\$ 12,818
Inventories.....	4,922
Prepaid and other assets	253
Property, plant and equipment	15,653
Goodwill ⁽¹⁾	4,837
Intangible assets ⁽²⁾	5,660
Trade payables and accrued charges	(4,068)
Income taxes payable	(1,270)
Other liabilities.....	(2,007)
Provisions.....	(734)
Deferred income tax liabilities	(4,009)
Net assets acquired.....	<u>\$ 32,055</u>

(1) The goodwill arising on the acquisition is not deductible for tax purposes.

(2) Consists of customer relationships of \$5.4 million, and non-compete agreements of \$0.3 million.

Acquisition-related costs of \$0.2 million have been charged to general and administrative expenses in the consolidated statement of operations for the year ended December 31, 2014.

The goodwill arising from the acquisition is attributable to the expected synergies with the Company’s existing propane operations within the Propane and NGL Marketing and Distribution segment. The goodwill for this acquisition is allocated to the Propane and NGL Marketing and Distribution segment.

The fair value of trade receivables is \$12.8 million, which approximates its gross contractual amount.

6 Trade and other receivables

	December 31,	
	2015	2014
Trade receivables	\$ 353,485	\$ 599,546
Allowance for doubtful accounts	(1,950)	(4,678)
Trade receivables - net	<u>351,535</u>	<u>594,868</u>
Risk management assets (note 28)	8,415	18,702
Deposits held as collateral.....	43	898
Broker accounts receivable	1,561	4,554
Indirect taxes receivable.....	5,579	15,377
Other	3,180	6,884
	<u>\$ 370,313</u>	<u>\$ 641,283</u>

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Allowance for doubtful accounts

	Year ended	
	December 31,	
	2015	2014
Opening balance.....	\$ 4,678	\$ 4,092
Additional allowances.....	35	1,708
Receivables written off as uncollectible.....	(2,953)	(1,191)
Recoveries.....	(31)	(73)
Effect of changes in foreign exchange rates.....	221	142
Closing balance.....	\$ 1,950	\$ 4,678

7 Inventories

	December 31,	
	2015	2014
Crude oil.....	\$ 46,876	\$ 68,883
Diluent	1,244	2,889
Asphalt	10,928	15,922
Natural gas liquids	22,238	41,230
Wellsite fluids and distillate.....	8,856	11,727
Spare parts and other.....	17,451	14,286
	\$ 107,593	\$ 154,937

The cost of the inventory sold included in cost of sales was \$4,351.6 million and \$7,149.1 million for the year ended December 31, 2015 and 2014, respectively.

8 Net investment in finance leases

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

	December 31,	
	2015	2014
Total minimum lease payments receivable.....	\$ 329,806	\$ 353,392
Residual value.....	35,858	35,858
Unearned income	(271,230)	(293,955)
	94,434	95,295
Less: current portion	1,045	908
Net investment in finance lease : non-current portion.....	\$ 93,389	\$ 94,387

The minimum lease receivables are expected to be as follows:

2016	\$ 23,548
2017	23,548
2018	23,548
2019	23,548
2020	23,548
2021 and later.....	212,066

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9 Property, plant and equipment

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

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	Land & Buildings	Pipelines and Connections	Tanks	Rolling Stock	Plant, Equipment & Disposal wells	Work in Progress	Total
Cost:							
At January 1, 2014.....	\$ 113,292	\$ 128,360	\$ 266,947	\$ 400,671	\$ 524,655	\$ 86,464	\$ 1,520,389
Additions	25,535	3,971	9,155	38,438	50,454	263,717	391,270
Disposals.....	(22)	-	(798)	(11,670)	(2,050)	-	(14,540)
Acquisitions through business combinations (note 5).....	13,150	-	53,879	8,016	5,009	-	80,054
Transfer to net investment in finance leases.....	-	-	(2,026)	-	-	-	(2,026)
Reclassifications	6,510	517	85,557	2,967	54,629	(150,180)	-
Change in decommissioning provision (note 16)	-	4,586	16,225	-	23,828	-	44,639
Effect of movements in exchange rates	1,166	-	1,214	16,071	11,900	399	30,750
At December 31, 2014.....	\$ 159,631	\$ 137,434	\$ 430,153	\$ 454,493	\$ 668,425	\$ 200,400	\$ 2,050,536

Accumulated depreciation and impairment:

At January 1, 2014.....	\$ 20,706	\$ 43,579	\$ 58,377	\$ 132,214	\$ 145,657	\$ -	\$ 400,533
Depreciation.....	4,832	9,073	19,494	54,781	66,754	-	154,934
Disposals.....	(22)	-	(244)	(8,605)	(1,252)	-	(10,123)
Effect of movements in exchange rates	83	-	584	6,234	3,722	-	10,623
At December 31, 2014.....	\$ 25,599	\$ 52,652	\$ 78,211	\$ 184,624	\$ 214,881	\$ -	\$ 555,967

Carrying amounts:

At January 1, 2014.....	\$ 92,586	\$ 84,781	\$ 208,570	\$ 268,457	\$ 378,998	\$ 86,464	\$ 1,119,856
At December 31, 2014.....	134,032	84,782	351,942	269,869	453,544	200,400	1,494,569

Additions to property, plant and equipment includes capitalization of interest of \$12.2 million and \$7.2 million for the year ended December 31, 2015 and 2014, respectively.

Property, plant and equipment are reviewed for impairment whenever events or conditions indicate that their net carrying amount may not be recoverable. As a result of the continued general market downturn in 2015, the Company recorded an impairment loss of \$13.5 million that was recorded as additional depreciation. Of the impairment loss recorded, \$12.8 million related to assets within the Environmental Services segment and \$0.7 million related to assets within the Truck Transportation segment.

10 Long-term prepaid expenses and other assets

	December 31,	
	2015	2014
Risk management assets (note 28)	\$ -	\$ 34,855
Long-term prepaid expenses	1,189	1,381
Defined benefit pension plan assets	1,084	989
Other assets	2,291	2,553
	\$ 4,564	\$ 39,778

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11 Income tax

The major components of income tax are as follows:

	Year ended December 31,	
	2015	2014
Current tax provision		
Current tax on income for the year	\$ 39,904	\$ 48,274
Adjustments in respect of prior years	8,195	275
Total current tax provision	<u>48,099</u>	<u>48,549</u>
Deferred tax recovery	(48,892)	(12,886)
Origination and reversal of temporary differences	(5,895)	(75)
Total deferred tax recovery	<u>(54,787)</u>	<u>(12,961)</u>
Income tax provision (recovery)	<u>\$ (6,688)</u>	<u>\$ 35,588</u>

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

	Year ended December 31,	
	2015	2014
Income (loss) before income taxes	\$ (287,344)	\$ 127,529
Statutory income tax rate	<u>26.13%</u>	<u>25.3%</u>
Computed income tax provision	(75,083)	32,265
Increase (decrease) in income tax resulting from:		
Foreign exchange loss on long-term debt, net	14,622	4,646
Foreign exchange loss, other	15,227	4,704
Non-deductible expenses	1,015	484
Stock based compensation	5,325	3,533
Non-taxable dividends	(13,863)	(12,014)
Rate differential on foreign taxes	(8,237)	2,173
Goodwill impairment	45,978	-
Impact of corporate rate changes	6,825	-
Other, including revisions in previous tax estimates and rate reductions	1,503	(203)
	<u>\$ (6,688)</u>	<u>\$ 35,588</u>
Effective income tax rate	<u>2.3%</u>	<u>27.9%</u>
Current	48,099	48,549
Deferred	<u>(54,787)</u>	<u>(12,961)</u>
	<u>\$ (6,688)</u>	<u>\$ 35,588</u>

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

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

	December 31,	
	2015	2014
Deferred tax assets:		
Deferred tax asset to be settled after more than 12 months	\$ 896	\$ 1,532
Deferred tax asset to be settled within 12 months	700	2,000
	<u>1,596</u>	<u>3,532</u>
Deferred tax liabilities:		
Deferred tax liability to be settled after more than 12 months.....	124,284	172,851
Deferred tax liability to be settled within 12 months.....	21,400	18,500
	<u>145,684</u>	<u>191,351</u>
Deferred tax liabilities, net.....	<u>\$ 144,088</u>	<u>\$ 187,819</u>

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

	Year ended December 31,	
	2015	2014
Opening balance	\$ 187,819	\$ 185,918
Effect of changes in foreign exchange rates	9,600	4,609
Recognized through business combinations (note 5).....	1,391	10,429
Income statement recovery	(54,787)	(12,961)
Tax charge (credit) relating to components of other comprehensive income	65	(176)
Closing balance.....	<u>\$ 144,088</u>	<u>\$ 187,819</u>

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

Deferred tax assets	Non-capital losses carried forward	Asset retirement obligations	Retirement benefits obligations	Other	Total
At January 1, 2014.....	\$ 21,493	\$ 12,511	\$ 1,480	\$ 21,042	\$ 56,526
Credited (charged) to the statement of operations.....	(5,062)	1,006	(213)	(9,350)	(13,619)
Credited to other comprehensive income	-	-	176	-	176
Effect of changes in foreign exchange rates	1,686	380	-	1,531	3,597
At December 31, 2014.....	<u>\$ 18,117</u>	<u>\$ 13,897</u>	<u>\$ 1,443</u>	<u>\$ 13,223</u>	<u>\$ 46,680</u>
Credited (charged) to the statement of operations.....	10,449	3,093	34	5,785	19,361
Charged to other comprehensive income.....	-	-	(65)	-	(65)
Effect of changes in foreign exchange rates	1,577	420	-	(4,689)	(2,692)
At December 31, 2015.....	<u>\$ 30,143</u>	<u>\$ 17,410</u>	<u>\$ 1,412</u>	<u>\$ 14,319</u>	<u>\$ 63,284</u>

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Deferred tax liabilities	Timing of Partnership Income	Property, Plant and Equipment	Accounting and tax basis differences	Other	Total
At January 1, 2014.....	\$ 47,468	\$ 156,049	\$ 38,927	\$ -	\$ 242,444
Credited (charged) to the statement of operations.....	(14,606)	(1,412)	(11,285)	723	(26,580)
Business combinations.....	-	10,429	-	-	10,429
Effect of changes in foreign exchange rates	-	5,934	1,272	1,000	8,206
At December 31, 2014.....	<u>\$ 32,862</u>	<u>\$ 171,000</u>	<u>\$ 28,914</u>	<u>\$ 1,723</u>	<u>\$ 234,499</u>
Credited (charged) to the statement of operations.....	(20,729)	274	(13,958)	(1,013)	(35,426)
Business combinations.....	-	1,391	-	-	1,391
Effect of changes in foreign exchange rates	-	6,064	844	-	6,908
At December 31, 2015.....	<u>\$ 12,133</u>	<u>\$ 178,729</u>	<u>\$ 15,800</u>	<u>\$ 710</u>	<u>\$ 207,372</u>

Income tax losses carry forward

At December 31, 2015 and 2014, the Company had losses available to offset income for tax purposes of \$79.8 million and \$48.8 million, respectively. At December 31, 2015, the Company has \$1.6 million and \$78.2 million of the losses available in Canada and the United States, respectively that expire as follows:

December 31, 2031	\$ 39,895
December 31, 2032	14,719
December 31, 2033	-
December 31, 2034	1,332
December 31, 2035	23,874
	<u>\$ 79,820</u>

No income tax liability has been recognized in respect of temporary differences associated with investments in subsidiaries. As no income taxes are expected to be paid in respect of these differences related to Canadian subsidiaries, the amounts have not been determined. There are no taxable temporary differences associated with investments in non-Canadian subsidiaries.

Gibson Energy Inc.

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

12 Intangible assets

	Brands	Customer relationships	Long-term customer contracts	Non-competes agreements	Technology	Software	License and Permits	Total
Cost:								
At January 1, 2015	\$ 51,330	\$ 258,716	\$ 37,380	\$ 26,554	\$ 2,667	\$ 47,539	\$ 3,716	\$ 427,902
Additions.....	-	-	-	-	-	16,087	-	16,087
Acquisitions through business combinations (note 5)	-	1,419	-	3,468	-	-	-	4,887
Effect of movements in exchange rates	1,910	28,745	6,326	1,579	206	791	718	40,275
At December 31, 2015 ..	\$ 53,240	\$ 288,880	\$ 43,706	\$ 31,601	\$ 2,873	\$ 64,417	\$ 4,434	\$ 489,151

Accumulated amortization and impairment:

At January 1, 2015	\$ 39,451	\$ 136,796	\$ 19,702	\$ 20,923	\$ 2,371	\$ 14,452	\$ 2,670	\$ 236,365
Amortization	6,722	65,053	3,630	2,917	326	7,755	1,151	87,554
Effect of movements in exchange rates	1,903	12,220	3,178	1,385	176	327	610	19,799
At December 31, 2015 ..	\$ 48,076	\$ 214,069	\$ 26,510	\$ 25,225	\$ 2,873	\$ 22,534	\$ 4,431	\$ 343,718

Carrying amounts:

At January 1, 2015	\$ 11,879	\$ 121,920	\$ 17,678	\$ 5,631	\$ 296	\$ 33,087	\$ 1,046	\$ 191,537
At December 31, 2015 ..	5,164	74,811	17,196	6,376	-	41,883	3	145,433

	Brands	Customer relationships	Long-term customer contracts	Non-competes agreements	Technology	Software	License and Permits	Total
Cost:								
At January 1, 2014	\$ 50,465	\$ 235,096	\$ 34,653	\$ 23,368	\$ 2,579	\$ 27,911	\$ 3,448	\$ 377,520
Additions.....	-	754	-	-	-	19,498	-	20,252
Acquisitions through business combinations (note 5)	-	10,602	-	2,592	-	-	-	13,194
Effect of movements in exchange rates	865	12,264	2,727	594	88	130	268	16,936
At December 31, 2014 ..	\$ 51,330	\$ 258,716	\$ 37,380	\$ 26,554	\$ 2,667	\$ 47,539	\$ 3,716	\$ 427,902

Accumulated amortization:

At January 1, 2014	\$ 28,142	\$ 101,478	\$ 14,801	\$ 17,468	\$ 1,980	\$ 9,944	\$ 1,312	\$ 175,125
Amortization	10,617	31,637	3,772	2,894	340	4,547	1,184	54,991
Effect of movements in exchange rates	692	3,681	1,129	561	51	(39)	174	6,249
At December 31, 2014 ..	\$ 39,451	\$ 136,796	\$ 19,702	\$ 20,923	\$ 2,371	\$ 14,452	\$ 2,670	\$ 236,365

Carrying amounts:

At January 1, 2014	\$ 22,323	\$ 133,618	\$ 19,852	\$ 5,900	\$ 599	\$ 17,967	\$ 2,136	\$ 202,395
At December 31, 2014 ..	11,879	121,920	17,678	5,631	296	33,087	1,046	191,537

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During the year ended December 31, 2015 the Company revised the useful lives for certain intangible assets within the Environmental Services segment. The net change on the current financial year was an increase to amortization expense of \$30.5 million. Assuming the assets are held until the end of their estimated useful lives, amortization in future years in relation to these assets will be decreased by \$13.7 million in 2016.

13 Goodwill

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

	Year ended December 31,	
	2015	2014
Balance as at January 1	\$ 783,721	\$ 726,148
Additions through business combinations (note 5)	7,759	33,989
Impairment	(175,959)	-
Effect of changes in foreign exchange rates	55,386	23,584
Balance as at December 31	<u>\$ 670,907</u>	<u>\$ 783,721</u>

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

	December 31,	
	2015	2014
Terminals and Pipelines	\$ 200,464	\$ 200,120
Environmental Services	111,860	234,731
Truck Transportation	57,908	54,474
Propane and NGL Marketing and Distribution	139,456	133,177
Processing and Wellsite Fluids	117,664	117,664
Marketing	43,555	43,555
	<u>\$ 670,907</u>	<u>\$ 783,721</u>

The goodwill recorded on the balance sheet represents the excess of the cost of acquisitions over the fair value of identifiable assets, liabilities and contingent liabilities acquired. Of the balance as at December 31, 2015 and 2014, \$432.7 million, net of impairment, relates to goodwill recognized on the acquisition of the Company on December 12, 2008. Of the remaining balance, \$145.8 million represents additional goodwill recorded on acquisitions completed and \$92.4 million relates to the effect of changes in foreign exchange rates recorded by the Company since December 12, 2008.

The recoverable amount of goodwill is determined based on a fair value less costs of disposal calculation. This calculation involves comparing the fair value of each operating segment to its carrying value, including goodwill. To calculate a fair value, management uses an earning's multiple approach. In calculating earnings, the Company uses Board approved budgets to determine earnings before interest, taxes, depreciation and amortization ("EBITDA") by operating segment. To determine fair value, an implied forward multiple was applied to each operating segment's budgeted EBITDA less corporate expenses. The implied multiple was calculated by utilizing multiples of comparable public companies by operating segment. In calculating fair value for each operating segment, the Company used an implied average forward multiples that ranged from 8.1 to 11.1. The fair value of each of operating segment was categorized as Level 2 fair value based on the observables inputs.

On November 30, 2015, the Company carried out its annual impairment test with respect to goodwill. For all operating segments, except for Environmental Services, the fair value less costs of disposal was greater than the operating segments carrying value, including goodwill. The Company determined that the goodwill in the Environmental Services segment was impaired by \$176.0 million. The impairment within this segment was due to the continued impact of lower crude oil prices resulting in a lower customer demand in the Environmental Services segment. Key assumptions used in the determination of the recoverable amount include utilizing Board approved budgeted EBITDA for the operating segment and the application of an implied forward multiple of 8.3. These assumptions represent management's assessment of future trends in the environmental services industry and were based on historical data from both external and internal sources.

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14 Loans and Borrowings

Revolving Credit Facility

The Company has established an unsecured revolving credit facility of up to \$500.0 million (the “Revolving Credit Facility”), with a maturity date of August 15, 2020, the proceeds of which are available to provide financing for working capital and other general corporate purposes. In addition, during the year ended December 31, 2015, the Company established three bilateral demand letter of credit facilities totaling \$150.0 million.

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

The Revolving Credit Facility contains certain covenants including financial covenants requiring the Company to maintain ratios of maximum senior debt leverage ratio of 4.0 to 1.0 until June 30, 2017 and 3.5 to 1.0 thereafter, maximum total debt leverage ratio of 4.0 to 1.0 and minimum interest coverage ratio of 2.5 to 1.0. As at December 31, 2015, the Company was in compliance with all covenants under the Revolving Credit Facility.

The Company has \$35.0 million drawn against the Revolving Credit Facility as at December 31, 2015. The Company had issued letters of credit totalling \$32.6 million and \$57.5 million as at December 31, 2015 and December 31, 2014, respectively.

Long-term debt

	December 31,	
	2015	2014
U.S.\$550.0 million 6.75% Notes due July 15, 2021	\$ 761,200	\$ 638,055
\$250.0 million 7.00% Notes due July 15, 2020	250,000	250,000
\$300.0 million 5.375% Notes due July 15, 2022	300,000	300,000
Unamortized issue discount and debt issue costs	(19,777)	(22,687)
Long-term debt: non-current portion	<u>\$ 1,291,423</u>	<u>\$ 1,165,368</u>

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

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

The Company’s long-term debt contains non-financial covenants and customary events of default clauses. As of December 31, 2015 and December 31, 2014, the Company was in compliance with all of its covenants. As at December 31, 2015 and December 31, 2014, the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was \$1,235.6 million and \$1,193.6 million, respectively.

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Foreign exchange loss on long-term debt

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

	Year ended	
	December 31,	
	2015	2014
Foreign exchange loss on movement in exchanges rates on U.S. dollar long-term debt	\$ 123,145	\$ 52,000
Gain on financial instruments relating to long-term debt (note 28)	(9,995)	(16,569)
Foreign exchange loss on long-term debt	<u>\$ 113,150</u>	<u>\$ 35,431</u>

15 Trade payables and accrued charges

Trade payables and accrued charges include the following items:

	December 31,	
	2015	2014
Trade payables	\$ 322,347	\$ 445,670
Accrued compensation charges.....	18,409	43,988
Indirect taxes payable	3,164	3,157
Risk management liabilities (note 28)	5,479	18,135
Broker accounts payable	-	183
Defined benefit plan obligations	465	493
Interest payable	39,251	36,892
Due to Hunting plc (note 19)	8,585	8,999
Other	21,032	23,946
	<u>\$ 418,732</u>	<u>\$ 581,463</u>

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16 Provisions

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

	Year ended December 31,	
	2015	2014
Opening balance	\$ 136,347	\$ 91,424
Settlements.....	(4,247)	(4,462)
Assumed in a business combination (note 5).....	-	824
Additions	6,774	4,152
Change in estimated future cash flows	2,240	14,584
Change in discount rate	8,611	25,903
Unwinding of discount	3,251	2,898
Effect of changes in foreign exchange rates	2,367	1,024
Closing balance.....	<u>\$ 155,343</u>	<u>\$ 136,347</u>

The Company currently estimates the total undiscounted future value amount, including an inflation factor of 2.0%, of estimated cash flows to settle the future liability for asset retirement and remediation obligations to be approximately \$277.9 million and \$265.7 million at December 31, 2015 and 2014, respectively. In order to determine the current provision related to these future values, the estimated future values were discounted using an average risk-free rate of 2.1% and 2.3% at December 31, 2015 and 2014, respectively. The provision is expected to be settled up to 40 years into the future. A one percent increase in the risk-free rate would decrease the provision by \$34.6 million, with a corresponding adjustment to property, plant and equipment. A one percent decrease in the risk-free rate would increase the provision by \$34.6 million, with a corresponding adjustment to property, plant and equipment.

17 Other long-term liabilities

	December 31,	
	2015	2014
Defined benefit plan obligations	\$ 1,530	\$ 2,142
Risk management liabilities (note 28).....	3,824	8,269
Other post-retirement benefits obligations	4,072	3,797
Other	4,549	602
	<u>\$ 13,975</u>	<u>\$ 14,810</u>

18 Share capital

Authorized

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

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

The preferred shares are issuable in series and have such rights, restrictions, conditions and limitations as the Board may from time to time determine. The preferred shares shall rank senior to the common shares with respect to the payment of dividends or distribution of assets or return of capital of the Company in the event of a dissolution, liquidation or winding up of the Company. There were no issued and outstanding preferred shares as at December 31, 2015 or 2014.

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Common Shares - Issued and outstanding

The following table below sets forth the issued and outstanding common shares for the years ended December 31, 2015 and 2014.

	Common Shares	
	Number of Common Shares	Amount
Balance as at January 1, 2014	122,200,192	\$ 1,585,145
Issuance of common shares in connection with the exercise of stock options	580,145	5,942
Issuance of common shares in connection with other equity awards	436,783	-
Issuance of common shares in connection with the dividend reinvestment and stock dividend programs	1,271,425	36,648
Transfer from contributed surplus on issue of equity awards	-	6,266
Balance as at December 31, 2014	124,488,545	\$ 1,634,001
Issuance of common shares in connection with the exercise of stock options	12,162	105
Issuance of common shares in connection with other equity awards	412,054	-
Issuance of common shares in connection with the dividend reinvestment and stock dividend programs	1,222,805	28,956
Transfer from contributed surplus on issue of equity awards	-	9,261
Balance as at December 31, 2015	126,135,566	\$ 1,672,323

A dividend of \$0.32 per share, declared on November 3, 2015, was paid on January 15, 2016.

19 Commitments and contingencies

Commitments

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

2016	\$ 78,790
2017	68,165
2018	59,720
2019	46,435
2020	21,481
2021 and later	12,851
	<u>\$ 287,442</u>

Expenses related to operating leases, net of sublease income, were \$65.8 million and \$39.6 million for the year ended December 31, 2015 and 2014, respectively.

With respect to capital expenditures, at December 31, 2015, the Company had an estimated amount of \$264.7 million remaining to be spent that relates to projects approved at that date.

Contingencies

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

At December 31, 2015 and 2014 the Company recorded \$8.6 million in both income tax receivable and trade payables and accrued charges whereby the Company paid tax assessments relative to certain of these audits that were funded by Hunting plc who owned the Company prior to December 12, 2008. The Company has assumed that the remaining assessment amounts paid in connection with these audits will be refunded to the Company and although the timing is uncertain, will be settled within a year.

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

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

20 Revenue

	Year ended December 31,	
	2015	2014
Products	\$ 4,734,340	\$ 7,507,013
Services.....	857,642	1,066,516
	<u>\$ 5,591,982</u>	<u>\$ 8,573,529</u>

21 Depreciation, amortization, and impairment

	Year ended December 31,	
	2015	2014
Depreciation of property, plant and equipment.....	\$ 195,438	\$ 154,934
Amortization of intangible assets.....	\$ 87,554	\$ 54,991
	<u>\$ 282,992</u>	<u>\$ 209,925</u>

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

	Year ended December 31,	
	2015	2014
Cost of sales.....	\$ 276,008	\$ 205,043
General and administrative	6,984	4,882
	<u>\$ 282,992</u>	<u>\$ 209,925</u>

22 Employee salaries and benefits

	Year ended December 31,	
	2015	2014
Salaries and wages	\$ 295,149	\$ 292,188
Post-employment benefits.....	8,254	6,394
Share based compensation	20,379	13,977
Termination benefits	2,904	1,365
	<u>\$ 326,686</u>	<u>\$ 313,924</u>

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Employee salaries and benefits have been expensed as follows:

	Year ended December 31,	
	2015	2014
Cost of sales.....	\$ 287,835	\$ 280,730
General and administrative.....	38,851	33,194
	<u>\$ 326,686</u>	<u>\$ 313,924</u>

23 Other operating income

	Year ended December 31,	
	2015	2014
Gain on sale of property, plant and equipment.....	\$ 2,515	\$ 2,717
Other income.....	4,770	-
Foreign exchange gain.....	14,741	9,128
	<u>\$ 22,026</u>	<u>\$ 11,845</u>

24 Per share amounts

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

	Year ended December 31,	
	2015	2014
Weighted average common shares outstanding - Basic.....	125,652,815	123,591,547
Dilutive effect of:		
Stock options and other awards.....	-	2,004,643
Weighted average common shares – Diluted.....	<u>125,652,815</u>	<u>125,596,190</u>

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

25 Related party transactions

Joint operations

On August 11, 2011, the Company formed a partnership to jointly construct and own pipeline and emulsion treating, water disposal and oilfield waste management facilities in the Plato area of Saskatchewan. The partnership commenced operations in 2012. The Company's interest in the partnership is 50%. A member of the Company's Board is also a director of the other party with the 50% interest in the partnership. At December 31, 2015 and 2014, the Company's proportionate share of property, plant and equipment was \$9.4 million and \$10.2 million, respectively. The impact of the Company's share of the other financial position and results of the partnership is not material to the Company's consolidated financial statements.

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Compensation of key management

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

	Year ended December 31,	
	2015	2014
Salaries and short-term employee benefits	\$ 4,571	\$ 7,597
Post-employment benefits	1,123	1,068
Share based compensation	6,262	4,639
	<u>\$ 11,956</u>	<u>\$ 13,304</u>

26 Post-retirement benefits

Defined benefit plans

The Company maintains a funded defined benefit pension plan that is funded based upon the advice of independent actuaries. The Company is required to file an actuarial valuation of the defined benefit pension plans with the provincial regulator every three years, with the most recent actuarial valuation filing as at December 31, 2013. Based on the actuarial valuations as at December 31, 2015 and 2014, the status of the defined benefit plans was as follows:

Accrued benefit obligation

	Year ended December 31,	
	2015	2014
Accrued benefit obligation, beginning of year	\$ 16,342	\$ 15,187
Current service cost	216	212
Interest cost	608	674
Benefits paid	(571)	(518)
Actuarial loss (gain)	(167)	773
Other	12	14
Accrued benefit obligation, end of year	<u>\$ 16,440</u>	<u>\$ 16,342</u>

Plan assets

	Year ended December 31,	
	2015	2014
Fair value of pension plan assets, beginning of year	\$ 14,696	\$ 12,939
Interest on plan assets	513	536
Actual contributions	809	1,211
Actual benefits paid	(571)	(518)
Actuarial gain	82	528
Fair value of pension plan assets, end of year	<u>\$ 15,529</u>	<u>\$ 14,696</u>

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Accrued benefit liability

	Year ended December 31,	
	2015	2014
Accrued benefit obligation	\$ (16,440)	\$ (16,342)
Fair value of plan assets	15,529	14,696
Accrued benefit liability	<u>\$ (911)</u>	<u>\$ (1,646)</u>

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

	Year ended December 31,	
	2015	2014
Discount rate	4.0%	4.0%
Rate of compensation increase	3.0%	4.0%

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

	One % point increase	One % point decrease
Increase/(decrease) in defined benefit plans obligations	\$ 2,381	\$ 2,381

Defined contribution pension plan

The Company operates defined contribution plans whereby, in some cases, contributions made by participants are matched by the Company up to specified annual limits and in other cases, contributions are fully funded by the Company. The total expense recorded for the defined contribution pension plans was \$7.1 million and \$6.2 million for the year ended December 31, 2015 and 2014, respectively.

27 Share based compensation

The Company has established an equity incentive plan which permits the award of stock options, RSUs, PSUs' and DSUs for executives, directors, employees and consultants of the Company. Stock options provide the holder with the right to exercise an option to purchase a common share upon vesting at a price determined on the date of grant. RSUs give the holder the right to receive, upon vesting, either a common share or a cash payment, subject to consent of the Board, or its equivalent in fully paid common shares equal to the fair market value of the Company's common shares at the date of such payment. The RSUs granted in 2015 and 2014 were expected to be settled by delivery of common shares and accordingly, were considered an equity-settled award for accounting purposes. Stock options and RSUs granted generally vest equally each year over a three year period. RSUs granted with specific performance criteria are designated as PSUs. PSU's vest at the end of the three year period and granting depends on the achievement of certain performance criteria. DSUs are similar to RSUs except that DSUs may not be redeemed until the holder ceases to hold all offices, employment and directorships.

At December 31, 2015, awards available to grant under the equity incentive plan totalled approximately 7.5 million.

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A summary of stock options activity is as follows:

	Number of Shares	Weighted- Average Exercise Price (in dollars)
Balance at January 1, 2014.....	1,928,985	16.22
Granted	1,159,259	28.72
Exercised.....	(580,145)	10.24
Forfeited.....	(22,884)	25.94
Balance at December 31, 2014.....	2,485,215	\$ 23.33
Granted	852,192	25.00
Exercised.....	(12,162)	8.64
Forfeited.....	(8,077)	26.44
Balance at December 31, 2015.....	3,317,168	\$ 23.81
Vested and exercisable at December 31, 2015.....	1,557,276	\$ 20.53
Vested and exercisable at December 31, 2014.....	847,530	\$ 15.03

Additional information regarding stock options outstanding as of December 31, 2015 is as follows:

Outstanding			Exercisable		
Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Exercise Price (in dollars)	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Exercise Price (in dollars)
524,970	3.0	\$ 8.64	524,970	3.0	\$ 8.64
38,608	6.2	17.06	26,247	6.0	17.06
33,681	3.4	20.67	30,053	3.4	20.67
57,981	4.4	22.37	57,981	4.4	22.37
21,930	4.5	24.44	16,082	4.5	24.44
1,456,424	5.3	25.61	468,017	4.3	25.61
1,100,727	5.2	28.24	385,543	5.3	28.24
82,847	5.6	34.44	48,383	5.6	34.44
3,317,168	4.9		1,557,276	4.1	

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

	Number of Shares		
	RSUs	PSUs	DSUs
Balance at January 1, 2014	727,611	223,160	95,021
Granted	270,308	438,590	52,955
Issued for common shares	(429,526)	(7,257)	-
Forfeited	(22,012)	(24,542)	(1,190)
Issued for cash	(1,628)	(992)	-
Balance at December 31, 2014	544,753	628,959	146,786
Granted	345,508	555,383	108,665
Issued for common shares	(241,299)	(106,254)	(64,501)
Forfeited	(38,547)	(50,042)	-
Issued for cash	(264)	(204)	-
Balance at December 31, 2015	610,151	1,027,842	190,950
Vested, Balance at December 31, 2015	106,240	-	167,406
Vested, Balance at December 31, 2014	110,652	-	146,786

Stock based compensation expense was \$20.4 million and \$14.0 million for the years ended December 31, 2015 and 2014, respectively, and is included in general and administrative expenses.

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

The fair value of the options granted was estimated at \$2.42 and \$2.46 per option for the year ended December 31, 2015 and 2014, respectively. The fair value of options was calculated by using the Black-Scholes model with the following weighted average assumptions:

	Year ended December 31,	
	2015	2014
Expected dividend rate.....	5.2%	4.3%
Expected volatility	24.2%	19.5%
Risk-free interest rate	0.5%	1.2%
Expected life of option (years).....	3.0	3.0

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

28 Financial instruments

Non-Derivative financial instruments

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

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

Long-term debt is recorded at amortized cost using the effective interest method of amortization. As at December 31, 2015, the carrying amount of long-term debt was \$1,311.1 million less debt discount and issue costs of \$19.8 million and the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was \$1,235.6 million. As at December 31, 2014, the carrying amount of long-term debt was \$1,188.1 million less debt discount and issue costs of \$22.7 million and the fair value of long-term debt based on period end trading prices on the secondary market (Level 2) was \$1,193.6 million.

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

	December 31, 2015		December 31, 2014	
	Trade and other receivables	Trade payable and accrued charges	Trade and other receivables	Trade payable and accrued charges
Gross amounts	\$ 268,602	\$ 228,022	\$ 430,794	\$ 417,337
Amount offset	(169,351)	(169,351)	(316,703)	(316,703)
Net amount included in the consolidated financial statements.....	<u>\$ 99,251</u>	<u>\$ 58,671</u>	<u>\$ 114,091</u>	<u>\$ 100,634</u>

Gibson Energy Inc.

Notes to Consolidated Financial Statements

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

Derivative financial instruments (recurring fair value measurements)

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

	December 31, 2015		December 31, 2014	
	Assets	Liabilities	Assets	Liabilities
Commodity futures	\$ 1,105	\$ 337	\$ 4,850	\$ 490
Commodity swaps	6,545	3,165	13,847	16,928
Commodity options	765	13	-	-
Equity swaps.....	-	5,390	-	-
Foreign currency forwards.....	-	398	34,860	717
Foreign currency options	-	-	-	8,269
Total.....	<u>\$ 8,415</u>	<u>\$ 9,303</u>	<u>\$ 53,557</u>	<u>\$ 26,404</u>
Less non-current portion:				
Equity swaps.....	-	3,824	-	-
Foreign currency forward contracts	-	-	34,855	-
Foreign currency options	-	-	-	8,269
	<u>-</u>	<u>3,824</u>	<u>34,855</u>	<u>8,269</u>
Current portion	<u>\$ 8,415</u>	<u>\$ 5,479</u>	<u>\$ 18,702</u>	<u>\$ 18,135</u>

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

(i) Commodity financial instruments

Futures, options and swaps

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

(ii) Currency financial instruments

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

At December 31, 2014, the Company had U.S. dollar forward contracts to buy U.S. dollars on a notional amount of U.S.\$250.0 million at a weighted average rate of \$1.0242 for U.S.\$1.00 expiring on September 15, 2017 and the Company had also sold U.S. dollar options at a strike price of \$1.295 for U.S.\$1.00 on a notional amount of U.S.\$250.0 million. During the year ended December 31, 2015, the Company received cash of \$53.3 million on the settlement of U.S. dollar forward contracts for a notional amount of U.S.\$250.0 million. Additionally, the Company paid cash of \$16.7 million to settle U.S. dollar options for a notional amount of U.S. \$250.0 million. At December 31, 2015, the Company had no forward and options contracts to buy and sell U.S. dollars in exchange for Canadian dollars to fix the exchange rate on its long-term borrowings denominated in U.S. dollars.

Gibson Energy Inc.

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(iii) Equity price financial instruments

During the year ended December 31, 2015, the Company entered into equity swap contracts to help manage equity price and dilution exposure to shares that it issues under its stock based compensation programs. At December 31, 2015, the Company had entered into equity swaps on a total of 550,000 notional common shares, at an initial price of \$23.65 per share for settlement over a three year period.

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

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

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

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

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

Gibson Energy Inc.

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

The fair value of financial instrument contracts by fair value hierarchy at December 31, 2014 was:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets from financial instrument contracts				
Commodity futures	\$ 4,850	\$ 4,850	\$ -	\$ -
Commodity swaps	13,847	-	13,847	-
Foreign currency forwards.....	34,860	-	34,860	-
Foreign currency options	-	-	-	-
Total assets	\$ 53,557	\$ 4,850	\$ 48,707	\$ -
Liabilities from financial instrument contracts				
Commodity futures	\$ 490	\$ 490	\$ -	\$ -
Commodity swaps	16,928	-	16,928	-
Foreign currency forwards.....	717	-	717	-
Foreign currency options	8,269	-	8,269	-
Total liabilities.....	\$ 26,404	\$ 490	\$ 25,914	\$ -

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

	<u>Year ended</u> <u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Cost of sales	\$ (3,899)	\$ (1,883)
General and administrative	5,390	-
Foreign exchange gain on long-term debt (note 14)	(9,995)	(16,569)
	<u>\$ (8,504)</u>	<u>\$ (18,452)</u>

Financial Risk Management

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

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

a) Foreign currency exchange risk

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

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

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Notes to Consolidated Financial Statements

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

Foreign currency exchange rate sensitivity

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

	December 31,	
	2015	2014
U.S. Dollar Forwards and Options		
Favorable 5% change.....	\$ 1,180	\$ 3,223
Unfavorable 5% change.....	(1,180)	(3,223)
U.S. Dollar long-term debt Forwards and the related Options		
Favorable 5% change.....	\$ -	\$ 10,694
Unfavorable 5% change.....	-	(10,694)

The movement is a result of a change in the fair value of U.S. dollar forward contracts and options. The sensitivity relating to the Company's long-term debt includes the change in the carrying value of the Company's U.S. dollar denominated long-term debt, the U.S. dollar forward contracts on the principal and the related U.S. dollar call options.

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

b) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will be affected by changes in market interest rates. At December 31, 2015, the Company has exposure to changes to market interest rates that relate to the \$35.0 million drawn on the Company's credit facility as at December 31, 2015. A 1% increase or decrease in interest rates in relation to the amounts drawn at December 31, 2015 would impact net income by \$0.3 million, when annualized, and assuming a consistent balance over the duration of the year.

c) Commodity price risk

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

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

	December 31,	
	2015	2014
Crude oil and NGL related prices		
Favorable 15% change.....	\$ 6,747	\$ 5,634
Unfavorable 15% change.....	(6,092)	(5,634)

d) Credit risk

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

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At December 31, 2015 and 2014, approximately 3% and 6%, respectively, of net trade receivables are past due but not considered to be impaired. The Company considers trade receivables as past due when they are 30 days past the due date. The maximum exposure to credit risk related to trade receivables is their carrying value as disclosed in these financial statements.

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

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

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

e) Equity price risk

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

	December 31,	
	2015	2014
Equity Swaps		
Favorable 10% change.....	\$ 558	\$ -
Unfavorable 10% change.....	(558)	-

f) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This risk relates to the Company's ability to generate or obtain sufficient cash or cash equivalents to satisfy these financial obligations as they become due. The Company's process for managing liquidity risk includes preparing and monitoring capital and operating budgets, coordinating and authorizing project expenditures and authorization of contractual agreements. The Company may seek additional financing based on the results of these processes. The budgets are updated with forecasts when required and as conditions change. Cash on hand and the Revolving Credit Facility are available to satisfy the Company's requirements over the next 12 months, and are expected to be available to satisfy the Company's long term requirements. The Company has a Revolving Credit Facility of \$500.0 million and three bilateral demand letter of credit facilities totaling \$150.0 million. At December 31, 2015, \$35.0 million was drawn against the Revolving Credit Facility and the Company had outstanding issued letters of credit of \$32.6 million.

The terms of the Notes and Revolving Credit Facility require the Company to comply with certain covenants. If the Company fails to comply with these covenants the lenders may declare an event of default. At December 31, 2015 and December 31, 2014, the Company was in compliance with these covenants.

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Notes to Consolidated Financial Statements

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Set out below is maturity analyses of certain of the Company's financial contractual obligations as at December 31, 2015. The maturity dates are the contractual maturities of the obligations and the amounts are the contractual undiscounted cash flows.

	<u>On demand or within one year</u>	<u>Between one and five years</u>	<u>After five years</u>	<u>Total</u>
Trade payables and accrued charges, excluding derivative financial instruments and accrued interest	\$ 374,002	\$ -	\$ -	\$ 374,002
Dividend payable	40,363	-	-	40,363
Credit facilities	-	35,000	-	35,000
Long-term debt.....	-	250,000	1,061,200	1,311,200
Interest on long-term debt.....	85,006	340,024	237,785	662,815
Commodity futures	337	-	-	337
Commodity swaps.....	3,165	-	-	3,165
Commodity options.....	13	-	-	13
Equity swap.....	1,566	3,824	-	5,390
Foreign currency forwards	398	-	-	398
	<u>\$ 504,850</u>	<u>\$ 628,848</u>	<u>\$1,298,985</u>	<u>\$ 2,432,683</u>

Capital management

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

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

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

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

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Total financial liability borrowings.....	\$ 1,291,423	\$ 1,165,368
Less: cash and cash equivalents	(82,775)	(131,911)
Net debt.....	1,208,648	1,033,457
Total share capital	1,672,323	1,634,001
Total capital	<u>\$ 2,880,971</u>	<u>\$ 2,667,458</u>

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

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29 Segmental information

The Company has defined its operations into the following operating segments: (i) Terminals and Pipelines, (ii) Environmental Services, (iii) Truck Transportation, (iv) Propane and NGL Marketing and Distribution, (v) Processing and Wellsite Fluids and (vi) Marketing.

Terminals and Pipelines include fee-based storage and terminalling services and tariff-based pipeline services for crude oil, condensate and refined products. The Company owns and operates major storage 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; pipelines, which are connected to the Hardisty Terminal; and injection stations, which are located in the United States.

Environmental Services 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 exploration support services and accommodation facilities to the oil and gas industry.

Truck Transportation includes provision of hauling services for crude oil, condensate, propane, butane, asphalt, sulfur, petroleum coke, gypsum, emulsion, waste water and drilling fluids, as well as hydrovac services for customers in Western Canada and the United States.

Propane and NGL Marketing and Distribution includes an industrial propane distribution operation and a wholesale business that includes wholesale propane distribution and an NGL marketing business. The industrial operation sells propane to oil and gas, commercial and residential customers, while the wholesale operations sell to larger customers who are not usually the end users of the product.

Processing and Wellsite Fluids includes the processing of crude oil and marketing of a variety of products, including road asphalt, roofing flux, frac oils, light and heavy straight run distillates, combined vacuum gas oil, oil based mud product and tops.

Marketing includes, purchasing, selling, storing and blending of crude oil and condensate, providing aggregation services to producers and earning margins through aggregation and/or capturing quality, locational or time-based arbitrage opportunities.

These operating 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. No operating segments were aggregated to arrive at the reportable segments.

Inter-segmental transactions are eliminated upon consolidation. No margins are recognized on inter-segmental transactions.

Accounting policies used for segment reporting are consistent with the accounting policies used for the preparation of the Company's consolidated financial statements.

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

Year ended December 31, 2015	Terminals & Pipelines	Environmental Services	Truck Transportation	Propane & NGL Marketing & Distribution	Processing & Wellsite Fluids	Marketing	Total
Statement of operations							
Revenue - external	\$ 133,349	\$ 307,243	\$ 391,671	\$ 799,391	\$ 294,366	\$ 3,665,962	\$ 5,591,982
Revenue - inter-segmental	50,830	27,206	54,298	124,720	101,421	665,016	1,023,491
Revenue - external and inter-segmental	184,179	334,449	445,969	924,111	395,787	4,330,978	6,615,473
Segment profit	\$ 142,796	\$ 57,257	\$ 52,034	\$ 94,192	\$ 37,207	\$ 35,271	\$ 418,757

Corporate & other reconciling balances

Depreciation of property, plant and equipment.....	195,438
Amortization of intangible assets.....	87,554
Impairment of goodwill	175,959
General and administrative	39,569
Stock based compensation	20,379
Corporate foreign exchange gain	(4,970)
Interest expense.....	79,580
Interest income.....	(558)
Foreign exchange loss on long-term debt	113,150
Net loss before income tax.....	(287,344)
Income tax recovery.....	(6,688)
Net loss	<u>\$ (280,656)</u>

Year ended December 31, 2014	Terminals & Pipelines	Environmental Services	Truck Transportation	Propane & NGL Marketing & Distribution	Processing & Wellsite Fluids	Marketing	Total
Statement of operations							
Revenue - external	\$ 97,100	\$ 368,910	\$ 495,090	\$ 1,190,636	\$ 474,771	\$ 5,947,022	\$ 8,573,529
Revenue - inter-segmental	60,869	62,243	62,645	162,105	193,022	1,058,023	1,598,907
Revenue - external and inter-segmental	157,969	431,153	557,735	1,352,741	667,793	7,005,045	10,172,436
Segment profit	\$ 116,524	\$ 100,273	\$ 83,178	\$ 70,271	\$ 51,675	\$ 65,180	\$ 487,101

Corporate & other reconciling balances

Depreciation of property, plant and equipment.....	154,934
Amortization of intangible assets.....	54,991
General and administrative	37,385
Stock based compensation	13,977
Corporate foreign exchange gain	(3,912)
Interest expense.....	67,598
Interest income.....	(832)
Foreign exchange loss on long-term debt	35,431
Net income before taxes.....	127,529
Income tax provision	35,588
Net income	<u>\$ 91,941</u>

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

	December 31			
	2015		2014	
	Property, plant and equipment	Intangible Assets	Property, plant and equipment	Intangible Assets
Terminals and Pipelines	\$ 247,893	\$ 2,426	\$ 224,401	\$ 1,971
Environmental Services	76,904	3,868	76,761	1,281
Truck Transportation	45,396	5,210	42,469	3,670
Propane & NGL Marketing & Distribution	9,744	30	98,060	14,251
Processing & Wellsite Fluids	23,996	-	20,065	77
Corporate & other	3,247	9,440	9,568	12,196
	<u>\$ 407,180</u>	<u>\$ 20,974</u>	<u>\$ 471,324</u>	<u>\$ 33,446</u>

Geographic Data

Based on the location of the end user, approximately 19% and 18% of revenue was from customers in the United States for the year ended December 31, 2015 and 2014, respectively.

The Company's non-current assets, excluding investment in finance leases and deferred tax assets, are primarily concentrated in Canada with 22% and 27% in the United States at December 31, 2015 and 2014, respectively.

30 Subsequent Events

Subsequent to year end, the Company reached an agreement with its bank syndicate to amend its \$500M revolving credit facility maturing in August 2020. These amendments included an increase to the maximum consolidated senior and total debt leverage ratio covenants from 4.0:1.0 to 4.85:1.0 until December 31, 2017, with such threshold decreasing to 4.25:1.0 for the period beginning January 1, 2018 and ending on March 31, 2018, and decreasing thereafter to 4.0:1.0 for total debt and 3.5:1.0 for senior debt.

On March 1, 2016, the Company announced that the Board declared a quarterly dividend of \$0.33 per common share for the quarter ending March 31, 2016 on its outstanding common shares. The common share dividend is payable on April 15, 2016 to shareholders of record at the close of business on March 31, 2016.

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31 Principal subsidiaries

The Company had the following subsidiaries as at December 31, 2015:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares owned by the Company
A&A Tank Truck Co.	USA	Transportation and Waste Disposal	100%
B.E.G. Liquid Mud Services Corp.	USA	Oil & Gas Support Services	100%
Cal-Gas Inc.	Canada	Industrial propane	100%
Canwest Propane Partnership	Canada	Industrial propane	100%
Canwest Propane ULC	Canada	Industrial propane	100%
Charles Houston Inc.	USA	Oil & Gas Support Services	100%
Chief Hauling Contractors ULC	Canada	Transportation Services	100%
Frontier Ventures LLC	USA	Oil & Gas Support Services	100%
GEP ULC	Canada	Transportation and Storage	100%
Gibson (U.S) Acquisition Corp.	USA	Holding Company	100%
Gibson (U.S) Finco Corp.	USA	Holding Company	100%
Gibson (U.S) Holdco Corp.	USA	Holding Company	100%
Gibson Energy (US) Inc.	USA	Wholesale petroleum products	100%
Gibson Energy Inc.	Canada	Holding Company	100%
Gibson Energy Infrastructure, LLC	USA	Holding Company	100%
Gibson Energy Corp.	USA	Holding Company	100%
Gibson Energy Marketing, LLC	USA	Wholesale petroleum products	100%
Gibson Energy Partnership	Canada	Transportation and Storage	100%
Gibson Energy Sask Ltd.	Canada	Transportation and Storage	100%
Gibson Energy ULC	Canada	Holding Company	100%
Gibson Energy LLC	USA	Transportation	100%
Gibson Energy ULC Pension Plan	Canada	Pension Fund	100%
Gibson Finance Ltd.	Canada	Holding Company	100%
Gibson Gas Liquids Partnership (Alberta)	Canada	Wholesale propane	100%
Gibson Gas Liquids ULC	Canada	Wholesale propane	100%
Gibson GCC Inc.	Canada	Inactive	100%
Gibson Offshore Services, LLC	USA	Oil & Gas Support Services	100%
Gibson Omni Parent Inc.	USA	Holding Company	100%
Griswold Management, Inc.	USA	Inactive	100%
GWCC, LLC	USA	Oil & Gas Support Services	100%
Industrial Lift Truck & Equipment Co, Inc.	USA	Oil & Gas Support Services	100%
Keeton Services, Inc.	USA	Oil & Gas Support Services	100%
Link Petroleum Inc.	USA	Wholesale propane	100%
Link Petroleum Services Ltd.	Canada	Inactive	100%
Littlehawk Enterprises Ltd.	Canada	Oil & Gas Support Services	100%
Moose Jaw Refinery Partnership	Canada	Fluids and refining	100%
Moose Jaw Refinery ULC	Canada	Fluids and refining	100%
OMNI Energy Seismic Services, LLC	USA	Oil & Gas Seismic Services	100%
OMNI Energy Services Corp.	USA	Oil & Gas Support Services	100%
OMNI Energy Transportation Corp.	USA	Oil & Gas Support Services	100%
OMNI Labor Corp.	USA	Inactive	100%

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

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares owned by the Company
OMNI Properties Corp.	USA	Inactive	100%
Plato Services Partnership	Canada	Waste Disposal Services	50%
Preheat, Inc.	USA	Oil & Gas Support Services	100%
Rig Tools, Inc.	USA	Oil & Gas Support Services	100%
Ross Eriksmoen Inc.	USA	Oil & Gas Support Services	100%
Stittco Energy Ltd.	Canada	Industrial propane	100%
Stittco Utilities Man Ltd.	Canada	Industrial propane	100%
Stittco Utilities NWT Ltd.	Canada	Industrial propane	100%
Taylor Transfer Services, LLC	USA	Transportation	100%
TPG Leasing, LLC	USA	Rental and Leasing	100%
TPG Transport, LLC	USA	Transportation	100%
Trussco, Inc.	USA	Oil & Gas Support Services	100%
WISCO Inc.	USA	Oil & Gas Support Services	100%

Corporate Information

HEAD OFFICE

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Calgary, AB Canada
T2P 5E9
Phone: (403) 206-4000
Fax: (403) 206-4001
Website: www.gibsons.com

AUDITORS

PricewaterhouseCoopers LLP

BANKERS

Royal Bank of Canada
JPMorgan Chase Bank, N.A.

LEGAL COUNSEL

Bennett Jones LLP

TRUSTEE, REGISTRAR & TRANSFER AGENT

Computershare Trust
Company of Canada
Calgary, Alberta

STOCK EXCHANGE

Toronto Stock Exchange
Trading Symbol: GEI

INVESTOR RELATIONS & MEDIA

Tammi Price
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MANAGEMENT

A. Stewart Hanlon
President & Chief Executive Officer

Sean M. Brown
Chief Financial Officer

Brian J. Recatto
President U.S. Operations

Douglas P. Wilkins
Chief Commercial Officer

Richard M. Wise
Chief Operating Officer

Rodney J. Bantle
Senior Vice President, Truck Transportation

Stephen L. Bart
Senior Vice President, Terminals & Pipelines

Sean W. Duffee
Senior Vice President, Marketing & Commercial Development

Donald A. Fowlis
Senior Vice President, Finance

Warren Osatiuk
Senior Vice President, Refining

Samuel van Aken
Senior Vice President, Propane Marketing & Distribution

DIRECTORS

James M. Estey
Chair of the Board

James J. Cleary

A. Stewart Hanlon

Donald R. Ingram

Marshall L. McRae

Mary Ellen Peters

Clayton H. Woitas

FORWARD-LOOKING STATEMENTS

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

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

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

Actual results could differ materially from those anticipated in these forward-looking statements as a result of numerous risks and uncertainties including, but not limited to, the risks described in “Risk Factors” and “Forward-Looking Statements” included in the Company’s AIF dated March 1, 2016 as filed on SEDAR at www.sedar.com.



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